

SMART-CORE HOLDINGS LIMITED 芯智控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 2166



2025

ANNUAL REPORT

CONTENTS

2	Corporate Information
4	Five-Year Financial Summary
6	Chairman's Statement
11	Management Discussion and Analysis
24	Directors and Senior Management
27	Directors' Report
43	Environmental, Social and Governance Report
72	Corporate Governance Report
85	Independent Auditor's Report
89	Consolidated Statement of Profit or Loss
90	Consolidated Statement of Profit or Loss and Other Comprehensive Income
91	Consolidated Statement of Financial Position
93	Consolidated Statement of Changes in Equity
95	Consolidated Statement of Cash Flows
97	Notes to the Consolidated Financial Statements



CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. TIAN Weidong
(Chairman of the Board and Chief Executive Officer)
Mr. LIU Hongbing *(Chief Technology Officer)*
Mr. MAK Hon Kai Stanly *(Chief Operating Officer)*
Mr. ZHENG Gang *(Chief Financial Officer)*

Non-executive Director

Mr. WONG Tsz Leung

Independent Non-executive Directors

Dr. TANG Ming Je
Ms. XU Wei
Dr. XUE Chun
(resigned with effect from 1 June 2025)
Dr. LIN Chen
(appointed with effect from 1 June 2025)

BOARD COMMITTEES

Audit Committee

Ms. XU Wei *(Chairman)*
Dr. TANG Ming Je
Dr. XUE Chun
(resigned with effect from 1 June 2025)
Dr. LIN Chen
(appointed with effect from 1 June 2025)

Remuneration Committee

Ms. XU Wei *(Chairman)*
Dr. TANG Ming Je
Mr. TIAN Weidong

Nomination Committee

Mr. TIAN Weidong *(Chairman)*
Dr. TANG Ming Je
Ms. XU Wei

COMPANY SECRETARY

Mr. CHAK Wing Man *(HKICPA)*

AUTHORISED REPRESENTATIVES

Mr. ZHENG Gang
Mr. CHAK Wing Man

REGISTERED OFFICE

Maples Corporate Services Limited
PO Box 309
Ugland House
Grand Cayman, KY1-1104
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

15/F, Tower B, Regent Centre
70 Ta Chuen Ping Street
Kwai Chung
New Territories, Hong Kong

AUDITOR

RSM Hong Kong
Certified Public Accountants
Registered Public Interest Entity Auditors

LEGAL ADVISOR

As to Cayman Islands law

Maples and Calder
26th Floor, Central Plaza
18 Harbour Road
Wanchai
Hong Kong

As to Hong Kong law

KS Ng Law Office
Unit 2502, 25/F
China Insurance Group Building
141 Des Voeux Road Central
Central, Hong Kong

As to PRC law

Commerce & Finance Law Offices
10/F, HyQ, Chow Tai Fook Finance Tower
No. 66 Shu Niu Avenue
Qian Hai, Shenzhen, PRC

CORPORATE INFORMATION

SHARE REGISTRARS

Hong Kong

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

Cayman Islands

Maples Fund Services (Cayman) Limited
Boundary Hall, Cricket Square
PO Box 1093
Grand Cayman, KY1-1102
Cayman Islands

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
1 Queen's Road Central
Hong Kong

DBS Bank (Hong Kong) Limited
16/F, The Center
99 Queen's Road Central
Hong Kong

Hang Seng Bank Limited
20/F, 83 Des Voeux Road Central
Hong Kong

STOCK CODE

2166

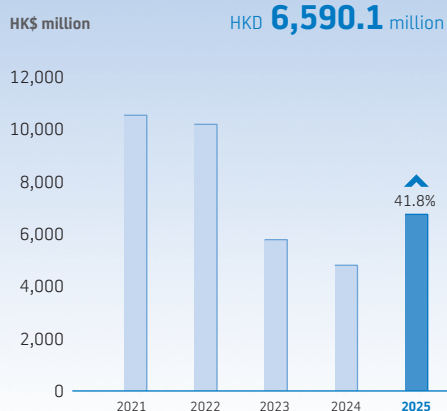
COMPANY WEBSITE

www.smart-core.com.hk

FIVE-YEAR FINANCIAL SUMMARY

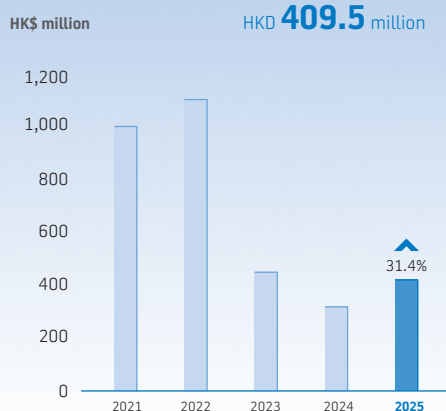
Revenue

For the year ended 31 December



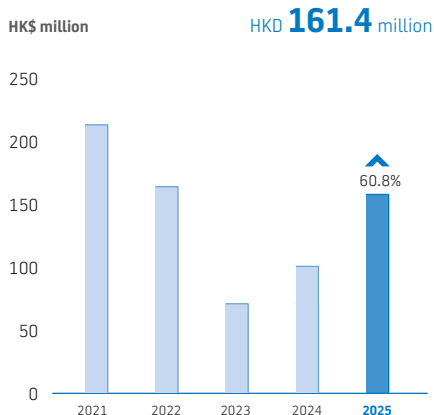
Gross Profit

For the year ended 31 December



Profit for the year attributable to Owners of the Company

For the year ended 31 December



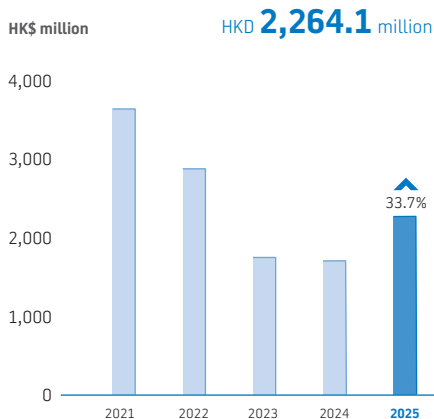
Net Profit Margin

For the year ended 31 December



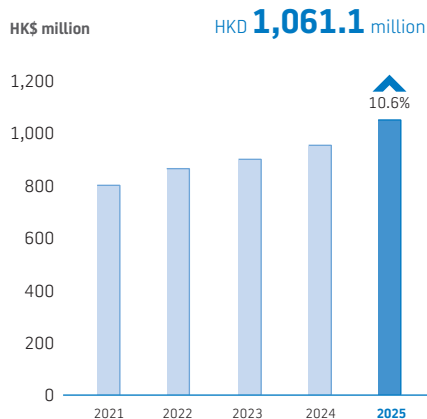
Total Asset

As at 31 December



Total equity attributable to Owners of the Company

As at 31 December



FIVE-YEAR FINANCIAL SUMMARY

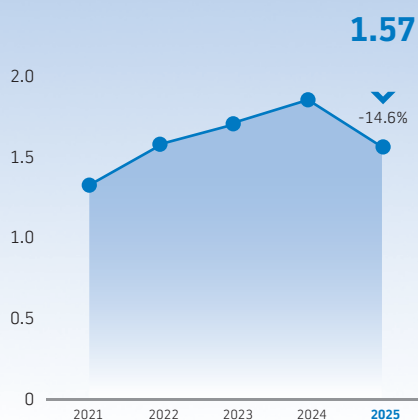
Gearing Ratio

As at 31 December



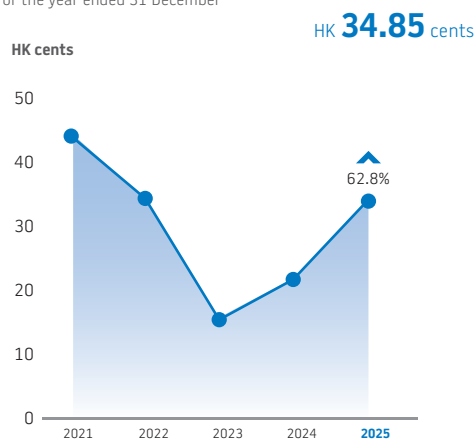
Current Ratio

As at 31 December



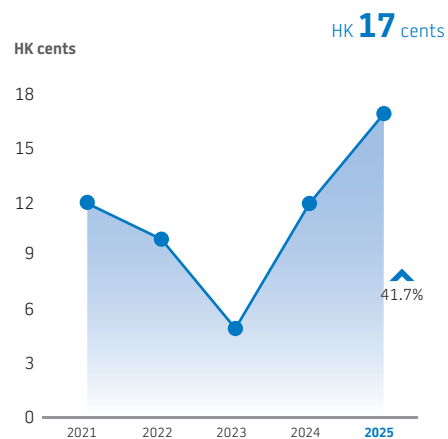
Earnings per share ("EPS")-Basic (HK cents)

For the year ended 31 December



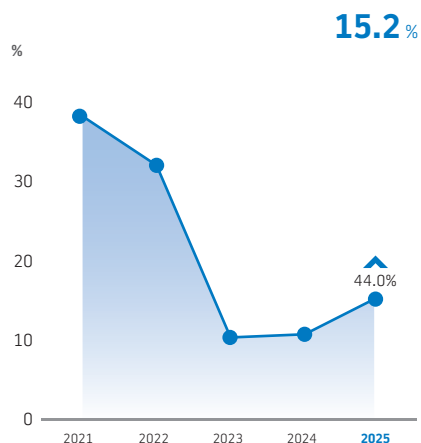
Dividend per share (HK cents)

For the year ended 31 December



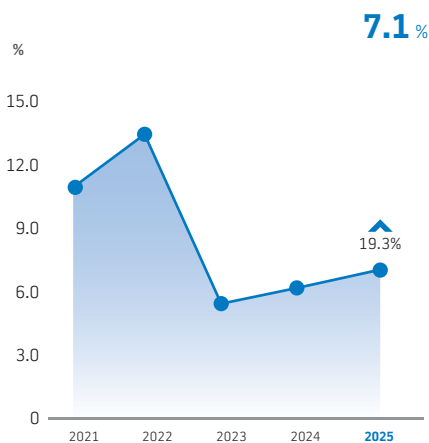
Return on equity-%

For the year ended 31 December



Return on assets-%

For the year ended 31 December



CHAIRMAN'S STATEMENT

Mr. TIAN Weidong
Chairman



Dear Shareholders, Partners and Colleagues,

On behalf of the Board, I am pleased to present the Group's financial performance, business review and future outlook for the year ended 31 December 2025. As a leading domestic distributor of integrated circuits and electronic components in China, and a professional provider of value-added technical services, the Group engages in authorised distribution, mixed distribution, technical value-added services, as well as the design and manufacture of optical communication chips. Headquartered in Hong Kong, the Group operates 12 business outlets and branch offices across China and the Asia-Pacific region. Through close cooperation with more than one hundred well-known semiconductor manufacturers worldwide, we provide reliable and efficient electronic component supply chain services to a diversified customer base, while also delivering deeply customised technical solutions. Through the collective efforts of all employees, the Group recorded revenue of HK\$6,590.1 million in 2025, representing a year-on-year increase of 41.8%, and net profit of HK\$161.1 million, representing a year-on-year increase of 59.4%.

REVIEW OF 2025: RIDING THE AI WAVE AND MOVING FORWARD WITH MOMENTUM

Looking back on 2025, the global economy remained on a weak recovery trajectory, while the industrial landscape showed clear structural divergence. In sharp contrast, the global semiconductor industry demonstrated strong vitality and achieved better-than-expected growth. Artificial intelligence (AI) is penetrating industries with unprecedented depth and breadth, becoming the core engine driving incremental semiconductor demand. The full-scale expansion of investment in AI computing infrastructure significantly boosted the prosperity of the markets for high-performance logic chips and memory chips, as reflected in robust demand for high-bandwidth memory (HBM), next-generation DDR memory, as well as related switches, optical communication modules and chips. Statistics released by the Semiconductor Industry Association (SIA), based on data from the World Semiconductor Trade Statistics (WSTS), show that global semiconductor sales reached US\$791.7 billion in 2025, up 25.6% year-on-year. This not only set a new historical high, but also far exceeded the market's general expectations at the beginning of the year.

CHAIRMAN'S STATEMENT

Against this backdrop, the Group carried out a systematic review and forward-looking deployment of its businesses in light of the development trends and technological characteristics of the AI industry, thereby establishing a future-oriented business structure and development path. We have formed four core business units: smart terminals, memory, computing infrastructure and mixed distribution. Our goal is to build an end-to-end business system spanning from edge devices to cloud infrastructure, and from core chips to product-level solutions, so as to respond to rapidly evolving market demand and technological iteration.

The smart terminal business is one of the Group's key business pillars. Its principal System-on-Chip (SoC) business covers several industry-leading semiconductor brands. In line with the industrial trends of digital-real integration and "+AI", its core strategy is to upgrade traditional SoC chips into a new generation of AI SoCs with on-device AI computing capabilities by integrating heterogeneous computing units such as CPUs, GPUs and NPUs (Neural Processing Units), thereby enabling the efficient execution of complex AI algorithms on end devices. The year 2025 is widely regarded by the industry as the first year of large-scale application of edge AI chips, and the market has begun entering a stage of rapid growth. This trend provided strong momentum for the substantial year-on-year increase in the performance of the smart terminal business unit.

The memory business is another core business unit of the Group. It mainly provides customers with memory chips and modules, including DRAM, NAND flash chips, KGD wafers and enterprise-grade eSSDs, which are widely used in data centres, consumer electronics, automotive electronics, and IoT communications. Benefiting from massive data storage demand arising from the proliferation of large AI models and related applications, together with the Company's long-accumulated customer resources, stable supply capabilities and precise market strategy, this business unit achieved substantial year-on-year growth in 2025 and rapidly increased its share within the Group's overall business portfolio.

The computing infrastructure business focuses on the data centre and telecommunications markets, providing core transmitter- and receiver-end chips and components required for high-speed optical communication modules. In 2025, surging demand for high-speed data transmission in computing centres driven by global training and inference of large AI models directly fuelled rapid growth in demand for optical communication modules. At present, 800Gbps products have become the market mainstream, while 1.6Tbps products have begun scaling up in adoption, together driving the industry into a golden cycle of simultaneous volume and price growth. According to forecasts by market research firm LightCounting, the optical communication module market is expected to reach US\$23 billion in 2025, representing a year-on-year increase of 50%. Against this backdrop of strong industry momentum, this business unit achieved continued sales growth in 2025.

The mixed distribution business is the Group's spot supply chain business unit, built to address the macro environment of frequent global supply chain volatility by combining the strengths of authorised distribution and independent distribution models. Through coordination between the forward supply chain and the reverse supply chain, this model provides customers with full-cycle supply chain services. Its forward supply chain services are designed to meet customers' urgent off-plan material needs or respond to supply disruptions by offering fast and flexible channels for component procurement. Its reverse supply chain services, through professional recovery, inspection and reuse processes, help customers efficiently manage slow-moving inventory, thereby reducing sunk asset costs while enabling resource recycling. This "forward + reverse" mixed spot distribution model provides a supply chain resilience and value management solution covering the full industry cycle. Against the backdrop of a volatile global macro environment and frequent supply-demand mismatches, this business unit achieved significant growth in 2025.

In summary, in 2025 the Group undertook in-depth structural optimisation of its business around AI-related development directions, and the overall quality of its operations improved steadily. The proportion of revenue derived from AI-related businesses increased significantly, which not only drove strong growth in the Group's overall sales, but also materially enhanced its profitability and long-term competitiveness. The Group's business portfolio has become healthier and more resilient, laying a solid foundation to meet future challenges and seize new opportunities.

CHAIRMAN'S STATEMENT

OUTLOOK FOR 2026: ENGAGING IN AI VALUE CHAIN AND DEVELOPING CORE COMPETITIVENESS

Looking ahead to 2026, the global economic environment will remain highly uncertain. Macroeconomic growth is expected to be broadly in line with that of 2025, and low growth may become the new normal for the future. The Group believes that the wave of the fourth industrial revolution triggered by artificial intelligence has only just begun, and that its impact on global productivity gains and the reshaping of economic and social structures will continue to deepen. As the "digital cornerstone" of the AI era, semiconductors are becoming increasingly strategic in value. Data released by authoritative research institutions such as WSTS, SIA and Gartner all point to an optimistic outlook for the global semiconductor market in 2026. The vision of a trillion-dollar semiconductor industry is moving from aspiration to a readily attainable goal, with AI computing power and memory demand serving as the core engines of growth.

With the intensive launch of new AI phones, AI glasses, embodied intelligent terminal products, the market for edge AI hardware is accelerating its expansion. A report released by Frost & Sullivan forecasts that, from 2025 to 2029, the global edge AI market, denominated in RMB, will surge from RMB321.9 billion to RMB1.22 trillion, representing a compound annual growth rate of 40% and demonstrating strong growth momentum. On this basis, we will continue to focus on the main AI track, build our core competitiveness through forward-looking strategic deployment, and create new growth curves in a dynamic market.

1. Capitalize on AI Infrastructure Development Momentum and Strengthen Our Core Market Position

In 2026, global investment in AI infrastructure will continue to grow at a high rate, making it the most certain core track in the technology sector in recent years. IDC reports that, driven by the large-scale commercialisation of generative AI, global AI infrastructure spending is expected to approach US\$334 billion in 2025, representing growth of more than 100% year-on-year. The market is expected to continue expanding in 2026, with the annual growth rate remaining at a relatively high level, and total spending projected to exceed US\$902 billion by 2029. Among these, optical communication modules, as a key component of computing infrastructure, are seeing their main shipping products rapidly migrate from 400G to 800G, while 1.6T products are also ramping up. According to LightCounting forecasts, the market size of Ethernet optical modules (100G and above) used in AI clusters is expected to increase from US\$16.5 billion in 2025 to US\$26 billion in 2026, representing approximately 60% year-on-year growth for two consecutive years.

Accordingly, the Group will continue to deepen cooperation with key upstream suppliers, expand and enrich its resources in computing chip product lines, and leverage its strengths in laser devices and memory product lines to secure its core position in critical areas such as optical communication transmission, memory and computing power. By investing to broaden the business scope of the optical communication industry and becoming a core supplier of optoelectronic devices, we aim to capture the highly certain benefits of computing infrastructure buildout, further expand our share in the highest-value incremental markets, and consolidate our market position.

2. Capturing Opportunities in Edge AI Development and Creating Value Through Technological Innovation

As large-model technology for edge and on-device deployment matures, and new product forms such as AI PCs, AI phones, embodied intelligent robots and intelligent vehicles continue to emerge, computing applications are beginning to extend from the cloud to the edge and end devices. The adoption of this distributed computing architecture will give rise to a vast new market with more fragmented application scenarios. Industry consensus holds that 2026 will be a critical inflection point for the breakout of edge AI applications. According to forecasts by institutions including Gartner, the global edge AI chip market is expected to grow substantially to US\$68.8 billion in 2026. In the domestic market, consumption-stimulus policies in 2026 are expected to tilt more strongly toward smart products and green consumption. The national "AI + consumption" initiative aims to bring AI terminal products into households across the country. The inclusion of smart glasses in the state subsidy programme for the first time in 2026 is a powerful policy signal, marking the beginning of a new round of consumer electronics upgrading driven by AI technology.

CHAIRMAN'S STATEMENT

From smart wearables, AI PCs and AI phones to smart home appliances and even autonomous vehicles, all kinds of terminal products are accelerating their integration with AI computing capabilities to achieve iterative upgrades. This creates a rare development window for the Group, which has accumulated deep technological expertise in edge AI. We possess strong technological foundations in edge and on-device AI, particularly in smart vision and low-power AIoT. In 2026, we will continue to increase investment in edge and on-device AI-related businesses, actively deploy AI SoC and related sensor product lines covering different levels of computing power, and meet application needs across scenarios ranging from smart wearables and smart homes to advanced autonomous driving. Leveraging the Group's core technical team, we will develop more near-product-level "algorithm + hardware" integrated solutions around AI SoCs. At the same time, we will strengthen cooperation with algorithm companies, software developers and terminal manufacturers to jointly build an open on-device AI ecosystem, drive deep integration between algorithms and application scenarios, and create commercial value through technical services.

3. Advancing Global Expansion and Deepening the "Dual Headquarters" Strategy

As the world's largest manufacturing base and consumer market for electronics, China remains closely linked to the global semiconductor value chain, yet it is also increasingly affected by the impact of deglobalisation. Data show that, amid the restructuring of global supply chains, Southeast Asia is rapidly emerging as the "fourth pole" of the global semiconductor industry, with annual growth in consumer electronics and automotive electronics demand exceeding 15%. According to data from Zhiyan Consulting, the market size of Southeast Asia's electronic component manufacturing industry is expected to reach US\$15 billion in 2025 and exceed US\$28 billion by 2030, indicating substantial growth potential. Data released by the General Administration of Customs show that in January to February 2026, China's total imports and exports of goods reached RMB7.73 trillion, up 18.3% year-on-year, of which total trade with ASEAN reached RMB1.24 trillion, up 20.3% year-on-year, continuing to make ASEAN China's largest trading partner.

Based on key requirements such as efficiency, compliance, resilience and ecosystem linkage, providing localised services to the electronics manufacturing system has evolved from an "optional advantage" into a "survival necessity". Against this backdrop, leading domestic chip distributors must begin to transform their role from pure import-export traders into service providers deeply embedded in the global value chain. By establishing relatively independent overseas operating centres, they can not only optimise global resource allocation, but also meet local compliance and efficiency requirements, effectively enhancing supply chain resilience and ecosystem binding capability.

In response to this trend, in 2026 we will further strengthen the financial and trade hub functions of our Hong Kong headquarters, while accelerating the operational capability building of our Singapore overseas headquarters and turning it into a supply chain hub radiating across India and Southeast Asia markets. Supported by a localised business team, we will provide regional customers with more responsive electronic component supply chain services. This deployment will help us capture growth opportunities in overseas markets and build a more resilient global marketing network.

CHAIRMAN'S STATEMENT

Summary

Looking back on 2025, amid a complex and fast-changing market environment, we accurately captured the historic opportunities arising from the rapid development of the artificial intelligence industry and achieved steady growth in performance as well as optimisation and adjustment of our business structure. The Group's profitability, risk resilience and long-term development potential were all significantly enhanced. These achievements would not have been possible without the keen market insight, outstanding execution and unwavering dedication of all our colleagues, as well as the strong support of our shareholders.

Looking ahead to 2026, the adoption of artificial intelligence technology will enter a new stage of development. We have already clarified our development direction and formulated a clear business plan. Going forward, we will continue to focus on the core AI value chain, use technological innovation as our driving force, serve customers worldwide, and continuously strengthen the Group's core competitiveness. We are confident in our ability to respond to future challenges, achieve our planned annual operating targets, and create more substantial returns for all shareholders.

Finally, I would like once again to extend my sincerest gratitude to all shareholders, partners, members of the Board, management and employees for their support and dedication to the Group over the past year.

Mr. TIAN Weidong

Chairman of the Board and Chief Executive Officer

Hong Kong, 31 March 2026

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In recent years, the global economy has displayed a complex and divergent development pattern amid multiple challenges. The IMF forecasts that global average inflation will fall to around 4.2% in 2025, as central banks in major economies gradually conclude their tightening cycles. Against this backdrop, global merchandise trade is showing a recovery pattern of “initial weakness followed by rebound.” The World Trade Organization (WTO) has revised its forecast for global merchandise trade growth from -0.2% at the beginning of 2025 to the latest 2.4%. This growth is being driven by surging demand for AI-related products and stronger trade momentum in emerging economies.

In 2025, China's economy maintained overall steady growth. Preliminary estimates from the National Bureau of Statistics show that annual GDP reached RMB140.19 trillion, up 5.0% year-on-year in real terms, keeping its growth rate among the leaders of the world's major economies. Among this, total retail sales of consumer goods increased by 3.7% year-on-year to RMB50.12 trillion, reinforcing the role of consumption as a stabilizing pillar of the economy. Data show that China's manufacturing sector accounts for nearly 30% of the global total and has ranked first in the world for 16 consecutive years. Total imports and exports of goods have recorded positive growth for nine consecutive years, and the trade surplus exceeded US\$1 trillion for the first time.

In terms of industrial investment, uncertainty arising from geopolitics and tariff wars has delayed investment decisions, leading to slower growth in global foreign direct investment. At the same time, in order to mitigate tariff shocks, pressure to restructure global supply chains has intensified, prompting some companies to accelerate capacity relocation to regions such as Southeast Asia, Mexico, and India. A white paper issued by S&P Global (SPGI) indicates that tariff barriers are expected to cause global enterprises losses of more than US\$1.2 trillion in 2025, while the high potential costs of global supply chain restructuring have pushed up prices for intermediate goods. Meanwhile, supply chain restructuring is reshaping the global trade landscape, with key features including regionalization, diversification, and nearshoring, while regional trade agreements provide a framework for this transition. In the short term, this regionalization and shortening of supply chains will significantly increase capital expenditure and operating costs in manufacturing; in the medium to long term, efficiency losses may weigh on corporate profitability. Overall, global manufacturing has shifted from the “efficiency-first” orientation pursued over the past decades toward a dynamic balance among the three objectives of efficiency, security, and resilience. Against this backdrop, building resilient supply chains has become a core competitive advantage for enterprises.

Electronics Industry and Semiconductor Chips: A New AI-Driven Growth Cycle

In 2025, the global electronics industry continued its strong recovery under the impetus of artificial intelligence (AI). According to Gartner, total global IT spending is expected to grow by 7.9% year-on-year to US\$5.43 trillion, of which spending on data center systems is expected to surge by 42.4% due to explosive demand for AI computing power. At the same time, the rise of AI PCs and a new enterprise replacement cycle have jointly driven a clear recovery in the global PC market. Omdia data show that the emerging smart hardware market, represented by AI smart glasses, is also growing rapidly, with global shipments reaching 8.7 million units in 2025, up 322% year-on-year. The accelerated commercialization of edge AI products is triggering a new wave of device upgrades and creating structural growth opportunities for the industry.

The global semiconductor industry is undergoing a profound structural transformation driven by AI. Explosive demand for computing infrastructure has become the core driver of semiconductor market growth in 2025, while traditional application markets such as smartphones and personal computers remain relatively weak. This structural divergence highlights AI's decisive influence: excluding the contribution of AI-related segments such as high-performance memory and logic chips, growth in the traditional semiconductor market is in fact limited. This indicates that the industry has fully entered a new cycle of structural growth defined by AI.

MANAGEMENT DISCUSSION AND ANALYSIS

Against this global backdrop, China's electronic information manufacturing industry delivered outstanding performance, with value-added output of enterprises above designated size rising by 10.6% year-on-year in 2025, significantly outpacing overall industrial growth for the same period. In the face of external restrictions on advanced technologies, China is accelerating large-scale expansion in mature process nodes. SEMI statistics show that Mainland China's mature-node capacity grew by as much as 14% in 2025, far above the global average increase of 6%; its share of global monthly wafer capacity has risen to nearly one-third, reaching an equivalent of 10.10 million 8-inch wafers. Customs data show that China's chip exports increased by 27.4% in the same year, and the gap between average export and import prices continued to narrow, reflecting that domestically produced chips are moving toward the mid- to high-end market. However, the demand gap in high-end chips remains substantial, and annual chip imports totaling RMB3.04 trillion show that achieving full self-reliance and control across the industrial chain remains a long-term challenge.

REVIEW OF THE GROUP'S BUSINESSES

In 2025, the Group reviewed and adjusted its business structure around the main theme of AI technology, with a focus on expanding its presence in the computing infrastructure, edge AI SoC, and storage markets, while actively promoting coordinated development between its mixed distribution and technical value-added businesses. Under this strategic layout, the Company's profitability and market competitiveness improved significantly. The annual review of each business unit is set out below:

Smart Terminals

SoC (System on Chip) chips serve as the control hub of electronic products by integrating multiple functional modules. Their technological evolution is focused on integrating NPUs (Neural Processing Units) to meet the needs of terminal devices for low-latency, high-energy-efficiency local computing. In 2025, shipments of AI SoC chips with integrated NPUs continued to grow, although application adoption showed clear divergence: penetration accelerated rapidly in high-computing-power fields such as robotics and industrial vision, while progress remained relatively slow in cost-sensitive low-end applications.

In 2025, as lightweight large models increasingly penetrated terminal devices, demand from smart vehicles, AI PCs, and edge computing grew simultaneously. This drove a rapid increase in market demand for AI SoC chips featuring high computing power, low power consumption, and strong connectivity. Edge and terminal AI chips have entered a period of high-speed growth. The core value of edge AI SoCs lies in their localized processing capabilities, enabling low-latency response, enhanced privacy protection, and reduced dependence on network bandwidth.

In terms of market size, multiple institutions remain optimistic about its growth prospects. Markets and Markets forecasts that the global SoC market will reach US\$206.0 billion by 2029; Frost & Sullivan expects the global edge AI market to reach RMB1,232.0 billion by 2029, with a compound annual growth rate of 39.6%. This indicates that the share of AI SoCs within the overall SoC market is expected to continue rising. Such trends signal that AI SoCs will rapidly expand their share of the overall SoC market, marking the full advent of the era of intelligent edge computing.

This business unit has established deep partnerships with a number of well-known original SoC chip manufacturers in the industry, providing industry customers with comprehensive services covering chip supply chain assurance, customized technical solutions, and full-lifecycle technical support. This drove steady growth in the unit's performance in 2025, with cumulative annual sales reaching HK\$3,849.2 million, representing a significant year-on-year increase of 20.5%.

MANAGEMENT DISCUSSION AND ANALYSIS

Memory products

The Group has a well-developed product portfolio in the memory sector, covering DRAM, NOR Flash, NAND Flash, MCP, KGD, eSSD, and other categories of memory chips and module products, which can meet memory needs across a wide range of scenarios from mobile terminals to data centers.

Following inventory clearance in 2024, the memory industry entered a new upward cycle in 2025, with artificial intelligence demand becoming the core driver. Explosive demand from AI servers for High Bandwidth Memory (HBM) and DDR4/DDR5 made memory chips an important engine of recovery for the semiconductor industry. According to CFM Flash market statistics, the global memory chip market grew by 32.7% year-on-year in 2025 to US\$221.6 billion.

Industry data show that a single AI server requires approximately eight times the DRAM capacity and three times the NAND capacity of a traditional server. Combined with growth in AI server shipments themselves, this has driven a sharp surge in memory chip demand and created a supply-demand imbalance in the DRAM market. To prioritize delivery of higher-margin HBM orders, major manufacturers shifted capacity toward HBM. Because producing the same capacity of HBM consumes capacity equivalent to three to four times that of conventional DRAM chips, this has significantly squeezed supply of traditional DRAM and driven prices higher. In the NAND Flash market, AI's pull effect is reflected in the high-performance enterprise SSD (eSSD) segment. Data center and AI computing infrastructure buildout have boosted demand for high-capacity, high-performance eSSDs, making it the fastest-growing subsegment.

In summary, thanks to strong demand from the AI industry for memory chips, DRAM prices rose steadily in 2025, while NAND Flash prices also began to recover in the second half of the year and rebounded sharply in the fourth quarter. The market as a whole displayed a strong pattern of rising prices and rising volumes, indicating that the memory industry is entering a high-prosperity cycle driven by AI applications. This business unit maintained close cooperation with a number of renowned memory chip manufacturers and, leveraging the Group's high-quality customer base, achieved substantial performance growth in 2025, with cumulative sales reaching HK\$1,903.2 million, up significantly by 149.3% year-on-year.

Computing Infrastructure

This business unit focuses on supplying optoelectronic components for computing infrastructure. Its core products include transmitter chips (such as DFB, VCSEL, and EML) and receiver chips (such as PD and APD) used in high-speed data communication optical modules of 200G/400G/800G/1.6T and other specifications. Transceiver chips are the most technically sophisticated components in optical communication modules, characterized by complex manufacturing processes and high technological barriers, and they typically account for more than half of the cost of high-speed optical modules.

Driven by a sharp increase in investment in AI computing infrastructure and exponential growth in data center interconnection demand, the global optical module market maintained strong growth momentum in 2025, with market size expanding significantly. According to the Global Optical Module Market Development White Paper (2025) jointly released by the China Academy of Information and Communications Technology and IDC, global optical module shipments are expected to exceed 34 million units in 2025, while market size is projected to rise by approximately 50% year-on-year to US\$23.0 billion. Among this, Ethernet optical modules in the data communications segment are the core growth driver, while the telecommunications optical module market remains relatively stable.

MANAGEMENT DISCUSSION AND ANALYSIS

At present, 800G optical modules have become the market mainstream. Multiple institutions estimate that demand for 800G optical modules will reach 18 million to 22 million units in 2025, mainly driven by AI computing cluster construction. At the same time, higher-speed products such as 1.6T have begun small-batch shipments, and the industry is gradually evolving toward higher transmission speeds. As the core components of optical modules, transceiver chips are highly correlated with the optical module market in terms of market development. Supported by large-scale volume growth in 400G/800G products, global revenue in the optical components market increased significantly in 2025 and is expected to exceed US\$16.0 billion. In addition, the continuous iteration toward higher optical module speeds is another key driver of growth in the optical components market. The upgrade from 800G to 1.6T will inject new growth momentum into the market. Continued investment in global computing infrastructure provides a solid foundation for the long-term growth for the optoelectronic components market. Relying on deep strategic cooperation with globally leading optical communication chip manufacturers and on the Group's years of accumulated high-quality optical module customer resources, this business unit has built an end-to-end technology-to-market closed loop and is driving sustained business growth. In 2025, our cumulative sales reached HK\$737.2 million, representing a year-on-year increase of 15.9%.

Mixed Distribution

Electronic component distribution models mainly fall into three categories: authorized distribution, independent distribution, and mixed distribution, of which mixed distribution combines the businesses of both authorized and independent distribution. Unlike authorized distribution, independent distribution sources products from the global market by integrating excess inventory from original manufacturers, OEMs/CEMs, and peer channels, and mainly serves urgent spot demand, small-batch procurement, and allocation of discontinued materials. Within the supply chain ecosystem, independent distribution is a decentralized supply chain network driven by market mechanisms. Against the backdrop of memory chip shortages in 2025, independent distributors became an important channel for many manufacturers to obtain key chips, and their value in safeguarding supply chain resilience was widely recognized by the market. Data released by QYResearch show that the global electronic components distribution market was approximately US\$203.3 billion in 2024 and is expected to grow to US\$283.6 billion by 2031, representing a compound annual growth rate of 4.9%.

This business unit is an important part of the Group's effort to build a full-service distribution system. It can effectively complement the Group's authorized distribution and technical value-added businesses and help create a more comprehensive and flexible supply chain service capability. By identifying business opportunities arising from market supply-demand imbalances and cyclical mismatches across the industrial chain, we create value through data-driven matching and fast, efficient supply chain services, thereby improving the Company's operating metrics. In 2025, benefiting from the market's urgent demand for supply chain resilience, this business unit saw clear rebounds in both customer numbers and order value, with cumulative sales reaching HK\$100.5 million, representing a substantial year-on-year increase of 88.3%.

OUTLOOK FOR 2026

In 2026, the global economy will remain at a critical juncture characterized by uncertainty and structural transformation, where risks and opportunities coexist. In its World Economic Situation and Prospects 2026 report released in January, the United Nations forecast global economic growth of 2.7% in 2026, slightly below the estimated 2.8% for 2025. Against this backdrop, China's economy is expected to exhibit the characteristics of "steady progress, structural optimization, and transformation of growth drivers," and the market generally expects China's GDP growth to remain within a reasonable range of 4.5% to 5.0%. The consumer market and investment structure are expected to continue improving, overseas exports should remain resilient, and overall economic performance is expected to stay stable. As a key pillar of the national economy, the electronic information manufacturing industry is expected to demonstrate strong innovation vitality and competitiveness.

The China Center for Information Industry Development (CCID) predicts in its report *Prospects for the Development of China's Electronic Information Manufacturing Industry in 2026* that growth in the value-added output of China's electronic information manufacturing industry will be in the range of 5% to 8% in 2026. Among this, exports of electromechanical products will remain an important pillar. While exports of traditional electromechanical products such as home appliances, consumer electronics, and machinery and equipment are expected to remain stable, exports in emerging high-tech sectors represented by semiconductor chips and industrial robots are expected to maintain relatively fast growth, injecting new momentum into the optimization of the export structure of electromechanical products.

MANAGEMENT DISCUSSION AND ANALYSIS

In 2026, the global semiconductor industry is expected to maintain rapid growth. According to the latest forecast released at the beginning of the year by the World Semiconductor Trade Statistics (WSTS), the global semiconductor market will continue to expand significantly in 2026, reaching a record US\$975.0 billion, just one step away from the US\$1 trillion milestone. The core driver of this round of growth remains the explosive momentum of the artificial intelligence industry. As the depth and breadth of AI applications continue to expand, demand for inference computing power is expected to grow exponentially. In addition, edge AI devices will usher in new development opportunities, jointly driving the semiconductor market to a new level.

Smart Terminals: AI SoCs Leading a New Wave of Edge Intelligence

As AI accelerates its shift from cloud computing into the physical world, its deep integration with terminal devices is giving those devices stronger capabilities in perception, action, and autonomous interaction, thereby making edge AI a new main trajectory in hardware development. Thanks to improvements in lightweight AI model inference and significant increases in chip computing power, efficient on-device execution of AI functions such as speech recognition, image generation, and intelligent assistants has become a reality, reducing terminal devices' complete dependence on cloud computing power. The core driver of this trend is the continuous iterative innovation of AI SoCs (System-on-Chip) in technology architecture and energy efficiency.

In 2026, AI will exert an even deeper influence on the development of the semiconductor industry. As AI PCs and AI smartphones gain broader adoption, consumer demand for smart devices with built-in AI processing capabilities will rise significantly, greatly boosting the markets for AI SoC chips, low-power AI accelerators, and related memory chips. A report released by Forrester indicates that migrating model inference from the cloud to edge devices can reduce AI operating expenses by 40% to 70% for enterprises. Therefore, the AI SoC-driven wave of edge intelligence is opening up a golden growth channel for the semiconductor industry over the next five to ten years and reshaping both electronic product formats and the industrial landscape. According to a forecast report released by SHD Group in April 2025, revenue in the edge AI SoC market is expected to grow from US\$32.4 billion in 2024 to US\$102.9 billion, representing a compound annual growth rate of 21.2%.

In summary, the AI SoC market on which this business unit is focused is a key hardware segment for enabling local inference, ensuring low latency, and protecting user privacy. Shipments are rising steadily, making it a new engine driving growth in the semiconductor market. Looking ahead, we will focus on emerging tracks with strong development potential such as smart wearables, intelligent vision, and robotics, to promote steady business growth.

Memory: An AI-Driven Super Cycle of Strong Prosperity

In 2026, the global memory chip market is undergoing a structural transformation driven by AI computing infrastructure. The growth engine has shifted completely away from capacity upgrades in consumer electronics such as smartphones and PCs toward demand from AI servers and edge AI devices. Industry data show that DRAM configuration per AI server has surged from 128–256GB for traditional servers to 1–2TB, and that AI servers generally adopt high-value HBM (High Bandwidth Memory), driving explosive growth in the DRAM market.

AI Agents are pushing applications from single-pass inference toward long-term memory and autonomous decision-making with million-token-scale context windows. Features such as multi-turn dialogue and tool calling result in token consumption that is 10 to 50 times that of ordinary chat. This not only reinforces demand for HBM and DRAM bandwidth and capacity, but also significantly increases demand for high-IOPS enterprise eSSDs. Because AI servers require far greater memory capacity than traditional servers, eSSDs are rapidly becoming one of the largest application markets for NAND Flash chips.

MANAGEMENT DISCUSSION AND ANALYSIS

Demand for memory chips has also extended to edge devices. To support local large-model inference, smartphones, PCs, and other terminal devices require higher-capacity LPDDR5X and embedded memory of UFS 4.0 or above. Mainstream AI glasses generally adopt a combination of 2GB DRAM + 32GB NAND Flash, with some high-end models configured at even higher levels. More importantly, AI edge hardware, by virtue of its innovative features, is better able to absorb the cost increases associated with higher memory consumption and thus has stronger bargaining power when securing supply chain resources. TrendForce, an authoritative institution, forecasts that total global memory industry output value will reach US\$551.6 billion in 2026, of which DRAM revenue is expected to rise 144% year-on-year to US\$404.3 billion and NAND Flash revenue is expected to increase 112% year-on-year to US\$147.3 billion; in 2027, the total is projected to grow further to US\$842.7 billion.

In summary, based on the Group's deep presence in the memory market over many years, together with the abundant resources it has accumulated across customer groups and product lines, this business unit maintains a positive and optimistic view of business growth in 2026. We are fully confident in our ability to seize the historic development opportunities created by this wave of AI and drive leapfrog growth in the business.

Computing Infrastructure: Opportunities and Challenges Coexist

In 2026, continued global investment in AI computing infrastructure is pushing the optical module market into a new stage of structural growth. TrendForce reports that capital expenditure by the world's top eight cloud service providers is expected to surge by 61% in 2026 to US\$710.0 billion, and this investment boom is expected to continue for several years. Data from institutions such as LightCounting and Goldman Sachs indicate that the global data communication optical module market is expected to reach US\$26.0 billion to US\$30.0 billion in 2026, up 13% to 30% year-on-year. Notably, the data communications segment accounted for more than 60% of the market as early as 2024, marking a shift in the industry's growth driver from traditional telecommunications toward AI-centered computing infrastructure construction.

At present, the optical module industry is transitioning from "expansion in quantity" to "upgrading in quality," with 800G and 1.6T optical modules becoming the absolute mainstream of the market. Among them, shipments of 800G modules are expected to more than double, while next-generation 1.6T optical modules are expected to enter broader adoption in 2026, with shipments likely to surge from a low base in 2025 to the level of tens of millions of ports. This transition toward higher speeds will not only bring scale-driven growth, but will also enhance product gross margins through premium pricing associated with technological upgrades.

It is worth noting that the evolution of AI server interconnect architectures is fundamentally changing both the role of optical modules and the scale of demand for them. Early AI servers relied heavily on copper interconnects, at which time the GPU-to-optical-module ratio was approximately 1:3. Under mixed copper-optical interconnect solutions, this ratio increased to 1:4. In the latest "all-optical interconnect" architecture, the ratio has risen to above 1:6. Ultra-large-scale computing clusters generate enormous demand for optical modules. For example, Huawei's Atlas 950 SuperCluster, which includes more than 520,000 Ascend compute cards, is expected to require a total of between 2.22 million and 3.00 million optical modules. Therefore, whether under NVIDIA's advocated "copper-to-optics" trend or Huawei's "all-optical interconnect" technology route, optical modules are being elevated from "connectivity accessories" to "core infrastructure."

In summary, in 2026 the optical module industry stands squarely on one of the core tracks benefiting from the high prosperity of AI computing infrastructure. Supported by high capital expenditure, market size is expanding steadily, creating structural growth opportunities for domestic optical chip and module companies. Based on our deep understanding of industry trends and customers, this business unit is confident in capturing the benefits arising from market-driven technology iteration in 2026 and in achieving steady, high-quality business development.

MANAGEMENT DISCUSSION AND ANALYSIS

Mixed Distribution: New Opportunities for a Traditional Business

Continued volatility in the global electronic components supply chain is creating new development opportunities for the mixed distribution model. According to Research Nester, the global electronic components distribution market is expected to grow by 7.7% year-on-year in 2026 to US\$216.1 billion, and is projected to reach US\$391.2 billion by 2035. This growth is primarily driven by the enormous market potential of automotive electronics, 5G/6G telecommunications infrastructure, industrial automation, and Internet of Things (IoT) devices.

The cyclical supply-demand fluctuations in the global semiconductor market are creating important opportunities for the development of the independent distribution business. When original manufacturers face tight capacity or extended delivery cycles, customers' urgent need to secure stable supply chains becomes a key driver of growth for this business. Through global sourcing capabilities and flexible inventory management, independent distributors can help customers reduce the risk of supply chain disruptions caused by market shortages. By effectively integrating resources from original manufacturers, authorized distributors, and other excess inventory sources, they can build diversified supplier networks to enhance customers' supply chain resilience.

In addition, to adapt to increasingly stringent trade compliance requirements, distributors need to establish sound compliance systems to handle complex license application and review procedures. Strengthening supply chain transparency and traceability is not only a mandatory compliance requirement, but has also become an important factor for customers when selecting suppliers. This will significantly raise industry entry barriers and is more favorable to medium- and large-sized distributors with standardized operations and strong legal and customs teams. At the same time, digital transformation is becoming a new driver of distribution business upgrading. In particular, the application of AI technologies in supply chain management — such as demand forecasting, inventory optimization, and risk early warning — is becoming increasingly mature and can effectively improve both service quality and operational efficiency.

Accordingly, 2026 will be a key point in time for the transformation and upgrading of the Mixed distribution business. This business unit will endeavor to seize market growth opportunities, build a resilient global supply chain network, improve its compliance management system, and strengthen digitalized and AI-enabled operating capabilities, so as to establish differentiated competitive advantages and achieve sustainable development in a complex and fast-changing market environment.

Summary

Artificial intelligence, as the most transformative general-purpose technology (GPT) of our time, is reshaping the global economy, industries, and social structures. Because AI systems are highly dependent on advanced AI computing power, high-speed data storage, and low-latency data transmission, they have formed a deeply coupled and symbiotic relationship with advanced semiconductor technologies. Driven by the explosive growth in demand for AI computing power, the global semiconductor industry is entering a new cycle of prosperity. McKinsey's analytical model shows that by 2030, the global semiconductor market will reach between US\$1.1 trillion and US\$1.8 trillion, with the moderate-risk scenario at around US\$1.6 trillion. Core growth momentum will come from strong demand in areas such as AI servers, High Bandwidth Memory (HBM), advanced packaging technologies, and automotive electronics.

In summary, although the global economy will still face many challenges in 2026, the market is by no means short of growth opportunities. In particular, under the impetus of AI, the semiconductor industry is experiencing an unprecedented boom cycle, providing historic opportunities for the development of our businesses. As a leading full-service domestic distributor of electronic components in China, the Group has established solid business cooperation with upstream and downstream partners across the industrial chain by leveraging its full-chain presence in authorized distribution, independent distribution, technical value-added services, and optical communication chip manufacturing. We will continue to deepen our efforts in AI-related software and hardware fields, actively advance the digitalization and AI-driven transformation of the Company's business, and continue to monitor, capture, and benefit from the multidimensional industrial dividends brought by AI. We will also actively build out our domestic and overseas business networks to create a more resilient global supply chain system. Going forward, on the basis of prudent operations and active innovation, we will continue to improve business quality and profitability and strive to create longer-term and more substantial returns and value for our shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2025, the Group's revenue amounted to HK\$6,590.1 million (2024: HK\$4,647.9 million), representing an increase of HK\$1,942.2 million (or 41.8%) as compared with the revenue for the year ended 31 December 2024.

The increase in revenue was mainly caused by the increase in the sales from smart terminals and memory products of approximately HK\$1,793.7 million.

Gross profit

Our gross profit for the year ended 31 December 2025 increased by HK\$97.8 million to HK\$409.5 million as compared with the prior year (2024: HK\$311.7 million). Our gross profit margin decreased by 0.5% to 6.2% for the year ended 31 December 2025 (2024: 6.7%). The decrease in gross profit margin was mainly due to the sharp increase in the sales from the memory products which has a lower gross profit margin.

Research and development expenses

Research and development expenses mainly comprise of staff costs incurred for our research and development department. For the year ended 31 December 2025, research and development expenses amounted to HK\$34.2 million, increased by 8.9% as compared with the year ended 31 December 2024 (2024: HK\$31.5 million).

Administrative and selling and distribution expenses

Administrative and selling and distribution expenses aggregated to HK\$219.0 million for the year ended 31 December 2025 (2024: HK\$178.1 million), which accounted for 3.3% of the revenue for the year ended 31 December 2025 as compared with 3.8% over the corresponding year in 2024. The net increase of HK\$40.9 million was mainly due to an increase in sales commission and staff costs of our selling and distribution personnel.

MANAGEMENT DISCUSSION AND ANALYSIS

Finance costs

The Group's interest expense on bank and other borrowings for the year ended 31 December 2025 amounted to HK\$30.4 million, an increase of HK\$3.8 million as compared with that in 2024 (2024: HK\$26.6 million). Interest expenses mainly represent the borrowing costs from entering into various factoring agreements with some of the principal bankers and import loans from our principal bankers. The increase was due to the increase in bank borrowings during the year.

Share of results of associates

The Group had recorded a profit on share of results of associates for the year ended 31 December 2025 of approximately HK\$38.7 million (2024: HK\$7.1 million). The profit was mainly due to the amount of sharing of result of an associate, namely Quiksol Group. The increase in share of results of associates is mainly due to the improvement in business operation of Quiksol Group.

Profit for the year

For the year ended 31 December 2025, the Group's profits amounted to HK\$161.1 million, representing an increase of HK\$60.0 million as compared to HK\$101.1 million in 2024, representing an increase of 59.4%. The net profit margin for the year ended 31 December 2025 was 2.4%, compared to 2.2% for the year ended 31 December 2024. The increase in the profit for the year was mainly contributed by the increase in gross profit on sales from authorized distribution.

Net profit attributable to the owners of the Company

The net profit attributable to the owners of the Company for the year ended 31 December 2025 amounted to HK\$161.4 million, representing an increase of 60.8% as compared with the year ended 31 December 2024 (2024: HK\$100.3 million).

Use of proceeds from the global offering

The shares of the Company were listed (the "**Listing**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 7 October 2016. The Company issued 125,000,000 new shares with a nominal value of US\$0.00001 at HK\$1.83 per share. The net proceeds from the Listing received by the Company were approximately HK\$205.8 million after deducting underwriting fees and estimated expenses in connection with the Listing.

On 17 December 2025, the Board has resolved to change the use of the net proceeds of HK\$23.9 million raised from the Listing. The unutilised proceeds was previously allocated for enhancing, further developing and maintain our e-commerce platform and improving our technology infrastructure. In light that the current level of development of the Group's e-commerce platform is sufficient to fulfil and maintain such primary purpose, the Board resolved to use the unutilised proceeds as to approximately HK\$8.4 million for marketing and operating expenses in relation the sales of AI-related electronic components and for securing additional distribution authorisations for AI-related electronic components, and as to approximately HK\$15.5 million for recruitment of research and development (R&D) personnel for technical support and solution services ancillary to the Group's distribution of AI-related electronic components business. For details, please refer to the announcements of the Company dated 17 December 2025 and 9 January 2026 (the "**Announcements**").

MANAGEMENT DISCUSSION AND ANALYSIS

For the year ended 31 December 2025, the Group had utilised HK\$0.1 million of the net proceeds from the Listing. The Group has cumulative utilised approximately HK\$181.9 million of the net proceeds as at 31 December 2025 according to the intentions set out in the prospectus of the Company dated 27 September 2016 (the “**Prospectus**”). The unutilised net proceeds in the amount of HK\$23.9 million have been placed as deposits with licensed banks and are expected to be utilised as set out on the Prospectus and the Announcements.

Use of Proceeds	Net proceeds (in HK\$ million)	Utilised during the year ended 31 December 2025 (in HK\$ million)	Cumulative utilised as at 31 December 2025 (in HK\$ million)	Amount remaining (in HK\$ million)	Expected timeline for utilising the remaining net proceeds (Notes 1 and 2) (in HK\$ million)
1. Hiring additional staff for sales and marketing and business development and improvement of warehouse facilities	20.6	0.0	(20.6)	0.0	–
2. Advertising and organising marketing activities for the promotion of our e-commerce platform, Smart Core Planet and our new products	41.2	0.0	(41.2)	0.0	–
3. Enhancing, further developing and maintain our e-commerce platform and improving our technology infrastructure	17.3	(0.1)	(17.3)	0.0	
4. For research and development	20.6	0.0	(20.6)	0.0	–
5. Funding potential acquisition of, or investment in business or companies in the e-commerce industry or electronics industry	61.7	0.0	(61.7)	0.0	–
6. Developing solutions for smart terminal, edge computing and other areas, as well as investing in the distributive authorization and marketing of AI-related chips					
— Marketing and operating expenses in relation to the sales of AI-related electronic components	8.4	0.0	0.0	8.4	Expected to be fully utilised on or before 31 December 2028
— Recruitment of R&D personnel	15.5	0.0	0.0	15.5	Expected to be fully utilised on or before 31 December 2028
7. General working capital	20.5	0.0	(20.5)	0.0	–
	205.8	(0.1)	(181.9)	23.9	

MANAGEMENT DISCUSSION AND ANALYSIS

Notes:

1. The expected timeline for utilising the remaining net proceeds is made based on the best estimation of the Company taking into account, among others, the prevailing and future market conditions and business developments and need, and therefore is subject to change.
2. On 17 December 2025, the Board has resolved to change the use of the net proceeds of HK\$23.9 million raised from the Listing. For details, please refer to the Announcements.

Liquidity and financial resources

The Group's primary source of funding included cash generated from operating activities and the credit facilities provided by banks.

The Group possesses sufficient cash and available banking facilities to meet its commitments and working capital requirements. As at 31 December 2025, the Group maintained aggregate restricted and unrestricted bank balances and cash of HK\$336.6 million (31 December 2024: HK\$432.3 million).

As at 31 December 2025, the outstanding bank borrowings of the Group were HK\$531.3 million (31 December 2024: HK\$306.2 million). The Group's gearing ratio, which is calculated by the interest-bearing borrowings divided by total equity, increased from 31.9% as at 31 December 2024 to 50.0% as at 31 December 2025 as a result of the increase in bank borrowings.

As at 31 December 2025, the total and unutilised amount of the Group's banking facilities (excluding standby letter of credit) were HK\$2,340.7 million and HK\$1,809.4 million (31 December 2024: HK\$2,323.6 million and HK\$2,017.4 million) respectively.

As at 31 December 2025, the Group had current assets of HK\$1,838.8 million (31 December 2024: HK\$1,339.1 million) and current liabilities of HK\$1,172.7 million (31 December 2024: HK\$728.9 million). The current ratio was 1.57 times as at 31 December 2025 (31 December 2024: 1.84 times). The increase in current assets is primarily due to the increase in trade receivables as compared with 31 December 2024, which is attributable to the increase in revenue and transaction volume.

The Group's debtors' turnover period was 51 days for the year ended 31 December 2025 as compared to 52 days for the year ended 31 December 2024. The overall debtors' turnover period was within the credit period. Debtors' turnover period has been maintained at a stable level.

The creditors' turnover period was 25 days for the year ended 31 December 2025 as compared with 26 days for the year ended 31 December 2024. Creditors' turnover period has been maintained at a stable level.

The inventories' turnover period was 14 days for the year ended 31 December 2025 as compared with 17 days for the year ended 31 December 2024. Inventory control was always one of the primary tasks of the Group's management team to maintain the liquidity and healthy financial position of the Group. Inventories' turnover period remained relatively stable in both years.

Foreign currency exposure

The Group's transactions are principally denominated in US dollars and Renminbi. The Group had not experienced any material difficulties or material adverse impacts on its operation despite the fluctuations in currency exchange rates and the net foreign exchange loss of approximately HK\$0.8 million for the year ended 31 December 2025 (31 December 2024: net foreign exchange loss of HK\$0.3 million). As at the date of this report, the Group has not adopted any foreign currency hedging policy. However, the Group will consider the use of foreign exchange forward contracts to reduce the currency exposures in case the exposures become significant.

MANAGEMENT DISCUSSION AND ANALYSIS

Pledge of assets

As at 31 December 2025, the financial assets at fair value through profit or loss (the “**FVTPL**”) amounted to approximately HK\$134.1 million (31 December 2024: HK\$130.1 million), trade and bills receivable factored amounted to approximately HK\$355.0 million (31 December 2024: HK\$99.0 million) and bank deposits amounted to approximately HK\$182.7 million (31 December 2024: HK\$192.9 million) had been charged as security for the bank borrowings and financing arrangement of the Group.

Capital commitment and contingent liabilities

The Group had no material capital commitment and contingent liabilities as at 31 December 2025 and 2024.

Significant investments held

Save for the financial assets at FVTPL, FVTOCI and investment in associates, the Group did not hold any significant investments during the years ended 31 December 2025 and 2024.

Material acquisition and disposal of subsidiaries and associated companies

During the year ended 31 December 2025, there was no major acquisition or disposal of subsidiaries and associated companies by the Group.

Employees

As at 31 December 2025, the Group had 324 employees (31 December 2024: 312 employees), with a majority based in Shenzhen and Hong Kong. Total employee costs for the year ended 31 December 2025, excluding the remuneration of the Directors were approximately HK\$108.6 million (31 December 2024: HK\$108.4 million). There have been no material changes to the information disclosed in the Prospectus in respect of the remuneration of employees, remuneration policies, share award scheme, share option scheme and staff development.

During the year ended 31 December 2025, one employee who is not a director, was one of the five highest paid individuals. That employee received aggregate of basic salaries of approximately HK\$1,407,000, aggregate of contributions to retirement pension of approximately HK\$45,000 and bonus of approximately HK\$51,000. That employee was not entitled to any housing allowances, other allowances and benefits in kind for the year ended 31 December 2025. There did not exist any fee payable to that employee as an inducement to join or upon joining the Group; nor did there exist any compensation paid or receivable for the loss of any office in connection with that employee’s management of the affairs of any member of the Group distinguishing between contractual payments and other payments. That employee was the only individual (excluding the Directors) whose remuneration fell within the band of HK\$1,500,001 and HK\$2,000,000.

On 19 September 2016, the Company adopted a share award scheme (the “**Share Award Scheme**”) and conditionally approved and adopted a share option scheme (the “**Share Option Scheme**”). Both schemes will expire on 19 September 2026, being the tenth anniversary of the adoption date.

In relation to the Share Award Scheme, the Board may, from time to time, at its absolute discretion, select any of our directors, senior managers and employees of the Group to participate in the Share Award Scheme (the “**Selected Participants**”), subject to the terms and conditions set out in the Share Award Scheme. In determining the Selected Participants, the Board shall take into consideration matters including, but without limitation, the present and expected contribution of the relevant Selected Participants to the Group.

In relation to the Share Option Scheme, the Board (including any committee or delegate of the Board appointed by the Board to perform any of its functions pursuant to the rules of the Share Option Scheme) may, at its absolute discretion, offer to grant an option to subscribe for such number of shares as the Board may determine to an employee (whether full time or part-time) or a director of a member of the Group or associated companies of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2025, save for the purchase of 10,078,000 ordinary shares by the Trustee under the Share Award Scheme of the Company, there was no purchase, sale and redemption of any listed securities of the Company by the Company or any of its subsidiaries.

EVENTS AFTER THE FINANCIAL YEAR ENDED 31 DECEMBER 2025

Up to the date of this report, the Group has no significant subsequent event after 31 December 2025 which required disclosure.

DIRECTORS AND SENIOR MANAGEMENT

The biographical details of the Board of directors (the “**Directors**”) and the senior management of the Company who held office during the Reporting Period and up to the date of this report are as follows:

EXECUTIVE DIRECTORS

Mr. Tian Weidong, aged 59, is the chairman of the Board, an executive Director and chief executive officer of our Company. He is the founder of our Group and has been leading our Group for over 15 years. Mr. Tian was appointed as a Director of our Company on 22 October 2015. He is also the chairman of the Company’s nomination committee and a member of the Company’s remuneration committee. Mr. Tian is responsible for overseeing the overall business strategy, development of projects, management and operations of our Group. Further, Mr. Tian is currently serving as a director of various subsidiaries of the Company. He is also the sole director and sole shareholder of Smart IC Limited, a controlling shareholder (as defined in the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) of the Company.

Mr. Tian has more than 20 years’ experience in the semiconductor industry and its related distribution. He was the sales director of Shenzhen Dadong Electronics Co., Ltd. (which was principally engaged in sales of semiconductors) from October 1993 to June 1997 where he was in charge of the management of the sales team, formulation of sales and marketing strategies and maintenance of business partnerships with clients and suppliers. He was the sales manager of Trident Multimedia Technologies (Shanghai) Co., Ltd. (which was principally engaged in the design of IC products and the development of associated system software and application software) from December 1999 to March 2002 where he was in charge of sales and marketing.

Mr. Tian obtained a degree in Bachelor of Electronic Engineering from Xiamen University in July 1989 and a degree in Master of Business Administration from the National University of Singapore in March 2000 and a degree in Master Business Administration from the National Taiwan University in January 2019.

Mr. Liu Hongbing, aged 59, is an executive Director of our Company. He was appointed as a Director of our Company on 22 October 2015. Mr. Liu joined Shenzhen Smart-Core Technology Co., Ltd. in February 2007 and acted as the manager of the development department and was subsequently promoted to vice general manager. Mr. Liu is currently the chief technology officer of the Group, responsible for overseeing the overall strategy and responsible for the research and development matters of our Group. Further, Mr. Liu is currently serving as a director of a various subsidiaries of the Company.

Mr. Liu has more than 20 years’ experience in the electronic engineering industry. Prior to joining our Group, he was the engineer of Hebei Tengfei Electronics Co., Ltd. (which was principally engaged in the design, manufacturing and sales of LCD TVs and other electronic appliances) from October 1993 to May 1999 and was the senior engineer of Shenzhen Zhong Tian Xin Electrical Technologies Co., Ltd. (which was principally engaged in the design, manufacturing and sales of electronic products including LED products, LCD TVs and audio devices) from June 1999 to January 2007. Mr. Liu obtained a degree in Bachelor of Physics from Shandong University in July 1988 and a degree in Executive Master of Business Administration from The Chinese University of Hong Kong in November 2015.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Mak Hon Kai Stanly, aged 64, is an executive Director of our Company. He was appointed as a Director of our Company on 6 December 2021. Mr. Mak is currently the chief operating officer of the Group, responsible for the overall operating strategy and marketing of the Group. Mr. Mak has more than 30 years' experience in the sales and marketing of electronic components. Mr. Mak joined the Group in December 2020. Prior to joining our Group, Mr. Mak acted as the group CEO (distribution business) and group executive director in Daiwa Associate Holdings Limited (currently known as Maxnerva Technology Services Limited), a company listed on the Stock Exchange (stock code: 1037) from October 1988 to March 2013. Mr. Mak acted as the chief executive officer and vice chairman of Protech Century Limited from February 2013 to August 2018, Mr. Mak acted as the chief executive officer and vice chairman of V & V Technology Limited, a subsidiary of S.A.S. Dragon Holdings Limited, a company listed on the Stock Exchange (stock code: 1184) from November 2018 to August 2019.

Mr. Zheng Gang, aged 58, is an executive Director of our Company. He was appointed as an independent non-executive Director of our Company on 16 March 2016 and was redesignated as an executive Director on 4 September 2023. Mr. Zheng is currently the chief financial officer of our Group, responsible for overseeing the overall strategy and responsible for the financial operations and management of our Group. He was the executive director of Good Fellow Healthcare Holdings Limited (formerly known as Hua Xia Healthcare Holdings Limited), a company listed on the Stock Exchange (stock code: 8143) from August 2007 to 22 August 2023, a non-executive director of New Provenance Everlasting Holdings Limited, a company listed on the Stock Exchange (stock code: 2326) from May 2018 to November 2019, an independent non-executive director of Opes Asia Development Limited (currently known as China Castson 81 Finance Company Limited), a company listed on the Stock Exchange (stock code: 810) from July 2012 to May 2013, and the executive director of Yield Go Holdings Ltd. (currently known as Metaspacex Limited), a company listed on the Stock Exchange (stock code: 1796) from October 2022 to January 2024. Mr. Zheng has extensive experience in management in the finance and investment industry. Mr. Zheng obtained a degree in Bachelor of Electronic Engineering from Xiamen University in July 1989 and a degree of Master of Business Administration from University of Wales in April 1994.

NON-EXECUTIVE DIRECTOR

Mr. Wong Tsz Leung, aged 62, is a non-executive Director of our Company. He was appointed as a Director of our Company on 22 October 2015 and was redesignated as a non-executive Director on 1 July 2024. Mr. Wong joined our Group in March 2007 and subsequently promoted to the vice general manager. Mr. Wong is currently serving as a director of various subsidiaries of the Company. Mr. Wong has also been the chairman of supervisor committee of Henan Jinma Energy Company Limited (stock code: 6885) and Henan Jinyuan Hydrogenated Chemicals Co., Ltd. (stock code: 2502) since July 2016 and July 2023, respectively. He is also the sole director and sole shareholder of Insight Limited, a substantial shareholder (as defined in the Listing Rules) of the Company.

Mr. Wong has more than 20 years of experience in business management. Prior to joining our Group, Mr. Wong was the financial controller of OSSIMA Publishing Group Limited (which was engaged in travel media business) from January 1995 to September 2005. Mr. Wong obtained a degree in Master of Business Administration from University of Wales via its distance learning program in December 2011.

DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Tang Ming Je, aged 72, is an independent non-executive Director of our Company. He was appointed as an independent non-executive Director of our Company on 16 March 2016. Dr. Tang was a tenured associate professor of the department of business administration of University of Illinois at Urbana-Champaign from August 1991 to August 1995, a visiting associate professor of Hong Kong University of Science and Technology from January 1994 to January 1995 and a professor of department of industrial administration of Chang Gung University from December 1994 to August 1996. He held various positions in National Taiwan University, including Professor of the department of international business from August 1996 to February 2019, founding executive director of the executive master of business administration program from August 1997 to July 1999, director of the division of professional development from March 1998 to July 2004 and vice president for finance from August 2007 to May 2014. Dr. Tang obtained a degree in Bachelor of Civil Engineering from National Taiwan University in June 1975 and a degree in Doctor of Philosophy from Massachusetts Institute of Technology in September 1985. Dr. Tang has been an independent director of Ye Siang Enterprise Co., Ltd. since November 2025. He was an independent director of Fubon Financial Holding Co., Ltd., a company listed on the Taiwan Stock Exchange (stock code: 2881) from June 2014 to June 2023, and an independent director of Mediatek Inc., a company listed on the Taiwan Stock Exchange (stock code: 2454) from June 2017 to May 2024.

Ms. Xu Wei, aged 56, is an independent non-executive Director of our Company. She was appointed as an independent non-executive Director of our Company on 6 December 2021. She has been an independent non-executive director of Wanjia Group Holdings Limited, a company listed on the Stock Exchange (stock code: 401) since September 2024. She had been the executive director and financial controller of PT International Development Corporation Limited, a company listed on the Stock Exchange (stock code: 372) from August 2017 to August 2022. Ms. Xu obtained a Bachelor of Economics degree majoring in Accounting from Xiamen University in the PRC in July 1992. Ms. Xu is a fellow member of the Institute of Public Accountants in Australia and has extensive experience in finance and accounting.

Dr. Lin Chen, aged 47, is an independent non-executive Director of our Company. He was appointed as an independent non-executive Director of our Company on 1 June 2025. He has more than 20 years of experience in the field of finance. Dr. Lin obtained a bachelor of Engineering from the South China University of Technology in Guangdong, the PRC, in 2000 and an MBA in 2004, M.A. Economics in 2005 and Ph.D. Economics in 2006 all from University of Florida in Florida, the United States. He was an advisory member of the Hong Kong Institute for Monetary Research of the Hong Kong Monetary Authority (“**HKMA**”) from 2015 to 2019, a member of The Currency Board Sub-Committee of The Exchange Fund Advisory Committee of the HKMA from 2016 to 2022. Dr. Lin is a member of the Fintech Advisory Group of the Securities and Futures Commission since 2021, a member of the Hang Seng Index Advisory Committee of Hang Seng Indexes Company Limited since 2021, a foreign member of Academia Europaea since 2022, fellow member of Academy of Social Sciences in the United Kingdom since 2023, member of Task Force on Promoting Web3 Development of the HKSAR government since 2023 and a member of Central Bank Digital Currency Expert Group of the HKMA since 2023. Dr. Lin is the Vice-President (Business) of the University of Hong Kong since 2025 and he has held various positions since 2013 including Chair of Finance and Stelux Professor in Finance.

Dr. Lin has served as an independent non-executive director of China Merchants Land Asset Management Co., Limited (the manager of China Merchants Commercial REIT, a company listed on the Stock Exchange (stock code: 1503) since December 2019, an independent non-executive director of Shiyue Daotian Group Co., Ltd., a company listed on the Stock Exchange (stock code: 9676) since October 2023, an independent non-executive director of Beijing 51 WORLD Digital Twin Technology Co., Ltd., a company listed on the Stock Exchange (stock code: 6651) since September 2024, an independent non-executive director of CITIC Resources Holdings Limited, a company listed on the Stock Exchange (stock code: 1205) since December 2025 and an independent director of Waterdrop Inc. (a company listed on the New York Stock Exchange, U.S., stock code: WDH) since March 2025.

SENIOR MANAGEMENT

Mr. Chak Wing Man, aged 52, joined the Group in April 2020 as the group accountant. Mr. Chak was also appointed as the company secretary of the Company in May 2024. He has extensive experience in auditing and financial management. He obtained the degree in Bachelor of Business Administration majoring in Professional Accountancy from The Chinese University of Hong Kong. He is a member of the Hong Kong Institute of Certified Public Accountants.

DIRECTORS' REPORT

The Directors hereby present the annual report together with the audited consolidated financial statements of the Group for the year ended 31 December 2025.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of the principal subsidiaries are trading of electronic components. The Group has a strong capability to provide engineering support and operate a distinctive e-commerce platform. Through closely co-operating with IC technology vanguards, the Group uses a comprehensive approach to consolidating industry resources and adopts an OAO (online and offline) business model to provide high-quality core IC and value-added services to a broad base of customers. Our products include a wide range of IC and other electronic components used in applications such as TV products, smart terminals, memory products, optoelectronic display, communication, security monitoring, IoT and optical communication, etc.

BUSINESS REVIEW

A review of the business of the Group and a discussion on the Group's future business development is set out in the Chairman's Statement on pages 6 to 10 and in the Management Discussion and Analysis on pages 11 to 23 of this annual report.

Compliance with laws and regulations

As far as the Directors are aware, the Group has complied with all the relevant laws and regulations that have a significant impact on the business and operation of the Group during the year.

The Group and its activities are subject to requirements under various laws. These include, among others, Company Law of the PRC (《中華人民共和國公司法》), Wholly Foreign-Owned Enterprise Law of the PRC (《中華人民共和國外資企業法》), Detailed Implementing Rules for the "Wholly Foreign-Owned Enterprise Law of the PRC" (《外資企業法實施細則》), Guidance Catalogue for Industrial Structure Adjustment (2011 Version) (《產業結構調整指導目錄》(2011年本)), the State Council promulgated Several Policies on Further Encouraging the Development of the Software and Integrated Circuit Industries (Guo Fa [2011] No. 4) (《國務院關於印發進一步鼓勵軟件產業和集成電路產業發展的若干政策的通知》(國發[2011]4號)), Announcement of the National Development and Reform Commission of the PRC [2017] No. 1 — Guiding Catalogue of Key Products and Services for strategic Emerging Industries (2016 Edition) (《中華人民共和國國家發展和改革委員會公告2017年第1號 — 戰略性新興產業重點產品和服務指導目錄》(2016年版)), Companies Ordinance (Chapter 622), Business Registration Ordinance (Chapter 310), Inland Revenue Ordinance (Chapter 112) and Employment Ordinance (Chapter 57) and the applicable regulations, guidelines, policies issued or promulgated under or in connection with our business activities. In addition, the Listing Rules apply to the Company.

The Group seeks to ensure compliance with these requirements through various measures such as internal controls and approval procedures, training and oversight of various business units with the designated resources at different levels of the Group. While these measures require considerable internal resources and result in additional operational costs, the Group highly values the importance of ensuring compliance with applicable legal and regulatory requirements.

Environmental policies and performance

Environment protection is critical to the long-term development of the Group. The Group considers the importance of environmental affairs and believes business development and environmental affairs are highly related. The Group has endeavoured to comply with laws and regulations regarding environmental protection. These policies were supported by our staff and were implemented effectively. During the year ended 31 December 2025, we had not been subject to any fines or other penalties due to any non-compliance with health, safety or environmental regulations.

DIRECTORS' REPORT

Relationship with employees

We believe our employees are the most valuable resources in achieving our success. We are committed to offering competitive remuneration packages to employees and have implemented a self-appraisal program to provide incentives and motivation to the staff to attain periodic goals. The Company has adopted a share award scheme and a share option scheme to reward our senior management and employees for their hard work, contribution and loyalty.

To ensure the quality of our employees at all levels, we have intensive and standardised in-house training programmes to train our new joiners, mainly focusing on skills like company introduction and working procedure. The goal of the training programmes is to train our employees and to identify talent, with the aim of providing upward mobility within the Group, fostering employee loyalty and incorporating customized mentoring, coaching and training.

Relationship with suppliers, customers and other stakeholders

The Company understands the importance of maintaining good relationships with its suppliers and customers to meet its goals and to gain further success. We strive to maintain long-term and stable relationships with our major suppliers, which help to ensure our reliable access to their products. Our customer service team enables us to maintain close business relationships with our customers. Our application engineering support helps us maintain symbiotic relationships with suppliers and customers. We believe that our application engineering support promotes the use of our suppliers' products and streamlines our customers' development process at the same time. Both our suppliers and customers value our capability to provide application engineering support in end-product-development.

Our major suppliers are generally reputable IC and other electronic component companies, and have been in business relationships with the Group from 2 to 20 years. Our largest supplier is headquartered in the PRC specializing in memory chips. Our major suppliers include IC companies that supply memory and silicon turner ICs as well. The credit period from the major suppliers is 30 to 60 days.

Our major customers include leading brand-name consumer electronic product manufacturing companies, original design manufacturers ("ODMs") and original equipment manufacturers ("OEMs") in the electronic product industry in the PRC region. The years of business relationship with the Group ranged from 1 to 15 years and the credit terms granted to the major customers from 30 to 120 days.

Principal risks and uncertainties

We believe that the following are some of the major risks that may have adverse effects on our business:

- We are dependent on our major suppliers ("**Major Suppliers**"). If our distributorship rights with these Major Suppliers are terminated, interrupted, or modified in any way adverse to us, our business, financial condition and results of operations could be adversely affected. We are expanding our supplier base by means such as organic growth of our business, expansion into various product segments in which the Major Suppliers are not the suppliers and through investment in, acquisition of and strategic cooperation with IC companies and distributors. We have been expanding and will continue to expand our supplier base by exploring co-operation opportunities with new suppliers as well as introducing new product segments that we consider to have growth potential. We have implemented guidelines for selecting and introducing new suppliers and/or new products to our offering.

DIRECTORS' REPORT

- We generally do not enter into long-term agreements with our customers, and some of them may cancel, change or postpone their orders. Furthermore, more than 40% of our revenue during the year was generated from our largest five customers. The concentration of our customers exposes us to risks, and the performance of our major customers may in turn lead to fluctuation or decline in our revenue. We are investing more resources in our advertising and organizing marketing activities for the promotion of our e-commerce platform, Smart-Core Planet and our new products, with the aim of expanding our customer base. Apart from expanding our customer base through Smart-Core Planet, we keep enriching our product portfolio and expanding our supplier base. We have identified a number of strategic product segments which we consider to be fast developing. We will continue to expand our product portfolio and invest in our value-added engineering support services in relation to such strategic segments.
- Our profit margins are slim and therefore our profitability could be adversely affected if our profit margins cannot be sustained.
- We are dependent on short-term financing. In the event that our bankers cancel these facilities or the interest rates at which we could obtain such facilities increase, our business operations, revenue and profitability could be adversely affected.
- As a distributor, we do not directly monitor the quality control procedures of our major suppliers. If a product that we distribute has defects or performance problems, our reputation and operation could be adversely affected.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2025 and the Group's financial position at that date are set out in the Group's consolidated financial statements on pages 89 to 92.

Subsequent to the end of the Reporting Period, a final dividend of HK14 cents per share (2024: HK10 cents) had been recommended by the Directors and is subject to the approval by the Shareholders in the forthcoming annual general meeting. Interim dividend of HK3 cents per share (2024: HK2 cents) has been declared and paid during the year.

FINANCIAL SUMMARY

A summary of the consolidated results and the assets and liabilities of the Group for the last five financial years is set out on pages 4 and 5.

SEGMENT INFORMATION

Details of the segment information of the Group are set out in note 10 to the consolidated financial statements.

NON-COMPETITION UNDERTAKING

In order to ensure that direct competition does not develop between the Group and each of Mr. Tian and Smart IC Limited ("**Controlling Shareholders**")'s other activities, our Controlling Shareholders have entered into the deed of non-competition dated 19 September 2016 executed by the Controlling Shareholders in favour of the Company ("**Deed of Non-competition**"). Under the Deed of Non-competition, each of the Controlling Shareholders had undertaken to the Company (for ourselves and for the benefit of our subsidiaries) that, save for the Retained Business (as defined in the Company's prospectus dated 27 September 2016 ("**Prospectus**")), they will not, and they will use their best endeavours to procure that their respective close associates (except any members of the Group) will not, whether directly or indirectly (including through any body corporate, partnership, joint venture or other contractual arrangement and for projects or otherwise) or as principal or agent, and whether on their own account or with each other or in conjunction with or on behalf of any person, firm or company or through any entities (except in or through any member of the Group), carry on, engage, participate or hold any right or interest in or render any services to or otherwise be involved in any business (the "**Restricted Business**") which is in competition with the business of any member of the Group, the details of which are set out in the Prospectus.

DIRECTORS' REPORT

Under the Deed of Non-competition, the Controlling Shareholders have, among others, (i) undertaken, in the situation when the Controlling Shareholders or their respective close associates identify any new business opportunity relating to the Restricted Business ("**Business Opportunity**") to refer such Business Opportunity to the Company; (ii) undertaken not to pursue such Business Opportunity unless our independent non-executive Directors declines the Business Opportunity and do not veto the pursuit of such Business Opportunity by the Controlling Shareholders; and (iii) Mr. Tian granted an option for the Company to purchase all of his shareholding interest in Smart-Core Technology Co., Ltd. (芯智股份有限公司) ("**SMC Taiwan**"), and/or the assets or other interests of SMC Taiwan and/or any new business similar to our core business which has been developed, operated or owned (whether directly or indirectly) by Mr. Tian, or any companies controlled (whether directly or indirectly) by him. For further details, please refer to the Prospectus — "Relationship with Our Controlling Shareholders".

Mr. Tian and Smart IC Limited have confirmed their compliance with the Non-Competition Undertaking during the year ended 31 December 2025. The independent non-executive Directors have also reviewed the compliance with the Deed of Non-Competition by Mr. Tian and Smart IC Limited and are satisfied that they have complied with the undertakings.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in Note 40 to the consolidated financial statements.

RESERVES

Details of movements in reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity and reserves of the Company on pages 93 to 94 and note 43 to the consolidated financial statements of this annual report respectively.

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 December 2025, the Company had distributable reserves amounted to HK\$215.4 million (2024: HK\$286.9 million).

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 19 to the consolidated financial statements.

DONATIONS

During the year, the Group made charitable and other donations in the aggregate amount of approximately HK\$100,000 (2024: HK\$Nil).

BANK AND OTHER BORROWINGS

Particulars of the bank and other borrowings of the Group at 31 December 2025 are set out in note 37 to the consolidated financial statements.

MAJOR SUPPLIERS AND CUSTOMERS

During the year, the aggregate amount of purchase from the Group's five largest suppliers was approximately 82.1% of the Group's total purchases, while the purchases from the Group's largest supplier was approximately 29.5% of the Group's total purchases.

During the year, the aggregate amount of sales to the Group's five largest customers was approximately 40.9% of the Group's total revenue, while the sales to the Group's largest customer was approximately 10.6% of the Group's total revenue.

None of the Directors, their close associates, or any shareholder (which to the best knowledge of the Directors owns more than 5% of the Company's issued share capital) had any interests in the Group's five largest suppliers or customers.

DIRECTORS' REPORT

DIRECTORS

The Directors during the year ended 31 December 2025 and up to the date of this Directors' report were:

Executive Directors

Mr. Tian Weidong
Mr. Liu Hongbing
Mr. Mak Hon Kai Stanly
Mr. Zheng Gang

Non-executive Director

Mr. Wong Tsz Leung

Independent non-executive Directors

Dr. Tang Ming Je
Ms. Xu Wei
Dr. Xue Chun (*resigned with effect from 1 June 2025*)
Dr. Lin Chen (*appointed with effect from 1 June 2025*)

In accordance with article 16.18 of articles of association (the "**Articles**") of the Company, one-third of the Directors will retire at the forthcoming annual general meeting (the "**AGM**"), and being eligible, offer themselves for re-election at the AGM. Accordingly, Mr. Tian Weidong, Mr. Liu Hongbing and Mr. Wong Tsz Leung will retire by rotation at the forthcoming AGM of the Company and being eligible, will offer themselves for re-election at the AGM. Pursuant to Article 16.2 of the Articles, any Director appointed by the Board either to fill a casual vacancy or as an addition to the Board shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election at that meeting. Dr. Lin Chen was appointed by the Board on 1 June 2025 to fill the casual vacancy. In accordance with Article 16.2, Dr. Lin Chen shall hold the office until the AGM and he will offer himself for re-election at the AGM.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received written confirmation from each of the independent non-executive Directors in respect of his or her independence in accordance with the independence guidelines set out in rule 3.13 of the Listing Rules. The Company considers all independent non-executive Directors to be independent.

DIRECTORS' SERVICE CONTRACTS

Executive Directors

Each of the executive Directors has entered into a service contract with the Company pursuant to which they agreed to act as executive Directors for a term of three years with effect from the date of appointment, which shall be renewed as determined by the Board or the Shareholders of the Company. The appointment of each of the executive Directors may be terminated by either party by giving at least three months' written notice to the other.

Non-executive Director and independent non-executive Directors

Each of the non-executive Director and independent non-executive Directors has been appointed for a term of three years commencing from the date of appointment, which shall be renewed as determined by the Board or the Shareholders of the Company. The appointment of each of the non-executive Director and independent non-executive Directors may be terminated by either party giving at least three months' written notice to the other.

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

DIRECTORS' REPORT

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2025, the interests and short positions of our Directors or chief executives of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Future Ordinance (“SFO”)) as recorded in the register required to be kept under Section 352 of the SFO; or are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the “Model Code”) as set out in Appendix C3 to the Listing Rules, to be notified to the Company and the Stock Exchange are as follows:

Name of Director	Nature of Interest	Class of Shares	Number of Shares held	Approximate shareholding percentage ⁽⁵⁾
Mr. Tian Weidong ⁽¹⁾	Interest in a controlled corporation	Ordinary	262,500,000 (L)	53.72%
Mr. Wong Tsz Leung ⁽²⁾	Interest in a controlled corporation	Ordinary	52,500,000 (L)	10.74%
Mr. Liu Hongbing	Beneficial owner	Ordinary	37,500,000 (L)	7.67%
Mr. Mak Hon Kai Stanly ⁽³⁾	Beneficial owner	Ordinary	5,500,000 (L)	1.13%
Mr. Zheng Gang ⁽⁴⁾	Beneficial owner	Ordinary	3,000,000 (L)	0.61%

Notes:

- (1) Smart IC Limited legally and beneficially owns 262,500,000 shares. As Smart IC Limited is wholly owned by Mr. Tian Weidong, Mr. Tian is deemed to be interested in all the shares held by Smart IC Limited.
 - (2) Insight Limited legally and beneficially owns 52,500,000 shares. As Insight Limited is wholly owned by Mr. Wong Tsz Leung, Mr. Wong is deemed to be interested in all the shares held by Insight Limited.
 - (3) Mr. Mak is interested in 5,500,000 Shares, (comprising 3,500,000 Shares and 2,000,000 awarded Shares which are yet to be vested).
 - (4) Mr. Zheng is interested in 3,000,000 Shares, (comprising 1,000,000 Shares and 2,000,000 awarded Shares which are yet to be vested).
 - (5) Based on 488,681,030 Shares in issue as at 31 December 2025.
- (L) Represents long positions.

Save as disclosed above, as at 31 December 2025, none of the Directors nor their associates had any interests or short positions in any share, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

Save as disclosed under the sections headed “Connected Transaction” and “Related Party Transactions” on pages 34 and 172 of this report, no transactions, arrangements or contracts of significance, to which the Company, or its holding companies, subsidiaries or fellow subsidiaries was a party and in which the Director or the Director’s connected entity had a material interest, whether directly or indirectly, subsisted at the end or at any time during the year ended 31 December 2025.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Save as disclosed under the section headed “Non-Competition Undertaking” on page 29 of this report, during the year ended 31 December 2025, none of the Directors has an interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

DIRECTORS' REPORT

PERMITTED INDEMNITY

Pursuant to the Articles, every Director, auditor or other officer of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him as a Director, auditor or other officer of the Company in defending any proceedings, whether civil or criminal, in which judgment is given in his favour, or in which he is acquitted.

The Company has arranged directors and officer insurance policy to protect the Directors against potential costs and liability arising from claims brought against the Directors.

EVENTS AFTER THE FINANCIAL YEAR ENDED 31 DECEMBER 2025

Up to the date of this annual report, the Group has no significant subsequent event after 31 December 2025.

PRINCIPAL SUBSIDIARIES

The Group's operations are conducted on a global basis through its direct or indirect subsidiaries. Details of the subsidiaries of the Company as at 31 December 2025 are set out in note 26 to the consolidated financial statements.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2025, save for the purchase of 10,078,000 ordinary shares by the Trustee under the Share Award Scheme of the Company, there was no purchase, sale and redemption of any listed securities of the Company by the Company or any of its subsidiaries.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2025, so far as the Directors are aware, the following persons (other than a Director or a chief executive of the Company) have interests or short positions in the shares or underlying shares of the Company, as recorded in the register required to be kept by the Company under Section 336 of Part XV of the SFO:

Name of Shareholder	Nature of Interest	Number of Shares held	Approximate shareholding percentage ⁽⁴⁾
Smart IC Limited ⁽¹⁾	Beneficial owner	262,500,000 (L)	53.72%
Insight Limited ⁽²⁾	Beneficial owner	52,500,000 (L)	10.74%
Mr. Liu Hongbing	Beneficial owner	37,500,000 (L)	7.67%
Futu Trustee Limited ⁽³⁾	Trustee	34,240,256 (L)	7.01%

Notes:

- (1) Smart IC Limited is wholly owned by Mr. Tian Weidong. Therefore, Mr. Tian is deemed to be interested in all the shares held by Smart IC Limited.
 - (2) Insight Limited is wholly owned by Mr. Wong Tsz Leung. Therefore, Mr. Wong is deemed to be interested in all the shares held by Insight Limited.
 - (3) As the trustee of the Company's share award scheme, Futu Trustee Limited is holding 28,906,000 shares as the trustee of the unvested shares and 5,334,256 shares as the custodian of the vested shares of the grantees.
 - (4) Based on 488,681,030 Shares in issue as at 31 December 2025.
- (L) Represents long position.

DIRECTORS' REPORT

Saved as disclosed above, as at 31 December 2025, the Company had not been notified by any persons who had any interests or short positions in the shares or underlying shares of the Company which would fall under the provisions of Divisions 2 and 3 of Part XV of the SFO to be disclosed to the Company, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

There were no contracts of significance (including for the provision of services) with any member of the Group as the contracting party and in which any of the Controlling Shareholders and their respective associates possessed direct or indirect substantial interests, and which was still valid on 31 December 2025 or any time during such year and related to the business of the Group.

CONNECTED TRANSACTION

During the year ended 31 December 2025, the Company did not enter into any connected transaction.

RELATED PARTY TRANSACTIONS

Certain related party transactions as disclosed in note 47 to the consolidated financial statements prepared under Hong Kong Financial Reporting Standards also constituted connected transactions under the Listing Rules required to be disclosed in accordance with Chapter 14A of the Listing Rule. The Company has complied with the disclosure requirements of Chapter 14A of Listing Rules in respect of the above connected transactions or continuing connected transactions.

EMPLOYEE INCENTIVE SCHEMES

On 19 September 2016, the Company adopted a Share Award Scheme and conditionally approved and adopted a Share Option Scheme.

During the year ended 31 December 2025, no new shares had been subscribed by the Trustee and a total of 10,078,000 shares of the Company were acquired by the Trustee pursuant to the rules and trust deed of the Share Award Scheme and a total of 6,000,000 share awards were granted to the employees by the Company pursuant to the Share Award Scheme. The Group recognised a total of HK\$6.7 million of share-based payment expenses in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2025 (2024: HK\$0.3 million). No share option had been granted or agreed to be granted by the Company pursuant to the Share Option Scheme as at 31 December 2025.

The number of shares that may be issued in respect of options and awards granted under the Share Award Scheme and Share Option Scheme divided by the weighted average number of Shares in issue for the financial year ended 31 December 2025 is approximately 0.18.

DIRECTORS' REPORT

Share Option Scheme

The number of options available for grant under the Share Option Scheme at the beginning and the end of the year is 50,000,000 and 50,000,000 respectively, representing approximately 10.23% of the total issued shares of the Company as at the date of this annual report. No option was granted during the year and there were no movements in the number of the share options under the Share Option Scheme during the year.

Details of the Share Option Scheme (which became effective on the Listing Date) are set out as follows:

(a) Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to incentivize and reward the ESOS Eligible Persons (as defined below) for their contribution to the Group and to align their interests with that of the Company so as to encourage them to work towards enhancing the value of the Company.

(b) Participants of the Share Option Scheme

The Board (including any committee or delegate of the Board appointed by the Board to perform any of its functions pursuant to the rules of the Share Option Scheme) may, at its absolute discretion, offer to grant an option to subscribe for such number of Shares as the Board may determine to an employee (whether full time or part-time) or a director of a member of the Group or associated companies of the Company ("**ESOS Eligible Persons**").

(c) Maximum number of Shares in respect of which options may be granted

The maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes (the "**Other Schemes**") of the Company must not in aggregate exceed 50,000,000 shares (representing 10.23% of the issued capital of the Company as at the date of this report) (the "**ESOS Mandate Limit**"). Options lapsed in accordance with the terms of the Share Option Scheme and any Other Schemes of the Company will not be counted for the purpose of calculating the ESOS Mandate Limit.

The Board may, with the approval of the Shareholders in general meeting, refresh the ESOS Mandate Limit provided that the total number of Shares which may be issued upon the exercise of all options to be granted under the Share Option Scheme and any Other Schemes of the Company under the ESOS Mandate Limit as refreshed must not exceed 10% of the Shares in issue as at the date on which the Shareholders approve the refreshment of the Scheme Mandate Limit. Options previously granted under the Share Option Scheme and any Other Schemes of the Company (including those outstanding, cancelled, lapsed in accordance with the terms of the relevant scheme, or exercised options) will not be counted for the purpose of calculating the ESOS Mandate Limit as "refreshed". The Board may, with the approval of the Shareholders in general meeting, grant options to any ESOS Eligible Person or ESOS Eligible Persons specifically identified by them which would cause the ESOS Mandate Limit to be exceeded. The Company shall send to the Shareholders a circular containing the information required under the Listing Rules for the purpose of seeking the approval of the Shareholders.

At any time, the maximum number of Shares which may be issued upon exercise of all outstanding options granted and not yet exercised under the Share Option Scheme and any Other Schemes of the Company to ESOS Eligible Persons must not exceed 30% of the total number of Shares in issue from time to time.

The maximum number of Shares in respect of which options may be granted shall be adjusted, in such manner as the auditors of the Company or independent financial adviser appointed by the Board shall certify in writing to the Board to be fair and reasonable, in the event of any alteration in the capital structure of the Company whether by way of capitalisation of profits or reserves, rights issue, consolidation or subdivision of shares, or reduction of the share capital of the Company, provided that no such adjustment shall be made in the event of an issue of Shares as consideration in respect of a transaction.

DIRECTORS' REPORT

As at the date prior to the issue of this annual report, the maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme is 50,000,000 Shares, representing 10% of the total number of Shares as at the Listing Date.

(d) Maximum Entitlement of Each Individual

No options shall be granted to any ESOS Eligible Person under the Share Option Scheme which, if exercised, would result in such ESOS Eligible Person becoming entitled to subscribe for such number of Shares as, when aggregated with the total number of Shares already issued or to be issued to him under all options granted to him (including exercised, cancelled and outstanding Options) in the 12-month period up to and including the date of offer of such options, exceeds 1% of the Shares in issue at such date.

Any further grant of options to an ESOS Eligible Person in excess of this 1% limit shall be subject to the approval of the Shareholders in general meeting with such ESOS Eligible Person and his close associates (or if such ESOS Eligible Person is a connected person, his associates) abstaining from voting. The Company must send a circular to the Shareholders disclosing the identity of the ESOS Eligible Person in question, the number and terms of the options to be granted (and options previously granted to such ESOS Eligible Person) and such other information required under the Listing Rules.

The number and terms (including the exercise price) of the options to be granted to such ESOS Eligible Person must be fixed before the Shareholders' approval and the date of the Board meeting approving such further grant shall be taken as the date of grant for the purpose of determining the exercise price of the options.

(e) Acceptance of an Offer of Options

An offer of options shall be open for acceptance for such period (not exceeding 30 days inclusive of, and from, the date of offer) as the Board may determine and notify the ESOS Eligible Persons concerned provided that no such offer shall be open for acceptance after the expiry of the duration of the Share Option Scheme. An offer of options not accepted within this period shall lapse. An amount of HK\$1.00 is payable upon acceptance of the grant of an option and such payment shall not be refundable and shall not be deemed to be a part payment of the exercise price.

(f) Exercise Price

Subject to any adjustment made in respect of alteration of share capital, the exercise price shall be such price as determined by the Board and notified to an option-holder and which shall not be less than the higher of:

- (i) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheets on the date of offer of the option;
- (ii) the average of the closing price of the Shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of offer of the option; and
- (iii) the nominal value of the Shares.

(g) Duration of the Share Option Scheme

The Share Option Scheme shall be valid and effective for a period of ten years commencing on the Listing Date, after which period no further options will be granted but the provisions of the Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any options granted prior thereto which are at that time or become thereafter capable of exercise under the Share Option Scheme, or otherwise to the extent as may be required in accordance with the provisions of the Share Option Scheme.

As at the date of this annual report, the remaining life of the Share Option Scheme is approximately 6 months.

DIRECTORS' REPORT

(h) Time of Vesting and Exercise of Options

Any option shall be vested on an option-holder immediately upon his acceptance of the offer of options provided that if any vesting schedule and/or conditions are specified in the offer of the option, such option shall only be vested on an option-holder according to such vesting schedule and/or upon the fulfilment of the vesting conditions (as the case may be). Any vested option which has not lapsed and which conditions have been satisfied or waived by the Board in its sole discretion may, unless the Board determines otherwise in its absolute discretion, be exercised at any time from the next business day after the offer of options has been accepted. Any option which remains unexercised shall lapse upon the expiry of the option period, which period shall be determined by the Board and shall not exceed ten years from the offer date of the option (the "**Option Period**").

An option shall be subject to such terms and conditions (if any) as may be determined by the Board and specified in the offer of the option, including any vesting schedule and/or conditions, any minimum period for which any option must be held before it can be exercised and/or any performance target which needs to be achieved by an option-holder before the option can be exercised. Any terms and conditions determined by the Board must not be contrary to the purpose of the Share Option Scheme and must be consistent with such guidelines (if any) as may be approved from time to time by the Shareholders.

No option may be exercised in circumstances where such exercise would, in the opinion of the Board, be in breach of a statutory or regulatory requirement.

(i) Restriction on the Time of Grant of Options

A grant of options may not be made after inside information has come to our knowledge until such inside information has been announced as required under the Listing Rules. In particular, no option may be granted during the period commencing one month immediately preceding the earlier of:

- (i) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of the Company's results for any year, half-year, quarterly or other interim period (whether or not required under the Listing Rules); and
- (ii) the deadline for the Company to publish an announcement of the results for any year, or half year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), and ending on the date of the results announcement. The period during which no option may be granted will cover any period of delay in the publication of a results announcement.

For further details on the Share Option Scheme, please refer to the section headed "Appendix IV — Statutory and General Information — D. Employee Incentive Schemes — 2. Share Option Scheme" of the Prospectus.

Share Award Scheme

The Share Award Scheme was adopted by the Company on 19 September 2016 (the "**Adoption Date**"). Unless it is early terminated by the board of directors of the Company in accordance with the terms therein, the Share Award Scheme shall be valid and effective for a term of ten years commencing on the Adoption Date. The number of awarded shares available for grant under the Share Award Scheme at the beginning and the end of the year is 37,420,000 and 31,420,000 respectively, representing approximately 6.43% of the total issued shares of the Company as at the date of this annual report. A total of 6,000,000 shares were awarded under the Share Award Scheme during the year.

DIRECTORS' REPORT

Details of the Share Award Scheme are set out as follows:

(a) Purpose of the Share Award Scheme

The purpose of the Share Award Scheme is to reward our directors, senior managers and employees of the Group ("**Eligible Persons**") for their hard work, contribution and loyalty and align their interests with those of the Shareholders.

(b) Duration of the Share Award Scheme

Subject to any early termination as may be determined by the Board pursuant to the rules of the Share Award Scheme, the Share Award Scheme shall be valid and effective for a term of 10 years commencing on the Adoption Date, after which period no further Awards (as defined below) will be granted but the provisions of the Share Award Scheme shall remain in full force and effect to the extent necessary to give effect to the vesting of any Awards granted prior to the expiration of the Share Award Scheme, or otherwise to the extent as may be required in accordance with the provisions of the Share Award Scheme.

As at the date of this annual report, the remaining life of the Share Award Scheme is approximately 6 months.

(c) Participants of the Share Award Scheme and Basis for Determining the Eligibility of the Selected Participants

The Board may, from time to time, at its absolute discretion, select any Eligible Persons to participate in the Share Award Scheme ("**Selected Participants**"), subject to the terms and conditions set out in the Share Award Scheme. In determining the Selected Participants, the Board shall take into consideration matters including, but without limitation, the present and expected contribution of the relevant Selected Participants to the Group.

(d) Maximum number of Shares that can be awarded

The Company shall not make any further grant of award under the Share Award Scheme ("**Award**") which will result in the number of Shares (the "**Award Shares**") allotted and issued to or acquired by the Trustee (as defined in the prospectus) amounting or exceeding 10% of the total number of issued Shares from time to time.

(e) Maximum entitlement of each awardee

The maximum number of Awards which may be granted to an awardee but unvested under the Share Award Scheme shall not exceed 1% of the total number of issued Shares from time to time.

(f) Acceptance and/or Vesting Period

A letter shall be issued to Selected Participants specifying the date of grant, the number of awarded shares, the vesting dates (if any, as may be imposed by the Board at its absolute discretion) (the "**Award Letter**").

An Award is accepted by the Selected Participants when our Company receives from the relevant Selected Participant a duly completed and executed duplicate of the Award Letter, or an agreement in such electronic form, and a remittance of the sum of HK\$1.00 consideration for the grant of the Award within the time period stipulated in the Award Letter and in the absence of such provisions, within 7 days of the grant of the Award. Such remittance is not refundable under any circumstances.

DIRECTORS' REPORT

(g) Appointment of Trustee and Maintenance of Trust

The Company has appointed a trustee (the "Trustee") to assist with the administration and vesting of the Awards granted pursuant to the Share Award Scheme, the Company has entered into a trust deed with the Trustee that constitute a trust to service the Share Award Scheme ("Trust").

Pursuant to the Share Award Scheme, the Award Shares may be (i) acquired by the Trustee at the cost of the Company at the prevailing market price and held on trust for the Selected Participants; or (ii) allotted and issued as new shares of the Company to the Trustee under general mandates granted or to be granted by the shareholders at general meetings of the Company from time to time and held on Trust for the Selected Participants.

(h) Settlement and/or Payment of Award

Upon the satisfaction of conditions including without limitation, the vesting of the Award, the Board may at its absolute discretion to either:

- (i) direct and procure the Trustee to release the Award Shares to the Grantees by transferring the number of Award Shares to the Grantees in such manner as determined by the Board in its absolute discretion from time to time; or
- (ii) to the extent where it is in the reasonable opinion of the Company not practicable for the Grantee to receive the Award Shares, direct and procure the Trustee to sell the number of Award Shares on such dates and in such manner as the Board shall in its absolute discretion determine and pay the Grantee the proceeds arising from such sale based on the actual selling price of the Shares in cash as set out in the vesting notice ("Vesting Notice") to be sent by the Company to the relevant Grantee prior to any Vesting Date, in accordance with the procedure set out in the Share Award Scheme.

(i) Movement of the Award Shares

Details of movement of shares awarded under the Share Award Scheme during the year ended 31 December 2025 were as follows:

Grantee	Date of grant	Number of share awards					Unvested as at 31 December 2025	Closing price of the awarded share immediately before the grant date	Weighted average closing price of the awarded shares immediately before the vesting date
		Unvested as at 1 January 2025	Granted during the period	Vested during the period	Cancelled/ Lapsed during the period	Forfeited during the period			
Directors									
Mr. Mak Hon Kai Stanly	2 April 2025 ⁽¹⁾	-	3,000,000	1,000,000	-	-	2,000,000	HK\$1.71	HK\$1.67
Mr. Zheng Gang	2 April 2025 ⁽¹⁾	-	3,000,000	1,000,000	-	-	2,000,000	HK\$1.71	HK\$1.67

Note:

- (1) On 2 April 2025, each of 3,000,000 awarded shares were granted to Mr. Mak Hon Kai Stanly and Mr. Zheng Gang, executive Directors. Subject to the terms of the Share Award Scheme and the fulfilment of the vesting conditions specified by the Board, the awarded shares shall be vested in three batches with each 1,000,000 awarded shares by 30 June 2025, 2026 and 2027, respectively. Details such as the exercise period and exercise/purchase price of the Share Award Scheme are as outlined under the section headed "Share Awards Scheme".

For further details on the Share Award Scheme, please refer to the section headed "Appendix IV — Statutory and General Information — D. Employee Incentive Schemes — 1. Share Award Scheme" of the Prospectus.

DIRECTORS' REPORT

RETIREMENT BENEFIT PLANS

Details of retirement benefit plans of the Group during the year are set out in note 15 to the consolidated financial statements.

REMUNERATION POLICY

The remuneration policy of the employees of the Group is set by the Board, having regard to the positions, duties and performance of the employees, together with the comparable market practice. The emoluments of the Directors are decided by the remuneration committee of the Company (the "**Remuneration Committee**"), having regard to the Company's operating results, individual performance and comparable market statistics.

CHANGE OF INFORMATION IN RESPECT OF DIRECTORS

Save as disclosed in the section headed "Directors and Senior Management" in this annual report, there was no change to any of the information required to be disclosed in relation to any Director pursuant to rule 13.51B(1) of the Listing Rules since the date of the interim report of the Company for the period ended 30 June 2025.

PRE-EMPTIVE RIGHTS

The Articles and the relevant law of the Cayman Islands do not entitle any Shareholder to any pre-emptive right or other similar rights to subscribe for the new shares on a pro-rata basis.

EQUITY-LINKED AGREEMENTS

Save for the share-based payment transactions under note 41 to the consolidated financial statements, the Company has not entered into any equity-linked agreements for the year ended 31 December 2025.

SHARE INFORMATION

As at 31 December 2025, the number of issued Shares of the Company is 488,681,030 Shares. The Company has only one class of shares, where all the shares (100%) rank equally in all respects, including in relation to dividends, distributions and voting.

SUFFICIENCY OF PUBLIC FLOAT

Throughout the year ended 31 December 2025, the Company was in compliance with the minimum public float requirement under Listing Rules by maintaining its public float at the level of at least 25% of its total issued shares. As at 31 December 2025, the Company's public float was 26.1% of its total issued shares.

DIRECTORS' REPORT

Shareholding Ownership as at 31 December 2025 ^(Note 1)

(a) Shareholders who are not members of "the public" under the Listing Rules

Name of Shareholders	Number of ordinary shares held/interested	Approximate percentage of the Company's total issued shares
Smart IC Limited	262,500,000	53.72%
INSIGHT LIMITED	52,500,000	10.74%
Mr. LIU Hongbing ("Mr. Liu") ^(Note 2)	37,500,000	7.67%

Note 1: This table is compiled based on the information disclosed in the Disclosure of Interests notices ("DI notices") filed under Part XV of the SFO and other relevant information received by the Company up to the date of this annual report and on the assumption that all such information disclosed in the DI notices or received by the Company is accurate and complete.

Note 2: Mr. Liu is a Director of the Company.

(b) Shareholders who are members of "the public" under the Listing Rules

Name of Shareholders	Number of ordinary shares held/interested	Approximate percentage of the Company's total issued shares
Futu Trustee Limited ^(Note 3)	34,240,256	7.01%

Note 3: Futu Trustee Limited holds the shares of the Company in the capacity of the trustee of the Share Award Scheme.

PROFESSIONAL TAX ADVICE RECOMMENDED

If the Shareholders of the Company are unsure about the taxation implications of purchasing, holding, disposing of, dealing in, or the exercise of any rights in relation to the Shares of the Company, they are advised to consult an expert.

DIRECTORS' REPORT

AUDIT COMMITTEE

The audited consolidated financial statements for the year ended 31 December 2025 have been reviewed by the audit committee (the "**Audit Committee**") of the Company.

AUDITORS

The Group's consolidated financial statements have been audited by RSM Hong Kong ("**RSM**"), which will retire and offer itself for re-appointment at the forthcoming AGM. A resolution will be submitted to the AGM to re-appoint RSM as the auditor of the Company.

On behalf of the Board

Tian Weidong

Chairman of the Board and Chief Executive Officer

Hong Kong, 31 March 2026

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THE REPORT

As a leading distributor of electronic components in China, Smart-Core Holdings Limited (the “Group”) has been disclosing its management strategies, actions and achievements in environmental and social aspects annually since 2017 to enhance stakeholders’ understanding of the Group’s sustainable development strategies. This is the ninth Environmental, Social and Governance (“ESG”) report of the Group, which discloses the effectiveness of the Group’s communication with stakeholders and its sustainability achievements. The Board has reviewed the report and confirms its accuracy, truthfulness and completeness.

REPORTING GUIDELINES

This report is prepared in line with the Environmental, Social and Governance Reporting Guide (the “ESG Reporting Guidelines”) set out in Appendix C2 of the Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited (“HKEX”) and taking into account the actual situation of the Group. This report is prepared in accordance with disclosure principles recommended by the ESG Reporting Guidelines, including:

- **Materiality:** Environmental, social and governance issues that have a significant impact on investors and other stakeholders should be reported in this report.
- **Quantitative:** If key performance indicators (KPIs) are established, they must be measurable and be conducive to valid comparison under appropriate conditions. They must also be able to describe their purposes and impacts.
- **Balance:** This report must provide an unbiased picture of the Group’s ESG performance and avoid selectiveness, omissions, or presentation formats that may inappropriately influence a decision or judgment by the reader.
- **Consistency:** This report uses consistent methodologies to allow for meaningful comparison of related data over time. If the statistical methods change in the future, it shall be specified in the report.

REPORTING PERIOD AND BOUNDARY

This report describes the sustainability initiatives of the Group at locations of its major operations, including most of the Group’s environmental and social impacts, for the 2025 financial year (1 January to 31 December 2025). The reporting boundary covers over 85% of the Group’s revenue streams, including the operations of Smart-Core Holdings Limited in Hong Kong and Shenzhen.

FEEDBACK

Continuous improvement of the ESG performance of the Group relies on your valuable opinions. We welcome your feedback or suggestions on this Report or the Group’s sustainability management. Our contact details are as follows:

Smart-Core Holdings Limited

Address: 15/F, Tower B, Regent Centre, No. 70 Ta Chuen Ping Street, Kwai Chung, New Territories, Hong Kong

Telephone: 852-2755 1101

Fax: 852-2755 9866

Email: smg@smart-core.com.hk

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

SUSTAINABLE DEVELOPMENT MANAGEMENT

Board Statement

In response to stakeholders' concerns about corporate sustainability, the Group continues to optimise its internal management processes to integrate ESG strategies into its operations. The Board plays a supervisory role in the Group's ESG matters and guides the formulation and implementation of ESG strategies and policies.

The ESG working group is responsible for the Group's ESG-related implementation, including formulation of ESG strategies and objectives, implementing ESG-related strategies, and participating in the preparation of ESG reports. The ESG working group reports to the Audit Committee on a regular basis, and the Audit Committee reports to the Board. The ESG working group regularly assess and prioritise ESG issues related to the Group on a substantive basis. The Board reviews the assessment results and incorporates them into the Group's ESG management strategy.

The ESG working group assesses the potential ESG risks faced by the Group, identifies and prioritises them according to the likelihood of occurrence and the potential impact, and incorporates the results into its risk management procedures. To enhance our sustainability performance, the ESG working group set specific ESG-related goals based on the nature and characteristics of our business. The ESG-related goals are reviewed by the Board and the progress of the goals is reviewed on an ongoing basis.

Stakeholder Engagement

Understanding and responding to stakeholders' opinions help us continuously improve our service quality and promote sustainable development of the Group. To this end, we communicate closely with our stakeholders, including employees, investors, customers, suppliers, distributors and the community through various communication channels, and adjust our internal strategies and governance methods based on stakeholders' feedback.

Materiality Assessment

The Group regularly conducts materiality assessment and identifies material issues that are closely related to its operations and are of high concern to stakeholders with reference to the HKEX ESG Reporting Guide and the Global Reporting Initiative (GRI) Sustainability Reporting Standards. Materiality assessment during the year is based on the survey on stakeholders and the materiality map provided by well-known external agencies.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



34 potential material issues were identified with reference to the GRI Sustainability Reporting Standards and other guidelines

According to the survey, the priority of material issues is decided based on the two dimensions of “the importance of impacts on economy, environment and society” and “the impact on stakeholders’ assessment and decision making”

The management of the Group reviews and confirms the material issues and reviews the scope for improvement in the future

Based on the assessment results, the Group identified 10 major material issues. After review by the Board, the results are shown as follows.

Aspects	Material Issues
Environmental	<ul style="list-style-type: none"> • Energy Management • Raw Materials Procurement
Employment and Labour Practices	<ul style="list-style-type: none"> • Remuneration and Benefits • Health and Safety • Human Capital Development • Prevention of Child and Forced Labour
Operating Practices	<ul style="list-style-type: none"> • Operating Compliance • Supply Chain and Environmental Risk Management • Data Security • Anti-Corruption

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

AWARDS AND MEMBERSHIP

During the reporting period, the Group's sustainability performance was recognised by various institutions and associations, and it continued to maintain a number of certifications and awards (please refer to the table below for details). In the future, the Group will continue to target best practices in the industry to promote its sustainable development.

Achievement and membership	Companies with awards	Issuing authority
National High-tech Enterprise	Shenzhen Smart-Core Technology Co., Ltd.	Shenzhen Science and Technology Innovation Committee; Shenzhen Finance Bureau; Shenzhen Tax Service, State Taxation Administration
National High-tech Enterprise	Corelink (Xiamen) Technology Co., Ltd	Xiamen Municipal Bureau of Science and Technology; Xiamen Finance Bureau; Xiamen Tax Service, State Taxation Administration
National High-tech Enterprise	Shenzhen Smart-Core Link Technology Limited	Shenzhen Science and Technology Innovation Committee; Shenzhen Finance Bureau; Shenzhen Tax Service, State Taxation Administration
"Specialised, Refined, Differentiated and Innovative" small and medium-sized enterprises	Shenzhen Smart-Core Technology Co., Ltd.	Shenzhen Small and Medium-sized Enterprise Service Bureau
Science and Technology Small and Medium-sized Enterprises	Shenzhen Smart-Core Link Technology Limited	Shenzhen Science and Technology Innovation Commission
Innovative small and medium-sized enterprises	Shenzhen Smart-Core Link Technology Limited	Shenzhen Small and Medium-sized Enterprise Service Bureau
ISO 9001-2015 Quality System Certification	Shenzhen Smart-Core Cloud Information Technology Co., Ltd	ACM-CCAS Limited
ISO14001:2015 Environmental Management System Certification	Shenzhen Smart-Core Cloud Information Technology Co., Ltd	ACM-CCAS Limited
ISO45001:2018 Occupational Health Management System Certification	Shenzhen Smart-Core Cloud Information Technology Co., Ltd	ACM-CCAS Limited
ISO28000: 2007 Supply Chain Security Management System Certification	Shenzhen Smart-Core Cloud Information Technology Co., Ltd	Shenzhen Huayang Certification Co., Ltd.
HDMI® adopter	Smart-Core International Company Limited	HDMI®Licensing Administrator Inc.
HDCP Reseller	Smart-Core International Company Limited	Digital Content Protection LLC
Member Palace of Shenzhen High-tech Industry Association	Shenzhen Smart-Core Technology Co., Ltd.	Shenzhen High-tech Industry Association
Member Palace of China Information Industry Trade Association	Smart-Core Holdings Limited	China Information Industry Trade Association
National Science and Technology Small and Medium-sized Enterprises	Smart-Core Cloud International Company Limited	Electronics Reseller Association International Incorporated (ERAI)

Awards, achievements and membership received by the Group during the reporting period

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ENVIRONMENTAL MANAGEMENT

The Group is principally engaged in distribution of integrated circuits and other electronic components, and providing technical value-added services. As the Group's work is mainly office-based operations, the impact on the environment is not significant. However, in order to move towards green operations and reduce carbon emissions, the Group strictly complies with all relevant environmental laws and regulations, and implements energy conservation and emission reduction measures at all locations. In order to improve the environmental performance more effectively, the Group has set a number of environmental targets during the reporting year to promote the implementation of environmental protection measures and monitor the environmental performance of the Group. In order to achieve the goal, we will review the achievement of the targets in due course.

Environmental Targets	Actions Taken and Progress Made
Reduce office electricity consumption	<ul style="list-style-type: none">• Replace traditional lighting with LED energy-saving lamps; promote the use of office equipment (e.g., computers, printers) with energy-saving certification.• Implement a "power-off after work" policy, requiring employees to switch off power to all non-essential electrical equipment including computers, monitors and printers before leaving the office.
Increase the proportion of paperless office	<ul style="list-style-type: none">• Fully implement electronic approval systems and instant messaging tools for internal communication, and use cloud documents (e.g., Feishu Docs, DingTalk Docs) for collaboration and data storage.• Equipment management: set printers to default double-sided printing mode and encourage employees to print only as needed.
Improve the recovery rate of recyclables in office areas	<ul style="list-style-type: none">• Install sorted waste bins labeled "Recyclables" and "Other Waste" in office areas, pantries and other locations, with clear classification guidelines posted.• Employee education: popularize waste sorting knowledge and raise awareness of its importance among employees through training, posters, internal emails and other channels.

During the reporting period, the Group was not aware of any non-compliance with laws and regulations¹ that have a significant impact on the Group relating to air and greenhouse gas emissions, discharges into water and land, and generation of non-hazardous waste.

¹ Please refer to the section headed Laws and Regulations for environmental related laws and regulations.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Resources Consumption

The Group's resource consumption mainly includes purchased electricity, gasoline, water resources and packaging paper for finished products. We continue to monitor the use of various resources and review measures to reduce energy consumption and emissions. In order to reduce resource consumption, we have taken measures to enhance energy efficiency and conserve energy. We encourage employees to adopt paperless practice to reduce the use of resources. During the reporting period, the Group directly reduced gasoline consumption in its operations and lowered carbon emissions from vehicle exhaust during the reporting period as a result of purchasing new energy vehicles to replace certain of its existing fuel-powered vehicles.

Resource Consumption	Consumption		Consumption per employee		Year-on-year (%)
	2025	2024	2025	2024	
Electricity (kWh)	445,089.70	431,889.00	1,373.73	1,384.26	3.06
Gasoline (litres)	7,623.37	10,702.33	23.53	34.30	-28.77
Water (m ³)	2,228.50	2327.00	6.88	7.46	-4.23
Paper (tonnes)	1.93	2.01	0.006	0.006	-3.98

Total resource consumption during the reporting period

Greenhouse Gas and Air Emissions

The Group is not an energy-intensive enterprise and thus greenhouse gas and air emissions are relatively low. Direct carbon emissions (Scope 1) are mainly generated from the consumption of motor fuels, indirect carbon emissions (Scope 2) are generated from purchased electricity, and other indirect carbon emissions (Scope 3) are generated from business travel by employees, water processing and paper waste disposed at landfills. During the reporting period, the total greenhouse gas emissions were 315.72 tCO₂e. We will continue to monitor greenhouse gas emissions to reduce emissions and intensity.

Greenhouse Gas Emissions	Emissions (tCO ₂ e)		Emission per employee (tCO ₂ e/employee)		Emission Percentage (%)	
	2025	2024	2025	2024	2025	2024
Scope 1:						
Direct emissions	16.93	20.27	0.05	0.06	5.36	7.02
Scope 2						
Indirect emissions	221.96	215.27	0.69	0.69	70.30	74.53
Scope 3						
Other indirect emissions	76.83	53.29	0.24	0.17	24.34	18.45
Total	315.72	288.83	0.98	0.92	100	100

Total greenhouse gas emissions during the reporting period

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Air pollutants generated from combustion of motor fuels include nitrogen oxides (NO_x), sulphur oxides (SO_x) and particulate matter (PM). During the reporting period, the Group emitted a total of 10.82 kg of nitrogen oxides (NO_x), 0.12 kg of sulphur oxides (SO_x) and 1.03 kg of particulate matter.

Air Emissions	Emissions (kg)		Emission per employee (kg/employee)		Year-on-year (%)
	2025	2024	2025	2024	
Nitrogen oxides (NO _x)	10.82	12.70	0.033	0.041	-14.80
Sulphur oxides (SO _x)	0.12	0.14	0.0004	0.0004	-14.29
Particulate matter	1.03	1.09	0.003	0.003	-5.50

Total air emissions during the reporting period

Waste Management

Waste generated during the Group's operations is mainly general waste, wood products and kitchen waste. In order to reduce the impact on the environment, the Group implements various waste reduction measures, including encouraging a paperless office, encouraging employees to bring meals instead of ordering takeaway, and reusing packaging and wooden pallets used for transportation. During the reporting period, the Group generated a total of approximately 183.50 tonnes of non-hazardous waste.

Waste ²	Generation		Generation per employee (tonnes/employee) ⁽ⁱ⁾		Year-on-year (%)
	2025	2024	2025	2024	
Non-hazardous waste (tonnes)	183.50	170.11	0.566	0.545	7.87
Hazardous waste	0.018	0.02	0.00006	0.00006	-10.00

(i) Generation per employee represents generation per employee within the Reporting Boundary.

During this reporting period, the non-hazardous (A1.4)/hazardous (A1.3) renovation waste generated from the decoration of the Company's new office building could not be accurately quantified and statistically compiled due to on-site construction constraints. The non-hazardous waste mainly consisted of construction debris and recyclable metal/glass waste, while the hazardous waste comprised a small amount of waste paint materials. Both categories of waste have been disposed of in accordance with local environmental protection regulations. Non-hazardous waste has been prioritised for recycling and reuse, while hazardous waste has undergone specialized non-hazardous treatment. The Company will subsequently improve the renovation waste measurement process to achieve accurate disclosure of relevant data.

² Non-hazardous waste includes general waste, wood products and kitchen waste.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Environment and Natural Resources

The Group's business involves only distribution and storage of goods, and does not involve any manufacturing or production activities, so it does not directly have a significant impact on the environment and natural resources. Even so, the Group has incorporated environmental protection elements into its operations.

Green office

- Encourage paperless office and store documents in the central server
- Carry out double-sided printing to reduce paper use and strengthen printing management
- Arrange staff to carry out office environment disinfection to reduce pests and build a green environment together
- Remind employees to turn off idle electrical appliances and equipment, and inspect office areas after work

Energy saving and emission reduction

- Use LED lighting system to reduce lighting in non-operating areas
- Put up water-saving signs in each washroom
- Reuse packaging cartons and fillers

Work closely with business partners

- Ongoing communication with business partners and implementation of environmental protection measures
- Understand the packaging requirements of customers and design the most suitable packaging methods

Green supply chain

- Give priority to suppliers with relevant green policies on their products, production and manufacturing processes in terms of waste reduction and environmental protection
- Reduce the use of packaging materials or adopt renewable, biodegradable and environmentally friendly materials, and optimize packaging design to reduce resource consumption and carbon emissions during transport and storage

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Climate Change

In response to stakeholders' concerns about climate change, the Group began to disclose climate change risks and countermeasures related to its business in accordance with the recommendations of the Task Force on Climate-related Financial Disclosures ("TCFD") in 2020. Below is a summary of the Group's disclosure on climate change-related risks during the reporting period:

Subject Areas	Our Actions
Governance The Group's governance measures on climate-related risks and opportunities	<ul style="list-style-type: none"> Regularly review climate policies to ensure that climate change-related physical and transitional risks are effectively mitigated
Strategy Actual and potential impact of climate related risks and opportunities on the Group's business, strategy and financial planning	<ul style="list-style-type: none"> Strictly follow the government's guidelines on extreme weather to reduce the risk of property loss The Group will continue to pay attention to the potential risks and opportunities caused by climate change
Risk management The Group's processes to identify, assess and manage climate-related risks and opportunities	<ul style="list-style-type: none"> Identify and assess climate change risks and disclose the physical and transitional risks faced by the Group under different climate scenarios
Metrics and targets Indicators and targets for the Group to identify and manage climate-related risks and opportunities	<ul style="list-style-type: none"> The Group regularly collects and calculates the greenhouse gas emissions, covering the direct and indirect greenhouse gas emissions of the business, and regularly reviews the emissions. For GHG emissions, please refer to the section headed "Greenhouse Gas and Air Emissions".

Summary of the Group's Disclosures on Climate Change-related Risks

The following table lists the risks that may have a higher potential impact on the Group's business:

Risks	Potential impacts
Physical risks Frequent extreme weather events	Extreme weather affects normal operations and damages or destroys goods, leading to instability in the supply chain and rising costs
Transitional risks: Market risk	Rising prices of resources, such as energy, lead to increased procurement costs, thus endangering the stability of the supply chain Consumers are changing their consumption concepts to combat climate change, such as preference for more environmentally friendly products, including high-efficiency energy-saving smart displays or television. This in turn reduces sales of existing products, resulting in a decrease in revenue

Description of the Group's potential climate change-related risks

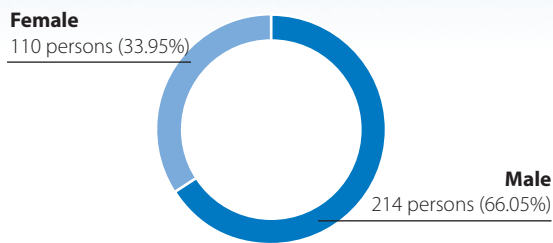
ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

TALENT MANAGEMENT

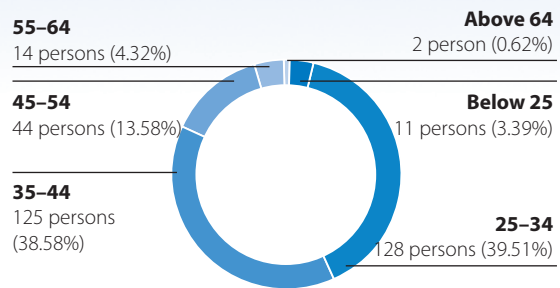
The Group insists on the “people-oriented” principle and attaches great importance to talent development and management, so as to achieve the goal of stable, efficient, and long-term development of the Group itself and of its employees.

As of 31 December 2025, the Group had 324 employees, with a total male-to-female ratio of approximately 107:55. Among them, the highest number is in age group 25-34 years old (39.51%) and 35-44 years old (38.58%). About 67.60% of the Group’s employees holds a bachelor’s degree or above. Among all employees, 27 are middle and senior management, 42 are supervisors, and 255 are general employees, of which 89.51% are based in Mainland China and the rest are based in Hong Kong and other areas. There were 63 new employees, with a total male-to-female ratio of approximately 53:10.

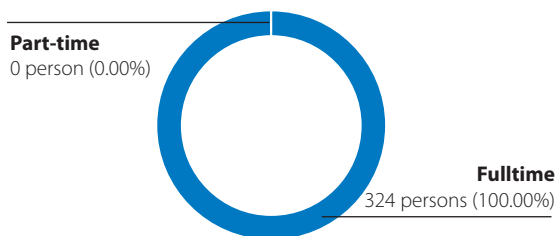
Employee gender distribution



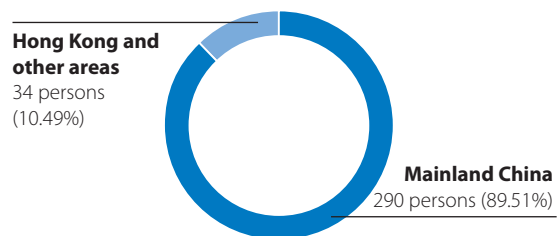
Employee age distribution



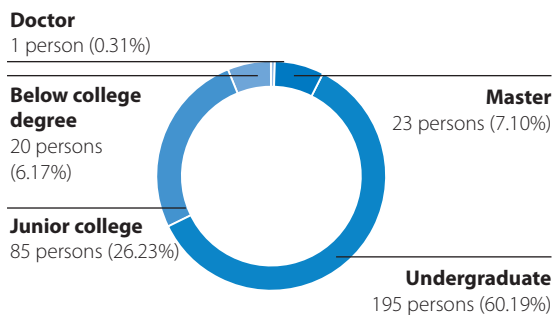
Employee employment type distribution



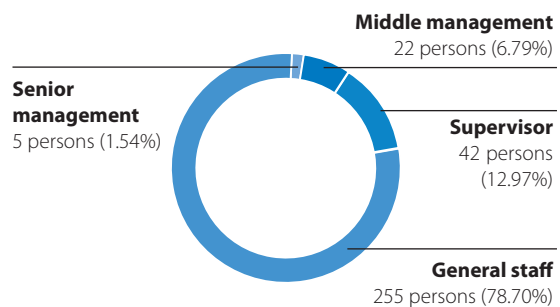
Employee geographical distribution



Employee education distribution



Employee function distribution



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Employment and Labour Practices

In order to improve labour management, the Group's personnel management system clearly sets out the procedures for induction, promotion and resignation. The Group's Code of Conduct for Employees' Work and Behaviour clearly regulates the work and behaviour of employees, ensuring that employees are treated fairly when rewards and punishments are applied. We strictly comply with all employment regulations, relevant policies and guidelines applicable where we operate. During the reporting period, there were no cases of non-compliance with relevant employment laws and regulations³, and no cases of recruitment-related complaints were recorded.

Remuneration System

In order to attract, retain and motivate outstanding talents, the Group provides competitive remuneration packages including basic salary, mandatory provident fund, and other benefits based on the principles of fairness, motivation, reasonableness, and legality. The Group also regularly reviews the remuneration level with reference to the overall market environment and other market information. In addition, the Group has a talent incentive mechanism to reward and commend employees with outstanding performance.

Employee Benefits

The Group is committed to creating an ideal and pleasant working environment for employees, establishing long-term and stable labour relations, and regularly reviewing employee benefit policies. During the reporting period, employee benefits provided by the Group included:

Employee Benefit Policy

- Irregularly organised tours, hiking, Children's Day parentchild meetings, mountaineering competitions, annual meetings or other collective events
- Set up amateur interest groups such as football, basketball, badminton, swimming, reading clubs, etc.
- Paid leave such as statutory holidays, annual leave, marriage leave, bereavement leave, maternity leave, paternity leave, parental leave and work injury leave
- Education and training
- Holiday gifts, various cash gifts
- Health Checkup

"Share Award Scheme"

- Distribution of shares of the Group to directors, senior management and employees of the Group, subject to the conditional approval of the Board, taking into account various factors such as functions, work performance, and length of service
- Designed to reward employees for their hard work while driving productivity

³ Please refer to the section headed Laws and Regulations for labour-related laws and regulations.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Equal Opportunity Policy

The Group is committed to promoting anti-discrimination work practices and equal opportunities and has formulated and adopted an open and equal recruitment process. The selection criteria are based on the knowledge and talents of the candidates to ensure that employees are not subject to any form of discrimination during the recruitment process. All departmental policies of the Group are based on factors irrespective of age, gender, religion, family status, or any other non-job-related factors. All employees have the same rights.

The Group respects the wishes of its employees based on their work performance and workability, combined with the actual work needs, and provides employees with opportunities to give full play to their strengths, timely adjustment of their positions and duties, and provides talents with space for training and development.

Occupational Health and Safety

In order to implement the safety management policy of “safety first, prevention-oriented and comprehensive management”, the Group has implemented a series of occupational health and safety measures to safeguard employees’ health and safety. During the year, the Group has carried out a series of activities associated with occupational physical and mental health and fire safety with an aim to enhance employees’ awareness of healthy lifestyle and occupational safety.

The Company’s public security and security management system sets out in detail the work process, safety measures, and inspection procedures for ensuring the safety of the office environment under various scenarios, and covers the standard procedures for prevention and handling of safety incidents to ensure the safety of the Company’s personnel and property. All employees are required to strictly follow the relevant safety guidelines to minimise the occurrence of OHS risks.

Scope	Our Actions
Safety of office environment	<ul style="list-style-type: none">• Access control cards are used for employees’ entry and exit, and signs are worn in the office area• Visitors are required to register the information at the front desk of the Company, and visitors are strictly prohibited from entering the non-designated reception area• Registration and distribution of the key of the independent office in the office area, and timely update of the key management account• Employees of the Company are required to ensure that they log out of their computers when leaving the seat, and important documents of the Company are stored in the personal file cabinet• Materials warehouse is managed in strict accordance with the Company’s regulations. Warehouse managers implement relevant standards in strict accordance with the warehouse management entry and exit requirements, and regularly carry out inspections• The materials managed by the welding laboratory of the Company are placed and set in strict accordance with the fire safety inspection requirements
Office environment inspection	<ul style="list-style-type: none">• The administrative department regularly conducts daily environmental hygiene and safety inspections of the environment of office areas• The administrative department regularly inspects the monitoring equipment in the office area of the Company• Ensures doors are locked in office areas during normal working days and registered and confirmed in the OA system• Conducts monthly inspections of the Company’s fire safety facilities

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Scope	Our Actions
Prevention and handling of emergencies	<ul style="list-style-type: none">• Mobile phones of employees at the manager level and above must be on 24 hours a day• In case of emergency, employees shall report to their department manager within 10 minutes• The department manager shall notify the administrative department immediately after receiving an incident report, and the administrative department shall carry out remedial measures or temporary treatment according to the nature and type of the incident, and report the situation to the management of the Company within 30 minutes• In case of emergency, all employees are required to cooperate with the administrative department to ensure that there are special personnel on the site responsible until the incident is handled and the safety hazards of emergency are eliminated
Fire safety	<ul style="list-style-type: none">• Disseminate fire safety knowledge and provide training regularly• Employees must participate in fire safety seminars and fire drills organised by the property management office• Timely improve fire safety hazards identified by government departments• Inspect and maintain fire equipment and appliances on a monthly basis to confirm that they are still valid

The Group's occupational health and safety measures

Safety Training

In order to improve the employees' awareness of fire safety, the Group actively carried out fire safety education and fire drills to ensure that each employee is equipped with fundamental fire skills. We attached great importance to the safety training of employees by strengthening inspection work and eliminating fire safety hazards in a timely manner. During the reporting period, the Group held 2 regular fire safety training sessions, covering the operation of fire extinguishers, use of fire hydrants, common knowledge of fire escape, disposal methods of LPG fire, and disposal methods of LPG leakage, with an aim to improve employees' ability to prevent fire and emergency response, allowing them to respond promptly and calmly in case of fire. During the year, 132 employees participated in the training, with a total of approximately 264 training hours.

We are committed to fostering and maintaining a safe and healthy working culture which encourages employees to proactively participate in safety management by giving advice and feedback and timely eliminating potential safety dangers and hazards. During the reporting period, the Group did not notice any cases of non-compliance with laws and regulation⁴ regarding occupational safety and health⁴ or relevant complaints. There were no work-related fatalities in the past three years.

In order to secure the occupational health of employees and ensure the health and safety of the working space, the Group attached great importance to safeguarding the health of employees and maintaining environmental hygiene and adopted a series of management measures. The Group formulated a corporate guideline, which covers 11 scenarios such as office entry, business visits, and dining in canteens. The Group guided employees to follow various measures to build a healthy and safe working environment together.

⁴ Please refer to the section headed Laws and Regulations for health and safety related laws and regulations.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



Care of physical and mental health of employees

The Group always prioritized the health and safety of employees and continuously promoted the improvement of the healthy lifestyle of employees. We believe that only an employee with a healthy body and a positive mindset can be devoted to work in an energetic manner while enjoying the beauty of work and life.

Therefore, save for the above safety measures and training, the Group arranges regular body checks annually at the cost of the Group to care about the healthy development of employees. The body check comprehensively assesses the shape, function and quality of the body, including height, weight, blood lipid, blood pressure, lung capacity, medicine-related items, surgery-related items, cardiopulmonary and thyroid function, tumor markers and other indicators. Through such check-ups, employees are able to timely identify, prevent and seek treatment for their health issues so that they can stay healthy and fully engage in their work, enjoying their jobs and lives free of sadness and illness.

In order to popularize the knowledge on healthy living and raise employees' awareness of healthy lifestyles, we publish articles on physical and mental health in our corporate mailboxes from time to time, organize activities such as health knowledge lectures, TCM mobile clinics, and AED operation training to popularize the knowledge on mental health. Such initiatives enable employees to gain a comprehensive understanding of the importance of a healthy lifestyle, and at the same time raise their awareness of disease prevention and control, and let them learn about the methods and techniques to develop healthy eating habits.

In addition, we have successively set up clubs of sports such as badminton, hiking and swimming within the Company, and organized walking check-in campaigns, aiming to promote the normalization of healthy work and active life among our employees. We have also organized a number of highly participatory and effective competitions to stimulate the enthusiasm of our employees to be fit and healthy, so that every employee can have a strong body and a good mental outlook.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Development and Training

In order to enhance employees' professional skills and knowledge and ability to adapt to their respective positions, and to enable them to grow together with the Company, the Group has formulated an employee training management system, which specifies the training leaders of various departments and their management responsibilities. The Group also prepares diversified training content for employees, including various internal training methods such as business internal training, technical exchange, management skills internal training, and email training, and systematically implements the internal training mechanism and monitors its results.

Through training for new employees, the Group allows new employees to understand the development history and business conditions of the Company, and to understand and recognise the corporate culture and values the Company follows, so as to promote communication and interaction between teams. After the training, feedback and evaluation on the training results are collected, combined with business development and employee needs, and the training plan is revised and adjusted according to the "Annual Training Plan" to improve employees' professional skills and to promote team building.

According to the business needs and aptitudes of individuals and recommendations of their departments, the human resources department determines training activities. External professional training institutions or information companies are commissioned for employees, where necessary, to enhance their overall job qualifications and capabilities. During the reporting period, a total of 296 employees of the Group completed training, with a total of 3,778 training hours. During the reporting period, the employee training rate by gender and function is as follows:

Average training hours

	2025	2024	Year-on-year (%)
By gender			
Male	13.58	11.57	17.37
Female	12.40	9.80	26.53
By function			
Senior management	10.50	9.00	16.67
Middle management	10.20	13.52	-24.56
Supervisor	14.50	10.56	37.31
General staff	12.75	9.77	30.50
Total	12.76	10.22	24.85

Average Training Hours by Gender and Employee Category during the Reporting Period

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Percentage of employees trained

	2025	2024	Year-on-year (%)
By gender			
Male	91.80%	85.71%	7.11%
Female	88.70%	94.83%	-6.46%
By function			
Senior management	100%	100%	0.00%
Middle management	90.90%	84.38%	7.73%
Supervisor	90.48%	73.47%	23.15%
General staff	91.37%	92.92%	-1.67%
Total	91.36%	89.10%	2.54%

Percentage of Employees Trained by Gender and Employee Category during the Reporting Period

The Group has set up a book corner “any books”. By creating a comfortable reading space, employees get interested in self-learning. Employees can not only enhance their knowledge but also foster communication between them.

Labour Standards

Prohibition of child labour and forced labour

The Group resolutely resists the illegal employment of child labour and forced labour. In the process of selecting candidates, recruitment interviews, and entry, relevant departments strictly follow the internal work process to avoid the illegal employment of child labour and forced labour. The Group’s standard recruitment process includes checking identity documents to verify age information, ensuring that new employees sign employment contracts voluntarily, etc. If child labour or forced labour is reported, we will terminate employment immediately, conduct an investigation to identify loopholes in the system and implement remedial measures to prevent a recurrence. The Group has established a whistle-blowing mechanism for identifying any employment of child labour and forced labour. Employees can report anonymously and truthfully through a dedicated channel. The Group respects and complies with all laws and regulations relating to the prevention of child and forced labour in places where it operates. During the reporting period, the Group was not aware of any cases of non-compliance with relevant laws and regulations⁵ in this context.

⁵ Please refer to the section headed “Laws and Regulations” for Labour standards related laws and regulations.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

OPERATIONAL EXCELLENCE

Supply Chain Management

In 2021, the “Action Plan for Building a High-Standard Market System” issued by the General Office of the Central Committee of the Communist Party of China and the General Office of the State Council further enthused investors about 5G. Facing the huge development prospects of the 5G industry, the Group continues to strictly control product quality from the procurement process and continue to manage the quality of the supply chain. We effectively avoid the risk of non-compliance due to substandard supply and service quality of suppliers, and promote best practices in the industry supply chain.

The Group proactively takes effective measures to regularly assess, control and supervise suppliers. During the reporting period, we maintained cooperation and mutual trust with 1,264 suppliers, including 378 in Hong Kong, 561 in Mainland China and 325 in other regions. The Group selects high-quality suppliers based on multi-dimensional performance, including on-site visits to shortlisted suppliers, and online and telephone communications to ensure that they meet the Group’s requirements. The scope of review covers production capacity, technical abilities, product quality, quality assurance capability, supply capacity, safety and environmental management qualifications, etc. In order to encourage suppliers to use more environmentally friendly products and services, suppliers with relevant green policies in reducing waste and protecting the environment are given priority in the assessment.

In order to ensure efficiency and quality of products and services delivered to downstream customers, the Group regularly evaluates the Order Fill Rate and quality of suppliers during the supply contract cycle. In general, the Group submits monthly order forecasts to suppliers for the next three to six months to allow sufficient time for preparations. In addition, the Group conducts annual assessments of suppliers, and gives them quantitative scores on indicators such as compliance status and industry reputation, so as to give reasonable improvement opinions to suppliers. This score serves as an important reference for the Group to continue a new round of cooperation with suppliers.

Product Responsibility

In order to standardise and improve the management of after-sales service and maintenance process, the Group has established an after-sales system mainly consisting of the customer service department, quality department, maintenance department and technology department, and clarified the responsibilities of each department in the after-sales and maintenance process in the “After-sales Maintenance Management Standards”. When handling customer complaints, the customer service department actively maintains communication with customers, provides timely feedback on the latest progress and circulates the case to the appropriate departments. The quality department, maintenance department and technical department then analyse the complaint cases and implement corrective measures within the required time. Each department performs its own duties and links with others to solve after-sales problems and ensure after-sales service quality.

Customer Service Department	<ul style="list-style-type: none">• Clarify after-sales and maintenance processes and sign after-sales agreements with customers• Receipt of after-sales information and feedback to the maintenance department
Quality Department	<ul style="list-style-type: none">• Arrange testing and delivery of maintenance products• Conduct review of the appearance of after-sales products
Maintenance Department	<ul style="list-style-type: none">• Check after-sales product information• Carry out maintenance, record the causes of the defects, and communicate with relevant departments and suppliers
Technology Department	<ul style="list-style-type: none">• Responsible for assisting maintenance engineers in analysing defective products and providing technical support to them

Product after-sales and maintenance process

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

If it is necessary to recall the goods, the Group deals with the goods according to the chip-maker's judgment and the signed agency agreement, and provides assistance to the customer and the chip-maker. During the reporting period, the Group received a total of 12 complaints related to product quality, all of which have been followed up and resolved.

For product compliance, the Group complies with safety standards and specifications set by the Communications Authority and actively adopts appropriate and adequate safety measures to ensure the safety of life and property in the operation of devices, equipment or appliances, and to prevent the risks of electrical appliances or radiation hazards in the process. We strictly comply with requirements of the Trade Descriptions Ordinance in business operations. The Group has provided in-house training conducted by legal practitioners to staff responsible for sales and marketing. During the reporting period, no products sold or shipped were recalled due to safety and health reasons.

For intellectual property rights, in order to enhance employees' awareness of the importance of intellectual property rights, and prevent them from using unauthorised products inadvertently, the Group's monitoring system led by the Information Management Department regularly inspects the use of software within the Group to ensure that all purchased software are genuine. The Group is also actively expanding the ownership of intellectual property rights to safeguard the interests of stakeholders. During the reporting period, the Group owned a total of 572 intellectual property rights. In view of this, the Group has not slackened its ethical requirements in the supply chain and only selects legally compliant manufacturers or suppliers to avoid being a sales channel for pirated goods.

The Group attaches great importance to the security of customer data and privacy data, and has set up a complete internal privacy protection mechanism to eliminate customer concerns and win customer trust, so that customers can complete the sales and purchase safely. Customer orders and personal information are processed and stored by a designated department, and unauthorised staff is not allowed to access or steal customer information. At the same time, the Group strictly complies with the laws and regulations⁶ related to personal data privacy, and is not aware of any violation of privacy matters related to products and services.

Integrity

As a leading chip distributor in China, Smart-Core Holdings is committed to creating a trading environment with fair competition and win-win cooperation. We believe that a transparent and ethical management system can help the Company enhance its operational conditions and plays a critical role in long-term development of the Group in the future. To foster a fair and harmonious corporate culture, we have formulated a compliance management manual and established a whistle-blowing system to prevent insider trading and corruption within the Group. This enhances our risk management and integrity system, ensuring that all employees can maintain integrity and honesty both internally and publicly. The Group also informs employees via internal notices as necessary to avoid activities involving bribery and improper acceptance of advantages. Additionally, the Group clearly defines conducts that violate the rules and regulations. Individuals who use their position to take bribes or seek personal benefit and create economic losses to the Group of more than RMB1,000 are immediately reported to the appropriate authorities and held liable. Other conducts that violate rules include: using their positions to engage in the operation, share subscriptions, part-time activities of suppliers and customers (including relatives and their spouses) without permission; soliciting various types of advantages from customers and suppliers; accepting rebates, commissions, and other types of advantages from customers and suppliers, including but not limited to gifts, monetary gifts, marketable securities, valuables, rebates, handling fees, gratitude fees, and other property, etc., without reporting and submitting the advantages to the Group; and violation of the Group's Commitment of Integrity and Self-discipline. Any act that violates the Group's usual procedures and is proven to be for personal gain will be documented. If the total number of violations exceeds three times, it is considered to be a serious violation of the Group's management system and is severely punished. To maintain fairness and integrity at the organizational and individual levels, all corporate actions within the Group are carefully in alignment with legal requirements and social codes. During the reporting period, we provided anti-corruption awareness to our new recruits, so that they could understand the Group's commitment to integrity and related policies and sign a statement of commitment to provide integrity.

The Group's Audit Committee collaborates with third-party professional institutions to offer clear advice on wrongdoing and halt the development of connected cases immediately by consolidating internal and external whistleblowing cases and focusing on examining corruption-related risks. If the case is found to be true, the Group takes different follow-up actions, including disciplinary action, termination of contract, and even reporting to the judicial authorities for follow-up when necessary.

⁶ Please refer to the section headed "Laws and Regulations" for product responsibility-related laws and regulations.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

During the reporting period, the Group was not aware of any non-compliance with laws and regulations⁷ that had a significant impact on the Group relating to bribery, extortion, fraud and money laundering and was not involved in any corruption cases.

Community Engagement

The Group consistently upholds the concept of “Take from Society and Give Back to Society” in charity work and actively responds to post-disaster relief needs in the Hong Kong community. Regarding the fire incident that occurred at Wang Fuk Court in Tai Po, Hong Kong during the Reporting Period, the Group donated HK\$100,000 to the officially designated Support Fund for Wang Fuk Court in Tai Po, to support the livelihood of affected residents and the reconstruction of the community. In the future, the Group will continue to focus on community development, deepen community co-creation through diversified public welfare initiatives, and fulfill its corporate social responsibility in pursuit of sustainable development.

APPLICABLE LAWS AND REGULATIONS

With regard to various ESG aspects, the Group follows standardised management approaches, including various policies and initiatives, to ensure compliance with all relevant laws and regulations. The relevant laws and regulations are detailed as below:

Aspects	Applicable Laws and Regulations	Section/Remarks
Emissions	<ul style="list-style-type: none"> Environmental Protection Law of the PRC Law of the PRC on Promotion Clean Production Air Pollution Prevention and Control Law of the PRC Water Pollution Prevention and Control Law of the PRC 	Environmental Management
Use of Resources	<ul style="list-style-type: none"> Energy Conservation Law of the PRC 	Environmental Management
Employment and Labour Standards	<ul style="list-style-type: none"> Labour Law of the PRC Labor Contract Law of the PRC Employment Ordinance in Hong Kong Employees' Compensation Ordinance in Hong Kong 	Talent Management
Health and Safety	<ul style="list-style-type: none"> Labour Law of the PRC Occupational Health and Safety Ordinance in Hong Kong 	Talent Management
Product Responsibility	<ul style="list-style-type: none"> Product Quality Law of the PRC Intellectual Property Law of the PRC Cyber Security Law of the PRC Patent Law of the PRC Personal Data (Privacy) Ordinance in Hong Kong 	Operational Excellence
Anti-corruption	<ul style="list-style-type: none"> Supervision Law of the PRC Prevention of Bribery Ordinance in Hong Kong Competition Ordinance in Hong Kong 	Operational Excellence

⁷ Please refer to the section headed “Laws and Regulations” for anti-corruption-related laws and regulations.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

PERFORMANCE DATA SUMMARY

		2025	2024
Environment performance	Resource Consumption		
	Electricity (MWh)	445	432
	Intensity (MWh/employee)	1.37	1.38
	Gasoline (Litre)	7,623.37	10,702.33
	Intensity (Litre/employee)	23.53	34.30
	Water (m³)	2,228.50	2,327.00
	Intensity (m ³ /employee)	6.88	7.46
	Packaging materials (tonnes)⁸	12.45	11.26
	Intensity (tonnes/employee)	0.04	0.04
	Emissions		
	Greenhouse Gas⁹		
	Scope 1: Direct carbon emissions (tCO₂e)	16.93	20.27
	Emission per capita (tCO ₂ e/employee)	0.05	0.06
	Emission Percentage (%)	5.36%	7.02%
	Scope 2: Indirect carbon emissions (tCO₂e)	221.96	215.27
	Emission per capita (tCO ₂ e/employee)	0.69	0.69
	Emission Percentage (%)	70.30%	74.53%
	Scope 3: Other indirect carbon emissions (tCO₂e)¹⁰	76.83	53.29
	Emission per capita (tCO ₂ e/employee)	0.24	0.17
	Emission Percentage (%)	24.34%	18.45%
	Total (tCO₂e)	315.72	288.83
	Exhaust gas		
	Nitrogen oxides (NO_x) (kg)	10.82	12.70
	Emission per capita (kg/employee)	0.0333	0.0416
	Sulphur oxides (SO_x) (kg)	0.12	0.14
	Emission per capita (kg/employee)	0.0004	0.0004
	Particulate matter (kg)	1.03	1.09
	Emission per capita (kg/employee)	0.003	0.003
	Waste		
Hazardous waste (tonnes)¹¹	0.018	0.02	
Per capita generation (tonnes/employee)	0.00006	0.00006	
Non-hazardous waste (tonnes)¹²	183.50	170.11	
Emission per employee (tonnes/employee)	0.566	0.545	

⁸ Packaging materials include plastic, paper and paper products.

⁹ Computation method of carbon emission adopts

— the “Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong” formulated by Environmental Protection Department and Electrical and Mechanical Services Department

— 2019 Supplementary Template for Carbon Emission Reporting issued by the Ministry of Ecology and Environment of the PRC

¹⁰ Scope 3 Greenhouse Gas: Other indirect greenhouse gas emissions from companies include those from business air travel by employees, water treatment, and paper waste disposal. Carbon emissions from employee’s business air travels are calculated in accordance with the International Civil Aviation Organisation (ICAO) Carbon Emission Calculator; carbon emissions from water treatment are calculated in accordance with “Research on Energy Consumption of China’s Urban Water Supply System” issued by Tsinghua University and “Statistical Analysis and Quantitative Identification of the Law of Energy Consumption in Urban Sewage Treatment Plants in China” published by Tsinghua University and National Urban Water and Drainage Engineering Technology Research Center; carbon emissions from paper waste disposal are calculated in accordance with the Appendix II “Reporting Guidance on Environmental KPIs” published by the Hong Kong Stock Exchange.

¹¹ Hazardous waste includes ink cartridges disposed of at the office.

¹² Non-hazardous waste includes general waste, wood products and kitchen waste.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

		2025	2024
Staff Distribution	Total number of full-time employees	324	312
	By gender		
	Male	214 (66.05%)	196 (62.82%)
	Female	110 (33.95%)	116 (37.18%)
	By age		
	<25	11 (3.39%)	9 (2.88%)
	25-34	128 (39.51%)	133 (42.63%)
	35-44	125 (38.58%)	121 (38.78%)
	45-54	44 (13.58%)	38 (12.18%)
	55-64	14 (4.32%)	10 (3.21%)
	>64	2 (0.62%)	1 (0.32%)
	By region		
	Hong Kong and other regions	34 (10.49%)	39 (12.50%)
	Mainland China	290 (89.51%)	273 (87.50%)
	By employment category		
	Full-time	324 (100.00%)	312 (100.00%)
	Part-time	0 (0.00%)	0 (0.00%)
	By education level		
	Doctor	1 (0.31%)	1 (0.32%)
	Master	23 (7.10%)	20 (6.41%)
Undergraduate	195 (60.19%)	180 (57.69%)	
Junior college	85 (26.23%)	91 (29.17%)	
Below college degree	20 (6.17%)	20 (6.41%)	
By function			
Senior management	5 (1.54%)	5 (1.60%)	
Middle management	22 (6.79%)	32 (10.26%)	
Supervisor	42 (12.97%)	49 (15.70%)	
General staff	255 (78.70%)	226 (72.44%)	

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

	2025	2024
Employee Turnover Rate	15.74%	26.28%
By gender		
Male	16.36%	22.96%
Female	14.55%	31.90%
By age		
<25	68.50%	33.33%
25-34	15.63%	33.08%
35-44	3.20%	23.97%
45-54	2.27%	13.16%
55-64	28.57%	10.00%
>64	0.00%	0.00%
By region		
Hong Kong and other regions	23.53%	33.33%
Mainland China	14.83%	25.27%
Staff Distribution		
New Hire Rate	19.44%	13.14%
By gender		
Male	24.77%	12.76%
Female	9.09%	13.79%
By age		
<25	75.66%	88.89%
25-34	11.72%	12.03%
35-44	4.00%	10.74%
45-54	4.55%	5.26%
55-64	13.20%	20.00%
>64	0.00%	0.00%
By region		
Hong Kong and other regions	8.82%	12.82%
Mainland China	20.69%	13.19%

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

	2025	2024
Number of employees trained	296	278
By gender		
Male	187	168
Female	107	110
By function		
Staff Distribution		
Senior management	5	5
Middle management	20	27
Supervisor	38	36
General staff	233	210
Total training hours of employees (hours)	3,778	2,842
Occupational Safety and Health Performance		
Health and Safety		
Number of work injury accidents	1	0
Lost days due to work injury	26	0
Number of work related fatalities	0	0
Total number of employees trained in occupational safety	132	166
Total hours of occupational safety training	264	249

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

CONTENT INDEX

KPIs	HKEX ESG Reporting Guide Requirements	Section/Remarks
A. Environmental		
Aspect A1: Emissions		
General Disclosure	Information relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste: (a) the policy; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer.	Environmental Management
KPI A1.1	The types of emissions and respective emissions data.	Greenhouse Gas and Air Emissions
KPI A1.2	Direct (Scope 1) and energy Indirect (Scope 2) greenhouse gas emissions and, where appropriate, intensity.	Greenhouse Gas and Air Emissions
KPI A1.3	Total non-hazardous waste generated and, where appropriate, intensity.	Waste Management
KPI A1.4	Total hazardous waste generated and, where appropriate, intensity.	Waste Management
KPI A1.5	Description of emissions target(s) set and steps taken to achieve them.	Environmental Management; Waste Management
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of waste reduction target(s) set and steps taken to achieve them.	Environmental Management; Waste Management

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

KPIs	HKEX ESG Reporting Guide Requirements	Section/Remarks	
Aspect A2: Use of Resources			
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Resource Consumption The Environment and Natural Resources	
	KPI A2.1	Direct and/or indirect energy consumption by type in total and intensity.	Resource Consumption
	KPI A2.2	Water consumption in total and intensity.	Resource Consumption
	KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Environmental Management; The Environment and Natural Resources
	KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Environmental Management; Resource Consumption
	KPI A2.5	Total packaging materials used for finished products and, if applicable, with reference to per unit produced.	Resource Consumption
Aspect A3: The Environment and Natural Resources			
General Disclosure	Policies on minimising the issuers' significant impact on the environment and natural resources.	The Environment and Natural Resources	
	KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	The Environment and Natural Resources
Aspect A4: Climate Change			
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Climate Change	
	KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Climate Change

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

KPIs	HKEX ESG Reporting Guide Requirements	Section/Remarks	
B. Social			
Aspect B1: Employment			
General Disclosure	Information relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare: (a) the policy; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer	Talent Management Employment and Labour Practices	
	KPI B1.1	Total workforce by gender, employment type (e.g. full-time or part-time), age group and geographical region.	Talent Management
	KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Performance Data Summary
Aspect B2: Health and Safety			
General Disclosure	Relating to providing a safe working environment and protecting employees from occupational hazards: (a) the policy; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer.	Occupational Health and Safety	
	KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Occupational Health and Safety
	KPI B2.2	Lost days due to work injury.	Performance Data Summary
	KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Occupational Health and Safety
Aspect B3: Development and Training			
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Development and Training	
	KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Development and Training
	KPI B3.2	The average training hours completed per employee by gender and employee category.	Development and Training

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

KPIs	HKEX ESG Reporting Guide Requirements	Section/Remarks	
Aspect B4: Labour Standards			
General Disclosure	For prevention of child or forced labour: (a) the policy; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer.	Labour Standards	
	KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Labour Standards
	KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Labour Standards
Aspect B5: Supply Chain Management			
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Supply Chain Management	
	KPI B5.1	Number of suppliers by geographical region.	Supply Chain Management
	KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Supply Chain Management
	KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Supply Chain Management
	KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Supply Chain Management

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

KPIs	HKEX ESG Reporting Guide Requirements	Section/Remarks	
Aspect B6: Product Responsibility			
General Disclosure	Relating to health and safety, advertising, labeling and privacy matters relating to products and services provided and methods of redress: (a) the policy; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer.	Product Responsibility	
	KPIB6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Product Responsibility
	KPIB6.2	Number of products and service related complaints received and how they are dealt with.	Product Responsibility
	KPIB6.3	Description of practices relating to observing and protecting intellectual property rights .	Product Responsibility
	KPIB6.4	Description of quality assurance process and recall procedures.	Product Responsibility
	KPIB6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Product Responsibility
Aspect B7: Anti-corruption			
General Disclosure	In relation to prevention of bribery, extortion, fraud and money laundering: (a) the policy; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer.	Integrity	
	KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Integrity
	KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Integrity
	KPIB7.3	Description of anti-corruption training provided to directors and staff.	Integrity

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

KPIs	HKEX ESG Reporting Guide Requirements	Section/Remarks	
Aspect B8: Community Investment			
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Community Engagement	
	KPI B8.1	Focus areas of contribution.	Community Engagement
	KPI B8.2	Resources contributed to the focus areas.	Community Engagement

CORPORATE GOVERNANCE REPORT

CORPORATE CULTURE AND STRATEGY

Corporate Culture

Smart-Core Holdings Limited (together with its subsidiaries, the “**Group**”) is a leading all-round distributor of integrated circuits and other electronic components and technology value-added service provider in China. We provide electronic components supply chain services to over 20,000 manufacturers in the electronics industry and currently have 12 branches in China and Asia Pacific. The Board and the management guide and shape the Group’s corporate positioning and culture, and actively build our core values of acting in a lawful, ethical and responsible manner. Our corporate positioning is to create a digital lifestyle that serves global customers and bridges the gap between cutting-edge technology and quality products, which is closely related to our main business of integrated circuits and electronic components distribution. The corporate culture of the Group can be interpreted in three aspects of services, innovation and people. “Service — To The Best”: We strive to display our customers’ ideals and pursuits as programmed and designed to create tangible benefits for them. “Innovation — Pursuit of Excellence”: We regard innovation as the source of prosperity and development impetus of the enterprise. “People-oriented — Growth and Sharing”: Talent is the foundation and wealth of the enterprise. Employees grow and share the fruits of development together with the enterprise. The Group’s corporate culture is embedded in our business practices and development strategies so that each of our customers, suppliers, partners, investors and employees can benefit from the value we create together, which is in line with the development and interests of our shareholders and other stakeholders. The Board and management are committed to building a high standard of corporate governance and maintaining a culture of sound and good corporate governance so as to safeguard the common interests of our shareholders and other stakeholders.

Corporate Strategy

In order to achieve the goal of creating long-term value for Shareholders and other stakeholders, the Group focuses on achieving sustainable development in financial and environmental, social and governance terms. The Group implements rigorous management on revenue, earnings, profit and cost, return on capital and investment and other financing activities. The Group has established core competencies in operational excellence, business innovation and service innovation, which provide strong support for the development of integrated circuit and other electronic components distribution and technology value-added businesses. In recent years, the Group has been actively promoting new business expansion and innovation. The Group focuses on maintaining sound liquidity and flexibility to maintain the long-term development of the Group’s business as well as the structure balance between capital and debt. The “Chairman’s Statement” and “Business Review and Outlook” in this annual report include a discussion and analysis of the Group’s performance, with a view to creating long-term value of the Group and the basis for achieving the goals of the Group. Meanwhile, with an increasing focus on the environmental, social and governance, the Group is exploring the next steps to support the global transition to a low-carbon economy by achieving net zero emissions, good health and well-being, and realizing inclusion and diversity.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Board has committed to maintaining high corporate governance standards. The Board believes that good corporate governance, by adopting an effective management accountability system and high standard of business ethics, can provide a framework that is essential to the Company’s sustainable development and to safeguard the interests of the Shareholders, suppliers, customers, employees and other stakeholders.

The Company has adopted the code provisions set out in the Corporate Governance Code (the “**CG Code**”) contained in Appendix C1 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) as its own code of corporate governance. Except for code provision C.2.1 as disclosed below in this report, the Company has complied with the applicable code provisions of the CG Code during the year ended 31 December 2025. The Company’s corporate governance practices are based on the principles, code provisions and certain recommended best practices as set out in the CG Code.

Pursuant to code provision C.2.1 of the CG Code, the responsibilities between the chairman and the chief executive officer should be separate and should not be performed by the same individual.

CORPORATE GOVERNANCE REPORT

The Company deviates from code provision C.2.1 in that Mr. Tian Weidong currently performs these two roles. The Board believes that vesting the roles of both chairman and chief executive officer in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively. The Board will continue to review and consider splitting the roles of chairman of the Board and chief executive officer of the Company at a time when it is appropriate and suitable by taking into account the circumstances of the Group as a whole.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix C3 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors. The Company has made specific enquiry of the Directors, and all Directors confirmed that they had fully complied with the Model Code during the year ended 31 December 2025.

THE BOARD OF DIRECTORS

Board Composition

As at the date of this report, the Board comprises eight members, of whom four are executive Directors, one is non-executive Director and three are independent non-executive Directors. Directors who held office during the year ended 31 December 2025 and up to the date of this report are:

Executive Directors

Mr. TIAN Weidong (*Chairman and Chief Executive Officer*)

Mr. LIU Hongbing (*Chief Technology Officer*)

Mr. MAK Hon Kai Stanly (*Chief Operating Officer*)

Mr. ZHENG Gang (*Chief Financial Officer*)

Non-executive Director

Mr. WONG Tsz Leung

Independent non-executive Directors

Dr. TANG Ming Je

Ms. XU Wei

Dr. XUE Chun (*resigned with effect from 1 June 2025*)

Dr. Lin Chen (*appointed with effect from 1 June 2025*)

The list of Directors and their roles and functions are posted on the websites of the Company and the Stock Exchange. The biographical information of the Directors is set out in the section headed “Directors and Senior Management” on pages 24 to 26 of this report. None of the Directors has any family, financial or business relations with each other.

During the year ended 31 December 2025 and up to the latest practicable date prior to the issue of this annual report, the Board has complied with rules 3.10(1) and 3.10(2) of the Listing Rules to have not less than three independent non-executive Directors and at least one of the independent non-executive Directors has the requisite professional qualification in accounting or relevant financial management experience. Save and except for the above disclosure, the Company has complied with rule 3.10A of the Listing Rules which stipulates that the number of independent non-executive Directors appointed by a listed company shall not be less than one-third of the Board.

CORPORATE GOVERNANCE REPORT

The Board is responsible for the overall strategic plans and key policies of the Group; monitoring the financial performance; reviewing the effectiveness of the internal control system; risk management and ensuring good corporate governance practices and procedures are established and compliance with regulatory requirements. It delegates the daily operations and administration to the senior management with clear directions. The board members are fully committed to their roles and have acted in good faith to maximise the value of the Company and safeguard the interests of the stakeholders.

Board meetings

The Board meets four times regularly each year. Between scheduled regular meetings, Directors may approve various matters by way of passing written resolutions and additional meetings may be arranged if required. Notice of each regular Board meeting will be given to all members at least 14 days before the meeting. The agenda and all the relevant information are normally despatched to the Directors three days in advance of the relevant meetings.

The Company Secretary assists the Chairman in preparing the agenda for the Board meeting and ensures that all applicable rules and regulations regarding Board meetings are complied with. Each director may request the inclusion of items in the agenda. Directors considered having conflict of interests are required to declare their interests and abstain from voting for the relevant resolution.

Minutes of the meetings are recorded in detail and draft minutes are circulated to all Directors for review and comment within a reasonable time after the Board meetings are held. All the minutes of the meeting are properly kept by the Company Secretary after approval and are available to all Directors for inspection.

The attendance records of the Directors at the Board meeting held during the year ended 31 December 2025 are set out below:

Name of Directors	Board Meetings attended	General Meeting attended
Executive Directors		
Mr. Tian Weidong	8/12	1/1
Mr. Liu Hongbing	8/12	1/1
Mr. Mak Hon Kai Stanly	12/12	1/1
Mr. Zheng Gang	12/12	1/1
Non-executive Director		
Mr. Wong Tsz Leung	8/12	1/1
Independent non-executive Directors		
Dr. Tang Ming Je	8/12	1/1
Ms. Xu Wei	8/12	1/1
Dr. Xue Chun (<i>resigned with effect from 1 June 2025</i>)	4/5	1/1
Dr. Lin Chen (<i>appointed with effect from 1 June 2025</i>)	4/7	0/0

CORPORATE GOVERNANCE REPORT

Chairman and Chief Executive Officer

Pursuant to code provision C.2.1 of the CG Code set out in Appendix C1 to the Listing Rules, the responsibilities between the chairman and the chief executive officer should be separate and should not be performed by the same individual.

The Company deviates from this provision in that Mr. Tian Weidong currently performs these two roles. The Board believes that vesting the roles of both chairman and chief executive officer in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively. The Board will continue to review and consider splitting the roles of chairman of the Board and chief executive officer of the Company at a time when it is appropriate and suitable by taking into account the circumstances of the Group as a whole.

Appointment, Re-election and Removal

The procedures for appointing and re-electing Directors are set out in the Articles. The appointment of a new director must be approved by the Board. The nomination committee of the Company (the “**Nomination Committee**”) is responsible for making recommendations to the Board on the selection of individuals nominated for directorship taking into factors such as appropriate professional knowledge, industry experience, personal ethics, integrity, personal skills, gender, age, cultural and educational background.

Pursuant to Article 16.18 of the Articles, at every annual general meeting of the Company one-third of the Directors for the time being (or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third) shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years.

The Company has entered into service agreements with each executive Director, and appointment letters with the non-executive Director and each independent non-executive Director. Save for the tenure of Dr. Tang Ming Je is one year, the tenure of all other Directors is three years.

Independent non-executive Director

The independent non-executive Directors are highly skilled professionals with a broad range of expertise and experience in the fields of accounting, computer technology and business. Their skills, expertise and number ensure that strong independent views and judgments are brought into the Board's deliberation and that such views and judgments carry weight in the Board's decision-making process. Their presence and participation also enable the Board to maintain high standards of compliance with financial and other mandatory reporting requirements and provide adequate checks and balances to safeguard the interests of the Company and the shareholders of the Company.

The Company has received from all independent non-executive Directors their confirmation of independence in accordance with the independence guidelines as set out in rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors are independent in accordance with the terms of independence guidelines.

Pursuant to paragraph B.2.3 of Part 2 of the CG Code under of Appendix C1 of the Listing Rules, if an independent non-executive director has served for more than 9 years, his/her further appointment should be subject to a separate resolution to be approved by shareholders. Dr. Tang Ming Je has served as independent non-executive Director for more than 9 years and re-election of Dr. Tang Ming Je will be subject to a separate resolution to be approved by the Shareholders pursuant to the Listing Rules. Dr. Tang Ming Je is appointed for a term of one year and is subjected to re-election every year.

Save for Dr. Tang Ming Je, all of the independent non-executive Directors are appointed for a term of three years and are subjected to retirement by rotation once every three years.

CORPORATE GOVERNANCE REPORT

Directors' training and development

All Directors should keep abreast of the responsibilities as a Director and of the conduct and business activities of the Company. The Company is responsible for arranging suitable training for its Directors. The Company has arranged for Directors to attend a training session which places emphasis on the roles, functions and duties of a listed company director, as well as the latest developments regarding the Listing Rules and other applicable regulatory requirements. All the Directors had also participated in appropriate continuous professional development activities by reading materials regarding regulatory updates and corporate governance matters.

Name of Director	Type(s) of training
Mr. TIAN Weidong	B
Mr. LIU Hongbing	A&B
Mr. MAK Hon Kai Stanly	A&B
Mr. ZHENG Gang	B
Mr. WONG Tsz Leung	B
Dr. TANG Ming Je	B
Ms. XU Wei	A&B
Dr. LIN Chen	B

A: attended seminars/conferences/forums

B: read newspapers, journals and updates relating to the economy, general business, corporate governance and directors' duties and responsibilities

Dr. Lin Chen, the newly appointed Director during the year, had received a formal, comprehensive and tailored induction on the first occasion of his appointment to ensure that he has a proper understanding of the Company's operations and business and is fully aware of a director's responsibilities under applicable statutes and common law, the Listing Rules, legal and other regulatory requirements and the Company's business and governance policies.

All the Directors confirmed that they have complied with the Code Provision C.1.4 of the CG Code on Directors' continuous professional development during the year ended 31 December 2025 by participating in appropriate continuous professional development activities, and reading materials relating to regulatory updates and handouts or reviewing the papers and circulars sent by the Company.

The Company will from time to time provide ongoing training which helps Directors keep abreast of current trends and issues facing the Group, while enabling them to update and refresh the skills and knowledge necessary for the performance of their duties effectively.

Board diversity policy

The Board has a board diversity policy and the Company believes that the diversity will support the attainment of the Company's objective and enhance the value of the Company. The Company seeks to achieve board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural, educational background, professional experience, skills, knowledge and other qualities. The Nomination Committee of the Company will review the board diversity policy regularly to ensure its continued effectiveness. Pursuant to the amended Rule 13.92 of the Listing Rules (effective from 1 January 2023), the Stock Exchange will not regard a single-gender board of directors as achieving member diversity. During the year ended 31 December 2025, the Board reviewed and discussed the above measurable objectives, including but not limited to skills, knowledge, professional experience and cultural and educational background, and agreed that these measurable objectives were achieved for the diversity of the Board which contributed to the corporate strategy and the business development of the Company.

CORPORATE GOVERNANCE REPORT

The Board currently comprises one female Director and seven male Directors. The Board considers that the Company has achieved gender diversity at the Board level and targets to maintain at least the current level of female representation. The Company will ensure that gender diversity is taken into account when recruiting staff members of mid to senior level and ensure that sufficient resources are available for providing appropriate training and career development to develop a pipeline of potential successors to the Board and maintain gender diversity.

DIVERSITY AT WORKFORCE LEVEL

In terms of employment, the Group insists on the principle of fairness and equal treatment regardless of citizenship, nationality, race, gender, religious belief and cultural background, and does not impose any restrictive requirements on gender, ethnicity, nationality and region.

For the year ended 31 December 2025, the Group had 8 senior management and 319 employees (excluding senior management), of which approximately a total of 12.5% and 34.5% were female respectively.

The Group encourages gender diversity across its workplace and is committed to increase the proportion of female employees to 50%. To achieve diversity at the workforce level, the Group has put in place appropriate recruitment and selection practices such that a diverse range of candidates are considered. The Group has also established talent management and training programs to provide career development guidance and promotion opportunities to develop a broad and diverse pool of skilled and experienced employees.

During the year under review, the Board was not aware of any mitigating factors or circumstances which make achieving gender diversity across the workforce (including senior management) more challenging or less relevant.

Nomination policy

The Company has developed and adopted the board diversity policy to enhance the performance of the Company. When recommending candidates to join the Board, the Nomination Committee will consider the candidates according to objective conditions, and will take due consideration of the benefits of diversity among the Board members. The committee will also conduct discussions each year and agree on all the measurable objectives for board diversity, and will recommend to the Board relevant objectives for adoption.

Moreover, the Company has formulated and adopted the "Nomination Policy of Directors". The Nomination Policy of Directors covers selection criteria, nomination procedures, terms of confidentiality, supervision and reporting, and policy review. Several aspects are considered when nominating Board candidates, including but not limited to the following:

- reputation;
- achievements, talents, skills, knowledge and experience in the semi-conductor industry, business and economics area, accounting;
- views and perspectives that can be brought to the Board;
- commitment in respect of available time and relevant interest;
- independence of independent non-executive Directors; and
- diversity in all its aspects, including but not limited to gender, age (18 years or above), cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service etc.

CORPORATE GOVERNANCE REPORT

A summary of the nomination process for Directors is as follows:

- the chairman of the Nomination Committee shall convene a Nomination Committee meeting and invite the Board members to nominate candidates (if any) for consideration before the meeting. The Nomination Committee may also nominate candidates from other different sources (such as professional societies, professional headhunting companies, recommendations by the Shareholders or management, internal promotion, etc.);
- the Nomination Committee shall recommend candidates for consideration and approval by the Board, with reasons for consideration and recommendation provided to the Board;
- the Board recommends candidates to stand for election at a general meeting;
- the Company will issue a circular to shareholders to provide information on candidates nominated by the Board for election at a general meeting. The names, resumes (including eligibility and related experience), independence, proposed emoluments and other information of the candidates will be set out in the circular to the shareholders in accordance with the applicable laws, rules and regulations; and
- the election of Board members shall be proposed as ordinary resolutions at a general meeting, and should be passed by more than one-half of the voting rights held by shareholders (including proxies) attending the general meeting.

Pursuant to the terms of reference of the Nomination Committee adopted on 18 June 2025, the Nomination Committee shall support the Board's performance review to be conducted at least once every year. The Board's performance review and evaluation will be conducted by 17 June 2026. The Nomination Committee will decide how the Board's performance is to be evaluated and will propose objective performance criteria, subject to the approval of the Board, which address how the Board has enhanced the Shareholders' value in the long term.

Each member of the Nomination Committee will not take part in determining his own re-nomination or independence and shall abstain from voting on any resolutions in respect of the assessment of his or her performance, independence, or re-nomination as Director. No Director will be involved in determining his or her performance. The Nomination Committee has full authority to engage any external facilitator for the assessments of the Board as and when the need arises. The expense of such services shall be borne by the Company. For the year ended 31 December 2025, the Board has not performed any internal review or engaged any external facilitator for the assessments of the Board.

Dividend policy

On 31 March 2026, the Board adopted a new dividend policy which would take effect for the financial year ending 31 December 2026 and onwards (the "**Dividend Policy**"). Under the Dividend Policy, subject to compliance with applicable rules and regulations (including Cayman Islands laws) and the Articles, provided the Group is profitable without affecting the normal operations of the Group, the Company intends to share its profits with Shareholders in the form of an annual dividend in an amount of no less than 15% of the Group's annual consolidated net profit attributable to the owners of the Company, subject to the criteria as set out below. The remaining net profits will be used by the Group to seize the opportunity of market growth and for future business development and operation.

The Company's ability to pay dividends will depend upon, among other things, the general financial condition of the Group, the Group's current and future operations, liquidity position and capital requirement of the Group as well as dividends received from the Company's subsidiaries. The payment of the dividend by the Company is also subject to any restrictions under the Cayman Islands laws and the Articles.

The Dividend Policy will continue to be reviewed from time to time and there can be no assurance that dividends will be paid in any particular amount for any given period.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE DUTIES

The Board is responsible for performing the corporate governance duties according to the code provision A.2.1 of the CG Code, which includes:

- (a) developing and reviewing the policies and practices on corporate governance of the Group;
- (b) reviewing and monitoring the training and continuous professional development of Directors and senior management;
- (c) reviewing and monitoring the Group's policies and practices on compliance with legal and regulatory requirements;
- (d) developing, reviewing and monitoring the code of conduct and compliance manual applicable to Directors and employees; and
- (e) reviewing the Company's compliance with the Code and disclosure in the corporate governance report of the Company.

BOARD COMMITTEES

The Company has set up three committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee, for overseeing particular aspects of the Company. The terms of reference of these committees are available on the websites of the Company and the Stock Exchange.

Audit Committee

The Audit Committee comprises all the independent non-executive Directors of the Company (i.e. Ms. Xu Wei, Dr. Tang Ming Je and Dr. Lin Chen) and Ms. Xu Wei, who has professional qualification in accounting and financial management expertise, is the chairlady of the Audit Committee.

The major roles and functions of the Audit Committee are as follows:

- (a) To review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;
- (b) To make recommendations to the Board on the appointment, reappointment and removal of the external auditor;
- (c) To oversee the internal audit system of the Company and its implementation;
- (d) To review the Group's financial controls, risk management, internal control systems, financial and accounting policies and practices;
- (e) To review the external auditor's management letter, any material queries raised by the auditor to management about accounting records, financial accounts or systems of control and management's response;
- (f) To develop and review the Company's policies and practices on corporate governance, and make recommendations to the Board and report to the Board on matters; and
- (g) To review the corporate governance report disclosed in our annual report.

CORPORATE GOVERNANCE REPORT

During the year ended 31 December 2025, individual attendance of each member of the Audit Committee is set out below:

Audit Committee member	Attended/Held
Dr. Tang Ming Je	3/3
Ms. Xu Wei (<i>Chairlady</i>)	3/3
Dr. Xue Chun (<i>resigned with effect from 1 June 2025</i>)	1/1
Dr. Lin Chen (<i>appointed with effect from 1 June 2025</i>)	2/2

Remuneration Committee

The Remuneration Committee consists of one executive Director (Mr. Tian Weidong) and two independent non-executive Directors (i.e. Ms. Xu Wei and Dr. Tang Ming Je) and is chaired by Ms. Xu Wei. The major duties of the Remuneration Committee are as follows:

- (a) To make recommendations to the Board on the Company's policy and structure for all Directors' and Senior Management's remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;
- (b) To review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;
- (c) To make recommendations to the Board on the remuneration packages of individual Directors and Senior Management;
- (d) To consider factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors and Senior Management and employment conditions elsewhere in the Group;
- (e) To review and approve the compensation for the loss or termination of office or appointment executive directors and senior management;
- (f) To review and approve the compensation arrangements with regard to the dismissal or removal of Directors due to their misconduct; and
- (g) To ensure no Director or their contacts determine by themselves, or be involved in determining, their remuneration.

During the year ended 31 December 2025, individual attendance of each member of the Remuneration Committee is set out below:

Remuneration Committee member	Attended/Held
Mr. Tian Weidong	3/3
Dr. Tang Ming Je	3/3
Ms. Xu Wei (<i>Chairlady</i>)	3/3

During the Reporting Period, no share option was granted under the Share Option Scheme and a total of 6,000,000 awarded shares were granted under the Share Award Scheme. Hence the Remuneration Committee was not required to review or approve any of the matters relating to the aforesaid share schemes.

CORPORATE GOVERNANCE REPORT

Nomination Committee

The Nomination Committee comprises three members and is chaired by the executive Director, Mr. Tian Weidong. The remaining two members are all independent non-executive Directors (i.e. Ms. Xu Wei and Dr. Tang Ming Je). The major duties of the Nomination Committee are as follows:

- (a) To review the structure, size and composition (including the skills, knowledge and experience) required of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;
- (b) To identify individuals suitably qualified to become Directors and selecting or making recommendations to the Board on the selection of individuals nominated for directorship;
- (c) To make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the chairman and the chief executive; and
- (d) To assess the independence of independent non-executive Directors.

During the year ended 31 December 2025, individual attendance of each member of the Nomination Committee is set out below:

Nomination Committee member	Attended/Held
Mr. Tian Weidong (<i>Chairman</i>)	2/2
Dr. Tang Ming Je	2/2
Ms. Xu Wei	2/2

CORPORATE GOVERNANCE REPORT

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Directors acknowledge their responsibility for preparing the consolidated financial statements for the year ended 31 December 2025 to ensure that the financial statements give a true and fair view of the Group's financial position and other financial disclosures. The Company provided all members of the Board with monthly updates on the Group's performance, financial positions and prospects to enable the Board to carry out an informed assessment of the Company's financial statements. The statement by the auditors of the Company regarding their responsibilities on the consolidated financial statements of the Company is set out on the Independence Auditor's Report on pages 85 to 88 of this annual report.

Auditor's Remuneration

The audit committee monitors the audit and non-audit services rendered to the Group by the external auditor and ensures that the engagement of an external auditor in non-audit services will not impair its audit independence or objectivity.

For the year ended 31 December 2025, the fees in respect of the audit and non-audit services provided to the Group by RSM Hong Kong are set out as follows:

	Fee HK\$'000
Audit services	1,310
Non-audit services:	
Review of interim results	300
Others	52
	1,662

Risk management and internal control

The main features of the risk management and internal control systems are to provide a clear governance structure, policies and procedures, as well as reporting mechanism to facilitate the Group to manage its risks across business operations.

The Group has established a risk management framework, which consists of the Board, the Audit Committee and the senior management. The Board shall be responsible for the determination of the nature and extent of risks that shall be taken in achieving the Group's strategic objectives. The Board of Directors acknowledges its overall responsibility for monitoring the Group's risk management and internal control systems and reviewing their overall effectiveness.

The Group has an internal audit function and has formulated and adopted a risk management policy to provide direction in identifying, evaluating and managing significant risks. At least on an annual basis, the management identifies risks that would adversely affect the achievement of the Group's objectives, and assesses and prioritizes the identified risks according to a set of standard criteria. Risk mitigation plans and risk owners are then established for those risks considered to be significant.

The Board and the Audit Committee continue to evaluate the adequacy of resources, qualifications and experience of staff in the Group's accounting and financial reporting function. The Group will engage an independent professional advisor to assist the Board of Directors and the Audit Committee in ongoing monitoring of the internal control systems of the Group from time to time when necessary. Deficiencies in the design and implementation of internal controls identified and recommendations are proposed for improvement. Significant internal control deficiencies are reported to the Audit Committee and the Board on a timely basis to ensure prompt remediation actions are taken.

CORPORATE GOVERNANCE REPORT

Risk management reports and internal control reports are submitted to the Audit Committee and the Board of Directors at least once a year. The Board will perform annual review on the effectiveness of the Group's risk management and internal control systems, including but not limited to the Group's ability to cope with its business transformation and changing external environment; the scope and quality of management's review on risk management and internal control systems; result of internal audit work; the extent and frequency of communication with the Board of Directors in relation to result of risk and internal control review; significant failures or weaknesses identified and their related implications; and status of compliance with the Listing Rules. The Board considers the Group's risk management and internal control systems effective and adequate.

The risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

Procedures and internal controls for the handling and dissemination of inside information

The Group complies with the requirements of SFO and the Listing Rules. The Group will disclose inside information to the public as soon as reasonably practicable unless the information falls within any of the "safe harbours" provisions under the SFO and satisfy the conditions. Before the information is fully disclosed to the public, the Group will ensure that the information is kept strictly confidential. If the Group believes that the necessary degree of confidentiality cannot be maintained or that confidentiality may have been breached, the Group would immediately disclose the information to the public. The Group is committed to ensuring that information contained in announcements is not false or misleading as to a material fact, or false or misleading through the omission of a material fact in view of presenting information in a clear and balanced way, which requires equal disclosure of both positive and negative facts.

COMPANY SECRETARY

The Company Secretary supports the Board by ensuring good information flow within the Board and that board policy and procedures are followed. The Company Secretary is also responsible for advising the Board through the Chairman and/or the Chief Executive of the Company on corporate governance matters and also facilitating the induction and professional development of directors. All Directors have access to the advice and services of the Company Secretary to ensure that board procedures, and all applicable laws, rules and regulations are followed. The selection, appointment and dismissal of the Company Secretary are subject to Board approval.

Mr. Chak Wing Man was appointed as the company secretary of the Company on 3 May 2024. The biographical details of Mr. Chak are set out in the paragraph headed "Directors and Senior Management" on page 26 of this annual report.

During the year ended 31 December 2025, Mr. Chak took no less than 15 hours of relevant professional training.

ARTICLES OF ASSOCIATION OF THE COMPANY

The second amended and restated Articles were adopted by the Company on 25 May 2023. The Articles have had no change since the second amendment to the year ended 31 December 2025.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Board believes that effective communication with shareholders is essential for enhancing investor relations. The Company also recognises the importance of transparency of information disclosure and timely communication with shareholders through different channels.

CORPORATE GOVERNANCE REPORT

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

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

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

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

The general meetings of the company provide a direct channel for the shareholders to communicate with the Company. The Company shall in each year hold a general meeting as its annual general meeting and the annual general meeting shall be called by not less than 21 days' notice in writing. The notice convening an annual general meeting shall specify the meeting as such, and the notice convening a meeting to pass a special resolution shall specify the intention to propose the resolution as a special resolution.

All general meetings other than annual general meetings shall be called extraordinary general meetings ("**EGM**"). Any two or more members of the Company, at the date of the deposit of written requisition holding not less than one-tenth of the paid-up capital of the Company which carries the rights of voting at general meetings, shall at all times have the right to require an EGM to be called by the Board and/or add resolutions to the agenda of a general meeting for the transaction of any business specified in such requisition.

The written requisition must be deposited at the Company's principal office in Hong Kong. If the Board does not within 21 days from the date of deposit of the requisition proceed duly to convene the EGM to be held within a further 21 days, the requisitionists themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the EGM, but any EGM shall not be held after the expiration of three months from the date of deposit of the requisition.

Shareholders may, at any time, direct questions or requests for information to the Directors or management through "Contact Us" section on the Company's website (www.smart-core.com.hk) or in writing and sent by post to the Company's principal place of business in Hong Kong or by email to smg@smart-core.com.hk.

The Company will publish the Company's information in an accurate and timely manner to improve the transparency of information disclosure. The latest developments, announcements and press in relation to the Company are available on the Company's website (www.smart-core.com.hk) for investors.

INDEPENDENT AUDITOR'S REPORT



TO THE SHAREHOLDERS OF SMART-CORE HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Smart-Core Holdings Limited (the “**Company**”) and its subsidiaries (the “**Group**”) set out on pages 89 to 172, which comprise the consolidated statement of financial position as at 31 December 2025, and the consolidated statement of profit or loss, 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 2025, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with HKFRS Accounting Standards as issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing (“**HKSAs**”) as 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**”), as applicable to audits of financial statements of public interest entities. We have also fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. 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. The key audit matter we identified is:

1. Impairment assessment of trade receivables

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (Continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
<p><i>Impairment assessment of trade receivables</i></p> <p>We identified impairment assessment of trade receivables as a key audit matter as the assessment of expected credit loss (“ECL”) is highly subjective and requires significant management judgements and assumptions.</p> <p>As disclosed in note 29 to the consolidated financial statements, the Group’s carrying amount of trade receivables was approximately HK\$1,153,957,000 with allowance for credit loss of approximately HK\$8,508,000 as at 31 December 2025.</p> <p>The Group’s management engaged an independent qualified professional valuer to assist them to determine the ECL of the trade receivables.</p> <p>As disclosed in note 6(c) to the consolidated financial statements, trade receivables with significant balances and credit-impaired are assessed for ECL individually and ECL on remaining trade receivables are assessed by using provision matrix which is based on aging of debtors as groupings of various debtors taking into consideration of the Group’s historical default rates and forward-looking information that is reasonable and supportable available without under cost or effort.</p>	<p>Our procedures in relation to management’s impairment assessment of the trade receivables included:</p> <ul style="list-style-type: none">— Understanding and evaluating the management’s internal control and process of impairment assessment of trade receivables, assessing the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors;— Evaluating the outcome of prior period assessment of impairment of trade receivables to assess the effectiveness of management’s estimation process;— Testing the integrity of information used by management to develop the provision matrix, including trade receivables aging analysis as at 31 December 2025, on a sample basis, by comparing individual items in the analysis with the relevant sales invoices and other supporting documents;— Evaluating the competence, capabilities and objectivity of the independent qualified professional valuer and obtaining an understanding of their scope of work and terms of engagement; and— Challenging the valuation technique and reasonableness of the significant inputs used by the management and the valuer in the valuations, including their identification of significant balances and credit-impaired receivables and, the reasonableness of management’s grouping of the remaining trade debtors into different categories in the provision matrix, and the basis of estimated loss rates applied in each category in the provision matrix with reference to historical default rates and forward-looking information.

INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises all the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

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

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

RESPONSIBILITIES OF DIRECTORS AND AUDIT COMMITTEE 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 HKFRS Accounting Standards issued by the HKICPA and 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.

The Audit Committee assists the directors in discharging their responsibilities for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 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.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

INDEPENDENT AUDITOR'S REPORT

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

(Continued)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

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

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

The engagement partner on the audit resulting in this independent auditor's report is Yam Tak Fai, Ronald (Practicing certificate number: P01311).

RSM Hong Kong

Certified Public Accountants

29th Floor, Lee Garden Two

28 Yun Ping Road

Causeway Bay

Hong Kong

31 March 2026

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2025

	Note	2025 HK\$'000	2024 HK\$'000
Revenue	8	6,590,109	4,647,896
Cost of sales		(6,180,580)	(4,336,214)
Gross profit		409,529	311,682
Other income	9	18,970	21,276
Other gains or losses, net	11	208	2,739
(Impairment losses)/reversals of impairment losses on trade receivables		(2,617)	8,335
Research and development expenses		(34,240)	(31,456)
Administrative expenses		(66,104)	(72,990)
Selling and distribution expenses		(152,888)	(105,142)
Share of results of associates	27	38,710	7,065
Finance costs	12	(30,355)	(26,619)
Profit before tax		181,213	114,890
Income tax expenses	13	(20,085)	(13,837)
Profit for the year	14	161,128	101,053
Attributable to:			
Owners of the Company		161,353	100,342
Non-controlling interests		(225)	711
		161,128	101,053
Earnings per share	18	HK	HK
Basic		34.85 cents	21.41 cents
Diluted		34.59 cents	21.39 cents

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2025

	2025 HK\$'000	2024 HK\$'000
Profit for the year	161,128	101,053
Other comprehensive income:		
<i>Items that may be reclassified to profit or loss:</i>		
Exchange differences on translating foreign operations	12,278	(6,319)
Other comprehensive income for the year, net of tax	12,278	(6,319)
Total comprehensive income for the year	173,406	94,734
Attributable to:		
Owners of the Company	173,604	94,077
Non-controlling interests	(198)	657
	173,406	94,734

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2025

	Note	2025 HK\$'000	2024 HK\$'000
Non-current assets			
Property, plant and equipment	19	4,579	6,083
Right-of-use assets	20	36,051	9,368
Goodwill	21	20,159	20,159
Intangible asset	22	11,097	4,737
Club debentures	23	5,960	5,856
Financial assets at FVTOCI	24	41,786	40,085
Financial assets at fair value through profit or loss (FVTPL)	25	148,144	144,213
Investment in associates	27	150,890	121,011
Deposits	31	4,350	2,025
Deferred tax assets	39	2,279	1,304
		425,295	354,841
Current assets			
Inventories	28	292,340	190,118
Trade and bills receivables	29	1,173,903	658,354
Deposits, prepayments and other receivables	31	35,919	58,267
Pledged bank deposits	32	182,684	192,881
Bank and cash balances	32	153,960	239,455
		1,838,806	1,339,075
Current liabilities			
Trade and bills payables	33	494,193	341,874
Contract liabilities	34	26,829	18,627
Amounts due to an associate	30	4,920	5,265
Other payables and accrued charges	35	84,730	41,768
Lease liabilities	36	10,060	6,822
Bank and other borrowings	37	529,872	303,659
Current tax liabilities		22,084	10,926
		1,172,688	728,941
Net current assets		666,118	610,134
Total assets less current liabilities		1,091,413	964,975

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2025

	Note	2025 HK\$'000	2024 HK\$'000
Non-current liabilities			
Lease liabilities	36	27,031	2,669
Bank and other borrowings	37	1,396	2,530
		28,427	5,199
NET ASSETS			
		1,062,986	959,776
Capital and reserves			
Share capital	40	38	38
Reserves	43(a)	1,061,016	959,294
Equity attributable to owners of the Company		1,061,054	959,332
Non-controlling interests		1,932	444
TOTAL EQUITY			
		1,062,986	959,776

Approved by the Board of Directors on 31 March 2026 and are signed on its behalf by:

Tian Weidong
DIRECTOR

Zheng Gang
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2025

	Attributable to owners of the Company												Total equity HK\$'000
	Share capital HK\$'000 (Note 40)	Share premium HK\$'000 (Note 43(c)(i))	Other reserve HK\$'000 (Note 43(c)(ii))	Statutory reserve HK\$'000 (Note 43(c)(iii))	Foreign currency translation reserve HK\$'000 (Note 43(c)(vii))	Treasury share reserve HK\$'000 (Note 43(c)(iv))	Share award reserves HK\$'000 (Note 43(c)(v))	Capital redemption reserves HK\$'000	Financial assets at FVTOCI reserve HK\$'000	Retained profits HK\$'000	Sub-total HK\$'000	Non-controlling interests HK\$'000	
At 1 January 2024	38	125,136	14,051	13,738	(8,739)	(34,351)	1,066	1	(546)	794,344	904,738	(325)	904,413
Profit for the year	-	-	-	-	-	-	-	-	-	100,342	100,342	711	101,053
Other comprehensive income	-	-	-	-	(6,265)	-	-	-	-	-	(6,265)	(54)	(6,319)
Total comprehensive income for the year	-	-	-	-	(6,265)	-	-	-	-	100,342	94,077	657	94,734
Transfer to statutory reserves	-	-	-	1,795	-	-	-	-	-	(1,795)	-	-	-
Shares purchased by the Trustee pursuant to share award scheme (note 41(a))	-	-	-	-	-	(7,084)	-	-	-	-	(7,084)	-	(7,084)
Dividend recognised as distribution (note 17)	-	(32,703)	-	-	-	-	-	-	-	-	(32,703)	-	(32,703)
Recognised of equity-settled share-based payment expense (note 41)	-	-	-	-	-	-	304	-	-	-	304	-	304
Share vested under share award scheme	-	-	-	-	-	1,815	(1,370)	-	-	(445)	-	-	-
Acquisition of partial interest in a subsidiary	-	-	-	-	-	-	-	-	-	-	-	112	112
Changes in equity for the year	-	(32,703)	-	1,795	(6,265)	(5,269)	(1,066)	-	-	98,102	54,594	769	55,363
At 31 December 2024	38	92,433	14,051	15,533	(15,004)	(39,620)	-	1	(546)	892,446	959,332	444	959,776

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2025

	Attributable to owners of the Company												Total equity HK\$'000
	Share capital HK\$'000 (Note 40)	Share premium HK\$'000 (Note 43(c)(i))	Other reserve HK\$'000 (Note 43(c)(ii))	Statutory reserve HK\$'000 (Note 43(c)(iii))	Foreign currency translation reserve HK\$'000 (Note 43(c)(vii))	Treasury share reserve HK\$'000 (Note 43(c)(iv))	Share award reserves HK\$'000 (Note 43(c)(v))	Capital redemption reserves HK\$'000	Financial assets at FVTOCI reserve HK\$'000	Retained profits HK\$'000	Sub-total HK\$'000	Non-controlling interests HK\$'000	
At 1 January 2025	38	92,433	14,051	15,333	(15,004)	(39,620)	-	1	(546)	892,446	959,332	444	959,776
Profit for the year	-	-	-	-	-	-	-	-	-	161,353	161,353	(225)	161,128
Other comprehensive income	-	-	-	-	12,251	-	-	-	-	-	12,251	27	12,278
Total comprehensive income for the year	-	-	-	-	12,251	-	-	-	-	161,353	173,604	(198)	173,406
Transfer to statutory reserves	-	-	-	2,938	-	-	-	-	-	(2,938)	-	-	-
Shares purchased by the Trustee pursuant to share award scheme (note 41(a))	-	-	-	-	-	(18,323)	-	-	-	-	(18,323)	-	(18,323)
Dividend recognised as distribution (note 17)	-	(60,014)	-	-	-	-	-	-	-	-	(60,014)	-	(60,014)
Recognised of equity-settled share-based payment expense (note 41)	-	-	-	-	-	-	6,658	-	-	-	6,658	-	6,658
Share vested under share award scheme	-	-	-	-	-	3,452	(3,440)	-	-	(12)	-	-	-
Incorporation of non wholly-owned subsidiaries	-	-	-	-	(223)	-	-	-	-	-	(223)	1,686	1,463
Partial disposal of an associate	-	-	-	-	20	-	-	-	-	-	20	-	20
Changes in equity for the year	-	(60,014)	-	2,938	12,048	(14,871)	3,218	-	-	158,403	101,722	1,488	103,210
At 31 December 2025	38	32,419	14,051	18,471	(2,956)	(54,491)	3,218	1	(546)	1,050,849	1,061,054	1,932	1,062,986

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2025

	Note	2025 HK\$'000	2024 HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		181,213	114,890
Adjustments for:			
Finance costs		30,355	26,619
Share of results of associates		(38,710)	(7,065)
Interest income		(8,632)	(9,613)
Depreciation of property, plant and equipment		2,267	2,102
Depreciation of right-of-use assets		9,442	8,760
Amortisation of intangible asset		1,579	1,579
Losses on disposals of property, plant and equipment		17	19
Equity-settled share-based payment expense		6,658	304
Allowances/(reversal of allowances) for inventories		10,272	(12,983)
Impairment losses/(reversal of impairment losses) on trade receivables, net		2,617	(8,335)
Fair value changes on financial assets at fair value through profit or loss		(4,006)	(3,078)
Gain on early termination of lease		(6)	–
Loss on disposal of partial interest in an associate		1,315	–
Impairment losses on cryptocurrencies		1,421	–
Operating profit before working capital changes		195,802	113,199
(Increase)/decrease in inventories		(112,494)	43,429
Increase in trade and bills receivables		(653,513)	(65,183)
Decrease in deposits, prepayments and other receivables		20,023	28,554
Decrease in amount due from an associate		–	39,090
Increase in trade payables		152,319	76,314
Increase/(decrease) in contract liabilities		8,202	(351)
Increase/(decrease) in accruals and other payables		42,962	(21,600)
(Decrease)/increase in amount due to an associate		(345)	1,751
Cash (used in)/generated from operation		(347,044)	215,203
Income taxes (paid)/refund		(10,167)	1,287
Net cash (used in)/generated from operating activities		(357,211)	216,490

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2025

	Note	2025 HK\$'000	2024 HK\$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		8,632	9,613
Purchase of financial assets at fair value through profit or loss		–	(9,833)
Proceeds from disposals of financial assets at fair value through profit or loss		674	–
Purchases of property, plant and equipment		(676)	(1,131)
Proceeds from disposals of property, plant and equipment		80	10
Decrease in pledged bank deposits		10,197	34,591
Purchase of cryptocurrencies		(9,360)	–
Net cash generated from investing activities		9,547	33,250
CASH FLOWS FROM FINANCING ACTIVITIES			
Bank and other borrowings raised	44(b)	3,110,258	1,552,906
Repayment of bank and other borrowings	44(b)	(4,226,593)	(2,729,393)
Proceeds received under supplier finance arrangement	44(b)	1,341,415	1,084,940
Payment on purchase of shares by the Trustee pursuant to share award scheme		(18,323)	(7,084)
Dividend paid		(60,014)	(32,703)
Principal elements of lease payment	44(b)	(8,540)	(9,159)
Interest paid		(29,886)	(26,295)
Interest on lease liabilities		(469)	(324)
Repayment of loan from an associate		–	(78,039)
Proceeds from bills discounted		135,347	71,707
Net cash generated from/(used in) financing activities		243,195	(173,444)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS			
Effect of foreign exchange rate changes		18,974	(4,646)
CASH AND CASH EQUIVALENTS AT 1 JANUARY		239,455	167,805
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		153,960	239,455

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company and registered in the Cayman Islands with limited liability under the Companies Act, Cap. 22 (Law 3 of 1961, as combined and revised) of the Cayman Islands. The shares of the Company have been listed on the Main Board of the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). Its parent is Smart IC Limited, a private company incorporated in the British Virgin Islands and its ultimate controlling party is Mr. Tian Weidong (“**Mr. Tian**”). The addresses of registered office and principal place of business of the Company are disclosed in the corporate information section to the annual report.

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 26 to the consolidated financial statements.

The functional currency of the Company is United States Dollars (“**US\$**”) and the presentation currency of the Group’s consolidated financial statements is Hong Kong Dollars (“**HK\$**”). For the convenience of the financial statements users, the consolidated financial statements are presented in HK\$, as the Company’s shares are listed on The Stock Exchange of Hong Kong Limited.

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with all applicable HKFRS Accounting Standards issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”). HKFRS Accounting Standards comprise Hong Kong Financial Reporting Standards (“**HKFRS**”); Hong Kong Accounting Standards (“**HKAS**”); and Interpretations. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) and with the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622).

The HKICPA has issued certain new and revised HKFRS Accounting Standards that are first effective or available for early adoption for the current accounting period of the Group. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

3. ADOPTION OF NEW AND REVISED HKFRS ACCOUNTING STANDARDS

(a) Application of new and revised HKFRS Accounting Standards

The Group has adopted all of the new or amended HKFRS Accounting Standards and Interpretations issued by the HKICPA that are mandatory for the current reporting period. There was no material impact to the consolidated financial statements as a result of the adoption of these standards.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

3. ADOPTION OF NEW AND REVISED HKFRS ACCOUNTING STANDARDS (Continued)

(b) Revised HKFRS Accounting Standards in issue but not yet effective

Up to the date of issue of these consolidated financial statements, the HKICPA has issued a number of new standards and amendments to standards and interpretation, which are not effective for the year ended 31 December 2025 and which have not been early adopted by the Group for the annual reporting period ended 31 December 2025. The Group's assessment of the impact of these new or amended HKFRS Accounting Standards and Interpretations, most relevant to the Group, are set out below:

	Effective for accounting periods beginning on or after
Amendments to HKFRS 9 and HKFRS 7 — Classification and Measurement of Financial Instruments	1 January 2026
Annual Improvements to HKFRS Accounting Standards — Volume 11	1 January 2026
Amendment to HKFRS 9 and HKFRS 7 — Contracts Referencing Nature-dependent Electricity	1 January 2026
Amendment to HKAS 21 — Translation to a Hyperinflationary Presentation Currency	1 January 2027
HKFRS 18 — Presentation and Disclosure in Financial Statements	1 January 2027
Amendments to HK Int 5 — Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2027
Amendments to HKFRS 10 and HKAS 28 — Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined by the HKICPA

The directors of the Company are in the process of making an assessment of what the impacts of these new standards, amendments to standards and interpretation are expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements except for the following.

HKFRS 18 “Presentation and Disclosure in Financial Statements”

HKFRS 18 will replace HKAS 1 “Presentation of financial statements”, introducing new requirements that will help to achieve comparability of the financial performance of similar entities and provide more relevant information and transparency to users. Even though HKFRS 18 will not impact the recognition or measurement of items in the consolidated financial statements, HKFRS 18 introduces significant changes to the presentation of financial statements, with a focus on information about financial performance present in the statement of profit or loss, which will affect how the Group present and disclose financial performance in the financial statements.

The new accounting standard introduces the following key new requirements:

- Entities are required to classify all income and expenses into five categories in the statement of profit or loss, namely the operating, investing, financing, discontinued operations and income tax categories. Entities are also required to present a newly-defined operating profit subtotal. Entities' net profit will not change.
- Management-defined performance measures (MPMs) are disclosed in a single note in the financial statements.
- Enhanced guidance is provided on how to group information in the financial statements.

In addition, all entities are required to use the operating profit subtotal as the starting point for the statement of cash flows when presenting operating cash flows under the indirect method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

3. ADOPTION OF NEW AND REVISED HKFRS ACCOUNTING STANDARDS (Continued)

(b) Revised HKFRS Accounting Standards in issue but not yet effective (Continued)

HKFRS 18 “Presentation and Disclosure in Financial Statements” (Continued)

The Group is currently assessing the impact of HKFRS 18, with respect to the structure of the Group’s statement of profit or loss, the statements of cash flows and the additional disclosures required for MPMs. The Group is also assessing the impact on how information is grouped in the financial statements. Preliminary assessments indicate the following key impacts:

- The Group will need to reclassify certain income and expense items such as interest income, finance costs, share of profit/(loss) of associates, fair value gain/(loss) on investment in financial assets at FVTPL and impairment loss on cryptocurrencies into the new categories, namely investing and financing categories.
- The Statement of Cash Flows will also be impacted, as the operating profit subtotal will be the required starting point for the indirect method.

Amendments to the Classification and Measurement of Financial Instruments — Amendments to HKFRS 9 and HKFRS 7

The HKICPA issued targeted amendments to HKFRS 9 and HKFRS 7 to respond to recent questions arising in practice, and to include new requirements not only for financial institutions but also for corporate entities. These amendments:

- clarify the date of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system;
- clarify and add further guidance for assessing whether a financial asset meets the sole payments of principal and interest (SPPI) criterion;
- add new disclosures for certain instruments with contractual terms that can change cash flows (such as some financial instruments with features linked to the achievement of environment, social and governance targets); and
- update the disclosures for equity instruments designated at fair value through other comprehensive income (FVOCI).

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

3. ADOPTION OF NEW AND REVISED HKFRS ACCOUNTING STANDARDS (Continued)

(b) Revised HKFRS Accounting Standards in issue but not yet effective (Continued)

Amendments to HKFRS 10 and HKAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”

The amendments to HKFRS 10 *Consolidated Financial Statements* and HKAS 28 *Investments in Associates and Joint Ventures* deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

4. MATERIAL ACCOUNTING POLICY INFORMATION

These consolidated financial statements have been prepared under the historical cost convention, unless mentioned otherwise in the accounting policies below (e.g. certain financial instruments that are measured at fair value).

The preparation of financial statements in conformity with HKFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 5.

The material accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(a) Consolidation (Continued)

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owners of the Company.

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

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment loss, unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale). Cost includes direct attributable costs of investments. The results of subsidiaries are accounted for by the Company on the basis of dividend received or receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

(b) Goodwill

Goodwill is measured at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs") or groups of CGUs that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes. Goodwill impairment reviews are undertaken annually, or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to its recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(c) Associates

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

Investment in an associate is accounted for in the consolidated financial statements by the equity method and is initially recognised at cost. Identifiable assets and liabilities of the associate in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of the investment over the Group's share of the net fair value of the associate's identifiable assets and liabilities is recorded as goodwill which is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss.

The Group assesses whether there is an objective evidence that the interest in an associate may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group's share of an associate's post-acquisition profits or losses and other comprehensive income is recognised in consolidated statement of profit or loss and other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars ("HK\$"), which is also the Company's presentation currency. The functional currencies of the Group's principal operating subsidiaries are United States dollars ("US\$") and Renminbi ("RMB") respectively.

(ii) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

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

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

(iii) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- Income and expenses are translated at average exchange rates for the period (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and
- All resulting exchange differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of monetary items that form part of the net investment in foreign entities and of borrowings are recognised in other comprehensive income and accumulated in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are reclassified to consolidated profit or loss as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(e) Property, plant and equipment

Property, plant and equipment are held for use in the production or supply of goods or services, or for administrative purposes. Property, plant and equipment are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

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

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

Leasehold improvements	Over the lease term
Furniture and fixtures	3–5 years
Motor vehicles	5 years

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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

(f) Intangible assets

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at cost less accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Amortisation is calculated on a straight-line basis over their estimated useful lives of 5 years.

Cryptocurrencies is classified as intangible assets as they are identifiable, non-monetary digital assets without physical substance and do not give rise to contractual rights to cash. Cryptocurrencies are recognised at cost on acquisition and subsequently measured at cost less any accumulated impairment losses.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gain and loss arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(g) Leases

At inception of a contract, the Group assesses whether the 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. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group as lessee

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets which, for the Group are primarily laptops and office furniture. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. Lease payments to be made under reasonably certain extension options are also included in the measurement of the lease liability. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method.

Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held, which does not have recent third-party financing, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

If a readily observable amortising loan rate is available to the individual lessee (through recent financing or market data) which has a similar payment profile to the lease, then the group entities use that rate as a starting point to determine the incremental borrowing rate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(g) Leases (Continued)

The Group as lessee (Continued)

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses.

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

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

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("**lease modification**") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification.

(h) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average basis. The costs of purchased inventory are determined after deducting purchase discounts. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(i) Recognition and derecognition of financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

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

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

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(j) Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Debt investments

Debt investments held by the Group are classified into one of the following measurement categories:

- amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method.
- FVTOCI — recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.
- FVTPL if the investment does not meet the criteria for being measured at amortised cost or FVTOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

Equity investments

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

(k) Trade and other receivables

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

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method less allowance for credit losses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(l) Cash and cash equivalents

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

(m) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRS Accounting Standards. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

(n) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless, at the end of the reporting period, the Group has a right to defer settlement of the liability for at least 12 months after the reporting period.

Covenants that the Group is required to comply with, on or before the end of the reporting period, are considered in classifying loan arrangements with covenants as current or non-current. Covenants that the Group is required to comply with after the reporting period do not affect the classification at the reporting date.

(o) Trade and other payables

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

(p) Equity instruments

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

(q) Shares held for employee share scheme

Where the Group purchases the Company's equity instruments, for example as the result of a share buy-back or a share-based payment plan, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the owners of the Company as treasury shares until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the owners of the Company.

Shares held by the Trustee are disclosed as treasury shares and deducted from contributed equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(r) Revenue and other income

Revenue is recognised when control over a product or service is transferred to the customer, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Revenue from the sales of electronic components is recognised when control of the goods has transferred, being when the goods have been shipped to the customer's specific location (delivery). Following delivery, the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility when on selling the goods and bears the risks of obsolescence and loss in relation to the goods. A receivable is recognised by the Group when the goods are delivered to the customer as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

The Group offers sales rebates to certain customers under contractual terms or established commercial practices. Sales rebates represent variable consideration under HKFRS 15 and are accounted for as a reduction of revenue. The Group estimates rebates based on the specific terms of each arrangement. Estimates are reassessed at each reporting date and updated to reflect changes in facts and circumstances.

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset.

Dividend income is recognised when the shareholders' rights to receive payment are established.

(s) Employee benefits

(i) Employee leave entitlements

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

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

The Group operates various post-employment schemes, including defined contribution pension plans.

(ii) Pension obligations

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

(iii) Termination benefits

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(t) Share-based payments

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

(u) Borrowing costs

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

(v) Taxation

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(v) Taxation (Continued)

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

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

In assessing any uncertainty over income tax treatments, the Group considers whether it is probable that the relevant tax authority will accept the uncertain tax treatment used, or proposed to be used by individual group entities in their income tax filings. If it is probable, the current and deferred taxes are determined consistently with the tax treatment in the income tax filings. If it is not probable that the relevant taxation authority will accept an uncertain tax treatment, the effect of each uncertainty is reflected by using either the most likely amount or the expected value.

(w) Research and development expenditure

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

(x) Impairment of non-financial assets

The carrying amounts of non-financial assets are reviewed at each reporting date for indications of impairment and where an asset is impaired, it is written down as an expense through the consolidated statement of profit or loss to its estimated recoverable amount. The recoverable amount 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. If this is the case, recoverable amount is determined for the cash-generating units to which the asset belongs. Recoverable amount is the higher of value in use and the fair value less costs of disposal of the individual asset or the cash-generating units.

Value in use is the present value of the estimated future cash flows of the asset/cash-generating units. Present values are computed using pre-tax discount rates that reflect the time value of money and the risks specific to the asset/CGUs whose impairment is being measured.

Impairment losses for cash-generating units are allocated first against the goodwill of the unit and then pro rata amongst the other assets of the cash-generating units. Subsequent increases in the recoverable amount caused by changes in estimates are credited to profit or loss to the extent that they reverse the impairment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(y) Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVTOCI, trade and bills receivables, other receivables, pledged bank deposits and bank and cash balances. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade and bills receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

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

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

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 90 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(y) Impairment of financial assets (Continued)

Significant increase in credit risk (Continued)

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

- (i) the financial instrument has a low risk of default,
- (ii) the debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and
- (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group considers a financial asset to have low credit risk when the asset has external credit rating of "investment grade" in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of "performing". Performing means that the counterparty has a strong financial position and there is no past due amounts.

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

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

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

- significant financial difficulty of the issuer or the counterparty;
- a breach of contract, such as a default or past due event;
- the lender(s) of the counterparty, for economic or contractual reasons relating to the counterparty's financial difficulty, having granted to the counterparty a concession(s) that the lender(s) would not otherwise consider; or
- it is becoming probable that the counterparty will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(y) Impairment of financial assets (Continued)

Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, including when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over three years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of ECL

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

(z) Related parties

A related party is a person or entity that is related to the Group.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(z) Related parties (Continued)

- (B) An entity is related to the Group if any of the following conditions applies:
- (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
 - (vi) The entity is controlled or jointly controlled by a person identified in (A).
 - (vii) A person identified in (A)(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).
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

(aa) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

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

(bb) Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the consolidated financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES

In applying the Group's accounting policies, which are described in note 4, the directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Key sources of estimation uncertainty

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

(a) Impairment assessment of trade receivables

Trade receivables with significant balances and credit-impaired are assessed for ECL individually.

The Group uses practical expedient in estimating ECL on remaining trade receivables using a provision matrix. The provision rates are based on aging of debtors as groupings of various debtors taking into consideration the Group's historical default rates and forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables are disclosed in note 6(c).

(b) Allowance for slow-moving inventories

Allowance for slow-moving inventories is made based on the ageing and estimated net realisable value of inventories. The assessment of the allowance amount involves judgement and estimates. Where the actual outcome in future is different from the original estimate, such difference will impact the carrying value of inventories and allowance charge/write-back in the period in which such estimate has been changed. Allowance for slow-moving inventories of HK\$10,272,000 (2024: reversal of allowance of HK\$12,983,000) was made for the year ended 31 December 2025.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

6. FINANCIAL RISK MANAGEMENT

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

(a) Foreign currency risk

The group entities have foreign currency denominated monetary assets and monetary liabilities which expose the Group to foreign currency risk. The directors of the Company believe the Group does not have significant foreign exchange exposures and will consider the use of foreign exchange forward contracts to reduce the currency exposures in case the foreign exchange exposures become significant.

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

The Group	Assets		Liabilities	
	2025 HK\$'000	2024 HK\$'000	2025 HK\$'000	2024 HK\$'000
HK\$	4,093	4,438	4,274	1,730
RMB	780	890	–	–
JPY	16	16	–	–

Inter-company balances	Assets		Liabilities	
	2025 HK\$'000	2024 HK\$'000	2025 HK\$'000	2024 HK\$'000
US\$	17,786	22,678	68,322	55,665
HK\$	128,023	44,115	107,878	58,791
RMB	43	107	26,735	71,074
JPY	7,979	3,932	3,689	3,659
Taiwan New Dollars ("TWD")	–	–	–	1,831

For the exposure to the fluctuation in US\$ against HK\$, as HK\$ is pegged to US\$, the directors of the Company are of opinion that the Group's exposure to the fluctuation in US\$ is insignificant and no sensitivity analysis is presented.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

6. FINANCIAL RISK MANAGEMENT (Continued)

(a) Foreign currency risk (Continued)

The following table details the Group's sensitivity to (i) a 5% (2024: 5%) increase and decrease in US\$ against RMB and other relevant currencies; and (ii) a 5% increase (2024: 5%) and decrease in RMB against US\$ and other relevant currencies. 5% (2024: 5%) is the sensitivity rate used which represents management's assessment of the reasonably possible change in foreign exchange rates.

The sensitivity analysis includes only outstanding foreign currency denominated monetary items including the bank balances and pledged bank deposits and inter-company balances and adjusts their translation at the end of the reporting period for a 5% (2024: 5%) change in foreign currency rates. A positive number below indicates an increase in post-tax profit where US\$ weakens 5% (2024: 5%) against RMB and other relevant currencies or increase in post-tax profit where RMB (i.e. functional currency of certain subsidiaries) weakens 5% against US\$ and other relevant currencies. For a 5% (2024: 5%) strengthening of US\$ against the relevant currencies or a 5% strengthening of RMB against the relevant currencies, there would be an equal and opposite impact on the profit.

The Group	2025	2024
	HK\$'000	HK\$'000
RMB	33	37
JPY	1	1
Inter-company balances	2025	2024
	HK\$'000	HK\$'000
US\$	(2,109)	(1,377)
RMB	(1,114)	(2,963)
JPY	179	11
TWD	-	(76)

The directors of the Company considered the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the exposure at the end of the reporting period does not reflect the exposure during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

6. FINANCIAL RISK MANAGEMENT (Continued)

(b) Price risk

The Group is exposed to price risk through its investments in life insurance policies, unlisted unit trust funds, unlisted limited partnerships and unlisted equity securities. The directors of the Company manage this exposure by maintaining a portfolio of investments with different risks. The Group has appointed a special team to monitor the price risk and will consider hedging the risk exposure should the need arise.

If the prices of the respective investments in life insurance policies had been 5% (2024: 5%) higher/lower, profit for the year ended 31 December 2025 would increase/decrease by HK\$6,706,000 (2024: HK\$6,505,000) as a result of the changes in fair value of investments in life insurance policies.

No sensitivity analysis is presented for the investments in unlisted limited partnerships and unlisted equity securities as the management considers that the Group's exposure to other price risk from investments in unlisted limited partnerships and unlisted equity securities is insignificant.

In the opinion of directors of the Company, the sensitivity analysis is not representative of the Group's price risk as it only reflects the impact of price changes to investments in life insurance policies at the end of the year but not the exposure during the year.

(c) Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade and bills receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

Trade and bills receivables

Before accepting any new customer, the Group assess the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed regularly. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

In addition, management of the Group engaged an independent qualified professional valuer to assist them to determine the impairment assessment under ECL model on trade balances and bills receivables individually or based on provision matrix. Except for debtors with significant outstanding balances and credit-impaired, which are assessed for impairment individually, the remaining trade and bills receivables are grouped under a provision matrix based on shared credit-risk characteristics by reference to repayment histories for recurring customers and current past due exposure for the new customers. Impairment losses of HK\$2,617,000 (2024: reversal of impairment losses of HK\$8,335,000) is recognised during the year. Details of the quantitative disclosures are set out below in this note.

The Group has concentration of credit risk as 54.3% (2024: 52.1%) of the total trade and bills receivables was due from the Group's top five outstanding balances. The major customers of the Group are mainly leading brand-name consumer electronic product manufacturing companies in the PRC and electronic product trading companies in Hong Kong. In order to minimise the credit risk of trade receivables, the management of the Group delegated a team responsible for determination of credit limits and credit approvals.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

6. FINANCIAL RISK MANAGEMENT (Continued)

(c) Credit risk (Continued)

Trade and bills receivables (Continued)

For trade and bills receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL, except for debtors with significant outstanding balances or credit-impaired, of which the Group determines the ECL on an individual basis.

As part of the Group's credit risk management, the Group applies internal credit rating for its customers in relations to its operation. The following table provides information about the exposure to credit risk for trade and bills receivables which assessed based on provision matrix within lifetime ECL (not credit-impaired). Debtors with significant outstanding balances or credit-impaired with gross carrying amounts of HK\$658,504,000 and HK\$3,900,000 respectively as at 31 December 2025 (31 December 2024: HK\$389,033,000 and HK\$3,900,000) were assessed individually.

Gross carrying amount	2025			2024		
	Average	Trade	Credit loss	Average	Trade	Credit loss
	loss rate	and bills	allowance	loss rate	and bills	allowance
Internal credit rating	%	receivables	allowance	%	receivables	allowance
		HK\$'000	HK\$'000		HK\$'000	HK\$'000
A. Provision matrix						
— Current (not past due)	0.03	463,314	157	0.01	239,681	5
— 1–30 days	0.01	9,767	1	0.01	20,925	1
— 31–60 days	0.01	44,306	5	0.01	7,992	1
— 61–90 days	0.00	277	–	0.01	156	1
— More than 90 days	100.00	2,343	2,343	64.35	2,494	1,605
B. Individual assessment	0.32	658,504	2,102	0.08	389,033	314
C. Credit impaired	100.00	3,900	3,900	100.00	3,900	3,900
		1,182,411	8,508		664,181	5,827

The estimated loss rates under provision matrix and credit-impaired are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The estimated loss rates under individual assessment are estimated based on probability of default published by an international financial service company and are adjusted by loss given default rate and forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

During the year ended 31 December 2025, the Group provided HK\$838,000 (2024: reversed HK\$404,000) net impairment allowance for trade receivables based on provision matrix. Net provision of impairment allowance of HK\$1,779,000 (2024: net reversal of impairment allowance of HK\$7,931,000) were made on debtors with significant balances and credit-impaired debtors.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

6. FINANCIAL RISK MANAGEMENT (Continued)

(c) Credit risk (Continued)

Trade and bills receivables (Continued)

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

	Lifetime ECL (not credit- impaired) HK\$'000	Lifetime ECL (credit- impaired) HK\$'000	Total HK\$'000
At 1 January 2024	3,056	11,289	14,345
Changes due to trade and bills receivables recognised at 1 January 2024:			
— Impairment losses reversed	(3,036)	(7,265)	(10,301)
Newly originated trade and bills receivables	1,966	–	1,966
Exchange adjustments	(59)	(124)	(183)
At 31 December 2024	1,927	3,900	5,827
Changes due to trade and bills receivables recognised at 1 January 2025:			
— Impairment losses reversed	(1,481)	–	(1,481)
Newly originated trade and bills receivables	4,098	–	4,098
Exchange adjustments	64	–	64
At 31 December 2025	4,608	3,900	8,508

Deposits and other receivables

For deposits and other receivables, the directors of the Company make periodic individual assessment on the recoverability of deposits and other receivables based on quantitative and qualitative information that is reasonable and supportive forward-looking information. The directors of the Company believe that there are no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12 months ECL. The Group performs impairment assessment under ECL model on outstanding balances individually. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

During the year ended 31 December 2025, the Group provided HK\$294,000 (2024: HK\$nil) net impairment allowance on deposits and other receivables.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

6. FINANCIAL RISK MANAGEMENT (Continued)

(c) Credit risk (Continued)

Pledged bank deposits/bank balances

The credit risks on bank balances and pledged bank deposits are limited because the counterparties are reputable banks and financial institutions with high credit ratings assigned by international credit-rating agencies in the PRC and Hong Kong. The Group assessed 12 months ECL for bank balances and pledged bank deposits by reference to information relating to average loss rate of respective credit rating grades published by external credit rating agencies.

Based on the average loss rates, the ECL on bank balances and pledged bank deposits is considered to be insignificant.

Internal credit rating	Description	Trade and bills receivables/amount due from an associate	Other financial assets
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL — not credit-impaired	12m ECL
Watch list	Debtor frequently repays after due dates but usually settle in full	Lifetime ECL — not credit-impaired	12m ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally	Lifetime ECL — not credit-impaired	Lifetime ECL — not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL — credit-impaired	Lifetime ECL — credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

6. FINANCIAL RISK MANAGEMENT (Continued)

(c) Credit risk (Continued)

The table below details the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

	Notes	External credit rating	Internal credit rating	12m or lifetime ECL	2025 Gross carrying amount		2024 Gross carrying amount	
					HK\$'000	HK\$'000	HK\$'000	HK\$'000
Financial assets at amortised cost								
Trade and bills receivables	29	N/A	Low risk	Lifetime ECL (provision matrix)	520,007		271,248	
			Low risk	Lifetime ECL (individual assessment)	658,504		389,033	
			Loss	Credit-impaired	3,900	1,182,411	3,900	664,181
Deposits and other receivables	31	N/A	Low risk	12m ECL		20,844		3,359
Pledged bank deposits	32	Aa3 to B2	N/A	12m ECL		182,684		192,881
Cash and cash equivalents	32	Aa3 to B2	N/A	12m ECL		153,960		239,455
						1,539,899		1,099,876

For the purpose of internal credit risk management, the Group uses the repayment history or other relevant information to assess whether credit risk has increased significantly since initial recognition. At 31 December 2025, the balance of other receivables and refundable deposits are not past due and based on the historical default rates of these balances are considered as low risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

6. FINANCIAL RISK MANAGEMENT (Continued)

(d) Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents as well as undrawn banking facilities deemed adequate by the directors of the Company to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The directors of the Company monitors the utilisation of bank borrowing and ensure compliance with loan covenants.

The Group relies on bank borrowings as a significant source of liquidity. As at 31 December 2025, the Group has available unutilised short-term bank loan facilities (excluding stand by letter of credit) of HK\$1,809,000,000 (2024: HK\$2,017,000,000).

Individual operating entities within the Group are responsible for their own cash management, including the participation in supplier finance arrangements with banks and the raising of loans to cover expected cash demands, subject to approval by the Directors of the Company when the borrowing exceed certain predetermined level of authority.

As disclosed in Note 38, the Group has entered into certain reverse factoring arrangements with banks, under which the Group obtained extended credit in respect of the invoice amounts owned to certain suppliers of electronic components. This results in the Group being required to settle a larger amount with a single counterparty, rather than smaller amounts with several counterparties. The amounts of bank loan for the supplier financing arrangement with a single counterparty as at 31 December 2025 was at HK\$200,266,000 (1 January 2025: HK\$205,305,000).

As disclosed in Note 37, certain of the Group's banking facilities are subject to the fulfillments of covenants. Some of those covenants relate to the Group's financial covenants which are tested periodically, as are commonly found in lending arrangements with financial institutions. If the Group were to breach these covenants, the related loans would become payable on demand. As at 31 December 2025, the Group did not identify any difficulties in complying with the covenants for bank and other borrowings.

Up to the date of these consolidated financial statements, there are no indications that the Group would have difficulties complying with the above covenants when they will be next tested.

The following table details the Group's remaining contractual maturity for its financial liabilities which has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are variable rates, the undiscounted amount is derived from weighted average interest rate at the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

6. FINANCIAL RISK MANAGEMENT (Continued)

(d) Liquidity risk (Continued)

	Weighted average effective interest rate %	Repayable on demand or less than 3 months HK\$'000	3 months to 1 year HK\$'000	1 year to 2 years HK\$'000	2 years to 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount HK\$'000
At 31 December 2025							
Trade and bill payables	-	494,193	-	-	-	494,193	494,193
Other payables and accrued charges	-	84,730	-	-	-	84,730	84,730
Bank and other borrowings							
— variable rates	5.38	501,123	33,343	858	629	535,953	527,925
— fixed rates	2.50	-	3,384	-	-	3,384	3,343
Amount due to an associate	-	4,920	-	-	-	4,920	4,920
		1,084,966	36,727	858	629	1,123,180	1,115,111
Lease liabilities	3.46	3,470	7,695	6,207	23,873	41,245	37,091
At 31 December 2024							
Trade and bill payables	-	341,874	-	-	-	341,874	341,874
Other payables and accrued charges	-	41,768	-	-	-	41,768	41,768
Bank and other borrowings							
— variable rates	5.83	127,126	837	1,192	1,526	130,681	128,633
— fixed rates	3.57	161,995	17,197	-	-	179,192	177,556
Amount due to an associate	-	5,265	-	-	-	5,265	5,265
		678,028	18,034	1,192	1,526	698,780	695,096
Lease liabilities	3.60	2,112	4,884	2,587	104	9,687	9,491

Bank and other borrowings with a repayment on demand clause is included in the “repayable on demand or less than 3 months” time band in the above maturity analysis. At 31 December 2025, the aggregate carrying amount of these bank and other borrowings amounted to approximately HK\$439,049,000 (2024: HK\$253,538,000). Taking into account the Group’s financial position, the directors of the Company do not believe that it is probable that the bank will exercise their discretionary right to demand immediate repayment. The directors of the Company believe that such bank and other borrowings of the Group will be repaid after the end of reporting period in accordance with the scheduled repayment dates set out in the borrowing agreements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

6. FINANCIAL RISK MANAGEMENT (Continued)

(d) Liquidity risk (Continued)

For the purpose of managing liquidity risk, the directors of the Company reviews the expected cash flows information of the Group's bank and other borrowings with a repayment on demand clause based on the scheduled repayment dates set out in the borrowing agreements as set out in the table below:

	Weighted average effective interest rate %	Less than 3 months HK\$'000	3 months to 1 year HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount HK\$'000
Bank and other borrowings					
At 31 December 2025	5.41	443,004	–	443,004	439,049
At 31 December 2024	5.61	255,908	–	255,908	253,538

(e) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank and other borrowings.

The Group is also exposed to cash flow interest rate risk in relation to life insurance policies, bank balances, variable-rate pledged bank deposits, unlisted unit trust funds and bank borrowings.

The management has considered the Group's exposure to cash flow interest rate risk in relation to variable-rate pledged bank deposits and bank balances to be limited because the current market interest rates on general deposits are relatively low and stable.

The Group's exposure to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate is mainly concentrated on the fluctuation of SOFR, and LPR arising from the Group's bank borrowings. The Group currently does not have interest rate risk hedging policy. However, the directors of the Company closely monitor the exposure to future cash flow interest rate risk as a result of change on market interest rate and will consider hedging changes in market interest rates should the need arise.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

6. FINANCIAL RISK MANAGEMENT (Continued)

(e) Interest rate risk (Continued)

The sensitivity analyses below have been determined based on the exposure to interest rates for investments of life insurance policies, unlisted unit trust funds and bank borrowings for the years ended 31 December 2025 and 2024. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis points (2024: 50 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents directors' assessment of the reasonably possible change in interest rates. If interest rates had been 50 basis points (2024: 50 basis points) higher and other variables were held constant, profit of the year would be affected as follows. For a 50 basis points (2024: 50 basis points) lower, there would be an equal and opposite impact on the profit.

	2025 HK\$'000	2024 HK\$'000
Decrease in profit for the year	(1,471)	(547)

The directors of the Company considered the sensitivity analysis is unrepresentative of the interest rate risk as the exposure at the end of the reporting period does not reflect the exposure during the year.

(f) Categories of financial instruments at 31 December

	2025 HK\$'000	2024 HK\$'000
Financial assets:		
Financial assets measured at FVTPL	148,144	144,213
Financial assets measured at FVTOCI	41,786	40,085
Financial assets measured at amortised cost	1,527,041	1,092,023
Financial liabilities:		
Financial liabilities at amortised cost	1,115,111	695,096
Lease liabilities	37,091	9,491

(g) Fair values

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

(h) Transfer of financial assets

The following were the Group's trade receivables as at 31 December 2025 that were transferred to banks and a financial institution by discounting those trade bills received on a full recourse basis. As the Group has not transferred the significant risks and rewards relating to these receivables, it continues to recognise the full carrying amount of the trade and bills receivables and has recognised the cash received on the transfer as bank borrowings amounting to HK\$355,036,000 (2024: HK\$99,035,000) (Note 29).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

6. FINANCIAL RISK MANAGEMENT (Continued)

(h) Transfer of financial assets (Continued)

As at 31 December 2025	Trade receivables discounted to banks with full recourse HK\$'000	Bills receivables discounted to banks with full recourse HK\$'000	Total HK\$'000
Carrying amount of transferred assets	335,090	19,946	355,036
Carrying amount of associated liabilities	(335,090)	(19,946)	(355,036)
As at 31 December 2024			
Carrying amount of transferred assets	85,618	13,417	99,035
Carrying amount of associated liabilities	(85,618)	(13,417)	(99,035)

7. FAIR VALUE MEASUREMENTS

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 following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: fair value measurements are based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

7. FAIR VALUE MEASUREMENTS (Continued)

(a) Disclosures of level in fair value hierarchy at 31 December 2025:

Description	Fair value measurements using		Total 2025 HK\$'000
	Level 2 HK\$'000	Level 3 HK\$'000	
Recurring fair value measurements:			
Financial assets:			
Financial assets at FVTPL			
Unlisted limited partnership	–	12,919	12,919
Unlisted equity securities	1,115	–	1,115
Life insurance policies	–	134,110	134,110
Financial assets at FVTOCI			
Unlisted equity securities	–	41,786	41,786
Total	1,115	188,815	189,930

Disclosures of level in fair value hierarchy at 31 December 2024:

Description	Fair value measurements using		Total 2024 HK\$'000
	Level 2 HK\$'000	Level 3 HK\$'000	
Recurring fair value measurements:			
Financial assets:			
Financial assets at FVTPL			
Unlisted limited partnership	13,040	–	13,040
Unlisted equity securities	1,069	–	1,069
Life insurance policies	–	130,104	130,104
Financial assets at FVTOCI			
Unlisted equity securities	40,085	–	40,085
Total	54,194	130,104	184,298

During the year ended 31 December 2025, financial assets at FVTPL and financial assets at FVTOCI amounting to approximately HK\$12,919,000 and HK\$41,786,000 respectively were transferred from measurement based on Level 2 to Level 3 of the fair value hierarchy. The transfers arose because recent transaction price for these financial assets became unavailable.

There were no transfers between Level 1, 2 and 3 during the year ended 31 December 2024.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

7. FAIR VALUE MEASUREMENTS (Continued)

(b) Reconciliation of financial assets measured at fair value based on level 3:

Description	Financial assets at FVTOCI — Unlisted equity securities	Financial assets at FVTPL — Unlisted limited partnership	Life insurance policies	2025 Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2025	–	–	130,104	130,104
Total gains or losses recognised in profit or loss ^(#)	–	–	4,006	4,006
Transfer in from Level 2	40,085	13,040	–	53,125
Disposals	–	(674)	–	(674)
Exchange realignment	1,701	553	–	2,254
At 31 December 2025	41,786	12,919	134,110	188,815
^(#) Include gains or losses for assets held at end of reporting period	–	–	4,006	4,006

Description	Financial assets at FVTOCI — Unlisted equity securities	Financial assets at FVTPL — Unlisted limited partnership	Life insurance policies	2024 Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2024	–	–	127,026	127,026
Total gains or losses recognised in profit or loss ^(#)	–	–	3,078	3,078
At 31 December 2024	–	–	130,104	130,104
^(#) Include gains or losses for assets held at end of reporting period	–	–	3,078	3,078

The total gains recognised in profit or loss including those for assets held at end of reporting period are included in other gains and losses in the consolidated statement of profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

7. FAIR VALUE MEASUREMENTS (Continued)

- (c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements:

The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation techniques and inputs used):

Financial assets	Fair value as at 31.12.2025	Fair value hierarchy	Valuation techniques and key inputs
Financial assets at FVTPL (note 25)	Unlisted limited partnership HK\$12,919,000	Level 3	The fair value of unlisted limited partnership is determined using a market approach, which estimates fair value by reference to valuation multiples derived from comparable publicly listed companies operating in similar industries with comparable business models and risk profiles. (Note a)
	Unlisted equity securities HK\$1,115,000	Level 2	The fair values of unlisted equity securities are determined with reference to the recent transaction price of the investments.
	Life insurance policies HK\$134,110,000	Level 3	Based on account value of the policies which represent the premium paid to the policies adjusted by net yield with reference to the expected return rate (Note b).
Financial assets at FVTOCI (note 24)	Unlisted equity securities HK\$41,786,000	Level 3	The fair values of unlisted equity securities are determined using a market approach, which estimates fair value by reference to valuation multiples derived from comparable publicly listed companies operating in similar industries with comparable business models and risk profiles. (Note a)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

7. FAIR VALUE MEASUREMENTS (Continued)

(c) (Continued)

Financial assets	Fair value as at 31.12.2024	Fair value hierarchy	Valuation techniques and key inputs
Financial assets at FVTPL (note 25)	Unlisted limited partnership HK\$13,040,000	Level 2	The fair values of unlisted limited partnership are determined with reference to the recent transaction price of the investments. (Note a)
	Unlisted equity securities HK\$1,069,000	Level 2	The fair values of unlisted equity securities are determined with reference to the recent transaction price of the investments.
	Life insurance policies HK\$130,104,000	Level 3	Based on account value of the policies which represent the premium paid to the policies adjusted by net yield with reference to the expected return rate (Note b).
Financial assets at FVTOCI (note 24)	Unlisted equity securities HK\$40,085,000	Level 2	The fair values of unlisted equity securities are determined with reference to the recent transaction price of the investments. (Note a)

Note:

- (a) The significant unobservable inputs include the adjusted valuation multiples applied and the discount for lack of marketability. Changes in these inputs could result in a material change in the fair value measurement.
- (b) The significant unobservable input is expected return rate and assuming other inputs were held constant, if the expected return rate increases, the fair value of the life insurance policies increase and vice versa. In the opinion of the directors of the Company, the change of expected return rate of the policies is insignificant based on historical record.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

8. REVENUE

(a) Disaggregation of revenue from contracts with customers

	2025 HK\$'000	2024 HK\$'000
Types of goods or service		
Sales of electronic components	6,590,109	4,647,896
Timing of revenue recognition		
A point in time	6,590,109	4,647,896
Sales channel/product lines		
<i>Authorised distribution</i>		
— Smart terminal	3,849,231	3,195,328
— Memory	1,903,240	763,428
— Computing infrastructure	737,161	635,792
	6,489,632	4,594,548
Mixed distribution	100,477	53,348
	6,590,109	4,647,896

(b) Performance obligations for contracts with customers

Sale of electronic components is recognised at a point of time when control of the goods has transferred, being when the goods have been delivered to port of discharge or the customer's specific location as stipulated in the sales agreement. Following delivery, the customer bears the risks of obsolescence and loss in relation to the goods.

Advance payments may be received based on the terms of sales contract and any transaction price received by the Group is recognised as a contract liability until the goods have been delivered to the customer. The normal credit term is 0 to 120 days upon delivery.

As at 31 December 2025 and 2024, all outstanding sales contracts are expected to be fulfilled within 12 months after the end of the reporting period.

(c) Transaction price allocated to the remaining performance obligation for contracts with customers

All sale of electronic components are for periods of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

9. OTHER INCOME

	2025 HK\$'000	2024 HK\$'000
Bank interest income	8,632	9,613
Technical support services income	3,191	8,680
Investment income	13	–
Government grant (Note)	1,000	917
Others	6,134	2,066
	18,970	21,276

Note: During the year ended 31 December 2025 and 2024, the government grant represents subsidies received from the relevant PRC government for improvement of working capital and incentive subsidies received in relation to activities carried out by the Group.

10. SEGMENT INFORMATION

The chief operating decision maker has been identified as the directors of the Company. The directors review the Group's internal reporting for the purposes of resource allocation and assessment of segment performance which focused on types of goods delivered. The Group has identified two reportable segments as follows:

- (a) Authorised distribution, which involves the distribution of integrated circuit ("IC") products that are procured directly from and authorised for sale by a list of internationally well-known IC brands in the industry.
- (b) Mixed distribution, including the independent distribution of IC products that are procured by the Group from other readily available suppliers in the market, as well as other distribution and services conducted through the e-commerce platform.

No operating segments have been aggregated in arriving at the reportable segments of the Group.

The Group's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies.

The accounting policies of the reportable segments are the same as those described in note 4 to the consolidated financial statements. Segment profit represents the profit earned by each segment without allocation of unallocated expenses, share of result of associates, fair value gain on financial assets at FVTPL, loss on disposal of partial interest in an associate and impairment loss on cryptocurrencies. This is the measure reported to the directors for the purposes of resource allocation and performance assessment.

The directors make decisions according to operating results of each segment. No analysis of segment asset and segment liability is presented as the directors do not regularly review such information for the purposes of resources allocation and performance assessment. Therefore, only segment revenue and segment results are presented.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

10. SEGMENT INFORMATION (Continued)

Information about reportable segment profit or loss:

	Authorised distribution HK\$'000	Mixed distribution HK\$'000	Segment total HK\$'000	Elimination HK\$'000	Consolidated HK\$'000
Year ended 31 December 2025					
Revenue from external customers	6,489,632	100,477	6,590,109	–	6,590,109
Inter-segment sales*	4,412	6,578	10,990	(10,990)	–
	6,494,044	107,055	6,601,099	(10,990)	6,590,109
Segment profit	113,820	7,640	121,460	–	121,460
Year ended 31 December 2024					
Revenue from external customers	4,594,548	53,348	4,647,896	–	4,647,896
Inter-segment sales*	3,064	3,104	6,168	(6,168)	–
	4,597,612	56,452	4,654,064	(6,168)	4,647,896
Segment profit	83,225	11,006	94,231	–	94,231

* Inter-segment sales are charged at cost

Reconciliations of reportable segment profit or loss:

	2025 HK\$'000	2024 HK\$'000
Profit or loss		
Total profit of reportable segments	121,460	94,231
Unallocated amounts:		
Unallocated expenses	(312)	(3,321)
Fair value gain on financial assets at FVTPL	4,006	3,078
Share of result of associates	38,710	7,065
Loss on disposal of partial interest in an associate	(1,315)	–
Impairment loss on cryptocurrencies	(1,421)	–
Consolidated profit for the year	161,128	101,053

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

10. SEGMENT INFORMATION (Continued)

Geographical information:

The Group principally operates in Hong Kong, the PRC, Singapore and Japan.

The following table provides an analysis of the Group's sales by geographical market based on the jurisdictions where the relevant group entities were set up, which are also their place of operations during the year, irrespective of the origin of goods and the location of customers.

Revenue from external customers based on location of operations of the relevant group entities

	2025 HK\$'000	2024 HK\$'000
Hong Kong	3,174,355	2,564,489
The PRC	1,944,510	1,604,987
Singapore	1,450,546	468,903
Japan	680	248
Others	20,018	9,269
Consolidated total	6,590,109	4,647,896

Information about the Group's non-current assets is presented based on the geographical location of the assets as follows:

Non-current assets

	2025 HK\$'000	2024 HK\$'000
Hong Kong	181,778	127,770
The PRC	36,869	36,332
Singapore	7,939	–
Japan	1,636	2,349
Others	514	763
Consolidated total	228,736	167,214

Note: Non-current assets excluded those relating to financial assets at FVTPL, financial assets at FVTOCI, deposits and deferred tax assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

10. SEGMENT INFORMATION (Continued)

Information about major customers:

Revenue from customers in respect of sales of goods of the year contributing over 10% of the total revenue of the Group is as follows:

	2025 HK\$'000	2024 HK\$'000
Authorised distribution segment		
Customer 1	696,711	N/A
Customer 2	N/A	N/A

Note: No individual customer accounted for more than 10% of the Group's total revenue for the year ended 31 December 2024.

11. OTHER GAINS OR LOSSES, NET

	2025 HK\$'000	2024 HK\$'000
Foreign exchange losses, net	(757)	(320)
Fair value gain on financial assets at FVTPL	4,006	3,078
Loss on disposal of property, plant and equipment	(17)	(19)
Impairment loss on cryptocurrencies	(1,421)	–
Loss on disposal of partial interest in an associate	(1,315)	–
Impairment loss on deposits and other receivables	(294)	–
Gain on early termination of lease	6	–
	208	2,739

12. FINANCE COSTS

	2025 HK\$'000	2024 HK\$'000
Interest on bank and other borrowings	29,886	26,295
Interest on lease liabilities	469	324
	30,355	26,619

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

13. INCOME TAX EXPENSES

	2025 HK\$'000	2024 HK\$'000
Current tax		
Hong Kong Profits Tax	12,604	6,968
PRC Enterprise Income Tax ("PRC EIT")	3,756	4,467
Singapore Corporate Tax ("CIT")	4,196	712
Others	468	9
	21,024	12,156
Deferred tax (note 39)	(939)	1,681
	20,085	13,837

The Company was incorporated in the Cayman Island and is exempted from income tax.

Under the two-tiered profits tax rates regime of Hong Kong Profits Tax, the first HK\$2 million of profits of the qualifying group entity incorporated in Hong Kong will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of other Hong Kong incorporated group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. Accordingly, the Hong Kong Profits Tax of the qualifying group entity is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of The EIT Law, the tax rate of entities established in the PRC is 25% for both years. As a PRC incorporated subsidiary, 深圳市芯智科技有限公司 ("SMC Technology SZ") has been accredited as a "High and New Technology Enterprise" by the relevant authorities in Shenzhen for a term of three years from year 2020 to 2023 and was extended for other 3 years which will be expired in 2026, it is entitled to a reduced tax rate of 15%. Accordingly, the PRC EIT is calculated at 15% on the assessable profit of SMC Technology SZ for both years. The PRC EIT of other PRC incorporated subsidiaries of the Group is calculated at 25% on the respective assessable profits.

Singapore CIT is calculated at 17% on the estimated assessable profit for both years.

Withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. At 31 December 2025, the aggregate amount of distributable earnings for the Group's PRC subsidiaries in respect of which the Group has not provided for dividend withholding tax amounted to HK\$97,291,000 (2024: HK\$61,398,000). No deferred tax liability has been recognised in respect of these amounts because the Group is in a position in control of the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

13. INCOME TAX EXPENSES (Continued)

The reconciliation between the income tax expense and the product of profit before tax multiplied by the PRC enterprise income tax rate is as follows:

	2025 HK\$'000	2024 HK\$'000
Profit before tax	181,213	114,890
Tax at Hong Kong Profits Tax Rate of 16.5% (2024: 16.5%)	29,900	18,957
Tax effect of income that is not taxable	(9,207)	(3,990)
Tax effect of expenses that are not deductible	2,338	1,523
Tax effect of tax losses not recognised	224	6
Utilisation of tax losses previously not recognised	(4,602)	(5,171)
Effect of different tax rates of subsidiaries	1,571	1,604
Income tax at concessionary rate	(165)	(165)
Others	26	1,073
Income tax expense	20,085	13,837

14. PROFIT FOR THE YEAR

The Group's profit for the year is stated after charging/(crediting) the following:

	2025 HK\$'000	2024 HK\$'000
Amortisation of an intangible asset (included in selling and distribution expenses)	1,579	1,579
Depreciation on property, plant and equipment	2,267	2,102
Depreciation on right-of-use assets	9,442	8,760
Share-based payment expense	6,658	304
Auditor's remuneration		
— Annual audit services	1,310	1,330
— Other audit services	301	203
— Non-audit services	300	340
Cost of inventories recognised as an expense (excluding allowance for inventories)	6,170,308	4,349,197
Allowance/(reversal of allowance) for inventories (included in cost of sales)	10,272	(12,983)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

15. EMPLOYEE BENEFITS EXPENSE

	2025 HK\$'000	2024 HK\$'000
Employee benefits expense (including directors' emoluments):		
Salaries and other allowances	76,204	79,078
Discretionary bonus	32,686	28,253
Share-based payments	6,658	–
Retirement benefit scheme contributions	12,867	12,546
	128,415	119,877

(a) Pensions — defined contribution plans

The Group contributes to defined contribution retirement plans which are available for eligible employees in Hong Kong and the PRC.

Hong Kong

The Group operates a Mandatory Provident Fund scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the laws of Hong Kong) for employees employed under the jurisdiction of Hong Kong Employment Ordinance (Chapter 57 of the laws of Hong Kong). The MPF Scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF Scheme, the employer and the employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK\$30,000.

The PRC

Pursuant to the relevant laws and regulations in the People's Republic of China, the Group has joined defined contribution retirement schemes for the employees arranged by local government labour and security authorities (the "PRC Retirement Schemes"). The Group makes contributions to the PRC Retirement Schemes at the applicable rates based on the amounts stipulated by the local government organisations. Upon retirement, the local government labour and security authorities are responsible for the payment of the retirement benefits to the retired employees.

The scheme is a defined contribution scheme and is established under trust with the assets of the funds held separately from those of the Group by independent trustees.

During the years ended 31 December 2025 and 2024, the Group had no forfeited contributions under the above schemes and which may be used by the Group to reduce the existing level of contributions. There were also no forfeited contributions available at 31 December 2025 and 2024 under the above schemes which may be used by the Group to reduce the contribution payable in future years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

15. EMPLOYEE BENEFITS EXPENSE (Continued)

(b) Five highest paid individuals

The five highest paid individuals in the Group during the year include 4 (2024: 4) directors. The emoluments of the remaining one individual (2024: one individual) are set out below:

	2025 HK\$'000	2024 HK\$'000
Salaries and other allowances	1,407	403
Discretionary bonus	51	1,765
Retirement benefits scheme contributions	45	102
	1,503	2,270

The emoluments of the remaining one individual (2024: one individual) fell within the following bands:

	Number of individuals	
	2025	2024
HK\$1,500,001 to HK\$2,000,000	1	–
HK\$2,000,001 to HK\$2,500,000	–	1

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

16. BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

The emoluments of every director are set out below:

	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking					Total HK\$'000
	Fees HK\$'000	Salaries and allowances HK\$'000	Discretionary bonus HK\$'000	Share-based payments HK\$'000	Retirement benefits scheme contributions HK\$'000	
Executive directors						
Mr. Tian Weidong (note a)	-	2,586	610	-	100	3,296
Mr. Liu Hongbing	-	777	668	-	17	1,462
Mr. Mak Hon Kai, Stanly	-	1,200	2,700	3,329	18	7,247
Mr. Zheng Gang	-	1,200	1,200	3,329	18	5,747
	-	5,763	5,178	6,658	153	17,752
Non-executive director						
Mr. Wong Tsz Leung (note b)	-	503	622	-	51	1,176
Independent non-executive directors						
Dr. Tang Ming Je	300	-	-	-	-	300
Ms. Xu Wei	300	-	-	-	-	300
Dr. Xue Chun (note c)	125	-	-	-	-	125
Dr. Lin Chen (note d)	175	-	-	-	-	175
	900	-	-	-	-	900
Total for 2025	900	6,266	5,800	6,658	204	19,828
Executive directors						
Mr. Tian Weidong (note a)	-	2,383	621	-	88	3,092
Mr. Wong Tsz Leung	-	380	-	-	28	408
Mr. Liu Hongbing	-	811	668	-	18	1,497
Mr. Mak Hon Kai, Stanly	-	1,165	1,700	-	18	2,883
Mr. Zheng Gang	-	1,180	800	-	18	1,998
	-	5,919	3,789	-	170	9,878
Non-executive director						
Mr. Wong Tsz Leung (note b)	-	129	600	-	19	748
Independent non-executive directors						
Dr. Tang Ming Je	300	-	-	-	-	300
Ms. Xu Wei	300	-	-	-	-	300
Dr. Xue Chun (note c)	300	-	-	-	-	300
	900	-	-	-	-	900
Total for 2024	900	6,048	4,389	-	189	11,526

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

16. BENEFITS AND INTERESTS OF DIRECTORS (Continued)

(a) Directors' emoluments (Continued)

Notes:

- (a) Mr. Tian is also the chief executive of the Company and his emoluments disclosed above included those services rendered by him as the chief executive.
- (b) Mr. Wong Tsz Leung has been redesignated from being an executive director to a non-executive director on 1 July 2024.
- (c) Dr. Xue Chun was resigned as independent non-executive director on 1 June 2025.
- (d) Dr. Lin Chen was appointed as independent non-executive director on 1 June 2025.

During the year, no emoluments were paid by the Group to any of the directors or the highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

(b) Directors' material interests in transactions, arrangements or contracts

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

17. DIVIDENDS

	2025 HK\$'000	2024 HK\$'000
2025 interim dividend of HK\$0.03 per ordinary share (2024: 2024 interim dividend of HK\$0.02 per ordinary share)	13,905	9,234
2024 final dividend of HK\$0.10 per ordinary share (2024: 2023 final dividend of HK\$0.05 per ordinary share)	46,109	23,469
	60,014	32,703

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2025 of HK14 cents (2024: final dividend in respect of the year ended 31 December 2024 of HK10 cents) per ordinary share, in an aggregate amount of approximately HK\$68,415,000 (2024: HK\$46,109,000), has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming general meeting.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

18. EARNINGS PER SHARE

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

	2025 HK\$'000	2024 HK\$'000
Earnings		
Earnings for the purpose of calculating basic and diluted earnings per share	161,353	100,342
	2025	2024
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	462,933,479	468,664,074
Effect of dilutive potential ordinary shares arising from restricted share units ("RSU")	3,490,411	505,464
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	466,423,890	469,169,538

For the years ended 31 December 2025 and 2024, the weighted average number of ordinary shares for the purpose of calculating basic earnings per share has taken into account the ordinary shares purchased by the Trustee from the market pursuant to the share award scheme of the Company for those unvested awarded shares and ungranted shares, adjusted by the ordinary shares vested under the share award scheme of the Company.

Basic earnings per share attributable to owners of the Company is calculated by dividing the profit for the year attributable to owners of the Company by the weighted average number of the ordinary shares in issue during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

19. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements	Furniture and fixtures	Motor vehicles	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost				
At 1 January 2024	1,324	16,306	4,480	22,110
Additions	–	853	278	1,131
Disposals	–	(344)	–	(344)
Exchange realignment	–	(430)	(35)	(465)
At 31 December 2024 and 1 January 2025	1,324	16,385	4,723	22,432
Additions	–	676	–	676
Disposals	–	(224)	(212)	(436)
Exchange realignment	–	715	94	809
At 31 December 2025	1,324	17,552	4,605	23,481
Accumulated depreciation				
At 1 January 2024	1,324	9,088	4,409	14,821
Charge for the year	–	1,870	232	2,102
Disposals	–	(315)	–	(315)
Exchange realignment	–	(243)	(16)	(259)
At 31 December 2024 and 1 January 2025	1,324	10,400	4,625	16,349
Charge for the year	–	2,169	98	2,267
Disposals	–	(202)	(137)	(339)
Exchange realignment	–	606	19	625
At 31 December 2025	1,324	12,973	4,605	18,902
Carrying amount				
At 31 December 2025	–	4,579	–	4,579
At 31 December 2024	–	5,985	98	6,083

At 31 December 2025 and 2024, there is no property, plant and equipment was pledged as security.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

20. RIGHT-OF-USE ASSETS

	Leased properties
	HK\$'000
At 1 January 2024	8,143
Additions	10,230
Modification	(13)
Depreciation	(8,760)
Exchange difference	(232)
At 31 December 2024 and 1 January 2025	9,368
Additions	35,749
Decrease in early termination	(530)
Depreciation	(9,442)
Exchange difference	906
At 31 December 2025	36,051

Lease liabilities of HK\$37,091,000 (2024: HK\$9,491,000) are recognised with related right-of-use assets of HK\$36,051,000 as at 31 December 2025 (2024: HK\$9,368,000). The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

	2025	2024
	HK\$'000	HK\$'000
Depreciation expenses on right-of-use assets	9,442	8,760
Interest expense on lease liabilities (included in finance cost)	469	324
Expenses relating to short-term lease (included in administrative expense)	1,362	1,690

Details of total cash outflow for leases is set out in note 44(c).

For both years, the Group leases various offices and warehouses premises for its operations. Lease contracts are entered into for fixed term of 1 to 9 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

The Group regularly entered into short-term leases for office premises and staff quarters. As at 31 December 2025 and 2024, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed in above.

During the year, the Group entered into new lease agreements for the use of office premises for 1 to 9 years. On the lease commencement, the Group recognised HK\$35,749,000 right-of-use assets and HK\$35,749,000 lease liabilities (2024: HK\$10,230,000 right-of-use assets and HK\$10,230,000 lease liabilities).

The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

21. GOODWILL

HK\$'000

Cost and carrying amount

At 1 January 2024, 31 December 2024 and 2025

20,159

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

	2025 HK\$'000	2024 HK\$'000
Wisdom Fortune Corporation Limited ("Wisdom Fortune")	20,159	20,159
At 31 December	20,159	20,159

For the purpose of impairment assessment, the recoverable amount of Wisdom Fortune has been determined based on value in use calculation which uses cash flow projections based on financial budgets approved by management covering a 5-year period, and discount rate of 15.53% (2024: 15.76%) per annum calculated by using weighted average cost of capital. The key assumptions used by management in setting the financial budgets for the initial five-year period were as follows:

- Budgeted sales and gross margin which estimation is based on Wisdom Fortune's past performance and management's expectations for the market development;
- Operating profits is based on historical experience of operating margins;
- Cash conversion was based on the historical ratio of operating cash flow to operating profit;
- Cash flow beyond five-year period have been extrapolated using a steady 2% (2024: 2%) per annum growth rate, which is estimated by the directors of the Company based on past performance of Wisdom Fortune and their expectations of market development and the rate does not exceed the average long-term growth rate for the relevant markets.

The recoverable amount calculated based on value in use is significantly above the respective carrying amount. The directors believe that any reasonably possible change in the key assumptions would not cause the carrying amount to exceed the recoverable amount of Wisdom Fortune.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

22. INTANGIBLE ASSET

	Customer relationship (Note a) HK\$'000	Crypto- currencies (Note b) HK\$'000	Total HK\$'000
Cost			
At 1 January 2024, 31 December 2024 and 1 January 2025	7,896	–	7,896
Additions	–	9,360	9,360
At 31 December 2025	7,896	9,360	17,256
Accumulated amortisation and impairment losses			
At 1 January 2024	1,580	–	1,580
Amortisation for the year	1,579	–	1,579
At 31 December 2024 and 1 January 2025	3,159	–	3,159
Amortisation for the year	1,579	–	1,579
Impairment loss	–	1,421	1,421
At 31 December 2025	4,738	1,421	6,159
Carrying amount			
At 31 December 2025	3,158	7,939	11,097
At 31 December 2024	4,737	–	4,737

Notes:

- (a) Customer relationships were recognised in business combinations. The remaining amortisation period of the intangible asset is 3 years (2024: 4 years).
- (b) During the year, the Group purchased certain cryptocurrencies through reputable cryptocurrency exchanges at prevailing market prices. The cryptocurrencies are held with the exchange institutions and are not pledged. As at the reporting date, there were no restrictions on the Group's ability to transfer or dispose of the cryptocurrencies.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

23. CLUB DEBENTURES

	2025 HK\$'000	2024 HK\$'000
Cost		
At 31 December	5,960	5,856

The amount represents investments in club debentures in Hong Kong and the PRC and Japan, which have no limit of their term. The investment in club debentures are tested for impairment whenever there is an indication that they may be impaired.

As at 31 December 2025 and 2024, the directors of the Company conducted impairment review on the investment in club debentures. The recoverable amounts of investment in club debentures have been determined based on the market prices of similar club debentures. Based on the assessment, the directors of the Company expect the carrying amount of the investments in club debentures to be recoverable and there is no impairment loss of the investments in club debentures during the years ended 31 December 2025 and 2024.

24. FINANCIAL ASSETS AT FVTOCI

	2025 HK\$'000	2024 HK\$'000
Unlisted investment, at fair value		
Equity securities	41,786	40,085

Financial assets at FVTOCI are denominated in RMB.

Equity securities which are not held for trading and which the Group has irrevocably elected at initial recognition to recognise in this category. These are strategic investments and the Group considers this classification to be more relevant.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

25. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2025 HK\$'000	2024 HK\$'000
Unlisted investment, at fair value		
Life insurance policies (note a)	134,110	130,104
Unlisted limited partnerships (note b)	12,919	13,040
Unlisted equity securities (note c)	1,115	1,069
	148,144	144,213
Analysed as:		
Current assets	–	–
Non-current assets	148,144	144,213
	148,144	144,213

Notes:

- (a) As at 31 December 2025 and 2024, the Group has a total of ten life insurance policies with three insurance companies to insure certain directors of the Company. Under these policies, the Group is the beneficiary and policy holder. The total insured sum is US\$38,000,000 (equivalent to approximately HK\$296,400,000) in aggregate. The Group is required to pay a single premium totalling US\$13,458,000 (equivalent to approximately HK\$104,972,000) for eight life insurance policies at inception and the remaining two life insurance policies amounting to US\$1,463,000 (equivalent to approximately HK\$11,410,000) were acquired on acquisition of subsidiaries during the year ended 31 December 2022. The Group can, at any time, withdraw cash based on the account value of the policies ("**Account Value**") at the date of withdrawal, which is determined by the gross premium paid plus accumulated guaranteed interest earned and minus any charges (including surrender charge if applicable) made in accordance with the terms and conditions of the policy. The insurance companies will pay the Group a guaranteed interest for the first year and a variable return per annum afterwards with minimum guaranteed interest rate ranged from 2% to 3% per annum during the effective period of the policies.
- (b) The amount represents investments in 2 (2024: 2) unlisted limited partnerships established in the PRC.
- (c) The amount represents investments in unlisted equity securities issued by a private entity established in the PRC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

26. INVESTMENT IN SUBSIDIARIES

Particulars of the Group's major subsidiaries as at 31 December 2025 are as follows:

Name	Place of incorporation/ establishment and operations	Issued and fully paid share capital/ registered capital	Percentage of ownership interest/ voting power/ profit sharing		Principal activities
			Direct	Indirect	
Smart-Core International Company Limited	Hong Kong	Ordinary shares HK\$10,000,000	–	100%	Trading of electronic components
Smart-Core Technology Investment Limited	Hong Kong	Ordinary shares HK\$10,000,000	–	100%	Trading of electronic components
深圳市芯智科技有限公司 (note a)	The PRC	Registered capital RMB51,384,369	–	100%	Trading of electronic components
深圳市芯雲信息科技有限公司 (note a)	The PRC	Registered capital RMB8,500,000	–	100%	Trading of electronic components
深圳市芯智雲信息技術有限公司 (note a)	The PRC	Registered capital RMB8,500,000	–	100%	Trading of electronic components
芯聯(廈門)科技有限公司 (note a)	The PRC	Registered capital RMB4,000,000	–	100%	Provision of technical value-added services
UDStore Solution Limited	Hong Kong	Ordinary shares US\$1,000,000	–	100%	Trading of electronic components
Smart-Core Kabushiki Kaisha	Japan	Registered capital JPY93,100,000	–	90%	Trading of electronic components
Wisdom Fortune Corporation Limited	Hong Kong	Ordinary shares HK\$10,000,000	–	100%	Trading of electronic components
Smart-Core Cloud Pte. Limited	Singapore	Ordinary shares SGD1,000,000	–	100%	Trading of electronic components

Note:

(a) The companies are registered in the form of wholly owned foreign enterprises.

None of the subsidiaries had issued any debt securities at the end of the reporting period.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

27. INVESTMENT IN ASSOCIATES

	2025 HK\$'000	2024 HK\$'000
Share of net assets	139,556	108,417
Fair value adjustments	11,334	12,594
	150,890	121,011

Details of the Group's associates at 31 December 2025 are as follows:

Name	Place of incorporation/ establishment and operations	Issued and fully paid share capital/ registered capital	Percentage of ownership interest/voting power/profit sharing		Principal activities
			Direct	Indirect	
上海宙錄光電有限公司 Galasemi (Shanghai) Co., Ltd ("GSCL") (note a)	The PRC	Registered capital US\$10,450,000	–	46%	Trading of electronic components
Quiksol Group (note b)	Hong Kong	Ordinary shares HK\$7,800,000	–	22.5%	Trading of electronic components

Notes:

- (a) The Group has 46% ownership and voting rights in GSCL. By considering that the Group has no sufficiently dominant voting rights to direct the relevant activities of GSCL unilaterally, the directors of the Company conclude that the Group only has significant influence over GSCL and therefore it is classified as an associate of the Group.
- (b) The Group has 22.5% (2024: 25%) ownership and voting rights in Quiksol Group. By considering that the Group has no sufficiently dominant voting rights to direct the relevant activities of Quiksol Group unilaterally, the directors of the Company conclude that the Group only has significant influence over Quiksol Group and therefore it is classified as an associate of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

27. INVESTMENT IN ASSOCIATES (Continued)

Summarised financial information in respect of Quiksol Group is set out below. The summarised financial information below represents amounts shown in Quiksol Group's financial statements prepared in accordance with HKFRS Accounting Standards.

	2025	2024
	HK\$'000	HK\$'000
Current assets	922,834	370,640
Non-current assets	16,824	16,439
Current liabilities	550,992	110,857
Non-current liabilities	6,536	3,259
Revenue	2,281,824	1,146,629
Profit for the year	109,331	751
Other comprehensive income for the year	(164)	(228)
Total comprehensive income for the year	109,167	523

Summarised financial information in respect of GSCL is set out below. The summarised financial information below represents amounts shown in GSCL's financial statements prepared in accordance with HKFRS Accounting Standards.

	2025	2024
	HK\$'000	HK\$'000
Current assets	164,039	87,511
Non-current assets	44,898	39,723
Current liabilities	82,438	28,136
Non-current liabilities	10,028	11,757
Revenue	86,444	64,751
Profit for the year	24,816	14,950
Other comprehensive income for the year	4,313	143
Total comprehensive income for the year	29,129	15,093

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

27. INVESTMENT IN ASSOCIATES (Continued)

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associates recognised in the consolidated financial statements:

	2025 HK\$'000	2024 HK\$'000
GSCL		
Net assets of GSCL	116,471	87,341
Proportion of the Group's ownership interest in GSCL	46%	46%
Carrying amount of the Group's interest in GSCL	53,577	40,177
Quiksol Group		
Net assets of Quiksol Group	382,130	272,963
Proportion of the Group's ownership interest in Quiksol Group	22.5%	25%
The Group's share of net assets of Quiksol Group	85,979	68,240
Fair value adjustments	11,334	12,594
Carrying amount of the Group's interest in Quiksol Group	97,313	80,834

For the financial year ended 31 December 2024, the Group held a 25% interest in Quiksol Group and accounted for the investment as an associate. On 31 December 2025, the Group disposed of a 2.5% interest in Quiksol Group to the immediate holding company of Quiksol Group for estimated proceeds of HK\$9,498,000. Following the disposal, the Group retained significant influence over Quiksol Group and continued to account for the remaining 22.5% interest as an associate under the equity method. This transaction resulted in a loss on disposal, calculated as follows:

	HK\$'000
Proceeds from the disposal	9,498
Less: Portion of interests disposed	(10,813)
Loss on disposal of an associate	(1,315)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

28. INVENTORIES

	2025 HK\$'000	2024 HK\$'000
Electronic components held for resale	328,632	216,138
Allowance for inventories	(36,292)	(26,020)
	292,340	190,118

The movements in the allowance of inventories are as follows:

	2025 HK\$'000	2024 HK\$'000
At 1 January	26,020	39,003
Allowance/(reversal of allowance) recognised in profit or loss	10,272	(12,983)
At 31 December	36,292	26,020

29. TRADE AND BILLS RECEIVABLES

	2025 HK\$'000	2024 HK\$'000
Trade receivables	1,162,465	650,700
Allowance for credit losses	(8,508)	(5,763)
	1,153,957	644,937
Bills receivables	19,946	13,481
Allowance for credit losses	-	(64)
	1,173,903	658,354

The Group's trading terms with customers are mainly on credit. The credit terms generally range from 0 to 120 days (2024: 0 to 120 days). The bills receivables have a general maturity period ranging from 30 to 180 days (2024: 30 to 180 days). The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are regularly reviewed by the directors.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

29. TRADE AND BILLS RECEIVABLES (Continued)

The following is an analysis of trade receivables by age, net of allowance for credit losses, presented based on the overdue date of the respective invoices, and an analysis of bills receivables by age, net of allowance for credit losses, presented based on the date of bills issued, at the end of the reporting period:

	2025 HK\$'000	2024 HK\$'000
Trade receivables		
Not past due	1,074,049	599,910
0 to 60 days	79,259	44,189
61 to 120 days	649	836
Over 120 days	–	2
	1,153,957	644,937
Bills receivables		
0 to 60 days	19,946	13,417

The Group does not consider the balances which are past due in aggregate of HK\$77,908,000 (2024: HK\$45,027,000) in default as there has not been a significant change in the credit quality and amounts are still considered recoverable based on historical experience.

At 31 December 2025, trade and bill receivables of HK\$335,090,000 (2024: HK\$85,618,000) and HK\$19,946,000 (2024: HK\$13,417,000) were further discounted to banks with full recourse respectively. The Group continues to recognise their full carrying amounts at the end of the reporting period.

As at 31 December 2025, other than bills received amounting to HK\$19,946,000 (2024: HK\$13,417,000), the Group does not hold any collateral or other credit enhancements over these balances nor does it has a legal right of offset against any amounts owed by the Group to the counterparty.

30. AMOUNT DUE TO AN ASSOCIATE

As at 31 December 2025 and 2024, the amount due is trade nature with credit period of 60 days, unsecured and interest-free.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

31. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2025 HK\$'000	2024 HK\$'000
Deposits		
— refundable	4,945	2,688
— non-refundable	7,345	43,303
Prepayments	5,710	3,842
Receivable from disposal of partial interest of an associate	9,498	–
Other receivables	6,401	671
Value-added tax recoverable	6,370	9,788
	40,269	60,292
Analysed as:		
Current assets	35,919	58,267
Non-current assets	4,350	2,025
	40,269	60,292

32. PLEDGED BANK DEPOSITS AND BANK AND CASH BALANCES

The Group's pledged bank deposits represented deposits pledged to banks to secure banking facilities granted to the Group as set out in note 38 to the consolidated financial statements. These deposits are subject to regulatory restrictions and are therefore not available for general use by the Group.

As at 31 December 2025, the bank and cash balances of the Group denominated in Renminbi ("RMB") amounted to HK\$66,817,000 (2024: HK\$131,077,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

The carrying amounts of the Group's pledged bank deposits and bank and cash balances are denominated in the following currencies:

	2025 HK\$'000	2024 HK\$'000
RMB	66,817	131,077
HK\$	4,091	4,388
US\$	259,286	294,117
Others	6,450	2,754
	336,644	432,336

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

33. TRADE AND BILLS PAYABLES

	2025 HK\$'000	2024 HK\$'000
Trade payables	468,658	337,204
Bills payable	25,535	4,670
	494,193	341,874

The credit period for trade payables ranging from 0 to 60 days (2024: 0 to 60 days).

Aging analysis of the Group's trade and bills payables based on invoice date is as follows:

	2025 HK\$'000	2024 HK\$'000
0 to 30 days	467,423	274,623
31 to 60 days	19,920	48,047
61 to 90 days	2,813	11,980
Over 90 days	4,037	7,224
	494,193	341,874

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

34. CONTRACT LIABILITIES

	2025 HK\$'000	2024 HK\$'000
Billings in advance of performance obligation		
— Sales of electronic components	26,829	18,627

The Group receives certain amount of the contract value from customers when they place their purchase order. This gives rise to contract liabilities at the start of a contract until the Group transferred the control of goods to the customers.

During the reporting period, decrease in the contract liabilities balance mainly because of decrease in advance payments from customers.

Movements in contract liabilities:

	2025 HK\$'000	2024 HK\$'000
Balance at 1 January	18,627	18,978
Decrease in contract liabilities as a result of recognising revenue during the year was included in the contract liabilities at the beginning of the period	(18,627)	(18,978)
Increase in contract liabilities as a result of billing in advance of sales made	26,829	18,627
Balance at 31 December	26,829	18,627

No billings in advance are expected to be recognised as income after more than one year (2024: Nil).

35. OTHER PAYABLES AN ACCRUED CHARGES

	2025 HK\$'000	2024 HK\$'000
Accrued sales rebates	24,664	9,484
Accrued staff costs	28,619	25,834
Accrued expenses	28,268	5,031
Others	3,179	1,419
	84,730	41,768

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

36. LEASE LIABILITIES

	Minimum lease payments		Present value of minimum lease payments	
	2025 HK\$'000	2024 HK\$'000	2025 HK\$'000	2024 HK\$'000
Within one year	11,165	6,997	10,060	6,822
More than one year, but not exceeding two years	6,207	2,587	5,365	2,566
More than two years, but not exceeding five years	23,873	103	21,666	103
	41,245	9,687	37,091	9,491
Less: Future finance charges	(4,154)	(196)	N/A	N/A
Present value of lease obligations	37,091	9,491	37,091	9,491
Less: Amount due for settlement within 12 months (shown under current liabilities)			(10,060)	(6,822)
Amount due for settlement after 12 months			27,031	2,669

The weighted average incremental borrowing rates applied to lease liabilities is 3.46% (2024: 3.60%).

37. BANK AND OTHER BORROWINGS

	2025 HK\$'000	2024 HK\$'000
Secured bank loans	331,002	95,540
Secured bank loans — supplier finance arrangements	200,266	205,305
	531,268	300,845
Other borrowings (secured)	—	5,344
	531,268	306,189

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

37. BANK AND OTHER BORROWINGS (Continued)

The bank and other borrowings are repayable as follows:

	2025 HK\$'000	2024 HK\$'000
Within one year	90,823	50,121
More than one year, but not exceeding two years	814	1,126
More than two years, but not more than five years	582	1,404
	92,219	52,651
Portion of bank and other borrowings that contain a repayment on demand clause (shown under current liabilities)	439,049	253,538
	531,268	306,189
Less: Amount due for settlement within 12 months (shown under current liabilities)	(529,872)	(303,659)
Amount due for settlement after 12 months	1,396	2,530

Certain of the banking facilities contain various covenants which include the maintenance of certain financial ratios and restrictions on the maximum amount due from director and related companies and related parties transactions. If the Group were to breach the covenants the related borrowings would become payable on demand. The directors of the Company have reviewed the covenants compliance and represented that they were not aware of any breach during both years.

The Group has entered into certain reverse factoring arrangements with banks, under which the Group obtained extended credit in respect of the invoice amounts owed to certain suppliers of electronic components.

Under these arrangements, the bank pay suppliers the amounts owed by the Group on the original due dates, which are normally 0 to 60 days after the invoice date for the comparable trade payables that are not part of the supplier finance arrangement within the same business line. The Group then settles with the banks 60 to 90 days after the original due dates with suppliers, with interest.

In the consolidated financial statement of financial position, the Group has presented the payables to the banks under these arrangements as "bank and other borrowings", in view of the nature and function of such liabilities when compared with the Group's trade payables. As at 31 December 2025, the carrying amount of financial liabilities under these arrangements amounted to HK\$200,266,000, HK\$192,404,000 of which suppliers have received payments from the banks.

In the consolidated statement of cash flows, payments to the banks are included within financing cash flows based on the nature of the arrangements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

37. BANK AND OTHER BORROWINGS (Continued)

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings are as follows:

	2025	2024
Effective interest rate:		
Secured bank loans		
— variable rates	1.47%–6.27%	5.30%–7.86%
— fixed rates	2.50%	3.35%–6.50%
Secured bank loans — supplier finance arrangement		
— variable rates	4.63%–5.53%	5.03%–6.58%
— fixed rates	N/A	3.15%
Other borrowings		
— fixed rates	N/A	4.50%

The variable rates bank borrowings are subject to interest at Secured Overnight Funding Rate (“**SOFR**”) plus a spread and Loan Prime Rate (“**LPR**”) plus a spread (2024: SOFR plus a spread and LPR plus a spread, HIBOR plus a spread).

38. BANKING FACILITIES

At 31 December 2025, the Group had approximately HK\$1,809,000,000 (2024: HK\$2,017,000,000) of available undrawn banking facilities. Available undrawn banking facilities include bank loans, factoring loans, etc. The Group's banking facilities are secured by the followings:

- i. Financial assets at FVTPL amounted to HK\$134,110,000 (2024: HK\$130,104,000);
- ii. Pledged bank deposits amounted to HK\$182,684,000 (2024: HK\$192,881,000);
- iii. Trade and bills receivables factored to banks amounted to HK\$355,036,000 (2024: HK\$99,035,000); and
- iv. Corporate guarantee given by Smart-Core Holdings Limited.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

39. DEFERRED TAX

The following are the deferred tax liabilities and assets recognised by the Group.

	ECL provision of trade and bills receivables	Total
	HK\$'000	HK\$'000
At 1 January 2024	(3,033)	(3,033)
Charge to profit or loss for the year (note 13)		
— Changes in temporary differences	1,681	1,681
Exchange realignment	48	48
At 31 December 2024 and 1 January 2025	(1,304)	(1,304)
Charge to profit or loss for the year (note 13)		
— Changes in temporary differences	(939)	(939)
Exchange realignment	(36)	(36)
At 31 December 2025	(2,279)	(2,279)

The following is the analysis of the deferred tax balances (after offset) for statement of financial position purposes:

	2025	2024
	HK\$'000	HK\$'000
Deferred tax assets	(2,279)	(1,304)

At the end of the reporting period, the Group has unused tax losses of approximately HK\$41,509,000 (2024: HK\$43,366,000), available for offset against future profits. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams. Unrecognised tax losses of approximately HK\$25,748,000 will expire from 2026 to 2032 (2024: HK\$31,143,000 will expire from 2025 to 2032) and the remaining tax losses may be carried forward indefinitely.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

40. SHARE CAPITAL

		Number of Shares	Amount US\$'000	
Authorised:				
Ordinary shares of US\$0.00001 (2024: US\$0.00001) each		5,000,000,000	50	
At 1 January 2024, 31 December 2024, 1 January 2025 and 31 December 2025		5,000,000,000	50	
	Note	Number of Shares	Amount US\$'000	Equivalent to Amount HK\$'000
Issued and fully paid:				
Ordinary shares of US\$0.00001 (2024: US\$0.00001) each		488,681,030	5	38
At 31 December 2024, 1 January 2025 and 31 December 2025		488,681,030	5	38

The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximising the return to stakeholders and maintaining an adequate capital structure. The Group's overall strategy remained unchanged from prior year.

The capital structure of the Group consists of debts, which include bank and other borrowings, amounts due to non-controlling shareholders of a subsidiary, net of cash and cash equivalents and equity attributable to owners of the Company, comprising share capital and reserves.

The management of the Group regularly reviews the capital structure on a continuous basis taking into account the cost of capital and the risk associated with the capital. The Group will balance its overall capital structure through the payment of dividends and new shares issues and share-buy-backs as well as the issue of new debts and redemption of existing debts.

41. SHARE-BASED PAYMENTS

(a) Equity-settled share award scheme

The Company's share award scheme (the "**Share Award Scheme**") was adopted pursuant to the written resolutions of all shareholders of the Company on 19 September 2016 ("**Date of Adoption**") for the primary purpose of rewarding the directors, senior managers and employees ("**Eligible Persons**") of the Group for their hard work, contribution and loyalty and align their interest with those of shareholders of the Company.

An award granted by the board of directors ("**the Board**") of the Company to the Eligible Persons is a right of the relevant participant to receive the shares of the Company. Each award may be subject to such other conditions as may be imposed by the Board at its absolute discretion, including without limitation, a vesting period. Share award must be taken up within 7 days of the grant upon payment of HK\$1 per award. The total number of shares in respect of which shares may be granted under the Share Award Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time. The number of shares award which may be granted to any individual but unvested under the Share Award Scheme shall not exceed 1% of the total number of shares of the Company in issue at any point in time.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

41. SHARE-BASED PAYMENTS (Continued)

(a) Equity-settled share award scheme (Continued)

Subject to any early termination as may be determined by the Board pursuant to the rules of the Share Award Scheme, the Share Award Scheme shall be valid and effective for a term of 10 years commencing on the Date of Adoption, after which period no further awards will be granted but the provisions of the Share Award Scheme shall remain in full force and effect to the extent necessary to give effect to the vesting of any awards granted prior to the expiration of the Share Award Scheme, or otherwise to the extent as may be required in accordance with the provisions of the Share Award Scheme.

In previous years, the Group granted RSUs to a Company's director under the Share Award Scheme. The RSUs granted would vest on specific dates, or in equal tranches from the grant date over 3 to 27 months, on condition that the director remains in service with certain performance requirements. Once the vesting conditions underlying the respective RSUs are met, the RSUs are considered duly and validly issued to the holder, and free of restrictions on transfer.

During the year ended 31 December 2025, the Trustee purchased 10,078,000 shares for an aggregate consideration of HK\$18,323,000 from the market pursuant to the Share Award Scheme, which has been recognised under treasury share reserve as at 31 December 2025.

As at 31 December 2025, the Trustee held 30,978,000 ordinary shares under the Share Award Scheme. Pursuant to the Share Award Scheme, cumulative of 6,000,000 shares have been granted to two directors as RSUs. 2,000,000 RSUs were vested and HK\$3,451,000 was released from treasury share reserve during the year ended 31 December 2025. As at 31 December 2025, 4,000,000 RSUs remained outstanding.

During the year ended 31 December 2024, the Trustee purchased 5,100,000 shares for an aggregate consideration of HK\$7,084,000 from the market pursuant to the Share Award Scheme, which has been recognised under treasury share reserve as at 31 December 2024.

As at 31 December 2024, the Trustee held 22,900,000 ordinary shares under the Share Award Scheme. Pursuant to the Share Award Scheme, cumulative of 3,000,000 shares have been granted to a director as RSUs. 1,000,000 RSUs were vested and HK\$1,815,000 was released from treasury share reserve during the year ended 31 December 2024. As at 31 December 2024, all the RSUs had been vested and there was no outstanding RSU.

Movements in the number of RSUs granted to the Group's director and the respective weighted average grant date fair value are as follows:

	Number of RSUs	Weighted average fair value per RSU HK\$
Outstanding at 1 January 2024	1,000,000	1.37
Vested during the year	(1,000,000)	1.37
Outstanding as at 31 December 2024 and 1 January 2025	–	N/A
Granted during the year	6,000,000	1.72
Vested during the year	(2,000,000)	1.72
Outstanding as at 31 December 2025	4,000,000	1.72

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

41. SHARE-BASED PAYMENTS (Continued)

(a) Equity-settled share award scheme (Continued)

The fair value of RSUs is determined based on the closing price of the Group's publicly traded ordinary shares on the date of grant.

The Group has to estimate the expected yearly percentage of grantees that will stay within the Group at the end of the vesting periods of the RSUs (the "**Expected Retention Rate**") in order to determine the amount of share-based compensation expenses charged to the consolidated income statement.

The total expenses recognised in the consolidated statement of profit or loss and other comprehensive income for share-based awards granted to the Group's director are HK\$6,658,000 for the year ended 31 December 2025 (2024: HK\$304,000).

(b) Equity-settled share option scheme

The Company's share option scheme (the "**Share Option Scheme**") was adopted pursuant to a written resolutions of all shareholders of the Company passed on 19 September 2016 for the primary purpose of providing incentives and awards to an employee (whether full time or part-time) or a director of a member of the Group or associated companies of the Company for their contribution to the Group and to align their interests with that of the Company ("**ESOS Eligible Person(s)**") so as to encourage them to work towards enhancing the value of the Company.

The Board may, at its absolute discretion, offer to grant an option (the "**Options**") to subscribe for such number of shares in the Company at a price determined by the Board, but shall not be less than the highest of (i) the closing price of the shares of the Company as stated in the Stock Exchange's daily quotation sheet on the date of the offer of grant, which must be a trading day; (ii) the average closing price of the shares of the Company as stated in the Stock Exchange's daily quotation sheet for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of the shares of the Company on the date of grant of the option.

The Share Option Scheme shall be valid and effective for a period of ten years commencing on 7 October 2016. Options granted must be taken up not later than 30 days after the date of grant. A consideration of HK\$1 is payable on acceptance of the offer of grant of an option. The total number of shares in respect of which shares may be granted under the Share Option Scheme is not permitted to exceed 10% of the shares of the Company as at 7 October 2016, without prior approval from the shareholders of the Company. No options shall be granted to any participant under the Share Option Scheme in excess of 1% of the total number of shares of the Company in issue at such date, without prior approval from the shareholders of the Company. At any time, the maximum number of shares which may be issued upon exercise of all outstanding options granted and not yet exercised under the Share Option Scheme and any other schemes of the Company to ESOS Eligible Persons must not exceed 30% of the total number of shares of the Company from time to time.

The exercisable period of an option, which shall not exceed 10 years from 7 October 2016, is determined by the Board at their discretion.

No options have been granted since the adoption of Share Option Scheme.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

42. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	2025 HK\$'000	2024 HK\$'000
Non-current assets			
Investments in subsidiaries		160,013	160,013
Current assets			
Amounts due from subsidiaries		181,754	181,967
Other receivables		2,579	373
Cash and cash equivalents		833	345
		185,166	182,685
Current liabilities			
Other payables and accrued charges		373	325
Amounts due to subsidiaries		129,384	55,389
		129,757	55,714
Net current assets		55,409	126,971
NET ASSETS		215,422	286,984
Capital and reserves			
Share capital		38	38
Reserves	43(b)	215,384	286,946
TOTAL EQUITY		215,422	286,984

The Company's statement of financial position was approved by the Board of Directors on 31 March 2026 and signed on its behalf by:

Tian Weidong
DIRECTOR

Zheng Gang
DIRECTOR

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

43. RESERVES

(a) Group

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

(b) Company

	Share premium HK\$'000	Treasure share reserve HK\$'000	Share award reserve HK\$'000	Capital redemption reserve HK\$'000	Retained profits/ (accumulated losses) HK\$'000	Total HK\$'000
At 1 January 2024	125,136	(34,351)	1,066	1	238,185	330,037
Dividend recognised as distribution	(32,703)	-	-	-	-	(32,703)
Recognition of equity-settled share-based payment expense	-	-	304	-	-	304
Share purchased by the Trustee pursuant to share award scheme	-	(7,084)	-	-	-	(7,084)
Share vested under share award scheme	-	1,815	(1,370)	-	(445)	-
Total comprehensive income for the year	-	-	-	-	(3,608)	(3,608)
At 31 December 2024 and 1 January 2025	92,433	(39,620)	-	1	234,132	286,946
Dividend recognised as distribution	(60,014)	-	-	-	-	(60,014)
Recognition of equity-settled share-based payment expense	-	-	6,658	-	-	6,658
Share purchased by the Trustee pursuant to share award scheme	-	(18,323)	-	-	-	(18,323)
Share vested under share award scheme	-	3,452	(3,440)	-	(12)	-
Total comprehensive income for the year	-	-	-	-	117	117
At 31 December 2025	32,419	(54,491)	3,218	1	234,237	215,384

(c) Nature and purpose of reserves

(i) Share premium

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

(ii) Other reserve

Other reserve represents (i) the combined share capital of Smart-Core International Company Limited and Smart-Core Cloud Limited acquired by the Company at the time of the group reorganisation in 2015; and (ii) the difference between the carrying amounts of the non-controlling interests at acquisition date and the consideration paid to acquire the additional interests in subsidiaries.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

43. RESERVES (Continued)

(c) Nature and purpose of reserves (Continued)

(iii) Statutory reserve

Pursuant to the relevant laws in the People's Republic of China (the "PRC"), the Group's subsidiaries established in the PRC is required to transfer 10% of its profit after tax as per statutory financial statements to the reserve funds. The general reserve fund is discretionary when the fund balance reaches 50% of the registered capital of the subsidiary and can be used to make up for previous years' losses or, expand the existing operations or can be converted into additional capital of the subsidiary.

(iv) Treasury share reserve

Treasury share reserve represents (i) ordinary shares purchased by Futu Trustee Limited ("Trustee") from the market pursuant to the share award scheme of the Company for those unlisted awarded shares and ungranted shares; and (ii) shares repurchased but not yet cancelled during the years ended 31 December 2025 and 2024.

(v) Share award reserve

The share award reserve represents the fair value of the RSUs granted to employees of the Group recognised in accordance with the accounting policy adopted for equity-settled share-based payments in note 4(t) to the consolidated financial statements.

(vi) Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 4(d)(iii) to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

44. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transaction

Additions to right-of-use assets during the year of HK\$35,749,000 (2024: HK\$10,230,000) were financed by leases liabilities.

(b) Reconciliation of liabilities arising from financing activities

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

	1 January 2025 HK\$'000	Addition HK\$'000	Cash flows HK\$'000	Interest expenses HK\$'000	Payments to supplies by the bank under supplier finance arrangement HK\$'000	Exchange difference HK\$'000	Lease modification HK\$'000	31 December 2025 HK\$'000
Lease liabilities (note 36)	9,491	35,749	(9,009)	469	-	391	-	37,091
Bank and other borrowings (note 37)	306,189	-	(1,146,220)	29,886	1,341,415	(2)	-	531,268

	1 January 2024 HK\$'000	Addition HK\$'000	Cash flows HK\$'000	Interest expenses HK\$'000	Payments to supplies by the bank under supplier finance arrangement HK\$'000	Exchange difference HK\$'000	Lease modification HK\$'000	31 December 2024 HK\$'000
Lease liabilities (note 36)	8,689	10,230	(9,483)	324	-	(250)	(19)	9,491
Bank and other borrowings (note 37)	397,736	-	(1,197,554)	26,295	1,084,940	(5,228)	-	306,189
Loan from an associate	78,039	-	(79,131)	1,092	-	-	-	-

(c) Total cash outflow for leases

Amounts included in the cash flow statements for leases comprise the following:

	2025 HK\$'000	2024 HK\$'000
Within operating cash flows	1,831	2,014
Within financing cash flows	8,540	9,159
	10,371	11,173

These amounts relate to the following:

	2025 HK\$'000	2024 HK\$'000
Lease rental paid	10,371	11,173

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

45. CONTINGENT LIABILITIES

As at 31 December 2025 and 2024, the Group did not have significant contingent liabilities.

46. OPERATING LEASE ARRANGEMENTS

The Group regularly entered into short-term leases for office premises and staff quarters. As at 31 December 2025, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed in note 20.

47. RELATED PARTY TRANSACTIONS

(a) In addition to those related party transactions and balances disclosed elsewhere in the consolidated financial statements, the Group had the following transactions with its related parties during the year:

	2025 HK\$'000	2024 HK\$'000
Sales of goods to associates	1,094	6,436
Purchase of goods from an associate	26,084	32,253
Interest paid/payable to an associate	–	1,092
Interest received from an associate	571	819

(b) The remuneration of directors of the Company and other members of key management was as follows:

	2025 HK\$'000	2024 HK\$'000
Short-term employee benefits	13,585	12,576
Share-based payments	6,658	–
Post-employment benefits	240	219
	20,483	12,795

The remuneration of key management personnel is determined by the management of the Company having regard to the performance of individuals and market trends.

48. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 31 March 2026.



SMART-CORE HOLDINGS LIMITED
芯智控股有限公司