VERTICAL
INTERNATIONAL HOLDINGS LIMITED
弘浩國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 8375

2024
ANNUAL REPORT

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

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

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

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

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Mai Junhui *(Chairman and Chief Executive Officer)*
(Appointed on 27 December 2024)
Mr. Zhong Chuanyong
(Appointed on 27 February 2025)
Mr. Boon Ho Yin Henry
(Chairman and Chief Executive Officer)
(resigned on 27 February 2025)
Ms. Chow Cheung Chu
(resigned on 27 February 2025)

Independent Non-executive Directors

Mr. Deng Kaihong *(Appointed on 27 December 2024)*
Mr. Wu Yuantao *(Appointed on 27 December 2024)*
Ms. Li Weiwei *(Appointed on 27 February 2025)*
Mr. Liu Kwan *(resigned on 27 February 2025)*
Mr. Chik Kin Man Paul *(resigned on 27 February 2025)*
Mr. Wong Wai Leung *(resigned on 27 February 2025)*

BOARD COMMITTEES

Audit Committee

Ms. Li Weiwei *(Chairlady)*
(appointed on 27 February 2025)
Mr. Deng Kaihong *(appointed on 27 February 2025)*
Mr. Wu Yuantao *(appointed on 27 February 2025)*
Mr. Wong Wai Leung *(Chairman)*
(resigned on 27 February 2025)
Mr. Liu Kwan *(resigned on 27 February 2025)*
Mr. Chik Kin Man Paul *(resigned on 27 February 2025)*

Remuneration Committee

Mr. Deng Kaihong *(Chairman)*
(appointed on 27 February 2025)
Mr. Wu Yuantao *(appointed on 27 February 2025)*
Ms. Li Weiwei *(appointed on 27 February 2025)*
Mr. Chik Kin Man Paul *(Chairman)*
(resigned on 27 February 2025)
Mr. Liu Kwan *(resigned on 27 February 2025)*
Mr. Boon Ho Yin Henry
(resigned on 27 February 2025)

Nomination Committee

Mr. Wu Yuantao *(Chairman)*
(appointed on 27 February 2025)
Mr. Deng Kaihong *(appointed on 27 February 2025)*
Ms. Li Weiwei *(appointed on 27 February 2025)*
Mr. Mai Junhui *(appointed on 27 February 2025)*
Mr. Boon Ho Yin Henry *(Chairman)*
(resigned on 27 February 2025)
Mr. Liu Kwan *(resigned on 27 February 2025)*
Mr. Chik Kin Man Paul *(resigned on 27 February 2025)*

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 2212, 22/F
Global Gateway Tower
63 Wing Hong Street
Cheung Sha Wan
Hong Kong

COMPANY SECRETARY

Ms. Cheung Yuet Fan

AUTHORISED REPRESENTATIVES

Mr. Mai Junhui *(appointed on 27 February 2025)*
Ms. Cheung Yuet Fan
Mr. Boon Ho Yin Henry
(resigned on 27 February 2025)

AUDITOR

Baker Tilly Hong Kong Limited
Level 8
K11 ATELIER King's Road
728 King's Road
Quarry Bay
Hong Kong

REGISTERED OFFICE IN THE CAYMAN ISLANDS

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANK

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

COMPANY WEBSITE

www.verticaltech.com.cn

STOCK CODE

8375

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of Directors (the "**Board**") of Vertical International Holdings Limited (the "**Company**"; together with its subsidiaries, the "**Group**"), I am pleased to present the annual report of the Group for the year ended 31 December 2024, and to share with you our solid pace in transformation and innovation. Over the past few months, the Group successfully completed the transition of shareholders and the board members, achieving steady growth in share price and market capitalization.

Despite the global economy remaining in a period of deep adjustment over the past year, with the restructuring of supply chains and technological innovation trends intertwined and external uncertainties persisting, the Group leveraged its flexible strategic planning and profound technological expertise to seize new opportunities amid challenges. The revenue of the Group for the year ended 31 December 2024 decreased by 3.2% to approximately HK$81.5 million from approximately HK$84.3 million for the year ended 31 December 2023. This does not only demonstrate our resilience in the traditional electronic components sector but also signals the gradual release of potential from our emerging businesses.

This year, we took a historic step forward by formally entering the high-end smart electronic devices and artificial intelligence sectors. In the electronic devices business, the Group successfully expanded into the smart terminal device market, building on our extensive experience in electronic component manufacturing. At the same time, we deeply integrated artificial intelligence technology into our products, creating data-driven value-added solutions for our customers.

Looking ahead, the integration of smart devices and artificial intelligence technology has become a core driving force for global industrial upgrades. The Group will continue to increase investment in innovation, promoting the three-dimensional synergy of electronic components, smart hardware, and artificial intelligence algorithms. We are committed to building an end-to-end solution chain, from fundamental technologies to application scenarios. We believe that the effective execution of this strategy will create sustainable long-term value for our shareholders.

Finally, I would like to express my sincere gratitude to all our shareholders for your trust and support. I am also truly grateful for the strategic guidance of our board members, the efficient execution by our management team, and the hard work of every employee. Let us work together to embrace the boundless possibilities of the smart era and open a new chapter for Vertical International!

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group continued to focus on its key markets including manufacturing and trading of aluminum electrolytic capacitors and trading of electronic components, including semiconductor devices and passive components.

The flat demand on traditional electronic components weakened both local and global consumption market and posed a negative impact on the sales of the Group. The revenue of the Group for the year ended 31 December 2024 decreased by approximately 3.2% to approximately HK$81.5 million from approximately HK$84.3 million for the year ended 31 December 2023 as the Group adopted a more aggressive pricing approach in order to maintain the market share. Revenue from sales of the Group's self-manufactured aluminum electrolytic capacitors decreased to approximately HK$68.7 million for the year ended 31 December 2024 from approximately HK$73.6 million for the year ended 31 December 2023.

The gross profit margin of the Group increased to approximately 7.5% for the year ended 31 December 2024 from approximately 7.3% for the year ended 31 December 2023 as the management has implemented multiple cost saving initiatives to reduce the production costs. The Group will continue to carefully and extensively review the current situation in relation to costs and resources deployment, and will continue to tighten its control over the operating costs.

PROSPECTS

We expect the cost of operating will continue to maintain at a high level which will become more challenging for us. The Group will remain conservative towards the overall business environment for the coming periods and to take steps to respond to the environment, including diversifying the procurement routes and/or to relocate the manufacturing activities to another low-cost city or province to reduce costs. Moving forward, the Group will continue to take steps to strengthen the production and sales capabilities in the markets and will take advantage of stepping up development of highly competitive products.

FINANCIAL REVIEW

Revenue

The Group's revenue was approximately HK$81.5 million for the year ended 31 December 2024 and approximately HK$84.3 million for the corresponding period in 2023, representing a decrease of approximately HK$2.8 million or 3.2%. The main reason for the decrease was attributable to flat demand on traditional electronic components and excess supply caused fierce price competition. The Group adopted a more aggressive pricing approach to maintain market share.

The revenue for the sales of manufactured aluminum electrolytic capacitors decreased by approximately HK$4.9 million, from approximately HK$73.6 million for the year ended 31 December 2023 to approximately HK$68.7 million for the year ended 31 December 2024. The revenue derived from trading of electronic components increased to approximately HK$12.9 million for the year ended 31 December 2024 from approximately HK$10.6 million for the year ended 31 December 2023.

Cost of sales

The Group's cost of sales primarily consists of cost of goods sold and other direct costs. The cost of sales decreased to approximately HK$75.4 million for the year ended 31 December 2024 from approximately HK$78.1 million for the year ended 31 December 2023, representing a decrease of approximately 3.5%. The Group's cost of sales decreased along with the decline in revenue for the year ended 31 December 2024.

Gross profit and gross profit margin

The Group's gross profit remained steady at approximately HK$6.1 million for the year ended 31 December 2024 and 2023. The Group's gross profit margin increased from approximately 7.3% for the year ended 31 December 2023 to approximately 7.5% for the year ended 31 December 2024. Such increase was mainly due to the management has implemented multiple cost saving initiative to reduce the production costs.

Other income

The Group's other income increased to approximately HK$2.4 million for the year ended 31 December 2024 from approximately HK$0.5 million for the year ended 31 December 2023, mainly due to the increase in income from handling charges.

Other gains and losses

The net amount increased from approximately loss of HK$2.0 million for the year ended 31 December 2023 to approximately gain of HK$3.6 million for the year ended 31 December 2024. It mainly represented effect from the fair value gain on the equity investments at fair value through profit or loss of approximately HK$5.9 million, and impairment of property, plant and equipment and right-of-use assets of approximately HK$3.2 million and HK$0.1 million respectively for the year ended 31 December 2024.

Selling and distribution costs

The Group's selling and distribution expenses increased to approximately HK$3.1 million for the year ended 31 December 2024 from approximately HK$2.8 million for the year ended 31 December 2023, representing an increase of approximately HK$0.3 million. The increase was mainly due to increase in customer service expenses.

Administrative expenses

Administrative expenses primarily consist of employee benefit expenses, office supplies, depreciation of property, plant and equipment, legal and professional fees and other miscellaneous, general and administrative expenses. Administrative expenses increased to approximately HK$13.5 million for the year ended 31 December 2024 from approximately HK$13.1 million for the year ended 31 December 2023, representing an increase of approximately HK$0.4 million. Such increase was mainly due to increase in depreciation expenses and professional fee but net-off by decrease in certain employee benefit expenses and office supplies.

Income tax expenses

For the year ended 31 December 2024, the Group recorded income tax expenses of approximately HK$0.5 million as compared to income tax expenses of approximately HK$0.3 million for the year ended 31 December 2023.

Loss for the year

The Group recorded a loss for the year of approximately HK$5.5 million for the year ended 31 December 2024, as compared with the loss for the year ended 31 December 2023 of approximately HK$12.2 million. Such decrease in loss was mainly due to increase in other income of approximately HK$1.9 million for the year ended 31 December 2024 as compared to the corresponding year in 2023 and the other gain of approximately HK$3.6 million recorded for the year ended 31 December 2024 as compared to the other losses of approximately HK$2.0 million recorded for the year ended 31 December 2023.

Basic loss per share

The Company recorded basic loss per share for the year ended 31 December 2024 of approximately 1.90 HK cents as compared with basic loss per share of approximately 4.23 HK cents for the year ended 31 December 2023.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2024, the Group has total assets of approximately HK$96.6 million (2023: HK$107.6 million), which is financed by total liabilities and shareholders' equity (comprising share capital and reserve) of approximately HK$27.0 million (2023: HK$31.0 million) and approximately HK$69.7 million (2023: HK$76.6 million) respectively. The current ratio as at 31 December 2024 of the Group was approximately 2.5 times (2023: approximately 2.2 times).

As at 31 December 2024, the Group had cash and cash equivalents of approximately HK$19.5 million (2023: HK$23.6 million).

The total interest-bearing borrowings of the Group as at 31 December 2024 was approximately HK$5.9 million (2023: HK$7.1 million). The gearing ratio (calculated based on lease liabilities, interest bearing bank borrowings, bank overdrafts and margin financing and divided by total equity) of the Group as of 31 December 2024 was 0.10 times (2023: 0.11 times).

RESERVES

Movements in the reserves of the Group for the year ended 31 December 2024 are set out in the consolidated statement of changes in equity.

DIVIDENDS

The Board does not recommend the payment of a final dividend for the year ended 31 December 2024 (dividend for the year ended 31 December 2023: HK$Nil).

CAPITAL COMMITMENTS

As at 31 December 2024, the Group did not have any significant capital commitments (2023: HK$Nil).

MATERIAL ACQUISITIONS OR DISPOSALS

The Group did not have any material acquisition or disposal during the year ended 31 December 2024.

CONTINGENT LIABILITIES

The Group did not have material contingent liabilities as at 31 December 2023 and 2024.

CHARGES ON GROUP'S ASSETS

As at 31 December 2024, the leasehold land and building with the carrying value of approximately HK$4.0 million (2023: HK$4.2 million) is pledged to a bank to secure banking facilities granted to the Group.

EMPLOYEE INFORMATION

As at 31 December 2024, the Group had 126 full-time employees (2023: 124 full-time employees), including the Directors. Total remuneration for the year ended 31 December 2024 was approximately HK$19.8 million (2023: HK$18.0 million). To ensure that the Group is able to attract and retain staff capable of attaining the best performance levels, remuneration packages are reviewed on a regular basis. In addition, discretionary bonus is offered to eligible employees by reference to the Group's results and individual performance.

FOREIGN EXCHANGE EXPOSURE

The Company is mainly operated in its local jurisdiction with most of the transactions settled in its functional currencies of the operations and did not have significant exposure to risk resulting from changes in foreign currency exchange rates.

The carrying amounts of the foreign currency denominated monetary assets and monetary liabilities other than the functional currencies of the relevant entities comprising the Group are as follows.

	Liabilities As at 31 December		**Assets As at 31 December**	
	2024	2023	**2024**	2023
	HK$'000	HK$'000	**HK$'000**	HK$'000
HK$	**—**	—	**634**	1,410
US$	**3,304**	2,066	**12,008**	9,320
RMB	**—**	—	**—**	46
JPY	**—**	—	**1,238**	1,592

The Group currently does not have a foreign currency hedging policy. However, the management closely monitors foreign exchange exposure to mitigate the foreign currency risk.

SIGNIFICANT INVESTMENTS

As at 31 December 2024, the Group did not hold any significant investments (2023: HK$Nil).

EVENTS AFTER THE REPORTING PERIOD

There was no significant events affecting the Group after the Year and up to the date of this report.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Mai Junhui (麥俊暉), aged 46, was appointed as an executive Director on 27 December 2024 and has served as the chairman and the chief executive officer of the Company since 27 February 2025. He is also a member of the Nomination Committee of the Company. Mr. Mai is responsible for our Group's major decision-making, overall strategic planning, determining corporate policies and daily operations and management of the Group.

Mr, Mai holds a dual bachelor's degree in electronics and information technology and e-commerce from South China University of Technology. Since November 2019, Mr. Mai has served as the legal representative and general manager of Digital Trade (Shenzhen) Blockchain Technology Co. (數貿(深圳)區塊鏈科技有限公司).

Mr. Zhong Chuanyong (鍾傳勇), aged 42, was appointed as an executive Director on 27 February 2025.

Mr. Zhong obtained a bachelor's degree in Information and Computing Science from Central South University (中南大學). He specialises in leading research and development, project and organisational management to deliver innovative solutions in information technology.

From December 2013 to April 2023, Mr. Zhong served as the chief technology officer of Shenzhen Shuliantong Technology Co., Ltd.* (深圳市數聯通科技有限公司), where he was responsible for managing the research and development team. Since April 2023, Mr. Zhong has been serving as the company director of Data Interconnected Tech Pte. Ltd., a company based in the Asia-Pacific region that provides customised software solutions for small and medium-sized enterprises globally.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Deng Kaihong (鄧凱鴻), aged 49, was appointed as an independent non-executive Director on 27 December 2024. He is also a member of each of the Audit Committee and Nomination Committee of the Company and chairman of the Remuneration Committee of the Company.

Mr. Deng completed a junior college to bachelor's degree transfer programme in law at Yunnan Minzu University (雲南民族大學) in January 2007. Between December 1993 and August 2024, he worked for the Kunming Railway Public Security Bureau in Yunnan Province, retiring as a second-grade sergeant.

Mr. Wu Yuantao (吳元濤), aged 33, was appointed as an independent non-executive Director on 27 December 2024. He is also a member of each of the Audit Committee and Remuneration Committee of the Company and chairman of the Nomination Committee of the Company.

Mr. Wu graduated from Yunnan University of Finance and Economics in July 2013 with a bachelor's degree in English, and obtained a master's degree in law from Peking University in July 2016. Mr. Wu is currently a practising lawyer in the PRC.

From March 2018 to November 2019, he worked at Beijing Long An (Shenzhen) Law Firm (北京市隆安(深圳)律師事務所) as a paralegal and lawyer. Since December 2019, he has been working at Beijing Jingsh Law Firm Shenzhen Office (北京市京師(深圳)律師事務所) as a lawyer. Mr. Wu has extensive experience in corporate governance, strategic consulting, transformation and upgrading, disposal of non-performing assets, and industrial integration. He has participated in the planning and implementation of tender offer projects, financing mergers and acquisitions, and restructuring for several listed companies. He possesses in-depth research skills and rich experience in corporate governance, transformation and upgrading, and industrial integration of listed enterprises.

Ms. Li Weiwei（李維維）, aged 38, was appointed as an independent non-executive Director on 27 February 2025. She is also a member of each of the Remuneration Committee and Nomination Committee of the Company and chairman of the Audit Committee of the Company.

Ms. Li obtained a bachelor's degree in Financial Management*（財務管理）from the Renmin University of China（中國人民大學）, a graduation certificate in relation to her completion of online courses in Financial Management*（財務管理）provided by the College of Continuing Education（繼續教育學院）of the Renmin University of China（中國人民大學）and a degree in Economic Information Management (Foreign-Related)*（經濟信息管理（涉外方向））from Shijiazhuang Vocational College of Information Technology*（石家莊科技資訊職業學院）. She holds an Accounting Professional Qualification（會計專業技術資格）jointly issued by the Ministry of Human Resources and Social Security（人力資源及社會保障部）and the Ministry of Finance（財政部）of the People's Republic of China, a Certificate of Accounting Professional（會計從業資格證書）issued by the Beijing Municipal Finance Bureau（北京市財政局）of the People's Republic of China and a Certificate of Fund Practitioner Qualification*（基金從業資格）issued by the Asset Management Association of China（中國證券投資基金業協會）.

Since March 2019, Ms. Li has served as a Financial Accountant*（財務會計）at Jade Capital Management Limited*（古玉資本管理有限公司）, where she was responsible for overseeing cross-border financial operations, including the preparation of financial statements, tax compliance, and audit coordination. She has also spearheaded compliance with regulatory requirements in offshore jurisdictions such as the British Virgin Islands and Singapore.

Disclosure required under Rule 17.50(2) of the GEM Listing Rules

As of the date of this annual report, each of our Directors confirms that save for the information shown on the Section "Corporate Information" of this annual report and save as disclosed above: (i) he/she has not held directorships in the past three years in other listed companies the securities of which are listed on any securities market in Hong Kong or overseas; (ii) save as disclosed in the paragraph headed "Directors' and Chief Executives' Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company and its Associated Corporations" in the Report of the Directors of this annual report, he/she does not have any interests in the shares within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("**SFO**"); (iii) there was no information that should be disclosed pursuant to Rules 17.50(2)(h) to 17.50(2)(v) of the GEM Listing Rules; and (iv) to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there was no other matter with respect to the appointment of the Directors that needs to be brought to the attention of the shareholders of the Company.

SENIOR MANAGEMENT

Mr. Li Xinjun（李新軍）, aged 43, is the deputy general manager of the sales and marketing department of Dongguan Shouke Electronics Technology Limited ("**Dongguan Shouke**") and is mainly responsible for management of sales assistants and marketing of our Group. Mr. Li was promoted to the position of deputy general manager of the sales and marketing department of Dongguan Shouke on 1 July 2016. He joined Vertical Technology Company Limited in January 2007 as a salesperson based in the PRC and up to February 2014, where he was responsible for sales and marketing. Mr. Li was subsequently seconded to Dongguan Shouke in March 2014 as a supervisor and focused on sales and marketing.

Mr. Li graduated from 粵北技工學校 in the PRC in July 2003, with a specialisation in electrical and mechanical engineering.

COMPANY SECRETARY

Ms. Cheung Yuet Fan（張月芬） is the company secretary of our Company. She is a director of Company Secretarial Services of Tricor Services Limited ("**Tricor**", a member of Vistra group), a global professional services provider specializing in integrated business, corporate and investor services. The Company has engaged Tricor as external service provider and appointed Ms. Cheung as the company secretary of the Company since 16 October 2017.

Ms. Cheung has over 30 years of experience in the corporate secretarial field and has been providing professional corporate services to Hong Kong listed companies as well as multinational, private and offshore companies. Prior to joining Tricor, Ms. Cheung worked in the corporate secretarial department of Deloitte Touche Tohmatsu in Hong Kong and in various Hong Kong listed companies in the role of company secretary and corporate governance areas. She is a Chartered Secretary, a Chartered Governance Professional and a Fellow of both The Hong Kong Chartered Governance Institute (formerly "The Hong Kong Institute of Chartered Secretaries") and The Chartered Governance Institute (formerly "The Institute of Chartered Secretaries and Administrators").

Ms. Cheung obtained a Bachelor of Arts degree in Accountancy from City Polytechnic of Hong Kong (now known as City University of Hong Kong).

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE CULTURE

The Company is committed to ensuring that its affairs are conducted in accordance with high ethical standards. This reflects its belief that, in the achievement of its long-term objectives, it is imperative to act with probity, transparency and accountability. By so acting, the Company believes that shareholder wealth will be maximised in the long term and that its employees, those with whom it does business and the communities in which it operates will all benefit.

Corporate governance is the process by which the Board instructs management of the Group to conduct its affairs with a view to ensuring that its objectives are met. The Board is committed to maintaining and developing robust corporate governance practices that are intended to ensure:

- satisfactory and sustainable returns to shareholders of the Company (the "**Shareholders**");
- that the interests of those who deal with the Company are safeguarded;
- that overall business risk is understood and managed appropriately;
- the delivery of high-quality products and services to the satisfaction of customers; and
- that high standards of ethics are maintained.

CORPORATE GOVERNANCE PRACTICES

The Board of the Company is committed to achieving good corporate governance standards. The Board believes that good corporate governance standards are essential in providing a framework for the Group to safeguard the interests of the Shareholders, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

The Company has applied the principles and practices as set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix C1 to the GEM Listing Rules and has adopted the CG Code as the code to govern the Company's corporate governance practices.

The Company has in place a corporate governance framework and has established a set of policies and procedures based on the CG Code. Such policies and procedures provide the infrastructure for enhancing the Board's ability to implement governance and exercise proper oversight on business conduct and affairs of the Company.

Throughout the year ended 31 December 2024, the Company has complied with the code provisions as set out in the CG Code except for the deviation from code provision C.2.1 which is explained in the relevant paragraphs of this corporate governance report. The Company will continue to enhance its corporate governance practices appropriate to the operation and growth of the business of the Group.

The Company will periodically review and improve its corporate governance practices with reference to the latest development of corporate governance.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS

The Company has adopted the Required Standard of Dealings as the code for securities transactions by the Directors on the guidelines as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Further, the Company had made specific enquiry with all Directors and each of them has confirmed his/her compliance with the Required Standard of Dealings throughout the year ended 31 December 2024.

The Company has also adopted written guidelines as the code for securities transactions by relevant employees of the Group who are likely to possess inside information in relation to the Company or its securities based on the Required Standard of Dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. No incidence of non–compliance of this code by the relevant employees was noted by the Company.

BOARD OF DIRECTORS

Mr. Mai Junhui, Mr. Deng Kaihong and Mr. Wu Yuantao were appointed as Directors on 27 December 2024. In addition, Mr. Boon Ho Yin Henry, Ms. Chow Cheung Chu, Mr. Liu Kwan, Mr. Chik Kin Man Paul and Mr. Wong Wai Leung resigned as Directors on 27 February 2025. Mr. Zhong Chuanyong and Ms. Li Weiwei were appointed as Directors on 27 February 2025 to fill the casual vacancy.

Before the appointment of Mr. Mai, Mr. Deng and Mr. Wu became effective, on 24 December 2024, each of Mr. Mai, Mr. Deng and Mr. Wu has obtained legal advice referred to in Rule 5.02D of the GEM Listing Rules and each has confirmed that he understood his obligations as a Director. Before the appointment of Mr. Zhong and Ms. Li became effective, on 24 February 2025, each of Mr. Zhong and Ms. Li has obtained legal advice referred to in Rule 5.02D of the GEM Listing Rules and each has confirmed that he/she understood his/her obligations as a Director.

As at the date of this report, the Board currently comprises five members, consisting of two executive Directors and three independent non– executive Directors.

Executive Directors:

Mr. Mai Junhui *(Chairman, Chief Executive Officer and member of the Nomination Committee)*
Mr. Zhong Chuanyong

Independent Non-executive Directors:

Mr. Deng Kaihong *(Chairman of the Remuneration Committee and member of the Audit Committee and the Nomination Committee)*
Mr. Wu Yuantao *(Chairman of the Nomination Committee and member of the Audit Committee and the Remuneration Committee)*
Ms. Li Weiwei *(Chairlady of the Audit Committee and member of the Remuneration Committee and the Nomination Committee)*

The biographical information of the Directors are set out on pages 9 to 11 of this annual report.

There is no relationships (including financial, business, family or other material/relevant relationship(s)) between the Board members.

Chairman and Chief Executive Officer

Code provision C.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and the chief executive should be clearly established and set out in writing.

During the year ended 31 December 2024, Mr. Boon Ho Yin Henry was the Chairman and the Chief Executive Officer of the Company and was responsible for the Group's major decision-making, overall strategic planning, determining corporate policies and daily operation and management of the Group. In view of Mr. Boon Ho Yin Henry is one of the founders of the Group and he has been operating and managing the Group since its establishment, the Board believes that it is in the best interest of the Group to have Mr. Boon Ho Yin Henry take up both roles for effective management and business development of the Group. Mr. Mai Junhui has been appointed as both the Chairman and the Chief Executive Officer of the Company in place of Mr. Boon on 27 February 2025 and is closely involve in the daily operations and decision making of the Group. The Board believes that having the roles of Chairman and Chief Executive Officer of the Company held by Mr. Mai is conducive to the execution of the Group's business strategies and the efficiency of its operations. In addition, under the supervision of the Board (comprising two executive Directors and three independent non-executive Directors), the Board has a power structure which provides sufficient checks and balances to safeguard the interests of the Company and its shareholders. Therefore, the Directors consider that the deviation from the code provision C.2.1 of the CG Code is appropriate in such circumstances.

Independent Non-executive Directors

During the year ended 31 December 2024, the Company had met the requirements of the GEM Listing Rules relating to the appointment of at least three independent non-executive directors, representing at least one-third of the Board, with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his independence in accordance with the independence guidelines set out in Rule 5.09 of the GEM Listing Rules. The Company considers all independent non-executive Directors are independent.

Board Independence Evaluation

The Company has established a Board Independence Evaluation Mechanism which sets out the processes and procedures to ensure a strong independent element on the Board, which allows the Board effectively exercises independent judgment to better safeguard Shareholders' interests.

The objectives of the evaluation are to improve Board effectiveness, maximise strengths, and identify the areas that need improvement or further development. The evaluation process also clarifies what actions of the Company need to be taken to maintain and improve the Board performance, for instance, addressing individual training and development needs of each Director.

Pursuant to the Board Independence Evaluation Mechanism, the Board will conduct annual review on its independence. The Board Independence Evaluation Report will be presented to the Board which will collectively discuss the results and the action plan for improvement, if appropriate.

During the year ended 31 December 2024, all Directors have completed the independence evaluation in the form of a questionnaire individually. The Board Independence Evaluation Report was presented to the Board and the evaluation results were satisfactory.

During the year ended 31 December 2024, the Board reviewed the implementation and effectiveness of the Board Independence Evaluation Mechanism and the results were satisfactory.

Appointment and Re-election of Directors

Code provision B.2.2 of the CG Code stipulates that every director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years.

Each of the executive Directors has entered into a service agreement with the Company for an initial term of three years commencing from the respective dates of their appointments and will be renewed automatically for successive terms of one year immediately after the expiry of the then current term, unless terminated by not less than three months' notice in writing served by either party.

Each of the independent non-executive Directors has entered into a letter of appointment with the Company with a term of three years commencing from the respective dates of their appointments, unless terminated by not less than three months' notice in writing served by either party.

All the Directors of the Company are subject to retirement by rotation and re-election at the annual general meetings. Pursuant to the articles of association of the Company ("**Articles**"), any Director appointed by the Board either to fill a casual vacancy on the Board or as an addition to the existing Board shall hold office until the first annual general meeting of the Company after his/her appointment and shall then be eligible for re-election. At each AGM, one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement at an AGM at least once every three years and being eligible to offer themselves for re-election.

Responsibilities, Accountabilities and Contributions of the Board and Management

The Board is responsible for leadership and control of the Company and oversees the Group's businesses, strategic decisions and performance and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. The Board makes decisions objectively in the interests of the Company.

The Board regularly review the contribution required from a Director to perform his/her responsibilities to the Company, and whether the Director is spending sufficient time performing them that are commensurate with their role and the Board responsibility.

The Board includes a balanced composition of executive Directors and independent non-executive Directors so that there is a strong independent element on the Board, which can effectively exercise independent judgement.

All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

The Directors have timely access to the information of the Company as well as the services and advice from the company secretary and senior management of the Company. The Directors may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and coordinating the daily operation and management of the Company are delegated to its management team.

All Directors shall ensure that they carry out duties in good faith, in compliance with applicable laws and regulations, and in the interests of the Company and its Shareholders at all times.

Continuous Professional Development of Directors

Directors keep abreast of responsibilities as a Director and of the conduct, business activities and development of the Company.

Every newly appointed Director will receive formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the GEM Listing Rules and relevant statutory requirements. The induction materials, including directors' manual and legal and regulatory update have been provided to the Directors upon appointment.

Directors should participate in appropriate continuous professional development and training courses to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. Internally-facilitated briefings for Directors will be arranged and reading material on relevant topics will be issued to Directors where appropriate.

The Directors have participated in the following trainings during the year ended 31 December 2024:

	Types of Training *(Note)*
Executive Directors	
Mr. Boon Ho Yin Henry *(resigned on 27 February 2025)*	B
Ms. Chow Cheung Chu *(resigned on 27 February 2025)*	A, B
Mr. Mai Junhui *(appointed on 27 December 2024)*	A
Independent non-executive Directors	
Mr. Liu Kwan *(resigned on 27 February 2025)*	B
Mr. Chik Kin Man Paul *(resigned on 27 February 2025)*	B
Mr. Wong Wai Leung *(resigned on 27 February 2025)*	B
Mr. Deng Kaihong *(appointed on 27 December 2024)*	A
Mr. Wu Yuantao *(appointed on 27 December 2024)*	A

Note: Types of Training

A: Attending training sessions, including but not limited to, briefings, seminars, conferences and workshops

B: Reading relevant news alerts, newspapers, journals, magazines and relevant publications

BOARD COMMITTEES AND CORPORATE GOVERNANCE FUNCTIONS

The Board has established three committees, namely, the audit committee, remuneration committee and nomination committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference. The terms of reference of the Board committees are posted on the Company's website and the Stock Exchange's website and are available to the Shareholders upon request.

The majority of the members of each Board committee are independent non-executive Directors and the list of the chairman and members of each Board committee is set out under "Corporate Information" on page 3 of this annual report.

Audit Committee

The Company established the audit committee (the "**Audit Committee**") on 24 October 2017 with written terms of reference in compliance with the CG Code. On 27 December 2018, the Board adopted the revised written terms of reference of the Audit Committee by a resolution passed on the same date. An up to date version of the revised written terms of reference is available on the website of the Stock Exchange and of the Company. The main duties of the Audit Committee are to assist the Board in reviewing the financial information and reporting process, risk management and internal control systems, audit plan and relationship with external auditors, and arrangements to enable employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

As at the date of this report, the Audit Committee comprises three independent non-executive Directors, namely Ms. Li Weiwei, Mr. Deng Kaihong and Mr. Wu Yuantao (including one independent non-executive Director who possesses the appropriate professional qualifications or accounting or related financial management expertise). Ms. Li Weiwei has been appointed as the chairman of the Audit Committee.

During the year ended 31 December 2024, the Audit Committee held two meetings to review the remuneration, terms of engagement and independence of the Company's auditor, the Company's risk management and internal control systems and financial reporting matters, and the arrangements for employees to raise concerns about possible improprieties. The Audit Committee also reviewed the Group's annual financial results and report for the year ended 31 December 2023; and interim financial results and report for the six months ended 30 June 2024 before submission to the Board for approval.

The Audit Committee met the external auditors twice a year without the presence of the executive Directors.

The Audit Committee has also held a meeting on 28 March 2025 and in conjunction with management of the Company reviewed the accounting principles and practices adopted by the Group and discussed risk management and internal control systems and financial reporting matters including a review of the audited consolidated financial statements of the Group for the year ended 31 December 2024 and the independent auditor's report thereon before submission to the Board for approval.

The Audit Committee has also reviewed the compliance with the deed of non-competition given by the former controlling Shareholders as defined and stated in the prospectus of the Company dated 31 October 2017. The Company has obtained an annual written confirmation from the Company's former controlling Shareholders in respect of their compliance with the terms of the deed of non-competition.

Remuneration Committee

The Company established the remuneration committee (the "**Remuneration Committee**") on 24 October 2017 with written terms of reference in compliance with the CG Code. On 28 December 2022, the Board adopted the revised written terms of reference of the Remuneration Committee by a resolution passed on the same date. The primary functions of the Remuneration Committee include making recommendations to the Board on the remuneration packages of individual executive Directors and senior management, reviewing and making recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration and to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration, and to review and/or approve matters relating to share schemes under Chapter 23 of the GEM Listing Rules.

As at the date of this report, the Remuneration Committee comprises three independent non-executive Directors, Mr. Deng Kaihong, Mr. Wu Yuantao and Ms. Li Weiwei. Mr. Deng Kaihong has been appointed as the chairman of the Remuneration Committee.

The Remuneration Committee shall report to the Board after each meeting of the Remuneration Committee.

The Company's remuneration policy is to ensure that the remuneration offered to employees, including Directors and senior management, is based on their duties and responsibilities, workload, and time devoted to the Group and the performance of the Group. The remuneration packages of Executive Directors are also determined with reference to the Company's performance and profitability, the prevailing market conditions and the performance or contribution of each Executive Director. The remuneration for the Executive Directors comprises basic salary, pensions and discretionary bonus. Executive Directors shall receive options to be granted under the Company's share option scheme. The remuneration policy for Independent Non-executive Directors is to ensure that Independent Non-executive Directors are adequately compensated for their efforts and time dedicated to the Company's affairs, including their participation in Board committees. The remuneration for the Independent Non-executive Directors mainly comprises Director's fee which is determined with reference to their duties and responsibilities by the Board. Independent Non-executive Directors shall not receive options to be granted under the Company's share option scheme. Individual Directors and senior management have not been involved in deciding their own remuneration.

During the year ended 31 December 2024, the Remuneration Committee held one meeting to review and make recommendations to the Board on the remuneration packages of executive Directors and non-executive Directors, and to review the Company's policy and structure for the remuneration of all Directors and senior management.

During the year ended 31 December 2024, the Remuneration Committee has also reviewed and recommended for the Board's approval the service contract/letter of appointments and remuneration packages regarding the appointment of Mr. Mai Junhui as an executive Director and Mr. Deng Kaihong and Mr. Wu Yuantao as independent non-executive Directors.

The Remuneration Committee has also held a meeting on 27 February 2025 to review and recommend for the Board's approval the service contract/letter of appointment and remuneration packages regarding the appointment of Mr. Zhong Chuanyong as an executive Director and Ms. Li Weiwei as an independent non-executive Director.

Nomination Committee

The Company established the nomination committee (the "**Nomination Committee**") on 24 October 2017 with written terms of reference in compliance with the CG Code. The principal duties of the Nomination Committee include reviewing the Board structure, size and composition, making recommendations on any proposed changes to the Board to complement the Company's corporate strategy, making recommendations to the Board on the appointment and succession planning of Directors, and assessing the independence of independent non-executive Directors.

As at the date of this report, the Nomination Committee comprises one executive Director, Mr. Mai Junhui, and three independent non-executive Directors, Mr. Wu Yuantao, Mr. Deng Kaihong and Ms. Li Weiwei. Mr. Wu Yuantao has been appointed as the chairman of the Nomination Committee.

In assessing the Board composition, the Nomination Committee would take into account various aspects as well as factors concerning Board diversity as set out in the Company's board diversity policy (the "**Board Diversity Policy**") which has been revised and adopted by the Board on 27 December 2018. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's relevant criteria as set out in the Company's director nomination policy (the "**Director Nomination Policy**") necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board. The Director Nomination Policy as adopted by the Board sets out the procedure and criteria in the nomination and appointment of Directors.

The Nomination Committee shall report to the Board after each meeting of the Nomination Committee.

During the year ended 31 December 2024, the Nomination Committee held one meeting to review the structure, size and composition of the Board, the Director Nomination Policy, the Board Diversity Policy and the independence of the independent non-executive Directors, as well as to consider the qualifications of the retiring directors standing for election at the AGM. The Nomination Committee considered that an appropriate balance of diversity perspectives of the Board is maintained and that the review on the progress on achieving the objectives as set out in the Board Diversity Policy had been conducted and that all findings were satisfactory.

During the year ended 31 December 2024, the Nomination Committee has also reviewed and made recommendations to the Board on the nomination of Mr. Mai Junhui as an executive Director and Mr. Deng Kaihong and Mr. Wu Yuantao as independent non-executive Directors in accordance with the Director Nomination Procedures.

The Nomination Committee has also held a meeting on 27 February 2025 to review and make recommendations to the Board on the nomination of appointment of Mr. Zhong Chuanyong as an executive Director and Ms. Li Weiwei as an independent non-executive Director in accordance with the Director Nomination Procedures. In addition, the Nomination Committee has also held a meeting on 28 March 2025 to review the structure, size and composition of the Board, the Director Nomination Policy, the Board Diversity Policy and the independence of the independent non-executive Directors, and to consider and recommend to the Board on the re-election of Directors at the forthcoming AGM.

Board Diversity Policy

The Board Diversity Policy, which was adopted by the Company on 24 October 2017 and subsequently revised by a Board resolution passed on 27 December 2018, sets out the approach to achieve diversity of the Board. The Company recognizes and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level as an essential element in maintaining the Company's competitive advantage.

Pursuant to the Board Diversity Policy, the Nomination Committee will review annually the structure, size and composition of the Board and where appropriate, make recommendations on changes to the Board to complement the Company's corporate strategy and to ensure that the Board maintains a balanced diverse profile.

In relation to reviewing and assessing the Board composition, the Nomination Committee is committed to diversity and will consider a number of aspects, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge, length of service and industry and regional experience.

The Company aims to maintain an appropriate balance of diversity perspectives that are relevant to the Company's business growth and is also committed to ensuring that recruitment and selection practices of Board positions are appropriately structured so that a diverse range of candidates are considered.

An analysis of the Board's current composition based on the measurable objectives is set out below:

Gender
Male: 4 Directors
Female: 1 Director

Designation
Executive Directors: 2 Directors
Independent Non-executive Directors: 3 Directors

Nationality
Chinese: 5 Directors

Age Group
31–40: 2 Directors
41–50: 3 Directors

Educational Background
Financial Management: 1 Director
Information and Computing Science: 1 Director
Law: 2 Directors
Electronics, Information Technology and E-commerce: 1 Director

Business Experience
Accounting & Finance: 1 Director
Information Technology: 1 Director
Research and Development: 1 Director
Law: 1 Director
Electronics, Information Technology and E-commerce: 1 Director

At present, the Nomination Committee considered that the Board is sufficiently diverse. The Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business. The Board will consider setting measurable objectives to implement the Board Diversity Policy and review such objectives from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives.

The Nomination Committee will review the Board Diversity Policy, as appropriate and on a regular basis, to ensure its effectiveness.

Gender Diversity

The Company values gender diversity across all levels of the Group.

Details on the gender ratio in the workforce of the Group together with relevant data can be found in the Environmental, Social and Governance Report on pages 53 to 54.

The Board had targeted to achieve and had achieved at least 20% of female Directors and 40% of female employees including female senior management of the Group and considers that the above current gender diversity is satisfactory.

Director Nomination Policy

The Board has delegated its responsibilities and authority for selection and appointment of Directors to the Nomination Committee. The Company has adopted the Director Nomination Policy which sets out the selection criteria and process and the Board succession planning considerations in relation to nomination and appointment of Directors of the Company and aims to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the Company and the continuity of the Board and appropriate leadership at Board level.

The Director Nomination Policy sets out the factors for assessing the suitability and the potential contribution to the Board of a proposed candidate, including but not limited to the following before moving onto the nomination process:

- Character and integrity;

- Qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy;

- Diversity aspects under the Board Diversity Policy, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge, length of service and industry and regional experience;

- Requirements of independent non-executive Directors on the Board and independence of the proposed independent non-executive Directors in accordance with the GEM Listing Rules; and

- Commitment in respect of available time and relevant interest to discharge duties as a member of the Board and/or Board committee(s) of the Company.

Where there is more than one candidate, the Nomination Committee shall rank the candidates by order of preferences based on the needs of the Company and where appropriate, to make recommendations to the Board.

The Director Nomination Policy also sets out the procedures for the selection and appointment of new Directors and re-election of Directors at general meetings. The Nomination Committee shall also review the overall contribution and service to the Company of the retiring director including their participation and performance before making recommendations to the shareholders in respect of the proposed re-election of directors at the general meeting.

During the year ended 31 December 2024 and up to the date of this annual report, the change in the composition of the Board were as follows:

1. Mr. Boon Ho Yin Henry resigned as an executive Director with effect from 27 February 2025.

2. Ms. Chow Cheung Chu resigned as an executive Director with effect from 27 February 2025.

3. Mr. Liu Kwan resigned as an independent non-executive Director with effect from 27 February 2025.

4. Mr. Chik Kin Man Paul resigned as an independent non-executive Director with effect from 27 February 2025.

5. Mr. Wong Wai Leung resigned as an independent non-executive Director with effect from 27 February 2025.

6. Mr. Mai Junhui was appointed as an executive Director with effect from 27 December 2024.

7. Mr. Zhong Chuanyong was appointed as an executive Director with effect from 27 February 2025.

8. Mr. Deng Kaihong was appointed as an independent non-executive Director with effect from 27 December 2024.

9. Mr. Wu Yuantao was appointed as an independent non-executive Director with effect from 27 December 2024.

10. Ms. Li Weiwei was appointed as an independent non-executive Director with effect from 27 February 2025.

The Nomination Committee had made recommendations to the Board on the nomination of Mr. Mai Junhui and Mr. Zhong Chuanyong as the executive Directors and Mr. Deng Kaihong, Mr. Wu Yuantao and Ms. Li Weiwei as the independent non-executive Directors in accordance with the Director Nomination Procedures.

The Nomination Committee will conduct regular review on the Director Nomination Policy, as appropriate, to ensure its effectiveness.

Corporate Governance Functions

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

The Board reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Required Standard of Dealings for securities transactions by Directors and written guidelines for securities transactions by relevant employees as well as the Company's compliance with the CG Code and disclosure in this corporate governance report.

REMUNERATION BANDS OF MEMBERS OF SENIOR MANAGEMENT

The remuneration bands of the members of senior management who are not Directors of the Company for the year ended 31 December 2024 are as follows:

Remuneration bands	Number of Individuals
HK$Nil to HK$1,000,000	1

ATTENDANCE RECORD OF DIRECTORS AND COMMITTEE MEMBERS

The attendance record of each Director at the Board and Board committee meetings and the general meetings of the Company held during the year ended 31 December 2024 is set out in the table below:

	Attendance/Number of Meetings				
	Board	Audit Committee	Remuneration Committee	Nomination Committee	Annual General Meeting
Executive Directors					
Mr. Boon Ho Yin Henry[1]	5/5	N/A	1/1	1/1	1/1
Ms. Chow Cheung Chu[1]	5/5	N/A	N/A	N/A	1/1
Mr. Mai Junhui[2]	0/0	N/A	N/A	0/0	0/0
Independent Non-Executive Directors					
Mr. Liu Kwan[1]	5/5	2/2	1/1	1/1	1/1
Mr. Chik Kin Man Paul[1]	5/5	2/2	1/1	1/1	1/1
Mr. Wong Wai Leung[1]	5/5	2/2	N/A	N/A	1/1
Mr. Deng Kaihong[3]	0/0	0/0	0/0	0/0	0/0
Mr. Wu Yuantao[4]	0/0	0/0	0/0	0/0	0/0

Four regular board meetings were held during the year ended 31 December 2024.

Notes:

1. Resigned on 27 February 2025.
2. Appointed as executive Director on 27 December 2024 and as member of the Nomination Committee on 27 February 2025.
3. Appointed as independent non-executive Director on 27 December 2024 and as the chairman of the Remuneration Committee and a member of each of the Audit Committee and Nomination Committee on 27 February 2025.
4. Appointed as independent non-executive Director on 27 December 2024 and as the chairman of the Nomination Committee and a member of each of the Audit Committee and Remuneration Committee on 27 February 2025.

On 18 March 2024, the Chairman of the Board held a meeting with the independent non-executive Directors without the presence of other Director.

Independent non-executive Directors have attended the AGM to gain and develop a balanced understanding of the views of Shareholders.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to identify, evaluate and manage risk exposures that may impact the continued efficiency and effectiveness of our operation or provide reasonable and not absolute assurance against material misstatement or loss, rather than to eliminate the risk of failure to achieve business objectives.

The management is responsible for establishing, implementing and monitoring the risk management and internal control systems. The Board has the overall responsibilities for evaluating and determining the nature and extent of the risks (including ESG risks) it is willing to take in achieving the Company's strategic objectives, and overseeing the management in the design, implementation and monitoring of the risk management and internal control systems. Such duties have been carried out and performed with the assistance of the management and the Audit Committee.

The Company has engaged an independent internal control advisor for providing the internal audit function and performing independent review of the adequacy and effectiveness of the internal control systems annually, including reviewing guidelines and policies which are implemented through our operational process, as well as examining key issues in relation to the financial, operational, compliance and risk management practices with an aim to, among other matters, improve our Group's corporate governance. The independent internal control advisor is also responsible for providing its findings and any recommendations for improvement to the Audit Committee.

The Board is dedicated to safeguard the interests of Shareholders and the continuity of the Group by maintaining an optimal capital structure in its capital risk management. To mitigate the Group's credit risks in relation to the collectability of trade receivables, the Board has adopted credit risk management policies and procedures for conducting ongoing credit evaluation and close monitoring of material overdue payments. Regular meetings have also been conducted by the Board and senior management to formulate conservative strategies for mitigating the Group's financial risks including overseeing the interest rate exposure and compliance with liquidity requirements.

The Company has in place the Whistleblowing Policy for employees of the Company and those who deal with the Company to raise concerns, in confidence and anonymity, with the Audit Committee about possible improprieties in any matters related to the Company.

The Company has also in place the Anti-Corruption Policy to safeguard against corruption and bribery within the Company. The Company has an internal reporting channel that is open and available for employees of the Company to report any suspected corruption and bribery. Employees can also make anonymous reports to the Audit Committee, which is responsible for investigating the reported incidents and taking appropriate measures. The Company continues to carry out anti-corruption and anti-bribery activities to cultivate a culture of integrity, and actively organizes anti-corruption training and inspections to ensure the effectiveness of anti-corruption and anti-bribery.

With a view to identifying, handling and disseminating inside information, procedures have been implemented by the Group to ensure that unauthorized access and use of information are strictly prohibited.

During the year ended 31 December 2024, the Board, as supported by the Audit Committee, our compliance officer and the independent internal control advisor providing the internal audit function, reviewed the risk management and internal control systems, including the financial, operational and compliance controls as well as those relating to the Company's ESG performance and reporting, for the mentioned period, and considered that such systems are effective and adequate. The annual review also covered the financial reporting and staff qualifications, experiences and relevant resources.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2024.

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

The report of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 65 to 71.

AUDITOR'S REMUNERATION

Baker Tilly Hong Kong Limited is appointed as the external auditor of the Company, the Audit Committee has been notified of the nature and services charges of non-audit services performed by Baker Tilly Hong Kong Limited's affiliates and considered that such services have no adverse effect on the independence of the external auditor. During the year ended 31 December 2024, the total fees paid/payable in respect of audit services and non-audit services provided by Baker Tilly Hong Kong Limited and its affiliates are set out below:

Services rendered to the Company	**Fees paid and payable** HK$
Audit services:	
2024 annual audit	580,000
Non-audit services:	
Risk advisory services	72,000
Taxation	37,500
	689,500

COMPANY SECRETARY

Ms. Cheung Yuet Fan of Tricor Services Limited, external service provider, has been engaged by the Company as the company secretary. Mr. Mai Junhui, Chairman of the Company, is the primary contact person at the Company who would work and communicate with Ms. Cheung on the Company's corporate governance and secretarial and administrative matters. Ms. Cheung has confirmed that for the year ended 31 December 2024, she has taken no less than 15 hours of relevant professional training.

All Directors have access to the advice and services of the company secretary on corporate governance and board practices and matters.

SHAREHOLDERS' RIGHTS

To safeguard Shareholders' interests and rights, a separate resolution is proposed for each substantially separate issue at Shareholders' meetings, including the election of individual Directors. All resolutions put forward at Shareholders' meetings of the Company will be voted on by poll pursuant to the GEM Listing Rules and poll results will be posted on the website of the Company and of the Stock Exchange after each Shareholders' meeting of the Company.

Convening an Extraordinary General Meeting by Shareholders and Putting Forward Proposals at General Meetings

- One or more Shareholders (including a recognised clearing house (or its nominees)) holding as at the date of deposit of the requisition in aggregate not less than one-tenth of the voting rights, on a one vote per share basis, in the share capital of the Company (the "**Eligible Shareholder(s)**") shall at all times have the right to make a requisition to convene an extraordinary general meeting ("**EGM**") and add resolutions to the meeting agenda, and such requisition should be made in writing to the Board or the Secretary of the Company.

- Eligible Shareholders who wish to convene an EGM for the purpose of making proposals or moving a resolution at the EGM must deposit a written requisition (the "**Requisition**") signed by the Eligible Shareholder(s) concerned to the principal place of business of the Company in Hong Kong at Unit 2212, 22/F, Global Gateway Tower, 63 Wing Hong Street, Cheung Sha Wan, Kowloon, Hong Kong, for the attention of the Chairman of the Board.

- The Requisition must state clearly the name of the Eligible Shareholder(s) concerned, his/her/their shareholding in the Company, the reason(s) to convene an EGM, the agenda proposed to be included, the details of the business(es) proposed to be transacted in the EGM, signed by the Eligible Shareholder(s) concerned.

- The Company will check the Requisition and the identity and the shareholding of the Eligible Shareholders will be verified with the Company's branch share registrar. If the Requisition is found to be proper and in order, the Chairman of the Board will ask the Board to convene an EGM within 2 months and/or include the proposal or the resolution proposed by the Eligible Shareholder(s) at the EGM after the deposit of the Requisition. On the contrary, if the Requisition has been verified as not in order, the Eligible Shareholder(s) concerned will be advised of this outcome and accordingly, the Board will not call for an EGM and/or include the proposal or the resolution proposed by the Eligible Shareholder(s) at the EGM.

- If within 21 days of the deposit of the Requisition the Board has not advised the Eligible Shareholder(s) of any outcome to the contrary and fails to proceed to convene such EGM, the Eligible Shareholder(s) himself/herself/themselves convene a physical meeting at only one location which will be the principal meeting place in accordance with the Memorandum and Articles of Association of the Company, and all reasonable expenses incurred by the Eligible Shareholder(s) concerned as a result of the failure of the Board shall be reimbursed to the Eligible Shareholder(s) concerned by the Company.

Putting Forward Enquiries to the Board and Contact Details

For putting forward any enquiries to the Board, Shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

Shareholders may send their enquiries as mentioned above to the following:

Address: Unit 2212, 22/F, Global Gateway Tower,
63 Wing Hong Street, Cheung Sha Wan,
Kowloon, Hong Kong
(For the attention of the Board of Directors)
Email: info@verticaltech.com.cn
Fax: (852) 3690 2521

CONSTITUTIONAL DOCUMENTS

The Company has not made any changes to its Articles during the year ended 31 December 2024. An up to date version of the Articles is also available on the Company's website and the Stock Exchange's website.

POLICIES RELATING TO SHAREHOLDERS

Shareholders' Communication Policy

The Company has in place a shareholders' communication policy (the "**Shareholders' Communication Policy**") to ensure that Shareholders' views and concerns are appropriately addressed. The Board reviewed the implementation and effectiveness of the Shareholders' Communication Policy and the results were satisfactory.

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

(a) Corporate Communication

"Corporate Communication" as defined under the GEM Listing Rules refers to any document issued or to be issued by the Company for the information or action of holders of any of its securities, including but not limited to the following documents of the Company: (a) the Directors' report, annual accounts together with a copy of the auditor's report and, where applicable, its summary financial report; (b) the interim report and, where applicable, its summary interim report; (c) a notice of meeting; (d) a listing document; (e) a circular; and (f) a proxy form. The Corporate Communication of the Company will be published on the Stock Exchange's website (www.hkex.com.hk) in a timely manner as required by the GEM Listing Rules. Corporate Communication will be provided to Shareholders and non-registered holders of the Company's securities in both English and Chinese versions or where permitted, in a single language, in a timely manner as required by the GEM Listing Rules. Shareholders and non-registered holders of the Company's securities shall have the right to choose the language (either English or Chinese) or means of receipt of the Corporate Communication (in printed form or through electronic means).

(b) Announcements and Other Documents pursuant to the GEM Listing Rules

The Company shall publish announcements (on inside information, corporate actions and transactions etc.) and other documents (e.g. Memorandum and Articles of Association) on the Stock Exchange's website in a timely manner in accordance with the GEM Listing Rules.

(c) Corporate Website

Any information or documents of the Company posted on the Stock Exchange's website will also be published on the Company's website (www.verticaltech.com.cn).

(d) Shareholders' Meetings

The annual general meeting and other general meetings of the Company are primary forum for communication between the Company and its Shareholders. The Company shall provide Shareholders with relevant information on the resolutions(s) proposed at a general meeting in a timely manner in accordance with the GEM Listing Rules. The information provided shall be reasonably necessary to enable Shareholders to make an informed decision on the proposed resolution(s). Shareholders are encouraged to participate in general meetings or to appoint proxies to attend and vote at the meetings for and on their behalf if they are unable to attend the meetings. Where appropriate or required, the Chairman of the Board and other Board members, the chairmen of board committees or their delegates, and the external auditors should attend general meetings of the Company to answer Shareholders' questions (if any). The chairman of the independent board committee (if any) should also be available to answer questions at any general meeting to approve a connected transaction or any other transaction that is subject to independent Shareholders' approval.

(e) Shareholders' Enquiries

Enquiries about Shareholdings

Shareholders should direct their enquiries about their shareholdings to the Company's branch share registrar in Hong Kong:

Tricor Investor Services Limited
17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong
Email: is-enquiries@vistra.com
Tel: (852) 2980 1333
Fax: (852) 2810 8185

Enquiries about Corporate Governance or Other Matters to be put to the Board and the Company

The Company will not normally deal with verbal or anonymous enquiries. Shareholders may send any enquiries to the following:

Address:	Unit 2212, 22/F, Global Gateway Tower, 63 Wing Hong Street, Cheung Sha Wan, Kowloon, Hong Kong (For the attention of the Board of Directors)
Email:	info@verticaltech.com.cn
Fax:	(852) 3690 2521

Dividend Policy

The Company has adopted a dividend policy (the "**Dividend Policy**") on payment of dividends, which sets out the principles and guidelines that the Company intends to apply in relation to the declaration, payment or distribution of dividends to Shareholders.

The Company do not have any pre-determined dividend payout ratio. Depending on the financial results and conditions of the Company and the Group, and the conditions and factors as set out in the Dividend Policy, including but not limited to cash flow situation, business conditions and strategies, future operations and earnings, and capital requirements and expenditure plans of the Group, as well as the interests of Shareholders and any restrictions on payment of dividends, dividends may be proposed and/or declared by the Board during a financial year and any final dividend for a financial year will be subject to the Shareholders' approval.

REPORT OF THE DIRECTORS

The Directors are pleased to present the report and the audited consolidated financial statements of the Group for the year ended 31 December 2024.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of the Group are manufacturing and trading of aluminum electrolytic capacitors and trading of electronic components. The principal activities of the Company's subsidiaries are set forth in note 34 to the consolidated financial statements.

REVENUE AND SEGMENT INFORMATION

The revenue and segment information of the Group for the year are set forth in note 5 to the consolidated financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the year and the financial position of the Group and the financial position of the Company as at 31 December 2024 are set forth in the consolidated financial statements on pages 72 to 73 and 135 of this annual report.

The Board does not recommend the payment of a final dividend for the year ended 31 December 2024 (dividend for the year ended 31 December 2023: HK$Nil).

BUSINESS REVIEW

A review of the business of the Group for the year ended 31 December 2024, a discussion on the Group's business development and an analysis of the Group's performance using financial key performance indicators are provided in the "Management Discussion and Analysis" on pages 5 to 8. In addition, discussions on the principal risks and uncertainties facing the Group, the Group's environmental policies and performance, the Group's compliance with the relevant laws and regulations that have a significant impact on the Group, particulars of important events affecting the Group since the financial year ended 31 December 2024 and key relationships with its stakeholders are contained in this "Report of the Directors".

PRINCIPAL RISK AND UNCERTAINTIES

The Group's financial condition and results of operations would be affected by a number of factors. The principal risks and uncertainties relating to the Group are set out below:

– We face intense competition in the aluminum electrolytic capacitors industry;

– Our Group's revenue relies on the PRC market and sales of major product;

– We do not have any long term contracts with our customers;

– Our Group's operation is highly dependent on our key management personnel and skilled and qualified employees.

ENVIRONMENTAL POLICY

Environmental policy is set out in the section of "Environmental, Social and Governance Report" in this report on pages 39 to 64.

COMPLIANCE WITH LAWS AND REGULATIONS

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, our Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of our Group during the year ended 31 December 2024.

KEY RELATIONSHIPS

The Group understands the importance of maintaining a good relationship with its customers, suppliers and stakeholders in meeting its short-term and long-term goals.

The Group has established good reputation for making high quality and reliability products. The Group communicates with its customers from time to time in order to collect feedback from them as a valuable tool to measure and improve the quality of products as well as customer's satisfaction.

The Group maintains a list of approved suppliers which are selected with reference to, among other things, material/service quality, reliability and price. The Group generally enters into a framework agreement for quality assurance with the suppliers which govern the quality of the raw material and/or electronic components that the Group purchases from the suppliers and performs annual evaluation on the Group's suppliers with respect to raw materials/service quality, reliability and timely delivery.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2024, our largest customer accounted for approximately 14.9% (2023: 14.2%) of our total revenue, while the percentage of our total revenue attributable to our five largest customers in aggregate was approximately 47.3% (2023: 53.9%).

For the year ended 31 December 2024, our largest supplier accounted for approximately 12.3% (2023: 8.7%) of our total purchases, while the percentage of our total purchases attributable to our five largest suppliers in aggregate was approximately 41.7% (2023: 36.1%).

As far as the Company is aware, as at the date of this annual report, none of the Directors, their close associates nor any Shareholders (which to the knowledge of the Directors own more than 5% of the Company's share capital) had any interest in the Group's customers and suppliers as disclosed above.

EMOLUMENT POLICY

The Remuneration Committee will review and determine the remuneration and compensation packages of the Directors with reference to their duties and responsibilities, workload, and time devoted to our Group and the performance of our Group. The Directors may also receive options to be granted under the share option scheme.

EQUITY-LINKED AGREEMENTS

Save for the share option scheme as set out in this report, no equity-linked agreements were entered into by the Group, or existed during the year.

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

Details of the movements in share capital of the Company during the year are set out in note 27 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

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

RESERVES

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

DISTRIBUTABLE RESERVES

Under the Companies Act of the Cayman Islands and subject to the provisions of the Articles, the share premium account of the Company may be applied for distribution to shareholders provided that immediately following the date on which the distribution or dividend is proposed to be paid, the Company is able to pay its debts as they fall due in the ordinary course of business.

As at 31 December 2024, the aggregate amount of distributable reserves of the Company, including share premium and retained profits of the Company, amounted to approximately HK$34 million (2023: HK$40 million).

SUBSIDIARIES

Details of the subsidiaries of the Company as at 31 December 2024 are set out in note 34 to the consolidated financial statements.

SHARE OPTION SCHEME

The Company has adopted a share option scheme on 24 October 2017 (the "**Scheme**") as approved by a resolution of the then sole Shareholder passed on 24 October 2017.

Details of the Scheme are as follows:

1.	Purpose of the Scheme	To enable the Company to grant options to the eligible participants, as incentive or reward for their contribution to the Group to subscribe for the shares of the Company (the "**Shares**") thereby linking their interest with that of the Group. The basis of eligibility shall be determined by the Board from time to time.
2.	Eligible participants to the Scheme	Any employee, adviser, consultant, service provider, agent, client, partner or joint-venture partner of the Company or any subsidiary (including any director of the Company or any subsidiary) who is in full-time or part-time employment with or otherwise engaged by the Company or any subsidiary at the time when an option is granted to such person under the Scheme or any person who, in the absolute discretion of the Board, has contributed or may contribute to the Group.
3.	Total number of shares available for issue under the Scheme and percentage to the issued shares as at the date of this annual report	16,000,000 shares (Upon the Share Consolidation of every five shares of HK$0.01 each into one share of HK$0.05 each taking effect on 12 January 2022, the maximum number of shares available to be granted pursuant to the options granted under the Share Option Scheme was adjusted to 16,000,000 Consolidated Share of HK$0.05 each.) (equivalent to 5.56% of the total number of Shares in issue as at the date of this annual report).
4.	Maximum entitlement of each participant under the Scheme	Not exceeding 1% of the total number of Shares in issue for the time being in any 12-month period. Any further grant of share option in excess of such limit must be separately approved by the Shareholders in general meeting.

5.	The period within which the option may be exercised by the grantee under the Scheme	A period which shall not be more than ten (10) years after the offer date and subject to the provisions for early termination as contained in the Scheme.
6.	The vesting period of options granted under the Scheme	Unless otherwise determined by the Board, there is no performance target required to be achieved and no vesting period required under the Scheme for the holding of an option before it can be exercised.
7.	The amount payable on application or acceptance of the option and the period within which payments or calls must be made	The payment or remittance of HK$1.00 within 21 days from, and inclusive of, the offer date or within such other period of time as may be determined by the Board pursuant to the GEM Listing Rules.
8.	The basis of determining the exercise price	Being determined by the Board and shall be at least the highest of: (a) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the offer date; (b) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the offer date; and (c) the nominal value of a Share on the offer date.
9.	The remaining life of the Scheme	The Scheme is valid and effective for a period of ten (10) years commencing on 24 October 2017 (being the date of adoption of the Scheme).

No share option has been granted under the Scheme since its adoption and up to the date of this annual report.

DIRECTORS

The Directors (the "**Board**") during the year and up to the date of this report are as follows:

Executive Directors

Mr. Mai Junhui *(Chairman and Chief Executive Officer) (Appointed on 27 December 2024)*
Mr. Zhong Chuanyong *(Appointed on 27 February 2025)*
Mr. Boon Ho Yin Henry *(Chairman and Chief Executive Officer) (resigned on 27 February 2025)*
Ms. Chow Cheung Chu *(resigned on 27 February 2025)*

Independent Non-executive Directors

Mr. Deng Kaihong *(Appointed on 27 December 2024)*
Mr. Wu Yuantao *(Appointed on 27 December 2024)*
Ms. Li Weiwei *(Appointed on 27 February 2025)*
Mr. Liu Kwan *(resigned on 27 February 2025)*
Mr. Chik Kin Man Paul *(resigned on 27 February 2025)*
Mr. Wong Wai Leung *(resigned on 27 February 2025)*

In accordance with article 83(3) of the Articles, any Director appointed by the Board to fill a casual vacancy on the Board or as an addition to the existing Board shall hold office only until the first annual general meeting of the Company after his/her appointment and shall then be eligible for re-election.

In accordance with the articles 84(1) and (2) of the Articles, at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. A retiring Director shall be eligible for re-election and shall continue to act as a Director throughout the meeting at which he retires. Any Director appointed by the Board pursuant to article 83(3) shall not be taken into account in determining which particular Directors or the number of Directors who are to retire by rotation.

In accordance with article 83(3) of the Articles, Mr. Mai Junhui, Mr. Zhong Chuanyong, Mr. Deng Kaihong, Mr. Wu Yuantao and Ms. Li Weiwei shall retire at the forthcoming AGM and, being eligible, will offer themselves for re-election at the AGM.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service agreement with the Company for an initial term of three years commencing from the respective dates of their appointments and will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other.

Each of the independent non-executive Directors has entered into a letter of appointment with the Company for a term of three years commencing from the respective dates of their appointments, which may be terminated by not less than three months' notice in writing served by either party on the other.

None of the Directors has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation other than statutory compensation.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 9 to 11 of this annual report.

EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors and the five highest paid individuals of the Group are set out in note 12 to the consolidated financial statements of this annual report.

DIRECTORS' INTEREST IN CONTRACTS OF SIGNIFICANCE

Save for the related party transactions disclosed in note 31 to the consolidated financial statements, no Director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year ended 31 December 2024.

MANAGEMENT CONTRACTS

During the year ended 31 December 2024, the Company did not enter into or have any management and administration contracts in respect of the whole or any substantial part of the business of the Company.

DIRECTORS' RIGHT TO ACQUIRE SHARES

Other than as disclosed in the paragraph headed "Disclosure of Interests" below, at no time during the year ended 31 December 2024 was the Company or any of its subsidiaries a party to any arrangement to enable the Directors or chief executives of the Company (including their spouses or children under 18 years of age) to have any right to subscribe for securities of the Company or any of its associated corporations as defined in the SFO or to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

DISCLOSURE OF INTERESTS

Directors' and Chief Executives' Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company and its Associated Corporations

As at 31 December 2024, within the knowledge of the Directors, none of the Directors or chief executive of the Company had any interests and short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "**SFO**")) which had to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO) or which as entered in the register required to be kept by the Company pursuant to Section 352 of the SFO, or otherwise required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

Substantial Shareholders' Interests in the Shares and Underlying Shares of the Company

As at 31 December 2024, the following persons (not being a Director or chief executive of the Company) had or were deemed or taken to have an interest or short position in the Shares or the underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which would be recorded in the register of the Company required to be kept under Section 336 of the SFO, who are directly or indirectly interested in 5% or more of the Shares:

Long positions in the Shares of the Company

Name of Shareholder	Nature of interest	Number of Shares held *(Note 1)*	Percentage of shareholding in the Company
Super Date Co., Ltd ("**Super Date**") *(Note 2)*	Beneficial owner	188,150,000 (L)	65.33%
Mr. Guo Fan ("**Mr. Guo**") *(Note 2)*	Interest of controlled corporation	188,150,000 (L)	65.33%
Ms. Jiang Caiyun ("**Ms. Jiang**") *(Note 3)*	Interest of spouse	188,150,000 (L)	65.33%

Notes:

(1) The letter "L" denotes long position in the share interests.

(2) Super Date held direct interests of 188,150,000 Shares. Super Date is wholly and beneficially owned by Mr. Guo. Therefore, Mr. Guo is deemed to be interested in all the Shares held by Super Date under the SFO.

(3) Ms. Jiang is the spouse of Mr. Guo. Ms. Jiang is deemed to be interested in the same number of Shares in which Mr. Guo is interested by virtue of the SFO.

Save as disclosed above, as at 31 December 2024, none of the Directors is aware of any other person who had any interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which would be recorded in the register of the Company required to be kept under Section 336 of the SFO, who are directly or indirectly interested in 5% or more of the Shares.

DIRECTORS' INTEREST IN COMPETING BUSINESS

During the year ended 31 December 2024, none of the Directors or the controlling Shareholders or their respective close associates (as defined in the GEM Listing Rules) of the Company had an interest in a business which competed with or might compete with the business of the Group.

CONNECTED TRANSACTIONS

During the year ended 31 December 2024, the Group had not entered into any connected transactions or continuing connected transactions that are not exempted under Rule 20.71 of the GEM Listing Rules.

Related party transactions of the Group during the year are disclosed in note 31 to the consolidated financial statements of this annual report. They did not constitute connected transactions or continuing connected transactions, which are required to comply with the disclosure requirements in accordance with Chapter 20 of the GEM Listing Rules.

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

During the year ended 31 December 2024, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities (including sale of treasury shares).

DONATIONS

No charitable or other donations were made by the Group during the year (2023: HK$Nil).

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public as required under the GEM Listing Rules during the year ended 31 December 2024 and up to the date of this annual report.

CLOSURE OF REGISTER OF MEMBERS

For attending and voting at the annual general meeting

The register of members of the Company will be closed from Tuesday, 13 May 2025 to Friday, 16 May 2025, both days inclusive, during which period no transfer of shares will be registered. For determining the entitlement of members of the Company to attend and vote at the AGM, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at 17/F., Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Monday, 12 May 2025.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

An analysis comparing the business objectives as set out in the prospectus with the Group's actual business progress from 13 November 2017 (the "**Listing Date**") to 31 December 2024 ("**Review Period**") is set out below:

Business objectives	**Actual business progress during the Review Period**
— To increase the production capacity of our Group's chip-type aluminum electrolytic capacitors	— The Group has fully utilized the amount for acquiring necessary machinery and equipment.
— To establish the second production plant in Dongguan, Guangdong Province, the PRC	— The Group has fully utilized the amount for paying rental and fitting out expenses for the Group's second production plant.
— To continue research and development effort	— The Group has fully utilized the amount for recruiting and retaining additional staff, and investing time and resource into research and development department.
— To promote our branded products	— The Group has fully utilized the amount for recruiting additional sales staffs and issued booklets for marketing events.

PERMITTED INDEMNITY PROVISIONS

Under the articles of association of the Company, every Director shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, cost, charges, losses, damages and expenses incurred or sustained by him/her as a Director provided that this indemnity shall not extend to any matter in respect of any fraud or dishonesty attached to him/her. The Company has arranged an appropriate insurance cover in respect of legal action against the Directors.

ENVIRONMENTAL AND SOCIAL RESPONSIBILITIES

Details of the Company's environmental and social responsibility practices are set out in the Environmental, Social and Governance Report on pages 39 to 64 in this annual report.

AUDITOR

Baker Tilly Hong Kong Limited has been appointed as the auditor of the Company and has audited the Company's consolidated financial statements for the year ended 31 December 2024.

The Company has not changed its external auditor during the year ended 31 December 2024 and up to the date of this annual report. A resolution will be proposed at the forthcoming AGM for the re-appointment of Baker Tilly Hong Kong Limited as the auditor of the Company.

EVENTS AFTER THE REPORTING PERIOD

The Group does not have any significant events after the reporting period.

On Behalf of the Board

Mai Junhui
Chairman

Hong Kong 28 March 2025

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THIS REPORT

Scope and Boundary

This Environmental, Social and Governance ("**ESG**") Report (the "**ESG Report**") covers the Group's management approach, strategies, priorities, and objectives during the period from 1 January 2024 to 31 December 2024 (the "**Reporting Year**" or "**2024**"). The Group published the Report in accordance with the ESG Reporting Guide (the "**Reporting Guide**"), Appendix C2 of the Rules Governing the Listing of Securities ("**Listing Rules**") on GEM of the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

The Group aims to promote sustainable development and business responsibility. Therefore, while the Group actively develops and seeks opportunities, it also considers factors including environment, society, and ethics to ensure the Group can achieve a balance between business development, social demand and environmental impacts. The Group also emphasizes developing positive connections with its stakeholders (including customers, investors, shareholders, suppliers, workers, and other organisations) to understand and respond to their expectations. The Group will keep close connections with stakeholders to meet their expectations and requests.

In the course of preparing the ESG Report, the Group conducted a thorough review and assessment towards its existing environmental and social policies with aims to achieve better performance in aspects of the environment, social, corporate governance and operation in the future and make more contributions to the communities where it operates.

To achieve sustainable development, the Group has adopted the following strategies:

1 achieving environmental sustainability;
2 respecting human rights and community culture;
3 maintaining communications with stakeholders;
4 supporting employees and providing a friendly working environment;
5 conducting strict quality monitoring;
6 sustaining local community development; and
7 strengthening our commitment to customers.

The ESG Report was approved by the Board of Directors (the "**Board**") on 28 March 2025.

Feedback and Opinions

For details on the financial performance and corporate governance of the Group, please refer to our website (http://www.verticaltech.com.cn) and our Annual Report. The Group also values your feedback and opinion on our performance of sustainable development. Please email your feedback and other sustainable development information to info@verticaltech.com.cn.

Preparation Basis of the ESG Report

This ESG Report is prepared in accordance with the Reporting Guide as set out in Appendix C2 of the Listing Rules on GEM of the Stock Exchange and has complied with the "Mandatory Disclosure Requirements" and "Comply or Explain Provisions", as well as the reporting principles as below:

Materiality	:	This ESG Report provides an overview of the materiality assessment, allowing us to identify the significant ESG issues during the Reporting Year. We have provided comprehensive descriptions of our essential stakeholders and transparently disclosed the specific processes through which they have been engaged and participated.
Quantitative	:	This ESG Report employs quantitative information to disclose the key performance indicators (the "**KPIs**") relevant to our operations' environmental and social aspects. Each KPI is accompanied by a detailed explanation of the measurement standards, methods, hypotheses, and/or calculation tools utilized. In addition, we provide transparent insights into the source of conversion coefficients used for the KPIs, ensuring clarity and accuracy in our reporting.
Balance	:	This ESG Report presents a comprehensive and objective view of the Group's performance during the Reporting Year by providing a balanced disclosure of both positive and negative information. This approach ensures that the Report's contents offer an unbiased and transparent depiction of our ESG performance.
Consistency	:	This ESG Report adheres to a consistent disclosure approach using standardized scales for comparable indicators. By employing this approach, we aim to provide additional reference points for performance disclosure. Consistence in applying scales ensures that the data presented in the ESG Report can be effectively compared and analyzed, enabling stakeholders to better understand our performance over time.

In preparing the ESG Report, the Group has adopted the international standards and emission factors specified in the guidance materials on ESG issued by the Stock Exchange for computing the KPIs, and there is no change from the previous year in the way the ESG Report has been prepared. The application of materiality is detailed in the subsection headed "ESG Management – Materiality Assessment".

Management Approach

The Group aims to enhance communication with stakeholders and pay close attention to the Group's impact on the operating environment and society. The Group maintains close contact with internal employees, suppliers, and customers to understand their concerns and seek solutions together. Apart from focusing on the business development goals, the Group also values environmental protection and social engagement. In the global environment in which environmental protection awareness is raised, the Group has also continuously improved its strategies on the ESG to create an efficient and diversified business environment for development.

In order to formulate the Group's business strategies for ESG, the Group will identify events that may cause a negative impact on the Group's image or pose risks to the Group in the short, medium and long term. In addition, the Group will pay close attention to any incidents that bring harm to stakeholders such as the employees, customers, governments, suppliers, and their communities, and analyzes the impact to the Group and the responsibilities involved. Through the formulation of policies and management procedures, the management leads the Group to jointly find solutions to reduce risks.

ABOUT THE GROUP

Our Group's core business is manufacturing chip-type and radial lead-type aluminum electrolytic capacitors. This core business is complemented by trading a wider range of electronic components, including integrated circuits and semiconductors such as diodes and transistors, and LED and LED lighting products. The Group mainly manufactures aluminum electrolytic capacitors at its Dongguan plant in the People's Republic of China (the "**PRC**"), boasting a comprehensive quality control system which aligns with ISO 9001:2015 Quality Standard (covering all stages of its aluminum electrolytic capacitors production), QC080000:2017 concerning the management of hazardous substances in the production process, IATF 16949:2016 regarding the quality management system for automotive industry supply chain and assembly process, and RoHS and REACH standards, which concern the restriction and control of certain hazardous substances and chemicals related to aluminum electrolytic capacitors.

Regarding the production of aluminum electrolytic capacitors, the Group's internal research and development team has registered in the PRC. It holds 33 utility model patents and 2 invention patents. The team has also submitted 7 applications for the registration of new utility model patents and 1 invention patent. The Group's products are mainly sold to the PRC, Hong Kong and other Asian regions. The Group's production method of aluminum electrolytic capacitors has obtained certain achievements in scientific research.

ESG Management

Statement of the board

As a responsible corporate citizen, the Group acknowledges that prudent environmental and societal management is of great importance to sustainable economic growth. The Report summarizes the strategy, practice and vision of the Group with respect to issues related to ESG and conveys the Group's devotion to sustainability. To address the global concern about climate change that affects the environmental systems and our daily lives, the Group has considered climate-related issues and incorporated them into our risk management system to enhance our resilience and adaptive capacity to potential climate change impacts. All potential risks that may have an impact on the Group's businesses will be covered and evaluated in the annual enterprise risk assessment.

The Group has established a governance structure to enhance its management of ESG issues. The Board has overall responsibility for overseeing the Group's ESG-related risks and opportunities, establishing and adopting the ESG-related strategies and targets of the Group, reviewing the Group's performance annually against the targets, and revising the strategies as appropriate if significant variance from the target is identified. To exert governance over the ESG issues, the Group has set up an ESG Working Group (the "**ESG Working Group**") that comprises members from middle to senior management, and it serves as a supportive role to the Board in implementing the ESG-related strategies and targets, conducting materiality assessments of ESG issues and prioritizing them, and promoting the implementation of respective measures. Under the authority of the Board, the ESG Working Group assists in collecting ESG data from respective functional departments, monitoring the implementation of the measures, investigating deviation from the targets and liaising with the respective functional departments to take prompt rectification actions.

The Board will continue to review the progress based on the set goals and targets to help build sustainable markets, with broader benefits for the society as a whole.

Governance Structure

Board	• The Board is responsible for the overall decision-making, oversees the formulation, administration, and assessment of the ESG system.
ESG Working Group	• The ESG Working Group is responsible for assisting the Board in managing and monitoring the ESG matters on a daily basis.
Functional Department	• Functional department is responsible for the execution of implemented measures to achieve the set strategies and targets.

Stakeholders Engagement

The Group seeks every opportunity and endeavors to understand and engage our stakeholders so that we can continue to improve the product offerings and services of the Group. The Group strongly believes that our stakeholders play a crucial role in the continual success of our business operations.

Stakeholders	Possible incidental issues	Communication and response
Stock Exchange	Compliance with the GEM Listing Rules, publishing of announcements in a timely and accurate manner	Meetings, training, seminars, programs, updating of website and announcements
Governments	Compliance with laws and regulations, social welfare, and prevention of tax evasion	Interactions and visits, government inspections, tax returns and other information
Suppliers	Payment schedule, supply stability	On-site research
Investors	Corporate governance system, business strategies and performance, investment return	Organization and participation of seminars, visits and interviews, general meetings, provision of financial reports or business updates for investors, press and analysts
Media	Corporate governance, environmental protection and human rights	Posting of communications on the company website
Customers	Product/service quality, fair and reasonable pricing, the value of service, protection for the labor force and work safety	Site visits and after-sale services
Employees	Rights, employee salaries, training, and development, working hours, working environment	Conducting team activities, training, interviews with employees, issue of Employee Handbook, internal memorandum and suggestion box
Community	Environmental, employment and community development, social welfare	Organising community activities, employees volunteering activities and community welfare, sponsorship and donations

Materiality Assessment

The Group has identified ESG issues that have potential or actual impact on its sustainable development from various sources, such as issues identified in previous ESG reports, internal policies industry trends and the Sustainability Accounting Standards Board (SASB) Materiality Map. To better understand the concerns and interests of its stakeholders, the Group reviewed its materiality assessment in the last reporting year. After analyzing the results, the Group concluded that there have been no significant changes in the main concerns of stakeholders and that the priority of ESG matters remains consistent with the previous year. The assessment results are presented below:

1 Emissions and Greenhouse Gas Emissions
2 Hazardous Waste and Non-Hazardous Waste
3 Energy and Water Consumption
4 Product Responsibility
5 Health and Safety
6 Supply Chain Management

Environmental Overview

The Group is always committed to promoting environmental protection. The Group has implemented an environmental management system to guide the research and development, production, and sales process of the aluminum electrolytic capacitor products. The Group has obtained the standard certification of ISO 14001:2015 to ensure that the negative impact on the environment is minimized during the main production process. As part of the environmental management system of ISO 14001:2015, the Group has formulated the "Environment, Occupational Health and Safety Management Manual" to effectively avoid, reduce and monitor the generation and emission of pollutants during the production process. In addition, the Group also actively reinforces the staff's importance of environmental protection and raises their awareness of environmental protection at work. Therefore, the supervisory staff will conduct regular training sessions and internal written tests of ISO 14001:2015, so that the employees can meet the environmental management system standards in their routine work. The intensities in this section are calculated based on the total area of the production plant and office, ensuring a comprehensive assessment of the environmental impact.

Despite having limited waste generation, the Group keeps abreast of environmental protection and the relevant laws, including but not limited to "Environmental Protection Law of the PRC"(《中華人民共和國環境保護法》), "the Law of the PRC on the Prevention and Control of Atmospheric Pollution"(《中華人民共和國大氣污染防治法》), "the Law of the PRC on the Prevention and Control of Water Pollution"(《中華人民共和國水污染防治法》), "the Law of the PRC on the Prevention and Control of Environmental Pollution of Solid Waste"(《中華人民共和國固體廢物污染環境防治法》), and "the Law of the PRC on Conserving Energy"(《中華人民共和國節約能源法》).

The Group complied with relevant provisions of the laws and regulations in environmental protection during the Reporting Year.

Air Emissions

During the Reporting Year, the Group owns 4 motor vehicles and 1 electric car for transporting of our management and employees, which contributed to Nitrogen Oxides (NOx), Sulfur Oxides (SOx), and Particulate Matter (PM). To enhance fuel consumption efficiency and reduce emissions, the Group optimizes route plans for transportation and has acquired an electric vehicle. Moreover, maintenance checks are arranged for the motor vehicles to ensure road safety with a view to keeping carbon emissions from vehicles to a minimum. The Group will make continuous efforts in route optimization in order to make an impact in the reduction of relevant emissions generated by vehicles.

The Group was involved in exhaust gas emissions during some production processes, such as the rubber coating process and printing. The Group hired licensed inspection and testing technology companies qualified by the PRC government to evaluate the exhaust gas and noise generated in the production process. Non-methane hydrocarbons were generated in the rubber coating process, while total Volatile Organic Compounds ("**VOCs**") were mainly generated in the printing process. During the printing process, ink material is consumed, and exhaust gases are generated as waste products.

During the Reporting Year, the Group's overall Nitrogen Oxides (NOx), Sulfur Oxides (SOx), and Particulate Matter (PM) levels significantly increased due to a rise in business negotiations, which resulted in greater vehicle usage. While there is a significant decline in non-methane hydrocarbons and a substantial rise in VOCs, which were mainly due to production process adjustments and raw material changes that reduced non-methane hydrocarbons but inadvertently increased VOCs emissions.

The testing results showed that the total volume of VOCs generated in printing process complied with the limit of the "Emission Standard of Volatile Organic Compounds for Printing Industry" (DB44/815–2010) of Guangdong Province; the total volume of non-methane hydrocarbons generated in rubber coating process complied with the "Emission Standard of Pollutants for Synthetic Resin Industry" (GB31572–2015) Form 5 and Form 9 requirement; and the noise level at plant area also met the standard of Type 3 "Emission Standard for Industrial Enterprises Noise at Boundary" (GB12348–2008).

The Group will make continuous efforts to maintain the air emissions within 80% to 120% recorded for 2024 in the next reporting year. For instance, we conduct regular maintenance checks on all vehicles to optimize fuel consumption efficiency, prioritize road safety, and minimize emissions.

The air emissions of the Group are as follows:

Air Emissions[1]	**2024**	2023
Nitrogen Oxides Emissions (kg)	**24.71**	3.82
Sulfur Oxides Emissions (kg)	**0.08**	0.07
Particulate Matter Emissions (kg)	**2.29**	0.28
Non-methane Hydrocarbons (kg)	**19.26**	34.18
VOCs (kg)	**57.20**	16.10

[1] The air emissions for the Reporting Year are disclosed in accordance with "Appendix 2: Reporting guidance on Environment KPIs" issued by the Stock Exchange to provide a more comprehensive performance of the Group.

Greenhouse Gas Emissions

The Group's greenhouse gas ("**GHG**") emissions consist of three sources: direct GHG emissions (Scope 1) from the use of gasoline in company vehicles, indirect energy GHG emissions (Scope 2) from the use of purchased electricity and the consumption of the electric vehicle, and other indirect GHG emissions (Scope 3) from waste paper disposed of in landfills and business travel by air.

During the Reporting Year, the Group's total GHG emissions remained consistent with the previous year's performance; however, the intensity showed a slightly increase. This is due to a reduction in production plants and offices' area, which affected the intensity performance due to arithmetic limitations. Overall, the Group has achieved the GHG emissions targets set in the previous year.

Detailed breakdown of GHG emissions by the Group:

GHG Emissions[2]	2024	2023
GHG Direct Emissions (Scope 1)		
Combustion of fuels in vehicles (tonnes CO_2-e)	**15.09**	11.29
GHG Indirect Emissions (Scope 2)		
Purchased electricity and electric vehicle (tonnes CO_2-e)	**4,201.87**	4,312.82
Other Indirect Emissions (Scope 3)		
Waste paper (tonnes CO_2-e)	**184.37**	4.37
Business trips (tonnes CO_2-e)	**3.57**	0.22
Total GHG Emissions		
Total GHG Emissions (tonnes CO_2-e)	**4,404.90**	4,328.70
Total GHG Emissions Intensity[3] (tonnes CO_2-e/sq m)	**0.54**	0.48

Considering the potential business resume, expand and uphold the principles of sustainable development, the Group aims to maintain a stable level of exhaust gas and GHG emissions in the upcoming reporting year. This target is defined as keeping the GHG emissions intensity within 80% to 120% of the intensity recorded during the Reporting Year, serving as a short-term goal through adopting the mitigating measures which are detailed in the below subsection headed "Energy Efficiency".

[2] GHG emissions data are presented in terms of carbon dioxide equivalent and are based on, including but not limited to, the "Notice on the Management of Enterprise Greenhouse Gas Emissions Reporting by Power Generation Industry for 2023-2025" issued by the Ministry of Ecology and Environment of the PRC, the global warming potential values from the "Sixth Assessment Report" issued by Intergovernmental Panel on Climate Change, "How to prepare an ESG Report – Appendix 2: Reporting Guidance on Environmental KPIs" issued by the Stock Exchange, and the "2024 Sustainability Report" issued by the CLP Holdings; During the Reporting Year, the Group, has modified its calculation method and report disclosure, to ensure transparency.

[3] The total area of the production plants and offices in the Reporting Year was 8,132.00 sq m (2023: 9,087.53 sq m).

Hazardous Waste

The Group obtained QC080000:2017 certification in 2022, which is valid for three years for the formulation and implementation of management procedures and related processes for hazardous substances and met the requirements of IECQ HSPM. The Group does not dump hazardous waste directly into the surroundings; hazardous wastes are collected, stored, transferred, and disposed of separately from other wastes; and hazardous wastes are stored in special containers which are clearly labelled. The industrial hazardous solid wastes produced in the production process mainly comprise of used packaging drums, packaging cans, and wasted electrolytes, which are the hazardous solid wastes listed on the national hazardous waste list. The Group has engaged qualified recyclers to recycle the hazardous wastes.

The Group had no material non-compliance with the provisions of the Law of the PRC on the Prevention and Control of Environmental Pollution of Solid Waste (《中華人民共和國固體廢物污染環境防治法》) to deal with hazardous waste during the Reporting Year.

As the Group's waste electrolytes are disposed of in batches only after reaching a certain quantity, the amount of waste electrolytes in 2024 remained within control limits and was not discarded or processed. As a result, the performance data for 2024 showed a significant decrease compared to the previous year, allowing the Group to achieve the targets set for the previous year. To fulfil social responsibility and minimise waste generation in the operational process, in the next reporting year, we will make continuous efforts to maintain the intensity of total hazardous waste produced within 80% to 120% of the intensity recorded during the Reporting Year in the next reporting year.

The following shows the KPIs related to hazardous waste during the Reporting Year:

Hazardous Waste	**2024**	2023
Used Packaging Drums and Packaging Cans (tonnes)	**4.86**	4.77
Wasted Electrolytes (tonnes)	**63.13**	75.32
Total Hazardous Waste (tonnes)	**67.99**	80.09
Hazardous Waste Intensity (tonnes/sq m)	**0.0084**	0.009

Non-hazardous Waste

The guide pins, aluminium shells and leads that are scrapped during the production process are the main non-hazardous waste. The Group aims to reduce waste from the source and reminds its staff to handle raw materials as carefully as possible to reduce the chance of scrapping. Besides, office-use paper and cardboard boxes used by suppliers to supply raw materials are also the main source of non-hazardous waste discarded by the Group. The Group has formulated the "Management Procedures of Solid Waste" and classified the general solid wastes into two categories: recyclable and non-recyclable; some examples of recyclable solid wastes are paper, plastic, glass and metal, including scrap and lead etc.

Non-hazardous Waste[4]	2024	2023
Scrap (tonnes)[5]	–	6.07
Lead (tonnes)[5]	–	19.28
Carboard boxes (tonnes)	**15.08**	12.47
Paper (tonnes)	**38.41**	9.10
Total Non-hazardous Waste (tonnes)	**53.49**	46.92
Non-hazardous Waste Intensity (tonnes/sq m)	**0.007**	0.005

In 2024, the Group's recycling efforts for scrap and lead resulted in a significant decrease in performance compared to the previous year. Conversely, there was a substantial increase in waste paper, attributed to the inclusion of paper usage from the office in Hong Kong, newly included into the reporting scope. Consequently, the total volume and intensity of non-hazardous waste rose significantly, hindering the Group's ability to meet the target set in the previous year. The Group will make continuous efforts to maintain the intensity of total non-hazardous waste produced within 80% to 120% of the intensity recorded during the Reporting Year in the next reporting year. For instance, the Group promotes the four 'R' actions in environmental protection (Reduce, Reuse, Recycle, Replace) in daily operation. In order to minimize the usage of paper, we cultivate a paperless working environment among our employees. To avoid unnecessary wastage and promote effective use of paper, our employees are encouraged to use electronic copies instead of hard copies. If printing is necessary, we encourage the use of double-sided printing. Any papers that have been used for single-sided printing should be reused when there is no confidential information on the printed side of the paper. Other default settings such as the adoption of economic mode, black and white colour output, and selection of bypass for using recycled paper are also encouraged.

Measures to Reduce Waste

The Group had no material non-compliance with the provisions of the "Environmental Protection Law of the PRC"（《中華人民共和國環境保護法》）and the "National Hazardous Waste Inventory"（《國家危險廢棄物名錄》）amended by the Ministry of Environmental Protection of the PRC and other related provisions of the laws and regulations concerning environmental protection during the Reporting Year. The industrial solid wastes produced in the production process are not discharged, disposed of, or transferred arbitrarily.

All hazardous solid wastes produced during the production process will be treated in a more environmentally friendly manner by engaging professional organisations with permits to handle industrial hazardous wastes. The organizations will recycle hazardous solid wastes of the Group. To ease recycling, the Group separately seals each type of hazardous waste. Moreover, qualified third-party waste recycling companies are engaged in the disposal of scraps and lead. All scraps and lead produced during the Reporting Year were recycled.

4 The Group has adjusted the disclosure method during the Reporting Year to ensure its transparency and alignment.

5 The Group has arranged for qualified third-party personnel to recycle all scrap and leads during the Reporting Year; Hence, no relevant data for 2024.

Resource Usage

The Group primarily consumes electricity and water as its main resources. The Group understands that natural resources are precious, which it clearly formulated the "Management Regulations on Water Conservation", "Management Regulations on Conservation of Electricity Consumption" and "Management Regulations on Paper Conservation" to enhance the energy efficiency of the plant and the office and achieve sustainable resource conservation and reduction of pollutant emission.

Water Resources Management

The Group had no material non-compliance with the Prevention and Control of Water Pollution and no issue in souring water during the Reporting Year. The "Procedures for Prevention and Control of Pollutants" have been implemented to effectively control the water resulting from the production and service process. The water discharged by the Group mainly comes from domestic water. The following shows the water consumption volume during the Reporting Year:

Water Consumption	2024	2023
Water consumption volume (m^3)	**6,901.00**	6,415.94
Water consumption intensity (m^3/sq m)	**0.849**	0.706

In 2024, water consumption increased due to the instability of recycled water quality, which necessitated a higher reliance on municipal water supplies, hindering the Group's ability to meet the water target set in the previous year. The Group will make continuous efforts to work towards the target of maintaining the intensity of water consumption within 80% to 120% of the intensity recorded during the Reporting Year in the next reporting year.

For the sake of saving water and reducing wastewater to the surroundings, the Group has the following management measures to educate employees on acquiring the habit of water conservation:

- Purchasing detergents which are non-phosphorus, low-toxic, and less polluting;
- The wastewater from the domestic sewage pipeline will be discharged into the municipal wastewater pipeline after passing the benchmark of treatment in the septic tank;
- Performing regular inspections, repairs, and maintenance of water equipment to avoid unnecessary leakage and water seepage problems in water equipment;

- The principle of "On when in use, off when not in use" is required for water usage in toilets and bathrooms;
- Posting promotional posters and cards in prominent areas of the workplace to remind employees of water saving;
- Automatic sensor faucets are installed to avoid wastage caused by the lapse of not stopping the faucet; and
- The fire hydrants and pools used for fire safety are supplied with water all year round according to the fire services regulations. Meanwhile, the water level is regularly kept not too high, and the water pressure is not excessive, to avoid water wastage arising from water overflow, which is caused by the damage of fire hoses due to excessive water pressure.

Use of Resources

The Group pursues the practices of efficient use of resources, including energy, water and other natural resources and further reduces the negative impacts on the natural environment.

The Group's energy consumption consists of direct energy use from gasoline for company vehicles and indirect energy consumption from purchased electricity and electric vehicles. During the Reporting Year, total energy consumption significantly increased compared to the previous year, primarily due to a rise in business engagements, which led to higher usage of gasoline and electric vehicles. As a result, the Group was unable to meet the emissions targets set in the previous year. The Group will make continuous efforts in maintaining the intensity of energy consumption within 80% to 120% of the intensity recorded during the Reporting Year in the next reporting year.

Energy Consumption[6]	**2024**	2023
Non-renewable fuel (direct)		
Fuel consumption (kWh)	**54,803.68**	41,364.50
Purchase of energy (indirect)		
Electricity consumption (kWh)	**7,940,907.00**	7,063,647.60
Total Energy Consumption		
Total Energy Consumption (kWh)	**7,995,710.68**	7,105,012.10
Total Energy Consumption Intensity (kWh/sq m)	**983.24**	781.84

[6] The Group has adjusted the disclosure method during the Reporting Year to ensure its transparency and alignment; The conversion of energy units is based on the "Energy Statistics Manual" issued by the International Energy Agency.

Energy Efficiency

The use of electricity is mainly derived from the daily operations of the Group's office, plant, and staff quarters. In order to effectively deploy resources, the Group implemented the following efficiency measures for energy conservation in accordance with the "Management Regulations on Conservation of Electricity Consumption":

- Considering power consumption as one of the evaluation criteria for purchasing electronic devices, and selecting electronic devices that consume as little power as possible;

- The electronic devices currently in use will be sent for maintenance according to the actual needs to ensure that the device is operating properly and to prevent wastage of electricity due to faulty operation;

- In terms of the control of lighting facilities, it is not allowed to turn on the light at the staircase during daylight hours with full sunlight, and the last employee who leaves the office or the plant must ensure that all lights are turned off;

- Cleaning the air filter of the air conditioner regularly to prevent dust from accumulating and reducing the cooling performance of the air conditioners;

- All doors and windows are closed to prevent loss of cool air when the air conditioners are in use; and

- The average room temperature should be kept within the specified range to reduce the power consumption of air-conditioning devices.

Use of Packaging Materials

The Group's packaging materials include paper and plastic. In 2024, internal product adjustments resulted in an increase in plastic tray packaging usage. Moving forward, the Group is committed to exploring sustainable materials for packaging. We will assess alternatives that minimize environmental impact, enhance recyclability, and align with our sustainability goals. By investing in innovative and eco-friendly packaging solutions, we aim to reduce our reliance on plastic and contribute to a circular economy.

The following shows the total volume of packaging materials used for final products:

Use of Packaging Materials	**2024**	2023
Paper (tonnes)	**111.20**	107.58
Plastic (tonnes)	**207.58**	146.95
Total Packaging Materials (tonnes)	**318.78**	253.53
Packaging Materials Intensity (tonnes/sq m)	**0.0392**	0.0003

Climate Change

As part of the Group's ESG strategy formulation, the Board is responsible for supervising the Group's climate-related risks and opportunities. The Board and the ESG Working Group conduct regular reviews and identify climate-related concerns that may represent risks to the Group in the short, medium, and long term. In the Group's annual enterprise risk assessment, all potential risks arisen from climate change are covered and evaluated comprehensively. The Group has considered the potential climate-related risks in respect of the recommendations of the Task Force on Climate-related Financial Disclosures.

The potential physical risks and transition risks from climate change, which may pose adverse financial impacts on the Group's businesses, and its corresponding mitigation strategies are shown below:

Risk Type	Potential Financial Impact (Low / Medium / High)	Short-term (The Reporting Year)	Medium-term (1-3 years)	Long-term (4-10 years)	Mitigation Strategy
Transition Risks	**Policy and Legal**				
	Increased compliance costs and potential disruption related to new climate-related regulations	Low	Low	Medium	Regularly monitor the regulatory environment and strictly adhere to the Group's emission-reduction measures to maintain a low emission level.
	Market				
	Reduced demand for goods due to shift in consumer preferences to green products.	Low	Low	Medium	Continue to monitor the product market to ensure that our products exceed customer demands and expectations.
Physical Risks	**Acute**				
	Extreme weather conditions such as flooding and storms that lead to supply chain disruption and loss of property.	Low	Low	Low	Maintain a large supplier base and set up safety measures and contingency plans in regards to extreme climate events.
	Chronic				
	Increased operating costs related to increased need for cooling and heating due to changing temperatures.	Low	Low	Medium	Adopt the Group's energy conservation measures detailed in the above subsection headed "Energy Efficiency".

It is expected that both the physical and transition risks do not have a material impact on the Group's operation. Nevertheless, the Group continues to monitor the climate-related risks and implemented relevant measures to minimize the climate-related risks.

CARING THE SOCIETY

Overview of Employees

The Group values the personal growth of each employee. It also establishes a variety of communication channels to enhance employees' sense of belonging to the Group. Such practice has attracted specialists from different fields to join, which promotes mutual exchange and helps create good values in society.

As at 31 December 2024, the Group had a total of 126 employees. Set out below is the statistics of our employees by region, gender, age group and employment type:

	Number 2024	Percentage 2024
By Region		
Hong Kong	3	2%
The PRC	123	98%
By Gender		
Male	76	60%
Female	50	40%
By Age Group		
<25	7	6%
25-29	13	10%
30-39	46	37%
40-49	42	33%
≥50	18	14%
By Employment Type		
Full-time	122	97%
Part-time	4	3%

Turnover rate

During the Reporting Year, the employee turnover across the Group was 82%, the details are as follows:

	Number 2024	Percentage[7] 2024
By Region		
Hong Kong	0	0%
The PRC	103	84%
By Gender		
Male	73	96%
Female	30	60%
By Age Group		
<25	21	300%
25-29	17	131%
30-39	43	93%
40-49	15	36%
≥50	7	39%

Recruitment Policy

The Group has always strictly complied with laws and regulations related to employment and labour that have a significant impact on the Group, including the "Employment Ordinance"(《僱傭條例》), the "Labour Law of the PRC"(《中華人民共和國勞動法》) and the "Labor Contract Law of the PRC"(《中華人民共和國勞動合同法》). Based on this, the Group has compiled with its "Employee Handbook" and "Recruitment Management System" to recruit people of different nationalities, genders, ages, and religions in a fair and impartial manner. The Group will not tolerate any form of discrimination, including gender, sexual orientation, disability, age, ethnic group or race, family status or other personal characteristics as protected by law. The Group is committed to creating a non-discriminatory environment, and workers are evaluated based on their competencies, abilities, qualifications, and performance. Furthermore, throughout the recruiting process, candidates will not be labeled based on their gender, religion, race, color, locality, or age, and the procedure will be carried out in accordance with the principles of transparency, fairness, and legality.

7 Employee Turnover Rate: Total number of employees who left during the Reporting Year/Total number of employees at the end of the financial year*100%.

Employee Benefits

The Group has formulated a set of benefits to reward employees for the value and contribution they have made to support the development of the Group. In addition to providing employees with general social insurance and paid vacation days in accordance with the relevant provisions of the "Employment Ordinance"(《僱傭條例》) and the "Labor Law of the PRC"(《中華人民共和國勞動法》), the Group has also implemented the "Management System on Seniority Award" to reward employees based on their length of service with the Group. An annual review for work performance assessment of the employees was performed, employees with satisfactory results will be promoted. The "Employee Handbook" stipulates that the Group operates standard working hour system, under which our employees work 8 hours per day and 5 days per week and have at least one day's rest. Overtime due to production and operation is subject to the employees' approval and in accordance with the approval procedures. Such employees will be entitled to overtime pay under the Labor Law. In addition, the Group offers its workers free accommodation to save them money on travel expenses and time, and the canteen offers wholesome meals at a discounted price to lessen the strain on their living expenses. The Group aims at building a sense of belonging among employees.

Health and Safety

The Group had no material non-compliance with the laws and regulations concerning occupational hygiene standards and safety in production in the PRC during the Reporting Year, including but not limited to the "Prevention and Control of Occupational Diseases"(《中華人民共和國職業病防治法》) and the "Production Safety Law of the PRC"(《中華人民共和國安全生產法》). The Group continually monitors the workplace, detects dangers, and provides appropriate training to its personnel. The Group has been awarded the "Work Safety Standardization Certificate" by the State Administration of Work Safety to ensure that the production safety level meets the standard and prevent production safety accidents and protect the employees' lives. In the Reporting Year, there were no reported cases of injuries and no lost days due to work injury. The Group has taken all necessary measures to offer proper medical care to respective employees. Over the past three years including the Reporting Year, no work-related fatality and lost days due to work injury were recorded by the Group.

In addition, the Group has reached the standard of ISO 45001: 2018 "Occupational Health and Safety Management Systems – Requirements with guidance for use" and has prepared the "Environment, Occupational Health and Safety Manual" for employees' understanding of their duty on following the work safety rules. The management established goals for each department with the aim of creating a secure working environment and safeguarding employees against occupational hazards. The Group also formulated the "Accident Prevention and Emergency Rescue Management System" for all employees' understanding of the importance of safety at work. The Group's management system adheres to the principles of "people-oriented, harm reduction, constant vigilance and prevention first, unified leadership with hierarchic responsibility, defined responsibilities and timely response". Apart from that, the Group has formulated the "Human Resources and Training Management Procedures" to specify the applicable training sessions that employees should receive to acquire the knowledge and skills required for the job to enhance production quality.

The Group holds frequent safety training sessions for the relevant personnel to improve their operational skills and safety awareness. It also periodically inspects fire safety facilities and identifies occupational dangers in the workplace in order to create a safe working environment. In addition, the security guard will regularly check the fire safety facilities to ensure their effectiveness in case of fire. In the plant, the security commissioner carries out a daily inspection, including checking if the on-site employees hold valid identification documents and wear personal protective equipment to ensure that the qualified operating personnel work under safe conditions.

In addition to enhancing workplace safety protocols, the Group offers its workers a range of safety training sessions and drills to improve their awareness and response in handling emergencies. For instance, fire drills and chemical spillage drills are carried out on a regular basis. The Group invited the instructors from the Guangdong Fire Fighting Association to deliver to the chief officer of each department the fire safety knowledge and demonstrate the operating procedure of the fire equipment. Besides, several employees of the Group have obtained the Production Safety Management Personnel Training Certificate issued by the Administration of Work Safety of Dongguan City, which demonstrates our staff's professional knowledge in production safety regulations.

Additionally, the Group arranged occupational health checks for employees exposed to higher occupational risks and hazards.

Development and Training

Recognizing the criticality of talent cultivation for the Group's future development, considerable effort is dedicated to talent development and training. In order to enhance the work ability and efficiency of employees, the Group provides targeted training to individuals based on their position and department, tailored to meet the specific requirements of their respective roles. The training encompasses various aspects, including on-the-job training specific to each department, technical operations, adherence to the code of conduct, and safety knowledge. These training programs aim to facilitate a rapid adaptation of employees to the Group's operations, enabling them to become more proficient in their roles.

During the Reporting Year, the Group has provided 202 hours of training to 49 employees. 39%[8] of employees are being trained, and the average training hours per employee is 1.60[9] hours.

The percentages of trained employees of the Group are as follows:

	Percentage 2024
Percentage of Employees Trained[10]	39%
By Employee Category	
Manager	2%
Mid-level employees	98%
Entry-level employees	0%
By Gender	
Male	57%
Female	43%

8 Total percentage of employees trained = Total number of employees trained during the Reporting Year/Total number of employees at the end of the financial year*100%.

9 Average training hours completed per employee = Total number of training hours completed during the Reporting Year/Total number of employees at the end of the financial year.

10 Percentage of employees trained = Number of employees trained by category during the Reporting Year/Number of employees trained during the financial year*100%.

The average training hours completed per employee in relevant categories of the Group are as follows:

	Hours 2024
Averaged Training Hours Per Employee[11]	1.60
By Employee Category	
Manager	2.13
Mid-level employees	3.52
Entry-level employees	0
By Gender	
Male	1.50
Female	1.76

Labor Standards

The Group's human resources and administration department upholds stringent standards in the recruitment process. Thorough verification of the accuracy of personal data provided on résumés and application forms is conducted. During applicant interviews, the Group meticulously verifies identification documents to prevent the employment of individuals involved in child labor. The Group also have relevant internal policies in place to ensure the employees' working hours to prevent forced labor. In the event of any rule violations, the management takes immediate action by terminating relevant contracts, conducting investigations into responsible employees, and imposing suitable penalties.

During the Reporting Year, the Group did not record any incident of child labor or forced labor.

Supply Chain Management

The main scope of procurement of the Group includes principal raw materials, processed materials, office supplies, equipment and accessories, etc., the suppliers are mainly located in the PRC. The Group works closely with suppliers to reduce the environmental impact and risk arising from supply chain to ensure the quality of goods and services offered to the customers. To facilitate the effective supply chain management, the Group has established supplier management scorecard for rating the supplier performance.

Currently, the Group has a total of 31 suppliers, and all are located in the PRC. The Group has a comprehensive set of supplier management procedures in place. The selection criteria of suppliers include product or service quality, timeliness of delivery and reliability, and an approved list of suppliers will be compiled. The Group selects suitable suppliers from the list when carrying out procurement. Besides, the suppliers are requested to provide the quality assurance reports before the delivery of the raw/processed materials and the Group conducts sample checks on raw/processed materials to ensure quality and compliance with specifications. In accordance with the requirements of ISO 14001:2015, the Group also conducts environmental investigations with suppliers and complete the "Survey on Environment from Suppliers" to understand the pollutants discharged by various suppliers during the production process and then investigates whether suppliers have complied with the relevant regulations.

11 Average training hours = Number of training hours completed by category during the Reporting Year/Number of employees by category at the end of the financial year.

To reduce risks posed by the supply chain, the Group assesses its suppliers on a quarterly basis. The areas of assessment include delivery schedule, the quality of raw/processed materials, price and services. All unqualified suppliers will be removed from the approved list of suppliers to ensure the quality good supply.

Product Responsibility

The Group had no material non-compliance with the laws and regulations governing product responsibilities in the PRC and Hong Kong during the Reporting Year, including but not limited to the "PRC Law on Protection of the Rights and Interests of Consumers"（《中華人民共和國消費者權益保護法》）, "The Tort Law of the PRC"（《中華人民共和國侵權責任法》）, "Trade Descriptions Ordinance"（《商品説明條例》）and "Sales of Goods Ordinance"（《貨品售賣條例》), which assumes civil responsibility for product descriptions and copyrights. During the Reporting Year, the Group did not recall sold or delivered products for safety or health reasons.

Having been engaged in the aluminum electrolytic capacitors business for more than ten years, the Group has established a renowned customer base for its aluminum electrolytic capacitors, comprising over 100 customers, including customers with established brand names. The Group emphasizes the quality control of its products, and its product design, development and production system to align with ISO 9001:2015 Quality Standard (covering all stages of its aluminum electrolytic capacitors production), as well as QC080000:2017 concerning the management of hazardous substances in the production process. Also, the Group's quality control department comprised of 11 staff members with 2 senior quality control personnel to oversee our Group's quality control system, which deals with incoming quality control (IQC), processing quality control (PQC), finished goods quality control (FQC) and outgoing quality control (OQC). The Group's senior quality control personnel have on average, approximately 15 years of industry experience. The stringent quality control system implemented during the production process helps safeguard the quality of the raw materials, semi– finished and finished products used or produced by the Group. In addition, at the request of some of its customers, the Group has engaged an independent third party that is specialized in harmful chemical detection and testing to test its aluminium electrolytic capacitors to ensure its products meet the EU's safety standards. Certain end users have also performed mutual quality audit on the Group's production facility and management systems; manual and computerized inspections and reporting are conducted to ensure a stable and controlled production environment throughout the aluminium electrolytic capacitors production processes. X-ray, computerized and manual inspections are conducted at each production interval to ensure that the Group's quality standards are met.

Final testing is conducted on every aluminium electrolytic capacitor by the quality control department before packing and shipment. This ensures that our products meet the necessary performance specifications. Packed goods are also inspected according to the Group's finished goods packaging and delivery policy to guarantee product quality and safety, as well as to offer consumers the most secure and suitable products.

Complaints and Responses

The Group takes all customer feedback and complaints seriously and ensures that immediate follow-up actions are taken upon receipt of complaints. The Group has established a customer complaint handling procedure. In cases where complaints are received, the quality engineer from the Quality Assurance Department will investigate the incidents and issue a report that outlines the responsible department, the problem analyzed, and the corrective actions identified and implemented.

During the Reporting Year, the Group received 8 complaints, and all cases have been resolved. No products were subjected to recalls due to safety and health reasons.

Intellectual Property

The Group recognises the importance of protecting and enforcing its intellectual property rights and strictly complies with all relevant laws and regulations that have a significant impact on it, including but not limited to the "Trade Marks Ordinance and Copyright Ordinance" in Hong Kong, and "Trademark Law" and "Patent Law" in the PRC. The Group has adopted practices to avoid infringement of intellectual property rights, such as entering into a Confidentiality Agreement ("**CA**") or Non-Disclosure Agreement ("**NDA**") with its subcontracted manufacturer and employees and registering intellectual property rights that are material to its business operation.

Privacy Protection

In the course of the Group's business operations, basic information of its customers, suppliers and employees is collected and maintained. Any dispatch or use of such data for other purposes is strictly prohibited. The Group has set up rules and formulated "Personal Data Policy" to handle confidential information and prohibit any leakage of information relating to the Group, its suppliers and its customers to any external parties. The Group's practices in collecting, using, and maintaining its information are in line with the "Personal Data (Privacy) Ordinance" (《個人資料(私隱)條例》) in Hong Kong and "Cybersecurity Law" (《中華人民共和國網路安全法》) in the PRC.

Anti-corruption

The Group strictly abides by the relevant laws and regulations, such as the "Prevention of Bribery Ordinance" (《防止賄賂條例》) and the Anti-Corruption and Anti-Bribery of the PRC. The Group implemented "Social Responsibility Policy", which continuously monitors to ensure strict adherence to laws and regulations at all levels, from management to staff. This includes prohibiting employees from seeking or accepting any personal benefits in relation to their work, thereby fostering a culture of integrity and preventing corruption within the organization. In addition, the Group also compiles the "Reward and Penalty Management System", subject to non-disclosure of any personal information, to encourage employees to actively report and disclose corruption, fraud, events that pose threats to the public order or security and related illegal acts. A policy is also in place to provide guidance against corruption for all employees to comply with, at the same time, it also enforces harsh punishment on corruptive behaviours such as fraudulent personal gains, private interests, and abuse of power, etc. Since the Group's business is not highly exposed to the risk of corruption, no training in such areas was held during the Reporting Year. Yet, the Group is capable of providing and subsidizing anti-corruption training when necessary.

Whistle-blowing Policy

The Group has implemented a "Whistle-blowing Policy" to actively encourage employees to report any suspicious fraudulent activities they may come across. The intention is to protect whistleblowers from concerns such as breach of confidentiality and potential retaliation. Under this procedure, employees who report in good faith are safeguarded against unfair termination or victimization, even if the reports are later found to be unsubstantiated. To ensure the effectiveness of the "Whistle-blowing Policy", the Group's monitoring center is responsible for investigating suspected cases reported by each business unit and whistle-blowers. Upon confirmation of an occurrence, disciplinary action will be taken against the employee involved, and depending on the nature and specific circumstances of each case, further legal action may be pursued. This comprehensive approach demonstrates the Group's commitment to maintaining a transparent and accountable work environment, where employees are encouraged to report any potentially fraudulent activities without fear of reprisal.

During the Reporting Year, the Group and its employees were not involved in any corruption litigation cases.

Community Investment

The Group recognizes that corporate development is reliant on the support of various sectors of society. In addition to focusing on business growth, the Group actively demonstrates its commitment to giving back to society. Through our community investment initiatives, we engage in a wide range of activities that contribute to social welfare, healthcare, recreation, environmental protection, and social enterprise services. Furthermore, the Group encourages and supports employee participation in community activities to foster a culture of support and care for society as a whole. During the Reporting Period, the Group did not engage in community investments as its focus was directed towards addressing operational challenges and aligning with strategic priorities to ensure sustainable business growth. However, the Group remains committed to its long-term goals of community investment and social engagement. Moving forward, the Group will actively prioritise initiatives such as tree planting to enhance environmental sustainability and volunteering programs aimed at improving the living conditions of elderly individuals living alone.

The Stock Exchange ESG Reporting Guide Content Index

Aspect	Description	Chapter/Section	Remarks
A. Environmental			
A1 Emissions			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Environmental	
KPI A1.1	The types of emissions and respective emissions data.	Air Emission	
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Greenhouse Gas Emissions	
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Hazardous Waste	
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Non-hazardous Waste	
KPI A1.5	Description of emissions target(s) set and steps taken to achieve them.	Greenhouse Gas Emissions, Energy Efficiency	
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Hazardous Waste, Non-hazardous Waste	
A2 Use of Resources			
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Resource Usage, Energy Efficiency	
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Use of Resources	
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Water Resources Management	
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Greenhouse Gas Emission, Water Resources Management, Energy Efficiency	
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Water Resources Management	
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Use of Packaging Materials	

Aspect	Description	Chapter/Section	Remarks
A3 The Environment and Natural Resources			
General Disclosure	Policies on minimizing the issuer's significant impact on the environment and natural resources.	Environmental Protection	
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Environmental Protection	
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	
B. Social			
B1 Employment			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Employment and Labor Standards	
KPI B1.1	Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	Employment and Labor Standards	
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Employment and Labor Standards	
B2 Health and Safety			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	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.	Health and Safety	
KPI B2.2	Lost days due to work injury.	Health and Safety	
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Health and Safety	
B3 Development and Training			
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work.	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	

Aspect	Description	Chapter/Section	Remarks
B4 Labor Standards			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labor.	Employment and Labor Standards	
KPI B4.1	Description of measures to review employment practices to avoid child and forced labor.	Employment and Labor Standards	
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Employment and Labor Standards	
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	
B6 Product and Service Responsibility			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Product Responsibility	
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Product Responsibility	
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	Complaints and Responses	
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Intellectual Property	
KPI B6.4	Description of quality assurance process and recall procedures.	Product Responsibility	
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Intellectual Property	

Aspect	Description	Chapter/Section	Remarks
B7 Anti-corruption			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Anti-corruption	
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the Reporting Year and the outcomes of the cases.	Anti-corruption	
KPI B7.2	Description of preventive measures, how they are implemented and monitored.	Anti-Corruption	
KPI B7.3	Description of anti-corruption training provided to directors and staff.	Anti-Corruption	
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 Investment	
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labor needs, health, culture, sport).	Community Investment	
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Community Investment	

INDEPENDENT AUDITOR'S REPORT

bakertilly
天職國際

Independent auditor's report to the shareholders of
Vertical International Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of Vertical International Holdings Limited and its subsidiaries (together the "Group") set out on pages 72 to 135, which comprise the consolidated statement of financial position as at 31 December 2024, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2024 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with HKFRS Accounting Standards as issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTERS (Continued)

The Key Audit Matter	How the matter was addressed in our audit

Impairment testing on property, plant and equipment and right-of-use assets

Refer to notes 4(a), 14 and 15 of the consolidated financial statements

The Key Audit Matter

In view of the financial performance of the Group during the year, the management of the Group performed impairment assessment on the cash-generating units ("CGUs") which contain certain property, plant and equipment and right-of-use assets by preparing value-in-use calculations.

We identified the impairment of property, plant and equipment and right-of-use assets as a key audit matter as significant judgement is required to assess the amount of impairment of property, plant and equipment and right-of-use assets.

As disclosed in note 4(a) to the consolidated financial statements, property, plant and equipment and right-of-use assets amounted to HK$28,218,000 and HK$813,000, net of accumulated impairment of HK$11,489,000 and HK$107,000 respectively.

Determining whether property, plant and equipment and right-of-use assets are impaired requires an estimation of the value-in-use of the cash-generating units of the Group. The value-in-use calculation requires the Group to estimate the future cash inflows/outflows expected to arise from the cash-generating units by considering the budgeted revenue and gross margins which are based on past performance and management's expectations for future changes in the market and taking into account a suitable discount rate to calculate the present value.

How the matter was addressed in our audit

Our procedures in relation to impairment testing on property, plant and equipment and right-of-use assets included:

- Obtaining an understanding of the management's process and basis adopted in preparing the value-in-use calculations of the CGUs, including key inputs;
- Comparing the budgeted revenue and gross profit margin against historical performance; recent sales transactions and the management's budget;
- Evaluating the appropriateness of assumption of pre-tax discount rate used in determining the recoverable amounts;
- Evaluating the reasonableness of the growth rate applied by the management of the Group by comparing to historical performance and relevant operation plans; and
- Assessing the sensitivity analysis prepared by the management on the significant assumptions to evaluate the extent of impact of these assumptions on the cash flow forecasts.

KEY AUDIT MATTERS (Continued)

The Key Audit Matter	How the matter was addressed in our audit
Valuation of inventories	
Refer to notes 4(b) and 16 of the consolidated financial statements	
We identified the valuation of inventories as a key audit matter due to the management's use of estimation, with reference to their industry knowledge and experience at the end of the reporting period, in assessing whether the carrying amount of inventories is recoverable. Allowance for inventories was based on the management's assessment in estimating the net realisable values of the inventories with reference to the market demand and subsequent usage or sales. At 31 December 2024, the carrying amount of inventories is HK$8,946,000 without any allowance for inventories recognised as disclosed in note 4(b) to the consolidated financial statements.	Our procedures in relation to valuation of inventories included: • Obtaining an understanding on the management's assessment in estimating the net realisable values of the inventories; • Discussing with the management and evaluating the basis of net realisable values of inventories determined by the management, based on the management's consideration for the market demand and subsequent usage or sales; • Assessing the accuracy of management's historical estimate of allowance for inventories to evaluate the appropriateness of the basis made by the management in the current year; • Testing, on a sample basis, the net realisable values of raw materials and consumables, work in progress and finished goods by tracing to the materials issue notes and latest sales invoices; • Testing, on a sample basis, the accuracy of the inventories ageing categories by tracing the inventories movement to the sales and purchase invoices, material issue notes and goods delivery and receipt notes; and • Tracing, on a sample basis, the subsequent usage of raw materials and consumables to the materials issue notes.

KEY AUDIT MATTERS (Continued)

The Key Audit Matter

Valuation of trade receivables

Refer to notes 4(c), 17 and 29(c) of the consolidated financial statements

We identified the valuation of trade receivables as a key audit matter as the carrying amount of trade receivables is significant and the impairment assessment of trade receivables requires significant management judgements.

As disclosed in notes 4(c) and 29(c) to the consolidated financial statements, the impairment under expected credit losses model on trade receivables are assessed individually and/or collectively using internal credit rating with appropriate groupings based on the Group's historical observed default rates, taking into consideration forward-looking information that is reasonable and supportably available to the directors of the Company without undue costs or effort, and are updated if considered to be required.

At 31 December 2024, the carrying amount of trade receivables is HK$27,956,000 (net of allowance for credit losses of HK$167,000).

How the matter was addressed in our audit

Our procedures in relation to the valuation of trade receivables included:

- Obtaining an understanding and evaluating the key controls over credit risk assessment and management's process on reviewing the recoverability of trade receivables;

- Assessing the reasonableness of management's loss allowance estimates by examining the information used by management to form such judgements, including testing the accuracy of the historical default data, evaluating whether the historical loss rates are appropriately adjusted based on current economic conditions and forward-looking information and examining the actual losses recorded during the current year; and

- Testing, on a sample basis, the accuracy of ageing categories of trade receivables to the delivery notes and sales invoices.

Other information

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of directors and those charged with governance for the consolidated financial statements

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

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

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

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

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

– Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

– Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

– Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

– Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

– Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

– Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the Group's 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 those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

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

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

Baker Tilly Hong Kong Limited
Certified Public Accountants
Hong Kong, 28 March 2025
Tong Wai Hang
Practising certificate number P06231

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2024
(Expressed in Hong Kong dollars)

	Note	2024 HK$'000	2023 HK$'000
Revenue	*5*	**81,546**	84,262
Cost of sales		**(75,407)**	(78,139)
Gross profit		**6,139**	6,123
Other income	*6*	**2,388**	502
Other gains and losses	*7*	**3,550**	(2,005)
Selling and distribution costs		**(3,054)**	(2,753)
Administrative expenses		**(13,462)**	(13,073)
Finance costs	*8*	**(568)**	(644)
Loss before taxation	*9*	**(5,007)**	(11,850)
Income tax expense	*10*	**(473)**	(338)
Loss for the year		**(5,480)**	(12,188)
Other comprehensive expense for the year			
Item that may be reclassified subsequently to profit or loss:			
– Exchange differences arising on translation of foreign operations, net of nil tax		**(1,472)**	(2,236)
Total comprehensive expense for the year		**(6,952)**	(14,424)
Loss per share			
		HK cents	HK cents
Basic and diluted	*13*	**(1.90)**	(4.23)

The notes on pages 77 to 135 form part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2024
(Expressed in Hong Kong dollars)

	Note	2024 HK$'000	2023 HK$'000
Non-current assets			
Property, plant and equipment	14	**28,218**	39,082
Right-of-use assets	15	**813**	1,338
		29,031	40,420
Current assets			
Inventories	16	**8,946**	7,642
Trade and bills receivables	17	**27,956**	27,385
Bills receivables at fair value through other comprehensive income	18	**863**	1,975
Financial assets at fair value through profit or loss	19	**5,347**	4,883
Deposits, prepayments and other receivables	20	**4,987**	1,705
Bank balances and cash	21	**19,488**	23,591
		67,587	67,181
Current liabilities			
Trade payables	22	**16,282**	18,127
Other payables and accruals	23	**3,800**	4,189
Tax payable		**29**	36
Lease liabilities	24	**585**	1,485
Borrowings	25	**5,893**	7,146
		26,589	30,983
Net current assets		**40,998**	36,198
Total assets less current liabilities		**70,029**	76,618
Non-current liability			
Lease liabilities	24	**363**	–
NET ASSETS		**69,666**	76,618
Capital and reserves	27		
Share capital		**14,400**	14,400
Reserves		**55,266**	62,218
TOTAL EQUITY		**69,666**	76,618

The consolidated financial statements on pages 72 to 135 were approved and authorised for issue by the Board of Directors on 28 March 2025 and are signed on its behalf by:

Mai Junhui	**Zhong Chuanyong**
Director	*Director*

The notes on pages 77 to 135 form part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2024
(Expressed in Hong Kong dollars)

	Share capital HK$'000	Share premium HK$'000 *(note 27(b)(i))*	Statutory reserve HK$'000 *(note 27(b)(ii))*	Exchange reserve HK$'000 *(note 27(b)(iii))*	Accumulated losses HK$'000	Total HK$'000
At 1 January 2023	14,400	83,194	10,000	(3,660)	(2,812)	101,122
Changes in equity for 2023:						
Loss for the year	–	–	–	–	(12,188)	(12,188)
Other comprehensive expense for the year	–	–	–	(2,236)	–	(2,236)
Total comprehensive expense for the year	–	–	–	(2,236)	(12,188)	(14,424)
Dividends declared and approved *(note 11)*	–	(10,080)	–	–	–	(10,080)
At 31 December 2023 and 1 January 2024	14,400	73,114	10,000	(5,896)	(15,000)	76,618
Changes in equity for 2024:						
Loss for the year	**–**	**–**	**–**	**–**	**(5,480)**	**(5,480)**
Other comprehensive expense for the year	**–**	**–**	**–**	**(1,472)**	**–**	**(1,472)**
Total comprehensive expense for the year	**–**	**–**	**–**	**(1,472)**	**(5,480)**	**(6,952)**
At 31 December 2024	**14,400**	**73,114**	**10,000**	**(7,368)**	**(20,480)**	**69,666**

The notes on pages 77 to 135 form part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2024
(Expressed in Hong Kong dollars)

	Note	2024 HK$'000	2023 HK$'000
Operating activities			
Loss before taxation		**(5,007)**	(11,850)
Adjustments for:			
– Depreciation of property, plant and equipment	*5(c)*	**2,755**	2,167
– Depreciation of right-of-use assets	*5(c)*	**45**	129
– Dividend income	*6*	**(2)**	(1)
– Interest income	*6*	**(128)**	(165)
– Gain on early termination of leases	*7*	**(180)**	–
– Impairment loss of property, plant and equipment	*7*	**3,229**	4,044
– Impairment loss of right-of-use assets	*7*	**107**	150
– (Reversal of impairment loss)/impairment loss recognised on trade receivables, net	*7*	**(114)**	56
– (Gain)/loss on write off/disposal of property, plant and equipment	*7*	**(895)**	741
– Net fair value gain on financial assets at fair value through profit or loss	*7*	**(5,946)**	(2,948)
– Interest expenses	*8*	**568**	644
Operating loss before working capital changes		**(5,568)**	(7,033)
Decrease in inventories		**5,519**	11,409
Increase in trade and bills receivables		**(1,290)**	(2,949)
Decrease in bills receivables at fair value through other comprehensive income		**1,069**	1,518
Decrease in deposits, prepayments and other receivables		**637**	1,060
(Decrease)/increase in trade payables		**(1,388)**	5,925
Decrease in other payables and accruals		**(293)**	(1,050)
Net cash (used in)/generated from operations		**(1,314)**	8,880
PRC Enterprise Income Tax paid		**(480)**	(383)
Net cash (used in)/generated from operating activities		**(1,794)**	8,497
Investing activities			
Purchases of property, plant and equipment		**(4,675)**	(6,911)
Proceeds from disposal of property, plant and equipment		**758**	–
Dividend income		**2**	1
Proceeds from sales of financial assets at fair value through profit or loss		**5,482**	–
Withdrawal of restricted bank deposits		**–**	3,026
Interest received		**128**	165
Net cash generated from/(used in) investing activities		**1,695**	(3,719)

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2024
(Expressed in Hong Kong dollars)

	Note	2024 HK$'000	2023 HK$'000
Financing activities			
Drawdown of margin financing	*30*	**2,048**	–
Repayments of borrowings	*30*	**(4,385)**	(6,169)
Repayments of lease liabilities	*30*	**(1,974)**	(2,698)
Interest paid	*30*	**(568)**	(644)
Dividends paid	*11*	**–**	(10,080)
Net cash used in financing activities		**(4,879)**	(19,591)
Net decrease in cash and cash equivalents		**(4,978)**	(14,813)
Cash and cash equivalents at beginning of the year		**23,591**	39,136
Effect of foreign exchange rate changes		**(209)**	(732)
Cash and cash equivalents at end of the year, represented by bank balances and cash		**18,404**	23,591
Analysis of balance of cash and cash equivalents			
Cash and cash equivalents as stated in the consolidated statement of financial position	*21*	**19,488**	23,591
Bank overdrafts	*25*	**(1,084)**	–
Cash and cash equivalents as stated in the consolidated statement of cash flows		**18,404**	23,591

The notes on pages 77 to 135 form part of the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024
(Expressed in Hong Kong dollars)

1 Company information

Vertical International Holdings Limited (the "Company") is a public limited company incorporated in the Cayman Islands and its shares are listed on GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company has its registered office and principal place of business at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and Unit 2212, 22/F, Global Gateway Tower, 63 Wing Hong Street, Cheung Sha Wan, Hong Kong respectively.

The Company acts as an investment holding company. The Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in the manufacturing and trading of aluminum electrolytic capacitors and trading of electronic components.

Prior to 5 December 2024, the immediate and ultimate holding company of the Company is Vertical Technology Investment Limited, a company incorporated in the British Virgin Islands ("BVI"). Its ultimate controlling party is Mr. Boon Ho Yin Henry, who was also the chairman and chief executive officers of the Company. Since 5 December 2024, the immediate and ultimate holding company of the Company have been changed to Super Date Co., Ltd, a company incorporated in the BVI. Its ultimate controlling party is Mr. Guo Fan.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is also the functional currency of the Company and all values are rounded to nearest thousands of Hong Kong dollars ("HK$'000") except when otherwise indicated.

2 Application of new and amendments to HKFRS Accounting Standards

(a) Amendments to HKFRS Accounting Standards that are mandatorily effective for the current year

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

Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)
Amendments to HKAS 1	Non-current liabilities with Covenants
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

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

2 Application of new and amendments to HKFRS Accounting Standards (continued)

(b) New and amendments to HKFRS Accounting Standards in issue but not yet effective

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

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

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

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

2 Application of new and amendments to HKFRS Accounting Standards (continued)

(b) New and amendments to HKFRS Accounting Standards in issue but not yet effective (continued)

HKFRS 18 "Presentation and Disclosure in Financial Statements"

HKFRS 18 "Presentation and Disclosure in Financial Statements", which sets out requirements on presentation and disclosures in financial statements, will replace HKAS 1 "Presentation of Financial Statements". This new HKFRS Accounting Standard, while carrying forward many of the requirements in HKAS 1, introduces new requirements to present specified categories and defined subtotals in the statement of profit or loss; provide disclosures on management-defined performance measures in the notes to the financial statements and improve aggregation and disaggregation of information to be disclosed in the financial statements. In addition, some HKAS 1 paragraphs have been moved to HKAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" and HKFRS 7 "Financial Instruments: Disclosure". Minor amendments to HKAS 7 "Statement of Cash Flows" and HKAS 33 "Earnings per Share" are also made.

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

3 Material accounting policy information

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

The consolidated financial statements have been prepared on the historical cost basis except for bills receivables at fair value through other comprehensive income and financial assets at fair value through profit or loss that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

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

The material accounting policies are set out below.

3 Material accounting policy information (continued)

(a) Basis of consolidation

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

(i) has power over the investee;

(ii) is exposed, or has rights, to variable returns from its involvement with the investee; and

(iii) has the ability to use its power to affect its returns.

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

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

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

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

(b) Revenue from contracts with customers

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

(c) Leases

Definition of a lease

The Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception of the contract. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

3 Material accounting policy information (continued)

(c) Leases (continued)

The Group as a lessee

Allocation of consideration to components of a contract

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

Non-lease components are separated from lease component and are accounted for by applying other applicable standards.

Short-term leases

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

Right-of-use assets

The cost of right-of-use asset includes:

(i) the amount of the initial measurement of the lease liability;

(ii) any lease payments made at or before the commencement date, less any lease incentives received;

(iii) any initial direct costs incurred by the Group; and

(iv) an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

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.

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

3 Material accounting policy information (continued)

(c) Leases (continued)

The Group as a lessee (continued)

Refundable rental deposits

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

Lease liabilities

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

The lease payments include:

(i) fixed payments (including in-substance fixed payments) less any lease incentives receivable;

(ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

(iii) amounts expected to be payable by the Group under residual value guarantees;

(iv) the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and

(v) payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

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

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

(i) the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

3 Material accounting policy information (continued)

(c) Leases (continued)

The Group as a lessee (continued)

Lease liabilities (continued)

(ii) the lease payments change due to changes in market rental rates following a market rent review/ expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

(iii) a lease contract is modified and the lease modification is not accounted for as a separate lease.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

(d) Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

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

3 Material accounting policy information (continued)

(e) Employee benefits

Pension schemes

Payments to defined contribution retirement benefit plans, government-managed retirement benefit schemes and the Mandatory Provident Fund Scheme ("MPF Scheme") are recognised as an expense when employees have rendered services entitling them to the contributions.

Short-term employee benefits

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

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

(f) Taxation

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

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

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

3 Material accounting policy information (continued)

(f) Taxation (continued)

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, 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. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to 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 assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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

For the 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.

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same tax authority.

Current and deferred tax are recognised in profit or loss.

3 Material accounting policy information (continued)

(g) Property, plant and equipment

Property, plant and equipment are tangible assets that 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.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

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

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

(h) Impairment on property, plant and equipment and right-of-use assets

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

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

3 Material accounting policy information (continued)

(h) Impairment on property, plant and equipment and right-of-use assets (continued)

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

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

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

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

(i) Cash and cash equivalents

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

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

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

3 Material accounting policy information (continued)

(i) Cash and cash equivalents (continued)

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts, which are repayable on demand and form an integral part of the Group's cash management. Such overdrafts are presented as short-term borrowings in the consolidated statement of financial position.

(j) Inventories

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

(k) Provisions

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

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

(l) Financial instruments

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

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

3 Material accounting policy information (continued)

(l) Financial instruments (continued)

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

Financial assets

Classification and subsequent measurement of financial assets

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

(i) the financial asset is held within a business model whose objective is to collect contractual cash flows; and

(ii) the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

(i) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and

(ii) the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

3 Material accounting policy information (continued)

(l) Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (continued)

A financial asset is held for trading if:

(i) it has been acquired principally for the purpose of selling in the near term; or

(ii) on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

(iii) it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that is required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired.

Bills receivables classified as FVTOCI

Subsequent changes in the carrying amounts for bills receivables classified as at FVTOCI as a result of interest income calculated using the effective interest method are recognised in profit or loss. All other changes in the carrying amount of these receivables are recognised in OCI and accumulated under the heading of FVTOCI reserve. Impairment allowances are recognised in profit or loss with corresponding adjustment to OCI without reducing the carrying amounts of these receivables. When these receivables are derecognised, the cumulative gains or losses previously recognised in OCI are reclassified to profit or loss.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item.

3 Material accounting policy information (continued)

(l) Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets subject to impairment assessment under HKFRS 9

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including trade and bills receivables, deposits, other receivables, bank balances and bills receivables at FVTOCI) which are subject to impairment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

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

The Group always recognises lifetime ECL for trade receivables.

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

(i) Significant increase in credit risk

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

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

– an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

– significant deterioration in external market indicators of credit risk, e.g., a significant increase in the credit spread, the credit default swap prices for the debtor;

3 Material accounting policy information (continued)

(l) Financial instruments (continued)

Financial assets (continued)

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

(i) Significant increase in credit risk (continued)

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor;

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

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

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if (i) it has a low risk of default, (ii) the borrower 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 fulfill its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of "investment grade" as per globally understood definitions.

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.

3 Material accounting policy information (continued)

(l) Financial instruments (continued)

Financial assets (continued)

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

(ii) Definition of default

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

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

(iii) Credit-impaired financial assets

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

– significant financial difficulty of the issuer or the borrower;

– a breach of contract, such as a default or past due event;

– the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

– it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

– the disappearance of an active market for that financial asset because of financial difficulties.

3 Material accounting policy information (continued)

(l) Financial instruments (continued)

Financial assets (continued)

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

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two 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. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

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

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

Lifetime ECL for certain trade and bills receivables, deposits, other receivables and bank balances are considered on a collective basis taking into consideration past due information and relevant credit information such as forward-looking macroeconomic information.

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

– past-due status;

– nature, size and industry of debtors; and

– external credit ratings where available.

3 Material accounting policy information (continued)

(l) Financial instruments (continued)

Financial assets (continued)

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

(v) Measurement and recognition of ECL (continued)

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

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

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

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

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

On derecognition of a debt instrument/a receivable classified as at FVTOCI, the cumulative gain or loss previously accumulative in the FVTOCI reserve is reclassified to profit or loss.

Financial liabilities and equity

Classification as debt or equity

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

Equity instruments

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

3 Material accounting policy information (continued)

(l) Financial instruments (continued)

Financial liabilities and equity (continued)

Financial liabilities at amortised cost

Financial liabilities including trade payables, other payables and accruals, lease liabilities and borrowings are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

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

4 Key sources of estimation uncertainty

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

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

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

4 Key sources of estimation uncertainty (continued)

(a) Estimated impairment of property, plant and equipment and right-of-use assets

Property, plant and equipment and right-of-use assets are stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgement and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in case of value-in-use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset (including the right-of-use assets), the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs, including allocation of corporate assets when a reasonable consistent basis of allocation can be established, otherwise recoverable amount is determined at the smallest group of cash-generating units, for which the relevant corporate assets have been allocated. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the recoverable amounts.

As at 31 December 2024, the carrying amounts of property, plant and equipment and right-of-use assets subject to impairment assessment were HK$28,218,000 (2023: HK$39,082,000) and HK$813,000 (2023: HK$1,338,000) respectively, after taking into account the accumulated impairment losses of HK$11,489,000 (2023: HK$8,260,000) and HK$107,000 (2023: HK$170,000) in respect of property, plant and equipment and right-of-use assets that have been recognised respectively. Details of the impairment of property, plant and equipment and right-of-use assets are disclosed in note 14.

(b) Valuation of inventories

Management of the Group assesses whether the carrying amounts of the inventories are recoverable and estimates the allowance for inventories based on their industry knowledge and experience at the end of the reporting period. Management estimates the amount of allowance for inventories based on the lower of cost and their estimated net realisable value. In determining the net realisable values of the Group's inventories, the management considers the market demand and subsequent usage or sales. When the actual net realisable values are lower than expectation, such difference will impact the carrying amounts of inventories.

As at 31 December 2024, the carrying amounts of inventories were approximately HK$8,946,000 (2023: HK$7,642,000). No allowance for inventories was recognised for the years ended 31 December 2024 and 2023.

4 Key sources of estimation uncertainty (continued)

(c) Provision of ECL for trade receivables

The Group assesses ECL on trade receivables on a collective basis. The provision rates are based on internal credit rating of debtors and 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 each reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered. In addition, trade receivables with certain balances which are credit-impaired are assessed for ECL individually.

The provision of ECL is sensitive to changes in estimates while the changes of the expected loss rates in the current year will impact the carrying amounts of trade receivables. The information about the ECL and the Group's trade receivables are disclosed in note 29(c)(iv).

As at 31 December 2024, the carrying amounts of trade receivables were approximately HK$27,956,000 (2023: HK$26,102,000), net of allowance for credit losses of approximately HK$167,000 (2023: HK$287,000).

5 Revenue and segment information

Performance obligation for contracts with customers and revenue recognition policies

Revenue is derived from the sales of manufactured aluminum electrolytic capacitors and trading of electronic components. The Group satisfied its performance obligation when the control of manufactured goods or trading goods has been transferred, being when they are delivered to the customers' specific location. The customers have neither rights to return nor rights to defer or avoid payment for goods once they are accepted by the customers. Revenue from contracts with customers is recognised at a point in time and is consistent with the segment revenue information that is disclosed for each reportable segment under HKFRS 8 "Operating Segments".

Information reported to the executive directors of the Group, being the chief operating decision maker ("CODM"), for the purposes of resource allocation and assessment of segment performance focuses on the types of goods delivered. Specifically, the Group's reportable segments under HKFRS 8 are as follows:

(i) Sales of manufactured aluminum electrolytic capacitors

Sales of manufactured aluminum electrolytic capacitors represents the manufacturing and selling of chip type and radial lead type aluminum electrolytic capacitors in the People's Republic of China (the "PRC").

(ii) Trading of electronic components

Trading of electronic components represents trading of a wider range of lighting products and electronic components including integrated circuits and semi-conductors such as diodes and transistors in Hong Kong and the PRC.

5 Revenue and segment information (continued)

Performance obligation for contracts with customers and revenue recognition policies (continued)

During the years ended 31 December 2024 and 2023, all performance obligations for contracts of sales of manufactured aluminum electrolytic capacitors and trading of electronic components are expected to fulfil in a period of one year or less. As permitted under HKFRS 15, the transaction price allocated to unsatisfied performance obligations as at 31 December 2024 and 2023 is not disclosed.

(a) Segment results

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment results represents the profit earned by each segment without allocation of unallocated expenses (including administrative expenses and selling and distribution costs), other income, other gains and losses, finance costs and income tax expense. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

	2024		
	Sales of manufactured aluminum electrolytic capacitors HK$'000	**Trading of electronic components HK$'000**	**Total HK$'000**
Segment revenue under HKFRS 15			
External sales	**68,691**	**12,855**	**81,546**
Results			
Segment profit	**5,717**	**422**	**6,139**
Unallocated expenses			**(16,516)**
Other income			**2,388**
Other gains and losses			**3,550**
Finance costs			**(568)**
Loss before taxation			**(5,007)**

5 Revenue and segment information (continued)

(a) Segment results (continued)

	2023		
	Sales of manufactured aluminum electrolytic capacitors HK$'000	Trading of electronic components HK$'000	Total HK$'000
Segment revenue under HKFRS 15			
External sales	73,615	10,647	84,262
Results			
Segment profit	5,738	385	6,123
Unallocated expenses			(15,826)
Other income			502
Other gains and losses			(2,005)
Finance costs			(644)
Loss before taxation			(11,850)

There were no inter-segment sales in both years.

(b) Segment assets and liabilities

No analysis of segment assets or segment liabilities is presented as they are not regularly provided to the CODM.

5 Revenue and segment information (continued)

(c) Other segment information

	2024		
	Sales of manufactured aluminum electrolytic capacitors HK$'000	Trading of electronic components HK$'000	Total HK$'000
Amounts included in the measure of segment results:			
Depreciation of property, plant and equipment	3,583	–	3,583
Depreciation of right-of-use assets	1,996	–	1,996
Amounts regularly provided to the CODM but not included in the measurement of segment results:			
Additions to property, plant and equipment	4,675	–	4,675
Additions to right-of-use assets	2,933	–	2,933
Bank interest income	(91)	(37)	(128)
Depreciation of property, plant and equipment	1,820	935	2,755
Depreciation of right-of-use assets	–	45	45
Reversal of impairment loss on trade receivables	(95)	(19)	(114)
Impairment loss on property, plant and equipment	3,136	93	3,229
Impairment loss on right-of-use assets	107	–	107
Interest on borrowings	–	521	521
Interest on lease liabilities	47	–	47

5 Revenue and segment information (continued)

(c) Other segment information (continued)

	2023		
	Sales of manufactured aluminum electrolytic capacitors HK$'000	Trading of electronic components HK$'000	Total HK$'000
Amounts included in the measure of segment results:			
Depreciation of property, plant and equipment	5,008	–	5,008
Depreciation of right-of-use assets	2,551	–	2,551
Amounts regularly provided to the CODM but not included in the measurement of segment results:			
Additions to property, plant and equipment	6,911	–	6,911
Additions to right-of-use assets	2,906	–	2,906
Bank interest income	(127)	(38)	(165)
Depreciation of property, plant and equipment	1,206	961	2,167
Depreciation of right-of-use assets	–	129	129
Impairment loss on trade receivables	33	23	56
Impairment loss on property, plant and equipment	3,866	178	4,044
Impairment loss on right-of-use assets	150	–	150
Interest on borrowings	–	509	509
Interest on lease liabilities	131	4	135

5 Revenue and segment information (continued)

(d) Geographical information

The following table provides an analysis of the Group's revenue from external customers by the location of customers:

	2024 **HK$'000**	2023 HK$'000
PRC	**68,858**	71,717
Japan	**12,164**	9,653
Hong Kong	**491**	2,807
Macau	**33**	85
	81,546	84,262

The following is an analysis of the carrying amounts of the Group's non-current assets (i.e. property, plant and equipment and right-of-use assets), analysed by the geographical area in which the assets are located:

	2024 **HK$'000**	2023 HK$'000
Hong Kong	**4,720**	5,639
PRC	**24,311**	34,781
	29,031	40,420

(e) Information about major customers

Revenue from major customers of the corresponding years contributing over 10% of the total revenue of the Group are as follows:

	2024 **HK$'000**	2023 HK$'000
Customer A *(note 1)*	**12,164**	9,653
Customer B *(note 2)*	**9,445**	11,985
Customer C *(note 2)*	**N/A#**	11,861

\# The corresponding revenue did not contribute 10% or more of the total revenue.

Note 1: Revenue from trading of electronic components.

Note 2: Revenue from sales of manufactured aluminum electrolytic capacitors.

5 Revenue and segment information (continued)

(f) Disaggregation of revenue by the timing of revenue recognition is as follows:

	2024 HK$'000	2023 HK$'000
At a point in time:		
Sales of manufactured aluminum electrolytic capacitors	**68,691**	73,615
Trading of electronic components	**12,855**	10,647
	81,546	84,262

6 Other income

	2024 HK$'000	2023 HK$'000
Bank interest income	**128**	165
Dividend income	**2**	1
Government subsidy	**316**	306
Handling charges income	**1,630**	–
Scrap sales	**93**	–
Sundry income	**219**	30
	2,388	502

7 Other gains and losses

	2024 HK$'000	2023 HK$'000
Gain on early termination of leases	**180**	–
Impairment of property, plant and equipment	**(3,229)**	(4,044)
Impairment of right-of-use assets	**(107)**	(150)
Reversal of impairment loss/(impairment loss) recognised on trade receivables, net	**114**	(56)
Gain/(loss) on write off/disposal of property, plant and equipment	**895**	(741)
Net foreign exchange (losses)/gains	**(249)**	38
Net fair value gain on financial assets at FVTPL	**5,946**	2,948
	3,550	(2,005)

8 Finance costs

	2024 **HK$'000**	2023 HK$'000
Interest on borrowings	**521**	509
Interest on lease liabilities	**47**	135
	568	644

9 Loss before taxation

Loss before taxation has been arrived at after charging:

	2024 **HK$'000**	2023 HK$'000
Cost of inventories recognised as expenses	**71,125**	74,205
Depreciation of property, plant and equipment	**6,338**	7,175
Depreciation of right-of-use assets	**2,041**	2,680
	8,379	9,855
Employee benefit expense (including directors' remuneration *(note 12)*)		
Wages and salaries	**17,975**	16,156
Contributions to retirement benefits schemes	**1,863**	1,889
	19,838	18,045
Auditor's remuneration	**580**	580
Expenses relating to short-term leases	**16**	50
Research expenses (included in cost of sales)	**4,282**	3,934

10 Income tax

	2024 **HK$'000**	2023 HK$'000
PRC Enterprise Income Tax		
– Current tax	**–**	67
– Over-provision in respect of prior years, net	**–**	(163)
– PRC withholding tax	**473**	434
	473	338

No provision for taxation in Hong Kong has been made for the year (2023: HK$Nil) as the Company and its subsidiaries incorporated in Hong Kong have no assessable profits for the year.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years.

Pursuant to the relevant laws and regulations in the PRC, a subsidiary in the PRC, 東莞首科電子科技有限公司, has been granted tax incentives as a High and New Technology Enterprise and is entitled to a preferential tax rate of 15% since 2016.

The Group is subjected to PRC withholding tax of 5% on dividend income from PRC subsidiaries.

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

	2024 **HK$'000**	2023 HK$'000
Loss before taxation	**(5,007)**	(11,850)
Tax at the applicable tax rate of 15% (2023: 15%)	**(751)**	(1,777)
Tax effect of expenses not deductible for tax purpose	**319**	574
Tax effect of income not taxable for tax purpose	**(1,127)**	(622)
Tax effect of temporary differences not recognised	**(148)**	(315)
Tax effect of tax losses not recognised	**1,648**	2,301
Tax effect of utilisation of tax losses previously not recognised	**–**	(21)
Effect of different tax rates of subsidiaries operating in other jurisdiction	**59**	167
Tax concession	**–**	(240)
Over-provision in respect of prior years, net	**–**	(163)
PRC withholding tax	**473**	434
Actual tax expense	**473**	338

11 Dividends

During the year ended 31 December 2024, no dividend has been proposed and paid to the shareholders of the Company.

In addition, a special dividend for the nine months ended 30 September 2022 of 3.50 HK cents per ordinary shares was approved by the shareholders in the extraordinary general meeting on 5 January 2023 and paid out at 9 February 2023 amounted to approximately HK$10,080,000.

12 Emoluments of directors and chief executive and employees

(a) Directors and chief executive

Directors' and chief executive's remuneration paid or payable (including emoluments for the services as employees of the Group entities prior to becoming directors of the Company) by the entities comprising the Group during the year, disclosed pursuant to the applicable GEM Listing Rules and the Hong Kong Companies Ordinance, is as follows:

	2024				
	Fees HK$'000	Salaries and other benefits HK$'000	Performance related bonus *(note 1)* HK$'000	Contributions to retirement benefits schemes HK$'000	Total HK$'000
Executive directors					
Mr. Boon Ho Yin Henry *(Chief executive)* *(note 5)*	1,150	1,255	156	18	2,579
Ms. Chow Cheung Chu *(note 5)*	720	–	59	18	797
Mr. Mai Junhui *(Chairman)* *(note 2)*	–	–	–	–	–
Mr. Zhong Chuanyong *(note 4)*	–	–	–	–	–
	1,870	1,255	215	36	3,376
Independent non–executive directors					
Mr. Liu Kwan *(note 5)*	76	–	–	–	76
Mr. Chik Kin Man Paul *(note 5)*	76	–	–	–	76
Mr. Wong Wai Leung *(note 5)*	151	–	–	–	151
Mr. Deng Kaihong *(note 3)*	–	–	–	–	–
Mr. Wu Yuantao *(note 3)*	–	–	–	–	–
Ms. Li Weiwei *(note 4)*	–	–	–	–	–
	303	–	–	–	303
	2,173	1,255	215	36	3,679

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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12 Emoluments of directors and chief executive and employees (continued)

(a) Directors and chief executive (continued)

	2023				
	Fees HK$'000	Salaries and other benefits HK$'000	Performance related bonus (note) HK$'000	Contributions to retirement benefits schemes HK$'000	Total HK$'000
Executive directors					
Mr. Boon Ho Yin Henry *(Chief executive)*	1,241	1,115	–	18	2,374
Ms. Chow Cheung Chu	712	–	–	18	730
	1,953	1,115	–	36	3,104
Independent non-executive directors					
Mr. Liu Kwan	76	–	–	–	76
Mr. Chik Kin Man Paul	76	–	–	–	76
Mr. Wong Wai Leung	151	–	–	–	151
	303	–	–	–	303
	2,256	1,115	–	36	3,407

Note 1: The performance related bonus is determined with reference to the operating results and individual performance during both years.

Note 2: Appointed on 27 December 2024. Upon the resignation of Mr. Boon Ho Yin Henry on 27 February 2025, Mr. Mai Junhui has become the Chief executive of the Company.

Note 3: Appointed on 27 December 2024.

Note 4: Appointed on 27 February 2025.

Note 5: Resigned on 27 February 2025.

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

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

12 Emoluments of directors and chief executive and employees (continued)

(a) Directors and chief executive (continued)

The five highest paid employees of the Group during the year included two (2023: two) directors, details of whose remunerations are set out above. Details of the remuneration for the year of the remaining three (2023: three) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2024 HK$'000	2023 HK$'000
Salaries and allowance	**1,107**	1,080
Performance related bonus *(note)*	**–**	31
Contributions to retirement benefits schemes	**80**	61
	1,187	1,172

Note: The performance related bonus is determined with reference to the operating results and individual performance during both years.

(b) Employees

The number of the highest paid employees who are not directors nor chief executive of the Company whose remuneration fell within the following bands is as follows:

	2024 Number of employees	2023 Number of employees
Nil to HK$1,000,000	**3**	3

No emoluments were paid by the Group to the directors of the Company or the five highest paid employees (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office for the years ended 31 December 2024 and 2023. There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration for both years.

13 Loss per share

The calculation of the basic loss per share is based on the following data:

	2024 HK$'000	2023 HK$'000
Loss:		
Loss for the purpose of calculating basic loss per share (loss for the year)	**(5,480)**	(12,188)
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	**288,000**	288,000

The diluted loss per share is the same as the basic loss per share for both 2024 and 2023 as there were no potential ordinary shares in issue for both 2024 and 2023.

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14 Property, plant and equipment

	Leasehold land and building HK$'000	Leasehold improvements HK$'000	Furniture and office equipment HK$'000	Plant and machinery HK$'000	Motor vehicles and yacht HK$'000	Construction in progress ("CIP") HK$'000	Total HK$'000
Cost							
At 1 January 2023	5,573	2,287	2,431	68,095	5,393	–	83,779
Currency realignment	–	(67)	(56)	(1,491)	(13)	–	(1,627)
Additions	–	1,235	160	5,471	–	45	6,911
Transfer	–	–	–	45	–	(45)	–
Written off/disposal	–	–	(175)	(2,375)	–	–	(2,550)
At 31 December 2023 and 1 January 2024	**5,573**	**3,455**	**2,360**	**69,745**	**5,380**	**–**	**86,513**
Currency realignment	**–**	**(107)**	**(65)**	**(1,310)**	**(14)**	**–**	**(1,496)**
Additions	**–**	**–**	**127**	**4,548**	**–**	**–**	**4,675**
Transfer	**–**	**–**	**–**	**–**	**676**	**–**	**676**
Written off/disposal	**–**	**–**	**(47)**	**(15,805)**	**–**	**–**	**(15,852)**
At 31 December 2024	**5,573**	**3,348**	**2,375**	**57,178**	**6,042**	**–**	**74,516**
Depreciation and impairment							
At 1 January 2023	1,196	732	1,614	32,441	2,837	–	38,820
Currency realignment	–	(22)	(34)	(733)	(10)	–	(799)
Provided for the year	168	914	245	5,053	795	–	7,175
Impairment loss recognised	–	191	72	3,599	182	–	4,044
Elimination on written off/ disposal	–	–	(155)	(1,654)	–	–	(1,809)
At 31 December 2023 and 1 January 2024	**1,364**	**1,815**	**1,742**	**38,706**	**3,804**	**–**	**47,431**
Currency realignment	**–**	**(74)**	**(50)**	**(813)**	**(14)**	**–**	**(951)**
Provided for the year	**168**	**998**	**247**	**4,152**	**773**	**–**	**6,338**
Impairment loss recognised	**–**	**70**	**55**	**3,008**	**96**	**–**	**3,229**
Transfer	**–**	**–**	**–**	**–**	**676**	**–**	**676**
Elimination on written off/ disposal	**–**	**–**	**(38)**	**(10,387)**	**–**	**–**	**(10,425)**
At 31 December 2024	**1,532**	**2,809**	**1,956**	**34,666**	**5,335**	**–**	**46,298**
Carrying values							
At 31 December 2024	**4,041**	**539**	**419**	**22,512**	**707**	**–**	**28,218**
At 31 December 2023	4,209	1,640	618	31,039	1,576	–	39,082

(Expressed in Hong Kong dollars)

14 Property, plant and equipment (continued)

The above items of property, plant and equipment, except for CIP, after taking into account the residual values, are depreciated on a straight-line basis at the following rates per annum:

Leasehold land and building	Over the estimated useful lives of 33 years or the term of lease whichever is shorter
Leasehold improvements	Over the estimated useful lives of 5 years or the term of lease whichever is shorter
Furniture and office equipment	19% – 20%
Plant and machinery	9% – 10%
Motor vehicles and yacht	20%

The leasehold interests in land in Hong Kong are accounted for as property, plant and equipment, as the allocation between the land and building elements cannot be made reliably.

The leasehold land and building with the carrying value of HK$4,041,000 (2023: HK$4,209,000) is pledged to a bank to secure banking facilities of HK$3,845,000 (2023: HK$7,146,000) granted to the Group.

Impairment assessment

With reference to the financial performance and unfavourable market condition noted, the management of the Group concluded that there was indication for impairment and conducted impairment assessment on certain property, plant and equipment and right-of-use assets of HK$31,447,000 and HK$920,000 (2023: HK$43,126,000 and HK$1,488,000) respectively.

As at 31 December 2024, the recoverable amount of cash-generating unit from sales of manufactured aluminum electrolytic capacitors has been determined based on a value-in-use calculation. That calculation uses cash flow projections based on financial budgets approved by the management of the Group covering the following five years with a pre-tax discount rate of 14% (2023: 16%). The cash flows beyond the five-year period are extrapolated using 2% (2023: 3%) growth rate. Another key assumption for the value-in-use calculated is the budget gross margin, which is determined based on the cash-generating unit's past performance and management expectations for the market development.

For the year ended 31 December 2024, management of the Group determined that the recoverable amount of the cash-generating unit is lower than the carrying amount based on the result of the assessment. The impairment amount has been allocated to each category of property, plant and equipment and right-of-use assets such that the carrying amount of each category of asset is not reduced below the highest of its fair value less cost of disposal, its value-in-use and zero.

Based on the value-in-use calculation and the allocation, certain property, plant and equipment and right-of-use assets were impaired to their recoverable amount of HK$28,218,000 (2023: HK$39,082,000) and HK$813,000 (2023: HK$1,338,000), which were their carrying values at the end of the reporting period and the accumulated impairment loss of HK$11,489,000 (2023: HK$8,260,000) and HK$107,000 (2023: HK$170,000) has been recognised against the carrying amount of property, plant and equipment and right-of-use assets respectively within the relevant functions to which these assets relate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024
(Expressed in Hong Kong dollars)

15 Right-of-use assets

	Leased properties HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost			
At 1 January 2023	5,176	676	5,852
Currency realignment	(148)	–	(148)
Additions	2,906	–	2,906
Written-off	(2,927)	–	(2,927)
At 31 December 2023 and 1 January 2024	**5,007**	**676**	**5,683**
Currency realignment	**(122)**	**–**	**(122)**
Additions	**2,933**	**–**	**2,933**
Transfer	**–**	**(676)**	**(676)**
Adjustment as a result of early termination of leases	**(2,851)**	**–**	**(2,851)**
Written-off	**(2,095)**	**–**	**(2,095)**
At 31 December 2024	**2,872**	**–**	**2,872**
Depreciation and impairment			
At 1 January 2023	4,052	502	4,554
Currency realignment	(112)	–	(112)
Provided for the year	2,551	129	2,680
Written-off	(2,927)	–	(2,927)
Impairment loss recognised *(note 14)*	150	–	150
At 31 December 2023 and 1 January 2024	**3,714**	**631**	**4,345**
Currency realignment	**(90)**	**–**	**(90)**
Provided for the year	**1,996**	**45**	**2,041**
Transfer	**–**	**(676)**	**(676)**
Adjustment as a result of early termination of leases	**(1,573)**	**–**	**(1,573)**
Written-off	**(2,095)**	**–**	**(2,095)**
Impairment loss recognised *(note 14)*	**107**	**–**	**107**
At 31 December 2024	**2,059**	**–**	**2,059**
Carrying values			
At 31 December 2024	**813**	**–**	**813**
At 31 December 2023	1,293	45	1,338

For both years, the Group leases various offices, factories and motor vehicles for its operations. Lease contracts are entered into for fixed term of 1.25 – 5.00 years (2023: 2.00 – 5.00 years). Lease terms are negotiated on an individual basis and contain 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.

15 Right-of-use assets (Continued)

In 2023, the Company had issued a corporate guarantee in respect of the motor vehicles under leases at 3.5% per annum with the carrying amount of approximately HK$8,000.

Amounts included in the consolidated statement of cash flows comprise of cash outflow for leases of HK$16,000 and HK$2,021,000 (2023: HK$50,000 and HK$2,833,000) in operating and financing activities respectively.

16 Inventories

	2024 **HK$'000**	2023 HK$'000
Raw materials and consumables	**2,095**	2,170
Work in progress	**3,513**	2,746
Finished goods	**3,338**	2,726
	8,946	7,642

17 Trade and bills receivables

	2024 **HK$'000**	2023 HK$'000
Trade receivables	**28,123**	26,389
Less: Allowance for credit losses	**(167)**	(287)
	27,956	26,102
Bills receivables	**–**	1,283
	27,956	27,385

The credit period allowed by the Group to its customers was up to 30 – 120 days (2023: 30 – 120 days) from the date of issuing invoices. The following is an ageing analysis of trade and bills receivables based on the dates of delivery of goods which is also the revenue recognition point, net of allowance for credit losses at the end of each reporting period:

	2024 **HK$'000**	2023 HK$'000
0 to 30 days	**6,022**	9,315
31 to 60 days	**9,525**	9,484
61 to 90 days	**4,469**	3,148
91 to 180 days	**3,584**	2,362
181 days to 1 year	**4,304**	3,076
Over 1 year	**52**	–
	27,956	27,385

17 Trade and bills receivables (continued)

Before accepting any new customers, the Group assesses the potential customer's credit quality and defines credit limits by customer. Credit limits granted to customers are reviewed periodically.

As at 31 December 2024, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK$15,441,000 (2023: HK$7,396,000) which are past due but not considered as in default based on good repayment records for those customers and continuous business with the Group. The following table provides information about the Group's exposure to credit risk of trade receivables as at 31 December 2024:

	2024 **HK$'000**	2023 HK$'000
Current (not past due)	**12,515**	18,706
Less than 90 days past due	**11,043**	4,300
90 days to 1 year past due	**4,352**	3,096
Over 1 year	**46**	–
	27,956	26,102

Bills receivables were those bills not yet due at the end of the reporting period and the management considered the default rate was low as the Group did not encounter any default on bills receivables based on the past experience. All bills received by the Group were with a maturity period of less than one year.

Refer to note 29(c)(iv) for credit risk assessment for trade receivables.

The Group's trade and bills receivables that are denominated in currencies other than the functional currencies of relevant group entities are set out below:

	2024 **HK$'000**	2023 HK$'000
Denominated in Hong Kong Dollars ("HK$")	**628**	1,404
Denominated in United States Dollars ("US$")	**3,192**	2,300

18 Bills receivables at fair value through other comprehensive income

The following is an ageing analysis of bills receivables at FVTOCI presented based on the delivery dates at the end of the reporting period:

	2024 HK$'000	2023 HK$'000
0 to 30 days	**10**	–
31 to 60 days	**–**	1,256
61 to 90 days	**318**	–
91 to 180 days	**535**	719
	863	1,975

19 Financial assets at fair value through profit or loss

	2024 HK$'000	2023 HK$'000
Listed securities held for trading		
– Equity securities listed in the United States of America	**5,347**	4,883

At 31 December 2024, equity securities of HK$5,347,000 (2023: HK$Nil) were pledged as security for credit facilities granted to the Group.

The Group's equity securities at FVTPL that are denominated in currencies other than the functional currencies of relevant group entities are set out below:

	2024 HK$'000	2023 HK$'000
Denominated in United States Dollars ("US$")	**5,347**	4,883

20 Deposits, prepayments and other receivables

	2024 HK$'000	2023 HK$'000
Prepayments	**329**	489
Other receivables	**4,203**	249
Deposits	**455**	967
	4,987	1,705

In determining the ECL for other receivables, the directors have made individual assessment on the recoverability of other receivables based on historical settlement records, past experience, and also forward-looking information, as appropriate, for example, the Group has considered the consistently low historical default rate in connection with repayments, and concluded that credit risk inherent in the Group's outstanding other receivables is insignificant.

21 Bank balances and cash

	2024 HK$'000	2023 HK$'000
Cash on hand and at bank in the consolidated statement of financial position	**19,488**	23,591
Bank overdrafts *(note 25)*	**(1,084)**	–
Cash and cash equivalents in the consolidated statements of cash flows	**18,404**	23,591

Bank balances carry interests at variable rates ranging from 0.01% to 0.50% (2023: 0.01% to 1.00%) per annum.

The subsidiaries of the Group which were established in the PRC maintained RMB denominated bank balances, the remittance of these funds out of the PRC is subject to exchange restrictions imposed by the PRC government.

The Group's bank balance on cash that are denominated in currencies other than the functional currencies of relevant group entities are set out below:

	2024 HK$'000	2023 HK$'000
Denominated in Hong Kong Dollars ("HK$")	**6**	6
Denominated in United States Dollars ("US$")	**3,933**	2,137
Denominated in Renminbi ("RMB")	**–**	46
Denominated in Japanese Yen ("JPY")	**1,238**	1,592

As at 31 December 2024, the Group performed impairment assessment on bank balances and concluded that the probability of defaults of the counterparty banks are insignificant and accordingly, no allowance for credit losses is provided (2023: Nil).

22 Trade payables

	2024 HK$'000	2023 HK$'000
Trade payables	**16,282**	18,127

The credit period of trade payables granted by suppliers ranged from 0 to 90 days (2023: 0 to 90 days) upon the issuance of invoices.

22 Trade payables (continued)

The following is an aged analysis of trade payables based on the invoice dates.

	2024 HK$'000	2023 HK$'000
0 to 30 days	**8,444**	8,483
31 to 60 days	**3,266**	4,709
61 to 90 days	**2,226**	2,948
91 to 180 days	**2,340**	1,893
181 days to 1 year	**4**	–
Over 1 year	**2**	94
	16,282	18,127

The Group's trade payables that are denominated in currency other than the functional currencies of relevant group entities are set out below:

	2024 HK$'000	2023 HK$'000
Denominated in United States Dollars ("US$")	**3,304**	2,066

23 Other payables and accruals

	2024 HK$'000	2023 HK$'000
Other payables	**234**	1,027
Value added tax payables	**1,283**	1,087
Accrued staff salaries and allowance	**1,223**	1,128
Accrued expenses	**1,060**	947
	3,800	4,189

24 Lease liabilities

	2024 HK$'000	2023 HK$'000
Lease liabilities payable:		
Within one year	**585**	1,485
After one year but within two years	**141**	–
After two years but within five years	**222**	–
	948	1,485

25 Borrowings

	2024 HK$'000	2023 HK$'000
Bank overdrafts, secured	1,084	–
Interest-bearing bank borrowings, secured	2,761	7,146
Margin financing, secured	2,048	–
	5,893	7,146
Carrying amount repayable, based on scheduled repayments:		
– Within one year	4,474	4,386
– After one year but within two years	715	1,432
– After two years but within five years	704	1,328
	5,893	7,146
Less: Amounts included under current liabilities (including borrowings with a repayable on demand clause)	(5,893)	(7,146)
	–	–

The bank overdrafts amounting to HKD$1,084,000 (2023: HK$Nil) as at 31 December 2024 carry interest at prevailing best lending rate.

The bank borrowings carry interest at best lending rate plus/minus certain basis points. The average of effective interest rates (which are also equal to contracted interest rates) is from 2.65% to 7.35% (2023: 3.25% to 8.35%) per annum.

As at 31 December 2024, bank borrowings amounting to HK$2,761,000 (2023: HK$7,146,000) and bank overdrafts amounting to HK$1,084,000 (2023: HK$Nil) were secured by corporate guarantee from the Company and a subsidiary and the personal guarantee from Mr. Boon Ho Yin Henry, together with the Group's leasehold land and building as set out in note 14.

Margin financing amounting to HK$2,048,000 (2023: HK$Nil) carried interest at long margin rate, with its fixed rate of 4.80% (2023: Nil) per annum, and was secured by certain equity securities held in a margin securities account as set out in note 19.

26 Deferred tax

Under the EIT Law of the PRC, withholding tax is imposed on dividends declared in respect of profits earned by the PRC companies from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to approximately HK$30,381,000 (2023: HK$42,957,000), as the Group is able to control the timing of reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

At the end of the reporting period, the Group has unused tax losses of approximately HK$69,648,000 (2023: HK$60,047,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams of those subsidiaries. Unrecognised tax losses of HK$5,912,000 (2023: HK$5,369,000) will expire up to 31 December 2027 and the remaining unrecognised tax losses can be carried forward indefinitely. Other temporary differences are not material.

27 Capital and reserves

(a) Share capital

	Number of shares '000	**Amount** HK$'000
Authorised:		
At 31 December 2023 and 31 December 2024	1,000,000	50,000
Issued and fully paid:		
At 31 December 2023 and 31 December 2024	288,000	14,400

27 Capital and reserves (Continued)

(b) Nature and purpose of reserves

(i) Share premium

Under the Companies Law, Chapter 22 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 distribution or dividend is proposed to be paid, the Company will be able to pay its debts as they fall in the ordinary course of business.

(ii) Statutory reserve

This represents statutory reserve of the subsidiaries in the PRC. According to the relevant laws in the PRC, the subsidiaries in the PRC are required to transfer at least 10% of their net profit after taxation, as determined under the PRC accounting regulations, to a non-distributable reserve fund until the reserve balance reaches 50% of their registered capital. The transfer to this reserve must be made before the distribution of a dividend to owners. Such reserve fund can be used to offset the previous years' losses, if any, and is non-distributable other than upon liquidation.

(iii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations outside Hong Kong which are dealt with in accordance with the accounting policies as set out in note 3(d).

28 Capital risk management

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

The capital structure of the Group consists of debt, which includes the lease liabilities and borrowings disclosed in notes 24 and 25 respectively, and equity attributable to owners of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure on a regular basis. As part of this review, the directors of the Company consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors of the Company, the Group will balance its overall capital structure through the payment of dividends and new share issues as well as the issue of new debt or the redemption of existing debt.

29 Financial instruments

(a) Categories of financial instruments

	2024 HK$'000	2023 HK$'000
Financial assets		
Financial assets at amortised cost	**52,102**	52,192
Financial assets at FVTPL	**5,347**	4,883
Bills receivables at FVTOCI	**863**	1,975
Financial liabilities		
Financial liabilities at amortised cost	**25,640**	29,860

(b) Financial risk management objectives and policies

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

(c) Market risks

(i) Currency risk

The Group's exposure to currency risk mainly arises from the fluctuation of US$ and RMB against the functional currencies of the relevant entities now comprising the Group. The carrying amounts of the foreign currency denominated monetary assets and monetary liabilities other than the functional currencies of the relevant entities comprising the Group are as follows. The management closely monitors foreign exchange exposure to mitigate the foreign currency risk.

	2024		2023	
	Assets HK$'000	Liabilities HK$'000	Assets HK$'000	Liabilities HK$'000
HK$	**634**	**–**	1,410	–
US$	**12,008**	**(3,304)**	9,320	(2,066)
RMB	**–**	**–**	46	–
JPY	**1,238**	**–**	1,592	–

29 Financial instruments (Continued)

(c) Market risks (Continued)

(i) Currency risk (Continued)

Sensitivity analysis

It is assumed that the pegged rate between Hong Kong dollars and United States dollars would be materially unaffected by any changes in movement in value of United States dollars against other currencies and thus the sensitivity analysis is not presented.

No sensitivity analysis for other foreign currencies is presented as the management consider that the effect is insignificant.

The Group is mainly operated in its local jurisdiction with most of the transactions settled in its functional currencies of the operations and did not have significant exposure to risk resulting from changes in foreign currency exchange rates.

(ii) Interest rate risk

The Group's cash flow interest rate risk relates primarily to variable-rate bank balances and borrowings as disclosed in notes 21 and 25 due to the fluctuation of the prevailing market interest rate. The Group currently does not have a policy on hedging interest rate risk. However, the management monitors interest rate exposure and will consider hedging significant interest rate risk should the need arise.

Sensitivity analysis

The sensitivity analysis has been determined based on the net exposure to interest rates for variable-rate bank balances and bank borrowings. The analysis is prepared assuming the amount of liability outstanding at each reporting period end was outstanding for the whole year. A 100 basis point increase or decrease is used which represents management's assessment of the reasonably possible change in interest rates. The exposure to the interest rate risk for variable-rate bank balances and bank borrowings is insignificant in view of the low interest rate and therefore the sensitivity analysis is not presented.

29 Financial instruments (Continued)

(c) Market risks (Continued)

(iii) Other price risk

The Group is exposed to equity price through its investments in equity securities measured at FVTPL. For equity securities measured at FVTPL quoted on The New York Stock Exchange, the management of the Group manages this exposure by maintaining a portfolio of investments with different risks.

Sensitivity analysis

The sensitivity analyses have been determined based on the exposure to equity price risk at the reporting date. For sensitivity analysis of equity securities with fair value measurement categorised within Level 1, the sensitivity rate is increased to 1% in current year as a result of the volatile financial market.

If the prices of the respective equity instruments had been 1% higher/lower, the post-tax loss for the year ended 31 December 2024 would decrease/increase by HK$53,000 (2023: HK$49,000) as a result of the changes in fair value of financial assets at FVPTL.

(iv) Credit risk and impairment assessment

As at 31 December 2024, the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position best represents the Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations at the end of the reporting period.

In order to minimise the credit risk, the management has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment under ECL model on trade balances individually or collectively by grouping debtors based on the Group's internal credit rating. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group has concentration of credit risk as 32% (2023: 40%) of the total gross trade receivables was due from the Group's trade debtors which are over 10% (2023: 10%) of the total gross trade receivables, and 55% (2023: 57%) of the total gross trade receivables was due from the five largest debtors, respectively.

The credit risk on liquid funds is limited because the counterparties are banks with good reputation.

29 Financial instruments (Continued)

(c) Market risks (Continued)

(iv) Credit risk and impairment assessment (Continued)

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

Internal credit rating	Description	Trade receivables	Other financial assets
Group A	The counterparty has low risk of default based on historical repayment records and has a good reputation.	Lifetime ECL – not credit-impaired	12-month ECL – not credit-impaired
Group B	The counterparty has higher credibility but sometimes repays after due dates.	Lifetime ECL – not credit-impaired	12-month ECL – not credit-impaired
Group C	The counterparty usually settles after due day with a higher risk of default.	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Group D	There is evidence indicating the asset is credit-impaired.	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Group E	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

29 Financial instruments (Continued)

(c) Market risks (Continued)

(iv) Credit risk and impairment assessment (Continued)

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

Financial assets at amortised cost	*Note*	External credit rating	Internal credit rating	12-month or lifetime ECL
Trade receivables	*17*	N/A	*(note 1)*	Lifetime ECL – not credit-impaired
			Group D	Lifetime ECL – credit-impaired
Bills receivables	*17*	A+	N/A	12-month ECL
Deposits and other receivables	*20*	N/A	*(note 2)*	12-month ECL
Bank balances	*21*	A – A+	N/A	12-month ECL

Debt instruments at FVTOCI	*Note*	External credit rating	Internal credit rating	12-month or lifetime ECL
Bills receivables at FVTOCI	*18*	A+	N/A	12-month ECL

Note 1: For trade receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. Except for debtors which are credit-impaired, the Group determines the ECL on these items on a collective basis, grouped by internal credit rating based on historical repayment records and reputation.

Note 2: For the purposes of internal credit risk management, the Group uses past due information to assess whether credit risk has increased significantly since initial recognition.

As part of the Group's credit risk management, the Group applies internal credit rating for its customers in relation to its operation. The following table provides information about the exposure to credit risk for trade receivables which are assessed within lifetime ECL.

	2024			
	Average loss rate	Gross carrying amount HK$'000	Loss allowance HK$'000	Net carrying amount HK$'000
Internal credit rating				
Group A	**0.3%**	**25,428**	**(69)**	**25,359**
Group B	**1.9%**	**2,618**	**(49)**	**2,569**
Group C	**3.4%**	**29**	**(1)**	**28**
Group D	**100%**	**48**	**(48)**	**–**
		28,123	**(167)**	**27,956**

29 Financial instruments (Continued)

(c) Market risks (Continued)

(iv) Credit risk and impairment assessment (Continued)

	2023			
	Average loss rate	Gross carrying amount HK$'000	Loss allowance HK$'000	Net carrying amount HK$'000
Internal credit rating				
Group A	0.5%	21,459	(97)	21,362
Group B	3.2%	4,896	(156)	4,740
Group D	100%	34	(34)	–
		26,389	(287)	26,102

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

In the opinion of the directors of the Company, the trade receivables at the end of the reporting period which have been past due over 90 days are not considered as in default based on good repayment records for those customers and continuous business with the Group.

29 Financial instruments (Continued)

(c) Market risks (Continued)

(iv) Credit risk and impairment assessment (Continued)

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

	Lifetime ECL (non credit-impaired) HK$'000	Lifetime ECL (credit-impaired) HK$'000	Total HK$'000
At 1 January 2023	193	46	239
Currency realignment	4	(12)	(8)
Impairment loss recognised	56	–	56
At 31 December 2023 and 1 January 2024	**253**	**34**	**287**
Currency realignment	**(20)**	**14**	**(6)**
Reversal of impairment loss recognised	**(114)**	**–**	**(114)**
At 31 December 2024	**119**	**48**	**167**

(v) Liquidity risk

Ultimate responsibility for liquidity risk management rests with the directors of the Company, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The following table details the Group's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, borrowings with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for the financial liabilities are based on the agreed repayment dates.

29 Financial instruments (Continued)

(c) Market risks (Continued)

(v) Liquidity risk (Continued)

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

	Weighted average interest rate	On demand or within one year HK$'000	One to two years HK$'000	Two to five years HK$'000	Total undiscounted cash flows HK$'000	Carrying amounts HK$'000
At 31 December 2024						
Trade payables	**–**	**16,282**	**–**	**–**	**16,282**	**16,282**
Other payables and accruals	**–**	**2,517**	**–**	**–**	**2,517**	**2,517**
Lease liabilities	**3.95%**	**605**	**153**	**229**	**987**	**948**
Borrowings	**5.01%**	**5,905**	**–**	**–**	**5,905**	**5,893**
		25,309	**153**	**229**	**25,691**	**25,640**
At 31 December 2023						
Trade payables	–	18,127	–	–	18,127	18,127
Other payables and accruals	–	3,102	–	–	3,102	3,102
Lease liabilities	4.55%	1,490	–	–	1,490	1,485
Borrowings	7.31%	7,166	–	–	7,166	7,146
		29,885	–	–	29,885	29,860

29 Financial instruments (Continued)

(c) Market risks (Continued)

(v) Liquidity risk (Continued)

Borrowings with a repayment on demand clause are included in the "on demand or less than 1 year" time band in the above maturity analysis. As at 31 December 2024, the aggregate carrying amounts of these borrowings amounted to HK$5,893,000 (2023: HK$7,146,000). Taking into account the Group's financial position, the directors of the Company do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment and believe that such borrowings will be repaid in accordance with the scheduled repayment dates set out in the loan agreements, details of which are set out in the table below:

	2024 HK$'000	2023 HK$'000
Maturity Analysis – Borrowings with a repayment on demand clause based on scheduled repayments		
Less than one year	**4,578**	4,583
After one year but within two years	**748**	1,537
After two years but within five years	**727**	1,625
Total undiscounted cash outflows	**6,053**	7,745
Carrying amount	**5,893**	7,146

(vi) Fair value measurements of financial instruments

The Group's bills receivables at FVTOCI and financial assets at FVTPL are measured at fair value at the end of each reporting period on a recurring basis. The following table gives information about how the fair values of these financial assets are determined.

Financial assets	**Fair value at 31 December 2024**	Fair value at 31 December 2023	**Fair value hierarchy**	**Valuation techniques and key inputs**
Bills receivables at FVTOCI *(note)*	**HK$863,000**	HK$1,975,000	Level 2	Discounted cash flow method. The key input is market interest rate.
Equity securities at FVTPL	**HK$5,347,000**	HK$4,883,000	Level 1	Quoted bid prices in an active market.

Note: The discounted cash flow method uses only observable market input.

There is no transfer between different levels of the fair value hierarchy for the current period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024
(Expressed in Hong Kong dollars)

29 Financial instruments (Continued)

(c) Market risks (Continued)

(vi) Fair value measurements of financial instruments (Continued)

	Fair value hierarchy			
	Level 1	Level 2	Level 3	Total
	HK$'000	HK$'000	HK$'000	HK$'000
At 31 December 2024				
Bills receivables at FVTOCI	**–**	**863**	**–**	**863**
Equity securities at FVTPL	**5,347**	**–**	**–**	**5,347**
	5,347	**863**	**–**	**6,210**
At 31 December 2023				
Bills receivables at FVTOCI	–	1,975	–	1,975
Equity securities at FVTPL	4,883	–	–	4,883
	4,883	1,975	–	6,858

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

30 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.

	Lease liabilities *(note 24)* HK$'000	**Borrowings** *(note 25)* HK$'000	**Total** HK$'000
At 1 January 2023	1,313	13,315	14,628
Financing cash flows, net	(2,833)	(6,678)*	(9,511)
New leases entered	2,906	–	2,906
Finance costs	135	509	644
Exchange adjustments	(36)	–	(36)
At 31 December 2023 and 1 January 2024	**1,485**	**7,146**	**8,631**
Financing cash flows, net	**(2,021)**	**(1,816)***	**(3,837)**
New leases entered	**2,933**	**–**	**2,933**
Adjustment as a result of early termination of leases	**(1,458)**	**–**	**(1,458)**
Finance costs	**47**	**521**	**568**
Exchange adjustments	**(38)**	**42**	**4**
At 31 December 2024	**948**	**5,893**	**6,841**

* The financing cash flows from borrowings make up the net amount of new borrowings raised, repayment of bank borrowings and lease liabilities and interest paid on bank borrowings and lease liabilities in the consolidated statement of cash flows.

31 Related party disclosures

(a) Compensation of key management personnel

Remuneration for key management personnel of the Group, including amounts paid to the directors of the Company and certain of the highest paid employee as disclosed in note 12, is as follows:

	2024 **HK$'000**	2023 HK$'000
Short-term benefits	**4,275**	4,065
Post-employment benefits	**73**	73
	4,348	4,138

31 Related party disclosures (Continued)

(b) Other related party transactions

Save as disclosed above and elsewhere in these consolidated financial statements, the Group did not have any material related party transactions during the years ended 31 December 2024 and 2023.

32 Major non-cash transactions

During the year ended 31 December 2024, the Group entered into a new lease agreement for the use of a leased property. On the lease commencement, the Group recognised HK$2,933,000 (2023: HK$2,906,000) of right-of-use assets and HK$2,933,000 (2023: HK$2,906,000) of lease liabilities.

33 Retirement benefit plans

(a) Defined contribution plans

The Group operates a MPF Scheme for all qualifying employees in Hong Kong under the Mandatory Provident Fund Schemes Ordinance. Under the MPF Scheme, the employer and its 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 assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. The only obligation of the Group with respect of MPF Scheme is to make the required contributions under the scheme. Contribution to the plan vest immediately, there is no forfeited contribution that may be used by the Group to reduce the existing level of contribution.

The employees employed in the PRC are members of the state-managed retirement benefit schemes operated by the PRC government. The PRC subsidiaries are required to contribute a certain percentage of their basic payroll to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit schemes is to make the required contributions under the schemes. Contribution to the plan vest immediately, there is no forfeited contribution that may be used by the Group to reduce the existing level of contribution.

The total expenses recognised in profit or loss of HK$1,863,000 (2023: HK$1,889,000) represents contributions paid and payable to these plans by the Group at rates specified in the rules of the plans.

(Expressed in Hong Kong dollars)

34 Particulars of subsidiaries of the Company

Name of subsidiary	Place of incorporation/ establishment	Place of operations	Issued and fully paid share capital/ registered capital	Equity interest attributable to the Company 2024	2023	Principal activities
Directly held						
Vertical Technology (B.V.I.) Limited	BVI	Hong Kong	US$1	**100%**	100%	Investment holding
Vertical Technology (Asia Pacific) Limited	Hong Kong	Hong Kong	HK$100	**100%**	100%	Not yet commenced business
Indirectly held						
Vertical Technology Company Limited	Hong Kong	Hong Kong	HK$26,486,155	**100%**	100%	Trading of electronic components
韶關弘峰電子有限公司*	PRC	PRC	HK$4,000,000	**100%**	100%	Trading of electronic components
東莞首科電子科技有限公司*	PRC	PRC	HK$20,000,000	**100%**	100%	Sales of manufactured aluminum electrolytic capacitors
Vertical Engineering Company Limited	Hong Kong	Hong Kong	HK$10,000	**100%**	100%	Not yet commenced business

* The companies are registered in the form of wholly foreign owned enterprises.

No debt security has been issued by any of subsidiaries at any time during the year or is outstanding at the end of the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024
(Expressed in Hong Kong dollars)

35 Statement of financial position and equity of the Company

(a) Statement of financial position of the Company

	2024 HK$'000	2023 HK$'000
Non-current asset		
Investment in a subsidiary	**54,486**	54,486
Current assets		
Prepayments and deposits	**30**	209
Amount due from a subsidiary	**–**	1,000
Bank balances and cash	**4,000**	1,095
	4,030	2,304
Current liabilities		
Other payables	**528**	488
Amounts due to subsidiaries	**9,142**	1,437
	9,670	1,925
Net current (liabilities)/assets	**(5,640)**	379
NET ASSETS	**48,846**	54,865
Capital and reserves		
Share capital	**14,400**	14,400
Reserves	**34,446**	40,465
TOTAL EQUITY	**48,846**	54,865

35 Statement of financial position and equity of the Company (Continued)

(b) Equity of the Company

	Share capital HK$'000	Share premium HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2023	14,400	83,194	(27,639)	69,955
Loss and total comprehensive expense for the year	–	–	(5,010)	(5,010)
Dividends paid *(note 11)*	–	(10,080)	–	(10,080)
At 31 December 2023 and 1 January 2024	**14,400**	**73,114**	**(32,649)**	**54,865**
Loss and total comprehensive expense for the year	**–**	**–**	**(6,019)**	**(6,019)**
At 31 December 2024	**14,400**	**73,114**	**(38,668)**	**48,846**

FIVE-YEAR FINANCIAL SUMMARY

(Expressed in Hong Kong dollars)

The results and the assets and liabilities of the Group for the last five financial years, as extracted from the Group's audited consolidated financial statements in this annual report, are set out below.

	For the year ended 31 December				
	2024	2023	2022	2021	2020
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
RESULTS					
Revenue	**81,546**	84,262	86,371	132,480	96,269
(Loss)/profit before taxation	**(5,007)**	(11,850)	(19,028)	6,984	1,966
Income tax (expense)/credit	**(473)**	(338)	482	(1,907)	(1,162)
(Loss)/profit for the year	**(5,480)**	(12,188)	(18,546)	5,077	804

	As at 31 December				
	2024	2023	2022	2021	2020
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
ASSETS AND LIABILITIES					
Total assets	**96,618**	107,601	133,663	157,309	132,777
Total liabilities	**(26,952)**	(30,983)	(32,541)	(46,159)	(35,420)
Total equity	**69,666**	76,618	101,122	111,150	97,357