

KEEN OCEAN INTERNATIONAL HOLDING LIMITED

(incorporated in the Cayman Islands with limited liability)

Stock Code : 8070

The background of the entire page is a complex, abstract design. It features a dense network of red and purple lines that form a series of concentric, swirling patterns, resembling a stylized galaxy or a digital signal. Overlaid on this background are several electronic components: a green printed circuit board (PCB) with various capacitors and resistors in the upper left; a black power transformer with yellow and red wires in the middle left; a small electronic module with a red wire in the lower left; and a silver and black audio amplifier or receiver unit at the bottom center. The text "ANNUAL REPORT 2024" is centered within a dark purple circular area on the right side of the page. The overall aesthetic is high-tech and digital.

ANNUAL
REPORT
2024

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

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*This report, for which the directors (the “**Directors**”) of Keen Ocean International Holding Limited (the “**Company**” or “**Our**”) 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 and its subsidiaries (collectively refer to as the “**Group**” or “**We**”). 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.*

This report will remain on the “Latest Listed Company Information” page of the Stock Exchange’s website at www.hkexnews.hk for at least 7 days from the date of its posting and will also be published on the Company’s website at www.keenocan.com.hk.



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive directors

Mr. Chung Chi Wah (*Chairman*)
Mr. Chung Tin Shing
Mr. Wong Shek Fai, Johnson

Independent non-executive directors

Mr. Cheung Yee Tak, Jonathan
Ms. Fu Jingyan
Mr. Lam Chon Loi

COMPANY SECRETARY

Ms. Chau Hing Ling

COMPLIANCE OFFICER

Mr. Wong Shek Fai, Johnson

BOARD COMMITTEES

Audit committee

Mr. Cheung Yee Tak, Jonathan (*Chairman*)
Ms. Fu Jingyan
Mr. Lam Chon Loi

Nomination committee

Ms. Fu Jingyan (*Chairman*)
Mr. Chung Tin Shing
Mr. Lam Chon Loi

Remuneration committee

Mr. Lam Chon Loi (*Chairman*)
Mr. Chung Chi Wah
Mr. Cheung Yee Tak, Jonathan

Risk management committee

Mr. Chung Tin Shing (*Chairman*)
Mr. Wong Shek Fai, Johnson
Mr. Lam Chon Loi

AUTHORISED REPRESENTATIVES

Mr. Chung Chi Wah
Mr. Chung Tin Shing

COMPANY'S WEBSITE

<http://www.keenoclean.com.hk>

AUDITOR

WM CPA Limited
18/F, King's Commercial Centre
25 King's Road
Hong Kong

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN CHINA

East of Xinggong Avenue
and South of Keqi Road
High-tech Development Zone
Heyuan City
Guangdong Province
The PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 3702, 37/F, Cable TV Tower
No. 9 Hoi Shing Road, Tsuen Wan
New Territories
Hong Kong

PRINCIPAL BANKERS

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

DBS Bank (Hong Kong) Limited
11th Floor
The Center
99 Queen's Road Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Codan Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P. O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR

Union Registrars Limited
Suites 3301-04, 33/F
Two Chinachem Exchange Square
338 King's Road
North Point
Hong Kong

STOCK CODE

8070

FINANCIAL HIGHLIGHTS

RESULTS

	For the year ended 31 December				2024
	2020 HK\$'000	2021 HK\$'000	2022 HK\$'000	2023 HK\$'000	HK\$'000
Revenue	155,935	267,268	394,867	326,713	287,213
Profit before taxation	1,195	12,996	21,009	19,021	20,680
Income tax expense	–	(776)	(4,211)	(1,847)	(3,134)
Profit for the year	<u>1,195</u>	<u>12,220</u>	<u>16,798</u>	<u>17,174</u>	<u>17,546</u>

ASSETS AND LIABILITIES

	At 31 December				2024
	2020 HK\$'000	2021 HK\$'000	2022 HK\$'000	2023 HK\$'000	HK\$'000
Total Assets	128,854	177,670	238,222	210,474	217,654
Total Liabilities	<u>72,916</u>	<u>108,119</u>	<u>156,417</u>	<u>112,338</u>	<u>132,917</u>
	<u>55,938</u>	<u>69,551</u>	<u>81,805</u>	<u>98,136</u>	<u>84,737</u>

CHAIRMAN'S STATEMENT

Dear Shareholders

On behalf of the board of Directors (the **"Board"**) of the Company, I am pleased to present to the shareholders of the Company the annual report of the Group for the financial year ended 31 December 2024.

The Group has built up surplus cash funds from its business operations and rising demand of clean energy appliances. The Group's management will increase production capacity on clean energy products as responding to market trend. Against the devastating development of the Israel-Hamas and Russia-Ukraine conflict, and the US restrictions on the export of chips and chipmaking equipment to the PRC, the Group endured unexpected business challenges on shipment of material and finished Goods.

Our Directors and management will be cautious and pay careful attention to the development of material supply chain, shipping schedule, and any challenges ahead. Our research and development team will continue to strive for improve production cycle, upgrades on clean energy products and electric vehicle parts.

On behalf of the Board, I would like to thank the management team and all our staff for their enormous efforts in the past year. I would also like to thank all our customers, business partners and shareholders for their continuous support.

Chung Chi Wah

Chairman

Hong Kong, 25 March 2025

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the year, the Group principally engaged in the design, development, production and sale of transformers, switching mode power supplies, electric healthcare products, other electronic parts and components and others products. The Group sells its products domestically as well as overseas. Customers are mainly manufacturers and trading entities.

Most of the transformers and power supply products were manufactured and sold under the Group's brand name "Keen Ocean", while all electronic parts and components as well as electric healthcare products were sold on an original equipment manufacturer (OEM) basis. Among the products manufactured and sold, transformers remained the Group's flagship products and represented approximately 41.5% of the Group's sales for the year ended 31 December 2024 (for the year ended 31 December 2023: approximately 44.8%). The switching mode power supply represented approximately 1.1% of the Group's sales for the year ended 31 December 2024 (for the year ended 31 December 2023: approximately 0.9%). The electronic parts and components and others products represented approximately 57.4% of the Group's sales for the year ended 31 December 2024 (for the year ended 31 December 2023: approximately 53.5%). The electric healthcare products of the Group's sales for the year ended 31 December 2024 was nil (for the year ended 31 December 2023: approximately 0.8%).

Revenue generated by the Group decreased during the year as compared to the corresponding period in the previous year. This was mainly due to the slowdown in purchase orders for transformers during the year.

Cost of sales has decreased during the year in line with the decrease in sales.

The operating margin has increased during the year. This was mainly attributable to efficiencies made from the R&D investment in reducing production waste and overall costs of production during the year.

During the year, the management of the Group stayed connected with existing customers and closely followed up with the revised delivery schedule in order to maintain and solidify business relationships. The Group continued to place advertisements in renowned industrial magazines. To further promote its products, the Group has been attending trade exhibitions, physical marketing events and face to face meetings with existing and potential customers.

MANAGEMENT DISCUSSION AND ANALYSIS

An analysis of the Company's revenue from its major products is as follows:

	2024	2023
	HK\$'000	HK\$'000
Sales of transformers	119,202	146,176
Sales of switching mode power supply	3,228	3,100
Sales of electronic parts and components	164,783	174,750
Sales of electric healthcare products	–	2,687
	287,213	326,713

Geographical information

Information about the Group's revenue is presented based on the location of the customers. Information about the Group's non-current assets is presented based on the geographical location of the assets.

	Revenue from external customers		Non-current assets	
	2024	2023	2024	2023
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	2,760	19,184	21,502	21,997
PRC	55,121	41,950	18,480	12,970
Europe	139,289	183,340	–	–
United States	23,128	25,380	–	–
India	52,638	43,218	–	–
Others	14,277	13,641	–	–
	287,213	326,713	39,982	34,967

MANAGEMENT DISCUSSION AND ANALYSIS

Information about major customers

Revenues from customers during the year contributing over 10% of the total revenue of the Group are as follows:

	2024 HK\$'000	2023 HK\$'000
Customer A (sales of transformers)	52,537	43,116
Customer B (sales of electronic parts and other products)	108,534	162,054

FINANCIAL REVIEW

The Group's revenue decreased by approximately HK\$39.5 million, or 12.1%, from approximately HK\$326.7 million for the year ended 31 December 2023 to approximately HK\$287.2 million for the year ended 31 December 2024. Such decrease was primarily due to the economic downturn weakening the demand of the customers.

Cost of sales decreased by approximately HK\$45.3 million, or 16.4%, from approximately HK\$276.1 million for the year ended 31 December 2023 to approximately HK\$230.8 million for the year ended 31 December 2024. The decrease was in line with the decrease in revenue and was primarily due to the decrease in production costs during the period under review.

As a result, the Group's gross profit increased by approximately HK\$5.7 million, or 11.3%, from approximately HK\$50.7 million for the year ended 31 December 2023 to approximately HK\$56.4 million for the year ended 31 December 2024, while gross profit margin increased from 15.5% for the year ended 31 December 2023 to 19.6% for the year ended 31 December 2024. Such increase was mainly attributable to the increase in selling price of products and strict control in costs of production during the period under review.

Interest revenue increased by approximately HK\$2.26 million, or 288.0% from approximately HK\$0.79 million for the year ended 31 December 2023 to HK\$3.05 million for the year ended 31 December 2024. Such increase was mainly attributable to the increase in bank interest income. Other income decreased by approximately HK\$1.83 million, or 56.1%, from approximately HK\$3.26 million for the year ended 31 December 2023 to approximately HK\$1.43 million for the year ended 31 December 2024. Such decrease was mainly attributable to the decrease in government incentive received in 2024.

MANAGEMENT DISCUSSION AND ANALYSIS

Other gains/(losses) net decreased by approximately HK\$5.1 million, or 136.3%, from approximately gain of HK\$3.7 million for the year ended 31 December 2023 to approximately loss of HK\$1.4 million for the year ended 31 December 2024. Such decrease was mainly attributable to the decrease in investment income from losses incurred from the Company's hedging policy for the year ended 31 December 2024. Foreign exchange difference increased compared with the corresponding period in 2023 due to increase in translating intercompany operations.

Selling and distribution expenses were approximately HK\$6.9 million for the year ended 31 December 2024 and to similar to the figure for the year ended 31 December 2023.

Administrative expenses increased by approximately HK\$0.3 million, or 0.7%, from approximately HK\$29.9 million for the year ended 31 December 2023 to approximately HK\$30.2 million for the year ended 31 December 2024. Such increase was mainly attributable to inflation.

Finance costs decreased by approximately HK\$0.8 million, or 30.7%, from approximately HK\$2.6 million for the year ended 31 December 2023 to approximately HK\$1.8 million for the year ended 31 December 2024. Such decrease was mainly attributable to the decrease in bank loans due to improved cash collection on accounts receivable during the period under review.

Income tax expenses increased by approximately HK\$1.3 million or 69.7% from approximately HK\$1.8 million for the year ended 31 December 2023 to approximately HK\$3.1 million for the year ended 31 December 2024. Such increase was mainly attributable to the increase of taxable profit for profit tax for the period under review.

As a result of the above, the Group recorded a profit of approximately HK\$17.5 million for the year ended 31 December 2024 (for the year ended 31 December 2023: approximately HK\$17.2 million).

MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECT

The Group had experienced business challenges including volatile demand patterns, inconsistent shipment timeline as well as inflated delivery costs and material costs.

The management of the Group is determined to rise to these challenges. The production team maintains sufficient inventory buffer to cope with the demand and supply chain uncertainties. The management also strives to sustain the Group's competitive advantages through solidifying business relationships.

In addition, the management spotted a rising demand of clean energy appliances and electric vehicle, and had caught the opportunities to produce products and components for these two markets. Moreover, the Group has continuously delivered products with high quality, we expect that we will continue to obtain new orders from our developed customer base.

The Group has built up surplus cash funds from its business operations and to improve the Group's overall capital efficiency, the management has deemed it appropriate to modify the Group's existing treasury policy by allowing it to invest more in short-term and low-risk investments in listed securities in Hong Kong as well as other related investment products offered by banks and other financial institutions subject to certain conditions. Such conditions include, but are not limited to, all securities invested by the Group should not exceed an investment period of twelve months; the aggregate amount of funds to be invested in any securities should not exceed the cashflow needs of the Group for the next six months at any material time and detailed descriptions of the securities should be submitted for consideration and prior approval at the meetings of the Board. As funding for these investments will come from idle funds, there will not be an impact to the Group's operational liquidity and fund security.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group's management is aware of and is closely monitoring the development of the Russia-Ukraine conflict and Israel-Hamas war and accordingly evaluates any possible impact to its financial position and performance. The Group's management believes that the impact of these two conflicts to its current operations, supply chain and financial performance is minimal. The Group's management is also aware of the US restrictions on the export of chips and chipmaking equipment to the PRC and believes that the impact of such restrictions to its current operations, supply chain and financial performance is minimal.

In the long run, the Group is confident that it shall explore the opportunities and lay the foundations for a durable and sustainable growth with its continuous effort and solid customer base.

LIQUIDITY AND FINANCIAL RESOURCES

During the period under review, the Group's source of funds was primarily from the cash generated from operating activities. The Group also utilised bank borrowings to finance its operations. As at 31 December 2024, the Group had a financial position with net assets amounting to approximately HK\$84.7 million (31 December 2023: approximately HK\$98.1 million). Net current assets stood at approximately HK\$44.8 million (31 December 2023: approximately HK\$63.2 million).

As at 31 December 2024, shareholder's fund amounted to approximately HK\$84.7 million (31 December 2023: approximately HK\$98.1 million). Current assets amounted to approximately HK\$177.7 million (31 December 2023: approximately HK\$175.5 million), mainly comprising inventories, trade and other receivables and prepayments, pledged bank deposits, short-term deposits and cash balance. Current liabilities amounted to approximately HK\$132.9 million (31 December 2023: approximately HK\$112.3 million), mainly comprising trade and other payables and accruals, bank borrowings and overdrafts.

As at 31 December 2024, the Group's bank and cash balance amounted to approximately HK\$6.1 million (31 December 2023: approximately HK\$11.7 million). Net asset value per share was HK\$0.42 (31 December 2023: HK\$0.49).

As at 31 December 2024, the gearing ratio of the Group, which is based on the ratio of interest bearing borrowings net of bank and cash balance to total equity, was approximately 0.17 (31 December 2023: approximately 0.26). The decrease in the gearing ratio, is mainly due to the decrease in bank loans during the year under review.

The Group's source of funds can further be satisfied by using a combination of cash generated from operating services, bank borrowings and net proceeds from other funds raised from the capital market from time to time.

MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL EXPENDITURE

For each of the years ended 31 December 2024 and 31 December 2023, the Group incurred capital expenditures in respect of additions of property, plant and equipment in the amount of approximately HK\$6.1 million and HK\$26.5 million respectively. The following table sets out the financial capital expenditures during the years under review:

	Year ended 31 December	
	2024 HK\$'000	2023 HK\$'000
Land and buildings	–	21,680
Plant and machinery	5,231	2,699
Leasehold improvements	557	1,789
Furniture, fixtures and other equipment	170	44
Motor vehicles	155	271
TOTAL	6,113	26,483

The capital expenditures incurred in each of the years ended 31 December 2024 and 31 December 2023 primarily related to purchase of the two non-residential properties and leasehold improvements. The Group funded capital expenditures primarily with the cash generated from operating activities.

CAPITAL STRUCTURE

The Group maintains a prudent funding and treasury policy and the management is responsible for monitoring its funding requirements and performing ongoing liquidity review. As at 31 December 2024, the issued share capital of the Company comprised only ordinary shares. The capital structure of the Group mainly consists of borrowings from bank and equity attributable to owners of the Group, comprising issued share capital and retained earnings respectively. Borrowings from bank were denominated in Hong Kong dollars which were secured by pledged bank deposits and trade receivables of the Group.

FOREIGN EXCHANGE EXPOSURE

The sales of the Group are mainly denominated in US dollars. However, the Group has certain foreign currency sales and purchases transactions denominated in Renminbi and Hong Kong dollars, which may expose the Group to foreign currency risk. The Group currently has no foreign currency hedging policy and the management monitors the foreign exchange exposure by closely monitoring the movement of foreign currency rates. Nevertheless, the Group will consider hedging significant foreign currency exposure should the need arise.

SIGNIFICANT INVESTMENT HELD

As at 31 December 2024, the Group did not have any significant investment held (31 December 2023: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

CONTINGENT LIABILITIES

As at 31 December 2024, the Group did not have any material contingent liabilities (31 December 2023: nil).

CAPITAL COMMITMENT

As at 31 December 2024, the Group had outstanding capital commitments of approximately HK\$641,000 (31 December 2023: nil).

EMPLOYEE AND REMUNERATION POLICIES

As at 31 December 2024, the Group had approximately 585 employees (31 December 2023: approximately 458 employees), including the Directors. Total staff costs excluding Directors' remuneration for the year ended 31 December 2024 amounted to approximately HK\$46.8 million (for the year ended 31 December 2023: approximately HK\$44.9 million). Remuneration packages including staff benefits are maintained at a competitive level and reviewed on a periodical basis. Employees' remunerations and related benefits are determined with reference to their performance, qualifications, experience, positions and the performance of the Group. Ongoing training on quality control and production facilities operations is provided to employees, with relevant procedural and operational guidelines formulated.

CHARGES ON THE GROUP'S ASSETS

The following assets of the Group were pledged at the end of the reporting period for certain banking facilities granted to the Group:

	31 December 2024 HK\$'000	31 December 2023 HK\$'000
Land and buildings	21,030	21,463
Pledged bank deposit	26,913	10,810
Trade receivable	6,480	706
	54,423	32,979

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

During the year ended 31 December 2024, the Group did not have any material acquisitions nor disposals of subsidiaries and affiliated companies.

MANAGEMENT DISCUSSION AND ANALYSIS

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

In view of the national economic recovery, the Group has surplus cash funds from its business operations. As a result, there is a growing need for treasury management to improve the Group's overall capital efficiency, hence the Group has invested not more than 30% of its cash-in-hand at any material time in short-term and low-risk investments in listed securities in Hong Kong as well as other related investment products offered by banks and other financial institutions subject to certain conditions. Such conditions include, but are not limited to, all securities invested by the Group should not exceed an investment period of twelve months; the aggregate amount of funds to be invested in any securities should not exceed the cashflow needs of the Group for the next six months at any material time and detailed descriptions of the securities should be submitted for consideration and prior approval at the meetings of the Board. Funding for these investments will come from idle funds and will not impact the Group's operational liquidity and fund security.

Other than the above, the Group does not have any plans for material investments and capital assets.

EVENTS DURING AND AFTER THE REPORTING PERIOD

On 26 January 2024, the Board was notified by Century Lead International Limited (the **"Offeror"**, whose sole shareholder and sole director is a Mr. Chung Chi Wah (**"Mr. Chung"**)) that, the Offeror and Cyber Goodie Limited (the **"Vendor"**, the entire issued share capital of which is owned by Mr. Chung Chi Hang, Larry, a former executive Director and the former Chairman of the Company and the younger brother of Mr. Chung), entered into a sale and purchase agreement (the **"SPA"**), pursuant to which the Offeror agreed to acquire and the Vendor agreed to sell 126,000,000 ordinary shares in the share capital of the Company (representing 63.0% of the total issued share capital of the Company).

Pursuant to Rule 26.1 of the Takeovers Code, the Offeror was therefore required to make a mandatory unconditional cash offer (the **"Offer"**) to acquire all the issued ordinary shares in the share capital of the Company (other than those already owned or agreed to be acquired by the Offeror and the parties acting in concert with it). The composite document containing, among other things: (i) details of the Offer (including the expected timetable); (ii) a letter of advice from the Independent Board Committee to the Independent Shareholders in relation to the Offer; and (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee in relation to the Offer, together with the Form of Acceptance, have been despatched to the Independent Shareholders on 8 April 2024. As at 29 April 2024, immediately after the close of Offer, the Offeror and parties acting in concert with it (other than the Vendor) were interested in 126,260,000 Shares, representing 63.13% of the total issued share capital of the Company.

For details, please refer to the joint announcements jointly issued by the Offeror and the Company dated 26 January 2024, 16 February 2024, 15 March 2024, 8 April 2024 and 29 April 2024 (collectively with **"Joint Announcements"**) and the composite document dated 8 April 2024. Unless otherwise defined, capitalised terms used in this section shall have the same meanings as those defined in the Joint Announcements.

Mr. Chung became an executive Director and Chairman of the Company, and Mr. Chung Chi Hang, Larry resigned as an executive Director and Chairman of the Company, with effect from 1 October 2024.

Save as disclosed above, the Group had no significant events during and after the reporting period which needs to be disclosed.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Chung Chi Wah (鍾志華), aged 61, is the Chairman of the Board and an executive Director of the Company. He is primarily responsible for the strategy development of the Group which includes the transformation of the production model of the Company from processing arrangement to its own production, expansion of the business of the Company to domestic sales and diversification of the product ranges of the Company. He graduated from York University in Canada with a bachelor degree in economics and the City University of Hong Kong with a master degree in financial engineering. He formally joined the Group in October 2024. Before joining the Group, He operated a group of companies which respectively engaged in type 1 (dealing in securities) regulated activity (by Berich Brokerage Limited) and type 2 regulated activity (dealing in futures contracts) (by Berich Futures (H.K.) Company Limited) under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO") during the period from 2007 to 2022 and type 9 (asset management) regulated activities (by Guo Bang (HK) Asset Management Limited) under the SFO during the period from 2018 to 2023.

Mr. Chung is a director of Keen Ocean Industrial Limited, KOS Technology Company Limited and T-Lab Industrial (Holdings) Limited, each a subsidiary of the Company.

Mr. Chung Tin Shing (鍾天成), aged 54, is the chief executive officer and an executive Director of the Company. He is primarily responsible for overseeing the overall operation and marketing and sales of the Group. He graduated from the Chinese University of Hong Kong with a bachelor degree in business administration (finance) in 1994. He formally joined the Group in June 2001. Before joining the Group, he was responsible for the marketing operation management in Mae Holdings Limited.

Mr. Wong Shek Fai, Johnson (黃石輝), aged 52, is an executive Director and compliance officer of the Company. Mr. Wong is primarily responsible for overseeing the production and engineering of the Group. Mr. Wong obtained a bachelor of electrical engineering from Carleton University in Canada in 1995. Mr. Wong joined the Group in January 2006. Before joining the Group, Mr. Wong worked as manager for the engineering department of Mei Ah Electrical & Industry (HK) Ltd. from May 1995 to January 2006, he was responsible for the project development and providing technical support to the sales and marketing team.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Cheung Yee Tak, Jonathan (張以德), aged 36, was appointed as an independent non-executive Director on 8 October 2019. Mr. Cheung obtained a bachelor's degree in commerce from the University of Toronto, Canada in 2011. Mr. Cheung is a certified public accountant of the Hong Kong Institute of Certified Public Accountants. Mr. Cheung has over 12 years of experience in the financial industry. Mr. Cheung is currently an independent non-executive director of Shenzhen Pagoda Industrial (Group) Corporation Limited (stock code: 2411) whose shares are listed on the main board of the Stock Exchange. From September 2011 to July 2015, Mr. Cheung worked at PricewaterhouseCoopers, where his last position was a senior associate. In February 2016, Mr. Cheung joined Kingsway Capital Limited, a subsidiary of Sunwah Kingsway Capital Holdings Limited (stock code: 188) whose shares are listed on the main board of the Stock Exchange, where he acted as a licensed representative of the Securities and Futures Commission for Type 1 and Type 6 regulated activities, and was subsequently promoted as a senior manager in the corporate finance department in July 2018. From July 2019 to July 2020, Mr. Cheung worked at Sinolink Securities (Hong Kong) Company Limited, a subsidiary of Sinolink Securities Co. Ltd (stock code: 600109) whose shares are listed on the Shanghai Stock Exchange, where his last position was an associate director of the corporate finance department. During his employment with Kingsway Capital Limited and Sinolink Securities (Hong Kong) Company Limited, Mr. Cheung executed a wide variety of capital markets and corporate finance transactions, including initial public offerings, mergers and acquisitions and compliance advisory.

Ms. Fu Jingyan (付靜艷), aged 46, was appointed as an independent non-executive Director on 1 October 2024. Ms. Fu obtained a postgraduate diploma in digital strategy and business transformation from the University of Hong Kong in 2019. Ms. Fu has over 8 years of managerial experience at listed companies in Hong Kong and the United States of America. In April 2007, Ms. Fu joined Baidu, a company listed on the main board of the Stock Exchange (stock code: 9888) and the NASDAQ stock market (stock code: BIDU). Ms. Fu began working as a front-line sales at Baidu's Shenzhen office, and was subsequently promoted to Baidu's Beijing headquarter and Baidu's Hong Kong office, where she held managerial positions such as deputy director of the direct client team (industry) and director of the channel team (sales group) within Baidu's key clients sales department.

Mr. Lam Chon Loi (林春雷), aged 60, was appointed as an independent non-executive Director on 30 June 2017. Mr. Lam obtained his bachelor of science degree from McMaster University, Hamilton, Ontario, Canada in May 1988. In October 2015, he received a professional diploma in property management for practitioners in Macao from the Vocational Training Council of Hong Kong. Mr. Lam has over 27 years of experience in the management of businesses in Macau. He currently owns a property and facilities management company in Macau.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Mr. Yu Siu Ming (余兆明), aged 61, is the financial controller of the Group. Mr. Yu joined the Group on 2 July 2008. Mr. Yu obtained a bachelor's degree in Business Administration from the Queen's University of Brighton in 2007 and a MBA of Financial Management from the Queen's University of Brighton in 2009. From 1984 to 1987, Mr. Yu worked with G. F. Mark Five Knitting Factory Limited initially as an account clerk and promoted as an assistant accountant. From 1987 to 1988, he worked as an accountant with China Rising Development Limited. From 1988 to 1991, he worked as an accountant with Bagutta Garment Limited. From 1991 to 2007, he worked as an accountant and controller with Ospinter Limited. From 2007 to 2008, Mr. Yu worked as an accountant with Flexcon Limited.

Mr. Yin Fan (尹凡), aged 46, is the financial manager of He Yuan Sky Wealth Electronic and Plastic Company Limited (河源天裕電子塑膠有限公司), an indirect wholly-owned subsidiary of the Company. Mr. Yin joined the Group on 13 August 2008. Mr. Yin graduated from Hunan Institute of Technology (湖南工學院), formerly known as Hunan Construction Material Advanced Technical School (湖南建材高等專科學校), majoring in corporate management in 2002. From 2004 to 2005, he worked as the account and tax manager with 力升樹燈(河源)有限公司. From 2005 to 2008, he worked as the financial vice-manager, administration manager and assistant to vice-general manager with 中山澳碧製衣有限公司. From 2008 to 2011, he worked as the accounting manager with T-Lab Electronic and Plastic (He Yuan) Co., Ltd. (天工電子塑膠(河源)有限公司), a limited liability company established in the PRC on 12 January 2005, which is ultimately owned by Mr. Chung Chi Hang, Larry as to 90% and Mr. Chung Tin Shing as to 10%.

CORPORATE GOVERNANCE REPORT

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

CORPORATE GOVERNANCE PRACTICES

The Directors consider that incorporating the core elements of good corporate governance in the management structure and internal control procedures of the Group would help balance the interest of the shareholders, customers and employees of the Company. The Board has adopted the principles and the code provisions of the Corporate Governance Code contained in Appendix C1 of the GEM Listing Rules (the “**CG Code**”) to ensure that the Group’s business activities and decision making processes are regulated in a proper and prudent manner.

During the year ended 31 December 2024, the Company has complied with the code provisions set out in the CG Code.

COMPANY’S CULTURE

The Board believes that corporate culture underpins the long-term business, economic success and sustainable growth of the Group. A strong culture enables the Company to deliver long-term sustainable performance and fulfil its role as a responsible corporate citizen. The Company is committed to developing a positive and progressive culture that is built on its purpose.

The Board sets and promotes corporate culture and expects and requires all employees to reinforce.

The Board considers that the corporate culture and the purpose, values and strategy of the Group are aligned.

CORPORATE GOVERNANCE REPORT

SECURITIES TRANSACTIONS BY DIRECTORS

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

BOARD OF DIRECTORS

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

Executive directors

Mr. Chung Chi Wah (*Chairman*) (appointed on 1 October 2024)

Mr. Chung Tin Shing (*Chief Executive Officer*)

Mr. Wong Shek Fai, Johnson (*Compliance Officer*)

Independent non-executive directors

Mr. Cheung Yee Tak, Jonathan

Mr. Lam Chon Loi

Ms. Fu Jingyan (appointed on 1 October 2024)

Each of Mr. Chung Chi Wah and Ms. Fu Jingyan confirms that they (i) have obtained the legal advice referred to under Rule 5.02D of the GEM Listing Rules both on 27 September 2024 and (ii) understands their obligation as a director of a listed issuer under the GEM Listing Rules.

The biographical details of all Directors are set out on pages 15 to 17 of this annual report. To the best knowledge of the Company, there are no financial, business, family or other material or relevant relationships among members of the Board.

The Company is governed by the Board which has the responsibility for leadership and monitoring of the Company. The Directors are collectively responsible for promoting the success of the Group by directing and supervising the Group's affairs.

The Board sets strategies and directions for the Group's activities with a view to developing its business and enhancing shareholders' value. The Board has delegated the daily operation and day-to-day management of the Group as well as the implementation of the Board's policies and strategies to the executive Directors and management of the Group.

CORPORATE GOVERNANCE REPORT

Board meetings and board practices

The Board conducts at least four regular meetings a year. At least 14 days' notice is given to all Directors before convening the Board meeting. All related information will be submitted to the Directors at least three days in advance. The Directors can attend meetings in person or through other means of electronic communication in accordance with the Company's articles of association (the "**Articles**"). All minutes of the Board meetings are recorded in sufficient detail the matters considered by the Board and the decisions reached.

During the year ended 31 December 2024, six board meetings were held and the Chairman held a meeting with the independent non-executive Directors without the presence of other Directors.

The Board has reviewed, include but not limited to, the interim results for the six-month period ended 30 June 2024 and the audited annual results of the Group for the year ended 31 December 2023. The Board has also reviewed the re-appointment of auditor of the Company, risk management and internal control of the Company, the remuneration packages of the Directors and senior management and the retirement and re-election of Directors. The Board has also reviewed and approved the change of auditors, directors and shareholdings structure of the Company.

Details of the attendance of Directors are as follows:

Directors	Attendance/Number of meeting(s) held
Executive Directors	
Mr. Chung Chi Hang, Larry (resigned on 1 October 2024)	6/6
Mr. Chung Tin Shing	6/6
Mr. Wong Shek Fai, Johnson	6/6
Mr. Chung Chi Wah (appointed on 1 October 2024)	N/A/N/A
Independent Non-Executive Directors	
Mr. Cheung Yee Tak, Jonathan	6/6
Mr. Li Chung Pong, Stephen (resigned on 1 October 2024)	6/6
Mr. Lam Chon Loi	6/6
Ms. Fu Jingyan (appointed on 1 October 2024)	N/A/N/A

CORPORATE GOVERNANCE REPORT

During the Board meetings, the senior management of the Company provided each Director with timely information regarding the business activities and developments of the Company and met with independent non-executive Directors to seek their views on the business development and operational matters of the Company. The senior management of the Company also provided a confirmation to the Board on the effectiveness of the Company's risk management and internal control systems.

Appointment and re-election of directors

The current Articles provide that 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 and that every Director shall be subject to retirement at an annual general meeting at least once every three years.

Under the code provision B.2.2 of the CG Code, every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. Each of the executive Directors and independent non-executive Directors has entered into a services contract or an appointment letter with the Company respectively. The services contract of each of the executive Directors is for a term of three years, which may be terminated by not less than three months' notice in writing served by either party on the other. The appointment letter of each of the independent non-executive Directors is for a term of three years commencing from his appointment date, which may be terminated by not less than one month's notice in writing served by either party on the other. The aforesaid services contracts or appointment letters are subject to termination provisions therein and the retirement and re-election provisions in the Articles.

Continuing professional development

According to the code provision C.1.4 of the CG Code, all Directors shall participate in continuous professional development to develop and refresh their knowledge and skills to ensure their contribution to the Board remains informed and relevant.

During the year ended 31 December 2024, each of the Directors, namely Mr. Chung Chi Hang, Larry (resigned on 1 October 2024), Mr. Chung Tin Shing, Mr. Wong Shek Fai, Johnson, Mr. Cheung Yee Tak, Jonathan, Mr. Li Chung Pong, Stephen (resigned on 1 October 2024), Mr. Lam Chon Loi, Mr. Chung Chi Wah (appointed on 1 October 2024) and Ms. Fu Jingyan (appointed on 1 October 2024) received from the Company from time to time the updates on laws, rules and regulations which might be relevant to their roles, duties and functions as director of a listed company.

All Directors, namely Mr. Chung Chi Hang, Larry (resigned on 1 October 2024), Mr. Chung Tin Shing, Mr. Wong Shek Fai, Johnson, Mr. Cheung Yee Tak, Jonathan, Mr. Li Chung Pong, Stephen (resigned on 1 October 2024), Mr. Lam Chon Loi, Mr. Chung Chi Wah (appointed on 1 October 2024) and Ms. Fu Jingyan (appointed on 1 October 2024) have been updated with the latest developments regarding the GEM Listing Rules and other applicable regulatory requirements to ensure compliance and enhance their awareness of good corporate governance practices during the year ended 31 December 2024. In addition, continuing briefing and professional development to Directors would be arranged whenever necessary.

CORPORATE GOVERNANCE REPORT

Independent non-executive directors

The Company has three independent non-executive Directors to comply with Rule 5.05 of the GEM Listing Rules. Furthermore, among the independent non-executive Directors in office during the year ended 31 December 2024, Mr. Cheung Yee Tak, Jonathan has appropriate professional qualifications or accounting or related financial management expertise as required by Rule 5.05(2) of the GEM Listing Rules.

In accordance with Rule 5.09 of the GEM Listing Rules, the Company has received from each of its independent non-executive Directors the written confirmation of his independence. The Company, based on such confirmations, considers Mr. Cheung Yee Tak, Jonathan, Mr. Lam Chon Loi and Ms. Fu Jingyan (appointed on 1 October 2024) to be independent.

Chairman and chief executive

In accordance to the code provision C.2.1 of the CG Code, the roles of the chairman and the chief executive should be separate and should not be performed by the same individual. Currently, Mr. Chung Chi Wah, the Chairman, is responsible for managing the Group's business development and devising the business strategies. Mr. Chung Tin Shing, the chief executive officer, is responsible for overseeing the overall operation and marketing and sales of the Group.

BOARD COMMITTEES

The Board is assisted by four board committees in its work, namely the audit committee, the remuneration committee, the nomination committee and the risk management committee, which are sufficiently resourced to fulfil their roles and their terms of reference have been approved by the Board and are available for review on the Company's website (www.keenocan.com.hk) and the Stock Exchange's website (www.hkexnews.hk).

Audit Committee

The Board established an audit committee (the "**Audit Committee**") on 2 February 2016, which operates under terms of reference approved by the Board. The primary duties of the Audit Committee are to assist the Board by providing an independent view of the effectiveness of the financial reporting process, internal control and risk management system of the Group, to oversee the audit process, to develop and review the policies of the Group, to perform the Company's corporate governance functions and to perform other duties and responsibilities as assigned by the Board.

The Audit Committee currently comprises three independent non-executive Directors, namely Mr. Cheung Yee Tak, Jonathan, Mr. Lam Chon Loi and Ms. Fu Jingyan. Mr. Cheung Yee Tak, Jonathan, who has the appropriate accounting and related financial management expertise as required under Rule 5.05(2) of the GEM Listing Rules, is the chairman of the Audit Committee.

According to the current terms of reference, meetings of the Audit Committee shall be held at least twice a year.

CORPORATE GOVERNANCE REPORT

Three Audit Committee meetings were held during the year ended 31 December 2024. The Audit Committee has reviewed the internal control review report submitted by the independent internal control adviser. The Audit Committee has also reviewed the adequacy of resources, qualification and experience of staff of the Group's accounting and financial reporting function and their training programmes and budget, and has reviewed the interim results for the six-month period ended 30 June 2024. The Audit Committee has considered and recommended to the Board on re-appointment and change of auditor of the Company. The Audit Committee has reviewed the audited annual results of the Group for the year ended 31 December 2024, and considered that the Company had complied with all applicable accounting standards and requirements and had made adequate disclosure and has reviewed the remuneration of the auditor for the year ended 31 December 2024 and has recommended the Board to re-appoint WM CPA Limited as the auditor of the Company for the year ending 31 December 2025, subject to approval by the shareholders at the forthcoming annual general meeting expected to be held on 16 June 2025. The Audit Committee has also reviewed the Company's financial controls, internal control and risk management systems, and recommended the Board on risk management and internal control matters. The Audit Committee has also reviewed and monitored corporate governance functions as stipulated in code provision A.2.1 of the CG Code delegated by the Board. The attendance record of each member of the Audit Committee meeting is set out as follows:

Members	Attendance/Number of meeting(s) held
Mr. Cheung Yee Tak, Jonathan (<i>Chairman</i>)	3/3
Mr. Li Chung Pong, Stephen (resigned on 1 October 2024)	3/3
Mr. Lam Chon Loi	3/3
Ms. Fu Jingyan (appointed on 1 October 2024)	N/A/N/A

In the opinion of the Audit Committee, as the Company has appointed an independent internal control adviser to review the Group's risk management and internal control systems, the internal audit function of the Company remains effective.

Corporate governance function

The Board has delegated the functions of corporate governance to the Audit Committee with terms of reference as set out in code provision A.2.1 of the CG Code. The aforesaid duties include:

- (a) to develop and review the Company's policies and practice on corporate governance and make recommendations to the Board;
- (b) to review and monitor the training and continuous professional development of directors and senior management of the Company;
- (c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

CORPORATE GOVERNANCE REPORT

- (d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors of the Company; and
- (e) to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report of the Company.

Remuneration Committee

The Board established a remuneration committee (the "**Remuneration Committee**") on 2 February 2016, which operates under terms of reference approved by the Board. The primary duties of the Remuneration Committee include (but without limitation): (i) making recommendations to the Directors regarding the Group's policy and structure for the remuneration of all of the Directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policies; (ii) making recommendations to the Board on the remuneration packages of the Directors and senior management; (iii) reviewing and approving the management's remuneration proposals with reference to the Board's corporate goals and objectives; and (iv) considering and approving the grant of share options to eligible participants pursuant to the share option scheme of the Company.

The Remuneration Committee currently comprises one executive Director, being Mr. Chung Chi Wah, and two independent non-executive Directors, being Mr. Lam Chon Loi and Mr. Cheung Yee Tak, Jonathan. Mr. Lam Chon Loi is the chairman of the Remuneration Committee.

Two Remuneration Committee meetings were held during the year ended 31 December 2024. The Remuneration Committee has reviewed the Company's remuneration policies, the remuneration packages of all Directors and senior management of the Company and has recommended the remuneration of the independent non-executive Directors to the Board. In the opinion of the Remuneration Committee, the remuneration payable to all Directors and the senior management is in accordance with the terms of the services contracts and such remuneration is fair and reasonable. The Remuneration Committee has considered and recommended to the Board the remuneration packages of the new directors of the Company. Details of the attendance of the members of the Remuneration Committee meeting are as follows:

Members	Attendance/Number of meeting(s) held
Mr. Lam Chon Loi (<i>Chairman</i>)	2/2
Mr. Chung Chi Hang, Larry (resigned on 1 October 2024)	2/2
Mr. Cheung Yee Tak, Jonathan	2/2
Mr. Chung Chi Wah (appointed on 1 October 2024)	N/A/N/A

The remuneration of senior management during the year ended 31 December 2024 fell within the following bands:

Remuneration bands	Number of Individuals	
	2024	2023
Nil to HK\$1,000,000	2	3

CORPORATE GOVERNANCE REPORT

Further particulars regarding the Directors' remuneration and the five highest paid employees are set out in note 13 to the consolidated financial statements.

Remuneration policy

The remuneration policy of the Group for the Directors and senior management members was based on their experience, level of responsibility and general market conditions. Any discretionary bonus and other merit payments are linked to the performance of the Group and the individual performance of the Directors and senior management members.

Nomination committee

The Board established a nomination committee (the "**Nomination Committee**") on 2 February 2016, which operates under terms of reference approved by the Board. The primary function of the Nomination Committee is to make recommendations to the Board on the appointment of members of the Board.

The Nomination Committee currently comprises one executive Director, being Mr. Chung Tin Shing, and two independent non-executive Directors, being Mr. Lam Chon Loi and Ms. Fu Jingyan. Ms. Fu Jingyan is the chairman of the Nomination Committee.

Two Nomination Committee meetings were held during the year ended 31 December 2024. The Nomination Committee has reviewed the structure, size and composition of the Board and board diversity policy as well as discussed matters regarding the retirement and re-election of Directors, and has assessed the independence of independent non-executive Directors. The Nomination Committee has considered and recommended to the Board on the appointment of directors of the Company. Details of the attendance of the members of the Nomination Committee meeting are as follows:

Members	Attendance/Number of meeting(s) held
Mr. Li Chung Pong, Stephen (<i>Chairman</i>) (resigned on 1 October 2024)	2/2
Mr. Chung Tin Shing	2/2
Mr. Lam Chon Loi	2/2
Ms. Fu Jingyan (<i>Chairman</i>) (appointed on 1 October 2024)	N/A/N/A

Policy for nomination of directors

The Company has adopted a nomination policy, details of which are disclosed as follows:

CORPORATE GOVERNANCE REPORT

Objectives

The Nomination Committee assists the board in making recommendations to the Board on the appointment of directors, and succession planning for directors.

The policy provides the key selection criteria and principles of the Nomination Committee in making any such recommendations.

Selection Criteria

The Nomination Committee shall consider the following factors, which are not exhaustive and the Board has discretion if it considers appropriate, in assessing the suitability of the proposed candidate regarding the appointment of directors or re-appointment of any existing Board member(s):

- (a) Reputation for integrity;
- (b) Accomplishment, experience and reputation in the business and industry;
- (c) Commitment in respect of sufficient time, interest and attention to the businesses of the Company and its subsidiaries;
- (d) Diversity in all aspects, including but not limited to gender, age, cultural/educational and professional background, skills, knowledge and experience;
- (e) Compliance with the criteria of independence, in the case of the appointment of an independent non-executive director, as prescribed under Rule 5.09 of the GEM Listing Rules; and
- (f) any other relevant factors as may be determined by the Nomination Committee or the Board from time to time as appropriate. The appointment of any proposed candidate to the Board or re-appointment of any existing member(s) of the Board shall be made in accordance with the Company's Articles of Association and other applicable rules and regulations.

Nomination Procedures

The proposed candidates will be asked to submit the necessary personal information in a prescribed form by the Nomination Committee.

The Secretary of the Nomination Committee shall convene a meeting, and invite nominations of candidates from Board members (if any), for consideration by the Nomination Committee.

For the appointment of any proposed candidate to the Board, the Nomination Committee shall undertake adequate due diligence in respect of such individual and make recommendations for the Board's consideration and approval.

CORPORATE GOVERNANCE REPORT

For the re-appointment of any existing member(s) of the Board, the Nomination Committee shall make recommendations to the Board for its consideration and recommendation, for the proposed candidates to stand for re-election at a general meeting.

If a shareholder wants to propose a candidate to the Board for consideration, he/she shall refer to the “Procedures for a Shareholder to Propose a Person for Election as a Director”, which is available on the Company’s website.

The Board shall have the final decision on all matters relating to its recommendation of candidates to stand for election at a general meeting.

Risk management committee

The Board has established a risk management committee (the “**Risk Management Committee**”) on 2 February 2016 to review the general goals and fundamental policies of the risk and compliance management, internal control and risk management and internal audit functions of the Group, to assist the Board in overseeing hedging policies including its activities in forward purchases of copper and entering into the relevant contracts, and made recommendations to the Board on the same.

The Risk Management Committee currently comprises two executive Directors, being Mr. Chung Tin Shing and Mr. Wong Shek Fai, Johnson and one independent non-executive Director, being Mr. Lam Chon Loi. Mr. Chung Tin Shing is the chairman of the Risk Management Committee.

Two Risk Management Committee meetings were held during the year ended 31 December 2024. The Risk Management Committee has reviewed the risk management policy and the Company’s internal control and risk management systems, and recommended to the Board on risk management and internal control matters. The Company has also reviewed the adequacy of resources, qualification and experience of staff of the Group’s internal audit function and reviewed the hedging policy. In the opinion of the Risk Management Committee, as the Company has appointed an independent internal control adviser to review the Group’s risk management and internal control systems, the internal audit function of the Company remains effective. Details of the attendance of the members of the Risk Management Committee meeting are as follows:

Members	Attendance/Number of meeting(s) held
Mr. Chung Tin Shing (<i>Chairman</i>)	2/2
Mr. Wong Shek Fai, Johnson	2/2
Mr. Lam Chon Loi	2/2

CORPORATE GOVERNANCE REPORT

ACCOUNTABILITY AND AUDIT

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

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

The Directors are responsible for taking all reasonable and necessary steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities. The statement of auditor about their reporting responsibilities on the consolidated financial statements is set out in the Independent Auditor's Report.

The Directors continue to adopt the going concern approach in preparing the consolidated financial statements and are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

Auditor's remuneration

During the year ended 31 December 2024, the remuneration paid or payable to the Company's auditors in respect of the audit services provided by them to the Group was HK\$510,000.

BOARD DIVERSITY POLICY

The Company has adopted the board diversity policy (the "**Policy**") which sets out the approach to achieve diversity of the Board. The Company embraces the benefits of having a diverse Board to enhance the quality of its performance.

Pursuant to the Policy which specifies that in designing the composition the Board, Board diversity shall be considered from a number of aspects, including but not limited to age, cultural and educational background, professional experience, skills and knowledge. All Board members' appointment will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity of the Board. Selection of candidates for the Board will be based on a range of diversity perspectives, including but not limited to gender, age, culture, ethnicity and educational background, professional experience, knowledge and skills.

CORPORATE GOVERNANCE REPORT

The Nomination Committee of the Board will disclose the composition of the Board in Corporate Governance Report every year and supervise the implementation of this Policy. The Nomination Committee will review this Policy and the measurable objective at least annually, as appropriate, to ensure the continued effectiveness of the Board. The Nomination Committee will discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

The Board currently comprises of six Directors, of which three are executive Directors and three are independent non-executive Directors. Among which, one in the age group of 30-40; one in the age group of 41-50; three in the age group of 51-60; and one in the group over 61. With reference to the qualifications and working experience of the Directors, the Board is of the view that the Board has an appropriate mix of skills, experience and diversity that are relevant to the Company's strategy, governance and business.

The Board has one female Director who was appointed on 1 October 2024.

We will implement comprehensive programs aimed at identifying and training on female staff who display leadership and potential, with the goal of promoting them to the senior management on the Board.

Workforce diversity

The gender ratio in the workforce (including senior management) for the year ended 31 December 2024 is 54%: 46%. The total gender diversity of the Group is balanced and the Group will continue to maintain the gender diversity in workforce. For further details of gender ratio and initiatives taken to improve gender diversity together with the relevant data, please refer to the disclosure in the Environment, Social and Governance report.

CORPORATE GOVERNANCE REPORT

Board Independence

The Company recognizes that Board independence is key to good corporate governance. The Company has in place effective mechanisms that underpin an independent Board and its independent views. The independent non-executive Directors represent more than one-third of the Board and the members of the Audit Committee are all independent non-executive Directors. The Nomination Committee, Remuneration Committee and Audit Committee are all chaired by independent non-executive Directors. The remuneration of independent non-executive Directors are subject to a regular review to maintain competitiveness and commensurate with their responsibilities and workload. The independence of each independent non-executive Director is assessed upon his appointment and annually.

Directors are requested to declare their direct or indirect interests, if any, in proposals or transactions to be considered by the Board at the Board meetings and abstain from voting, where appropriate. External independent professional advice is available to all Directors, including independent non-executive Directors, whenever deemed necessary. The independent non-executive Directors have consistently demonstrated strong commitment and the ability to devote sufficient time to discharge their responsibilities at the Board.

The Company has also established channels through formal and informal means whereby independent non-executive Directors can express their views in an open manner, and in a confidential manner, should circumstances require.

Further details on the biographies and experience of the Directors are set out on page 15 to page 17 of this annual report.

The Nomination Committee has reviewed the members, structure and composition of the Board, and is of the opinion that the rational structure of the Board and the experiences and skills of the Directors in various aspects and fields may enable the Company to maintain high standard operation.

RISK MANAGEMENT AND INTERNAL CONTROLS SYSTEMS OVERVIEW

The Group considers maintaining appropriate and effective risk management and internal control systems are essential to drive the achievement of business objectives and goals, sustainability and continuous growth of the Group.

The Group's business operation encompasses a multiple range of risks. In order to effectively manage risks, risk management and controls are regarded as an integral part of day-to-day business activities and the responsibilities of all manpower.

CORPORATE GOVERNANCE REPORT

RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

The Group's risk management and internal control framework is designed with reference to the five components outlined in Internal Control and Risk Management – A Basic Framework issued by the Hong Kong Institute of Certified Public Accountants: control environment, risk assessment, control activities, information and communication, and monitoring. Main characteristics of the risk management and internal control framework are described as follows:

Risk and Control Governance Structure, Approach and Culture

The Board sets the tone at the top to demonstrate their commitment to good corporate governance and a high standard of professionalism, integrity and ethical values through formulation of staff development plans and code of conducts set out in staff handbook. The Company aims to bring good corporate governance practices to employees and instilling their behaviour to act professionally and ethically.

In order to effectively implement risk management and internal control systems throughout the Group, the Company strives to build up risk awareness and control responsibility in every employee. A decentralised model with a centralised monitoring system over the risk management process is adopted. As such, the Board believes every employee takes part in it and understands thoroughly on its way of thinking and acting. Under proper oversight and monitoring of the Board, the Group is able to take advantage of division of labour and delegation of authorities through effective communication and sharing of strategies and decision-making across the Group.

Main features of the risk management and internal control systems

The Group's risk governance structure and the main responsibilities of each level of the structure are summarised below:

Board

- Establishes the business strategies and objectives of the Group, and evaluates and determines the nature and extent of risks it is willing to take in achieving the Group's strategic objectives;
- Ensures that the Group establishes and maintains appropriate and effective risk management and internal control systems;
- Oversees management in the design, implementation and monitoring of the risk management and internal control systems; and
- Conducts annual review to ensure the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting and financial reporting functions.

CORPORATE GOVERNANCE REPORT

Audit Committee

- Supports the Board to perform its responsibilities of risk management and internal control systems; and
- Considers key matters on risk management and internal control, and reports and makes recommendations to the Board.

Risk management Committee

- Assist the Audit Committee to review the effectiveness of risk management and internal control systems, including the annual review of self-assessment result from senior management and department heads;
- Assists the Board to monitor significant risk and exposure and supervise the conduct of risk management and internal control process; and
- Reviews the Company's corporate governance policies and compliance practices.

Management

- Designs, implements and maintains appropriate and effective risk management and internal control systems;
- Identifies, evaluates and manages the risks that may potentially impact the major processes of the operations;
- Responsible for carrying out day-to-day risk management and control activities according to policies and guidelines established;
- Gives prompt responses to, and follow up on risk identified significant and material internal control defects; and
- Reports on material risk identified at operational level and recommend action plan and detailed control procedures to senior management for discussion.

Internal control adviser

- Reports to the Audit Committee and Risk Management Committee the findings of the internal control review and makes recommendations to the management to improve the material systems deficiencies or control weaknesses identified.

CORPORATE GOVERNANCE REPORT

Risk Management and Internal Control Review Process

Risk management process is integrated with the internal control system, so that the Group's ability to handle risks that hinder the achievement of strategic, financial, operational and compliance goals is strengthened and the allocation of resources on control measures against specific or high risks areas is more adequate. Key processes to review the integrated risk management and internal control systems include:

- Identify, analyse, rate and prioritise of risks;
- Establish and update a risk register to document and track the identified risks;
- Analyse risks by taking into accounts of both qualitative and quantitative factors;
- Assess risks by considering the likelihood of occurrences and the potential impact;
- Prioritise risks with reference to the risk rating score;
- Develop action plans on significant risk areas;
- Engage independent internal control adviser to perform independent review on internal control system under risk-based approach;
- Adopt enhanced control measures to resolve material internal control weaknesses; and
- Evaluate overall effectiveness of risk management and internal control systems.

Whistleblowing Policy

The Company expects and encourages employees of the Group and those who deal with the Group (e.g. suppliers, customers, creditors and debtors) to report to the Company, in confidence, any suspected impropriety, misconduct or malpractice concerning the Group. The Company adopts the whistleblowing policy to provide reporting channels and guidance on reporting possible improprieties in a confidential or anonymous manner.

The whistleblowing policy will be reviewed on a regular basis, any suspected cases will be reported to the Audit Committee.

CORPORATE GOVERNANCE REPORT

Anti-corruption Policy

The Company does not tolerate any form of bribery, whether direct or indirect, by, or of, its Directors, officers, employees, agents or consultants or any persons or companies acting for it or on its behalf. The Company adopts the anti-corruption policy in assisting the employees in recognising circumstances which may lead to or appear to be involved in corruption or unethical business conduct, so as to avoid such conduct which is clearly prohibited, and to promptly seek guidance if necessary.

The anti-corruption policy will be reviewed on a regular basis. Any convicted cases will be reported to the Audit Committee.

INSIDE INFORMATION CONTROL

The Company has established procedures and internal controls for the handling and dissemination of inside information which are summarised as follows:

- inside information is required to be disclosed in an equal and timely manner to ensure compliance with disclosure obligations under the Securities and Futures Ordinance and the GEM Listing Rules;
- an internal inside information disclosure policy, with close regard to the “Guidelines on Disclosure of Inside Information” issued by the Securities and Futures Commission, has been established to govern the handling and dissemination of inside information through carrying out appropriate internal identification, analysis, review and reporting process; and
- unauthorised use of confidential or inside information is prohibited as stated in the code of conduct set out in the staff handbook.

ASSESSMENT OF EFFECTIVENESS OF RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

The Board acknowledges its responsibility for the effectiveness of risk management and internal control systems of the Group. These systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss. The Board has conducted an annual review on the continuous effectiveness of the risk management and internal control systems of the Group, covering all material controls, including financial, operational and compliance controls for the year ended 31 December 2024. The Board is of the opinion that the Group’s risk assessment and internal control systems are adequate and effective after its annual review on the following aspects:

- the changes in the nature and extent of significant risks since the previous review, and the Group’s ability to respond to changes in its business and the external environment;
- the scope and quality of the management’s ongoing monitoring of risks and of the internal control systems, the work of department heads and senior management;

CORPORATE GOVERNANCE REPORT

- the extent and frequency of communication of monitoring results, which enables the Board, Audit Committee and Risk Management Committee to assess control of the Group and the effectiveness of risk management;
- the result of risk assessment;
- the internal control weaknesses identified and corresponding management responses with action plans stated in the internal control review report prepared by independent internal control adviser;
- the significant control weaknesses that have been identified during the year, and the extent to which they have resulted in unforeseen outcomes or contingencies that have had, could have had, or may in the future have, a material impact on the Group's financial performance or condition;
- the effectiveness of the Company's processes for financial reporting and GEM Listing Rule compliance; and
- the adequacy of resources, employee qualifications and experience, training programmes and budget of the Group's accounting and financial reporting functions.

The Board has reviewed the need for an internal audit function in the current year and considered the appointment of an independent internal control adviser is more adequate and cost-effective than forming such a function based on the following rationale:

- an independent internal control adviser was engaged to assist the Audit Committee and Risk Management Committee to carry out the independent review of the adequacy and effectiveness of the Group's risk management and internal control systems;
- there is only one plant located in the PRC and one head office located in Hong Kong. The Group's business process is relatively simple and straight-forward. In the view of the Board, formation of an internal audit function may not be cost-effective.

CORPORATE GOVERNANCE REPORT

GENERAL MEETING

During the year ended 31 December 2024, the Company held an annual general meeting on 13 June 2024 ("2024 AGM") and set out below is the attendance of each Director:

Attendance/No. of Meeting	2024 AGM
Executive Directors	
Mr. Chung Chi Hang, Larry (resigned on 1 October 2024)	1/1
Mr. Chung Tin Shing	1/1
Mr. Wong Shek Fai, Johnson	1/1
Mr. Chung Chi Wah (appointed on 1 October 2024)	N/A/N/A
Independent Non-Executive Directors	
Mr. Cheung Yee Tak, Jonathan	1/1
Mr. Li Chung Pong, Stephen (resigned on 1 October 2024)	1/1
Mr. Lam Chon Loi	1/1
Ms. Fu Jingyan (appointed on 1 October 2024)	N/A/N/A

The 2024 AGM provided an ideal chance for communication between the Board and the shareholders of the Company. The chairmen of the Board and the Audit Committee and the external auditors were all present at the 2024 AGM to answer shareholders' inquiries.

INVESTORS AND SHAREHOLDERS RELATIONS

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

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

The Company strives to take into consideration its shareholders' views and inputs, and address shareholders' concerns. Shareholders are encouraged to attend the annual general meeting for which not less than 21 clear days' notice shall be given. The chairman of the Board as well as chairmen of the Audit Committee, the Nomination Committee and the Remuneration Committee, or in their absence, the Directors are available to answer shareholders' questions on the Group's businesses at the meeting. To comply with code provision F.2.2 of the CG Code, the management ensures that the external auditor attends the annual general meeting to answer questions about the conduct of the audit, the preparation and content of the auditor's report, the accounting policies and auditor independence.

CORPORATE GOVERNANCE REPORT

Right to Convene Extraordinary General Meeting

All shareholders have statutory rights to call for extraordinary general meetings and put forward agenda items for consideration by shareholders. According to Article 58 of the Articles, one or more shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings can call for an extraordinary general meeting. Such requisition shall be made in writing to the Board or the secretary for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition.

Procedures for proposing a person for election as a director

If a shareholder wishes to propose a person (the “**Candidate**”) for election as a director of the Company at a general meeting, he/she shall deposit a written notice (the “**Written Notice**”) to the office of the branch share registrar of the Company in Hong Kong, Union Registrars Limited, Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King’s Road, North Point, Hong Kong or the principal place of business of the Company in Hong Kong at Room 3702, 37/F, Cable TV Tower, No. 9 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong.

The Written Notice (i) must include the personal information of the Candidate as required by Rule 17.50(2) of the GEM Listing Rules; and (ii) must be signed by the shareholder concerned and signed by the Candidate indicating his/her willingness to be elected as a Director.

The period for lodgment of the Written Notice shall commence on the day after the dispatch of the notice of general meeting and end no later than 7 days prior to the date of such general meeting.

Right to Put Enquiries to the Board

Shareholders have the right to put enquiries to the Board. All enquiries shall be in writing and sent by post to the principal place of business of the Company in Hong Kong at Room 3702, 37/F, Cable TV Tower, No. 9 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong, for the attention of the company secretary.

Right to Put Forward Proposals at General Meetings

There are no provisions allowing shareholders to propose new resolutions at the general meetings under the Cayman Islands Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised). However, shareholders who wish to propose resolutions may follow article 58 of the Articles for requisitioning an extraordinary general meeting and including a resolution at such meeting. The requirements and procedures of Article 58 are set out above.

In order to promote effective communication, the Company also maintains a Company website (www.keenocan.com.hk) which includes the latest information relating to the Group and its businesses.

Share registration matters shall be handled for the shareholders by the Company’s Hong Kong branch share registrar, Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King’s Road, North Point, Hong Kong.

CORPORATE GOVERNANCE REPORT

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS RELATIONS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and understanding of the Group's business performance and strategies. The Company recognizes the importance of timely and non-selective disclosure of information, which will enable Shareholders and investors to make informed investment decisions.

The Company has adopted the shareholders' communication policy, which set out the framework the Company has put in place to promote effective communication with shareholders so as to enable them to interact actively with the Company and exercise their rights as shareholders in an informed manner. The shareholders communication policy will be reviewed on a regular basis by the Board.

The Company has established a range of communication channels between itself and its Shareholders, investors and other stakeholders. These include (i) the publication of quarter, interim and annual reports and/or dispatching circulars, notices, and other announcements; (ii) the annual general meeting or extraordinary general meeting providing a forum for Shareholders to raise comments and exchanging views with the Board; (iii) updated and key information of the Group available on the Company's website and the Stock Exchange's website; (iv) the Company's website offering communication channel between the Company and its stakeholders; (v) the Company's share registrar in Hong Kong serving the Shareholders in respect of all share registration matters; and (vi) convening investor meeting and/or analyst briefings, which are led by our executive Directors and investor relations team with existing and potential investors.

The implementation and effectiveness of the shareholders' communication policy has been reviewed by the Board during the year ended 31 December 2024 and the Board considered that it is adequate and effective, having considered the communication channels in place provided Shareholders and investment community with information about the latest development of the Group in a timely manner, and the Company has established a range of communication channels between itself and its shareholders, investors and other stakeholders to allow the Company to receive feedback effectively.

COMPANY SECRETARY

Ms. Chau Hing Ling, an executive director of Corporate Services of Vistra Corporate Services (HK) Limited, which is an external service provider, was appointed as the Company's company secretary. Her primary contact at the Company is Mr. Yu Siu Ming, the financial controller of the Group.

During the year ended 31 December 2024, Ms. Chau Hing Ling has taken no less than 15 hours of relevant professional trainings to update her skills and knowledge in compliance with Rule 5.15 of the GEM Listing Rules.

SIGNIFICANT CHANGES IN CONSTITUTIONAL DOCUMENTS

There were no significant changes in the constitutional documents of the Company for the year ended 31 December 2024.

REPORT OF THE DIRECTORS

The Directors submit herewith their report together with the audited consolidated financial statements of the Group for the year ended 31 December 2024.

Corporate reorganisation and placing

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Island (the “**Companies Law**”) on 19 December 2014. Pursuant to a reorganisation to rationalise the group structure in preparation for the listing of the issued ordinary shares (the “**Shares**”) of HK\$0.01 each in the capital of the Company on the GEM, the Company became the holding company of the Group (the “**Reorganisation**”). Details of the Reorganisation are set out in the Prospectus. The Shares were listed on GEM (the “**Listing**”) on 24 February 2016.

Principal places of business

The Company is a limited liability company incorporated in the Cayman Islands and its principal place of business is Room 3702, 37/F, Cable TV Tower, No. 9 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong.

Principal activities

The principal activity of the Company is investment holding. The principal activities and other particulars of the subsidiaries of the Company are set out in note 35 to the consolidated financial statements.

Business Review

A fair review of the Group’s business during the year is provided in the Management Discussion and Analysis section on pages 6 to 14 of this annual report. Description of principal risks and uncertainties that the Group may be facing can be found in the Risk Management and Internal Control Systems section on pages 30 to 35. Also, the financial risk management objectives and policies of the Group can be found in Note 5 to the consolidated financial statements. Save as disclosed in the Events During and After The Reporting Period section on pages 55 to 56 of this annual report, the Group does not have any significant events since the end of reporting period and as at the date of this annual report. A summary of the results and of the assets and liabilities of the Group’s Financial Highlights is provided on page 4 of this annual report. In addition, discussions on the Group’s environmental policies, relationships with its key stakeholders and compliance with relevant laws and regulations which have a significant impact on the Group are all contained in the Environmental, Social and Governance Report section on pages 57 to 82. The probable future business development of the Company is discussed in the paragraph headed “Prospect” in the Management Discussion and Analysis section on page 10 of this annual report.

Results

The results of the Group for the financial year ended 31 December 2024 and the state of affairs of the Group as at that day are set out in the consolidated financial statements on pages 89 to 142.

REPORT OF THE DIRECTORS

Dividend

The Company had paid a special interim dividend of HK\$0.15 per ordinary share of the Company with a total amount of HK\$30,000,000 for the six months ended 30 June 2024. The Board does not recommend the payment of a final dividend for the year ended 31 December 2024 (for the year ended 31 December 2023: nil).

Dividend Policy

The Company has adopted a dividend policy (the “**Dividend Policy**”), details of which are disclosed as follows:

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

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

The Board has the discretion to declare and distribute dividends to the shareholders of the Company, subject to the Articles of the Association of the Company and all applicable laws and regulations and the factors set out below.

The Board shall also take into account the following factors of the Company and its subsidiaries (collectively, the “**Group**”) when considering the declaration and payment of dividends:

- operating and financial results;
- cash flow situation;
- business conditions and strategies;
- future operations and earnings;
- taxation considerations;
- capital requirements and expenditure plans;
- interests of shareholders;
- statutory and regulatory restrictions;
- any restrictions on payment of dividends; and
- any other factors that the Board may consider relevant.

REPORT OF THE DIRECTORS

Depending on the financial conditions of the Company and the Group and the conditions and factors as set out above, dividends may be proposed and/or declared by the Board for a financial year or period:

- interim dividend;
- final dividend;
- special dividend; and
- any distribution of net profits that the Board may deem appropriate.

Any final dividend for a financial year will be subject to shareholders' approval.

The Company may declare and pay dividends by way of cash or by other means that the Board considers appropriate.

Any dividend unclaimed shall be forfeited and shall be reverted to the Company in accordance with the Company's Articles of Association.

Annual general meeting

The forthcoming annual general meeting (the "**Annual General Meeting**") of the Company is scheduled to be held on Monday, 16 June 2025. A notice convening the Annual General Meeting will be issued and dispatched to shareholders of the Company (the "**Shareholders**") in due course.

The register of members of the Company will be closed from Wednesday, 11 June 2025 to Monday, 16 June 2025 (both days inclusive) during which period no transfer of the Company's shares will be registered. In order to be eligible to attend and vote at the Annual General Meeting, all transfers of the Company's shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong for registration no later than 4:00 p.m. on Tuesday, 10 June 2025.

Deed of non-competition

A deed of non-competition (the "**Deed of Non-competition**") dated 2 February 2016 was entered into by Cyber Goodie Limited, a limited liability company incorporated in the British Virgin Islands, and Mr. Chung Chi Hang, Larry in favour of the Company (for the Company and for the benefit of its subsidiaries) regarding non-competition undertakings. Pursuant to the Deed of Non-competition, each controlling Shareholder of the Company has undertaken to the Company (for itself and for the benefit of its subsidiaries) that with effect from the Listing Date and for so long as the Shares remain listed on the Stock Exchange and (i) the controlling Shareholders, individually or collectively (whether or not with their respective close associates), are directly or indirectly interested in not less than 30% of the Shares in issue; or (ii) the relevant controlling Shareholder remains as the executive Director, each of the controlling Shareholders shall, and shall procure that its/his respective associates shall:

REPORT OF THE DIRECTORS

- (a) not directly or indirectly engage, participate or hold any right or interest in or render any services to or otherwise be involved in any business in competition with or likely to be in competition with the existing business activities of the Group or any business activities which the Group may undertake in the future;
- (b) not take any direct or indirect action which constitutes an interference with or a disruption to the business activities of the Group including, but not limited to, solicitation of customers, suppliers and staff of the Group;
- (c) keep the Board informed of any matter of potential conflicts of interests between the relevant controlling Shareholder (including its/his associates) and the Group, in particular, a transaction between any of the relevant controlling Shareholder (including its/his associates) and the Group; and
- (d) provide as soon as practicable upon the Company's request a written confirmation in respect of compliance by it with the terms of the Deed of Non-competition and their respective consent to the inclusion of such confirmation in the Company's annual report and all such information as may be reasonably requested by the Company for its review.

In addition, each of the controlling Shareholders hereby irrevocably and unconditionally, undertakes that if any new business opportunity relating to any products and/or services of the Group (the "**Business Opportunity**") is made available to it/him or its/his associates (other than members of the Group), it or he will direct or procure the relevant associate to direct such Business Opportunity to the Group with such required information to enable the Group to evaluate the merits of the Business Opportunity.

The relevant controlling Shareholder shall provide or procure its/his associates to provide all such reasonable assistance to enable the Group to secure the Business Opportunity. If he or it (or his/its associates) plans to participate or engage in any new activities or new business which may, directly or indirectly, compete with the existing business activities of the Group, he or it shall give the Company a first right of refusal to participate or engage in the Business Opportunity and will not participate or engage in these activities unless with the prior written consent of the Company. None of the controlling Shareholder and their respective associates (other than members of the Group) will pursue the Business Opportunity until the Group decides not to pursue the Business Opportunity because of commercial reasons. Any decision of the Company will have to be approved by the independent non-executive Directors taking into consideration the prevailing business and financial resources of the Group, the financial resources required for the Business Opportunity and, where necessary, any expert opinion on the commercial viability of the Business Opportunity.

Each of the controlling Shareholders further irrevocably and unconditionally, undertakes that it or he will (i) provide to the Group all information necessary for the enforcement of the undertakings contained in the Deed of Non-competition; and (ii) confirm to the Company on an annual basis as to whether it or he has complied with such undertakings.

REPORT OF THE DIRECTORS

The independent non-executive Directors are responsible for reviewing, at least on an annual basis, compliance and enforcement of the terms of the Deed of Non-competition. During the year ended 31 December 2024, each controlling Shareholder of the Company has made annual confirmation of compliance of the Deed of Non-competition, and the independent non-executive Directors have also reviewed the implementation of the Deed of Non-competition, and confirmed that the controlling Shareholders have fully abided by the Deed of Non-competition without any breach of the Deed of Non-competition.

The Deed of Non-competition ceased to have any effect on 1 October 2024, when the aggregate beneficial shareholding (whether direct or indirect) of Cyber Goodie Limited and Mr. Chung Chi Hang, Larry and/or its/his associates in the Shares in issue fell below 30% of the number of Shares in issue and Mr. Chung Chi Hang, Larry ceased to be an executive Director.

Details of the Deed of Non-Competition are set out in the section headed “Relationship with our Controlling Shareholders – Non-Competition Undertakings” of the prospectus of the Company dated 17 February 2016.

Major customers and suppliers

During the year ended 31 December 2024, the Group’s five largest customers accounted for approximately 70.3% of the revenue (31 December 2023: approximately 79.0%). The Group’s five largest suppliers accounted for approximately 43.6% of the total purchases for the year ended 31 December 2024 (31 December 2023: approximately 39.6%). In addition, the Group’s largest customer accounted for approximately 37.8% of the revenue and the Group’s largest supplier accounted for approximately 24.9% of the total purchases for the year ended 31 December 2024 (31 December 2023: approximately 31.5% and 18.8%).

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.

Reserves

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

Distributable reserves

As at 31 December 2024, there was no reserve available for distribution to the Shareholders.

Property and equipment

Details of movements in the property and equipment of the Group are set out in note 16 to the consolidated financial statements in this annual report.

Share capital

Details of movements in the share capital of the Company during the year ended 31 December 2024 are set out in note 28 to the consolidated financial statements in this annual report.

REPORT OF THE DIRECTORS

Directors

During the year ended 31 December 2024 and up to the date of this annual report, the Directors were:

Executive directors

Mr. Chung Chi Hang, Larry (resigned on 1 October 2024)

Mr. Chung Tin Shing

Mr. Wong Shek Fai, Johnson

Mr. Chung Chi Wah (appointed on 1 October 2024)

Independent non-executive directors

Mr. Li Chung Pong, Stephen (resigned on 1 October 2024)

Mr. Lam Chon Loi

Mr. Cheung Yee Tak, Jonathan

Ms. Fu Jingyan (appointed on 1 October 2024)

Further details of the Directors are set forth in the section headed “Biographical Details of Directors and Senior Management” of this annual report.

Mr. Chung Chi Wah and Ms. Fu Jingyan were appointed as an executive Director and independent non-executive Director of the Company by the Board, respectively, on 1 October 2024. In accordance with Article 83(3) of the Articles, they shall hold office until the first annual general meeting of the Company after their appointment and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

Mr. Chung Tin Shing and Mr. Cheung Yee Tak, Jonathan will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting in accordance with Article 84(1) of the Articles.

Directors’ service contracts

None of the Directors (including those proposed for re-election at the Annual General Meeting) has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

Share option scheme

The following is a summary of the principal terms of the share option scheme adopted under the written resolutions of the shareholders of the Company passed on 2 February 2016 (“**Share Option Scheme**”) and the terms of the Share Option Scheme are subject to the provisions of Chapter 23 of the GEM Listing Rules.

REPORT OF THE DIRECTORS

(a) *Purpose*

The Share Option Scheme is a share incentive scheme and is established to recognise and acknowledge the contributions the Eligible Participants (as defined in paragraph (b) below) had or may have made to the Group. The Share Option Scheme will provide the Eligible Participants an opportunity to have a personal stake in the Company with the view to achieving the following objectives:

- (i) motivate the Eligible Participants to optimise their performance efficiency for the benefit of the Group; and
- (ii) attract and retain or otherwise maintain on-going business relationship with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of the Group.

(b) *Who may join*

The Board may, at its discretion, offer to grant an option to subscribe for such number of new Shares as the Board may determine at an exercise price determined in accordance with paragraph (e) below to the following (the “**Eligible Participants**”):

- (i) any full-time or part-time employees, executives or officers of the Company or any of its subsidiaries;
- (ii) any directors (including executive, non-executive directors and independent non-executive directors) of the Company or any of its subsidiaries; and
- (iii) any advisers, consultants, suppliers, customers, agents and related entities to the Company or any of its subsidiaries.

Upon acceptance of the option, the grantee shall pay HK\$1.00 to the Company by way of consideration for the grant. Any offer to grant an option to subscribe for Shares may be accepted in respect of less than the number of Shares for which it is offered provided that it is accepted in respect of a board lot of dealing in Shares on the Stock Exchange or an integral multiple thereof and such number is clearly stated in the duplicate offer document constituting the acceptance of the option. To the extent that the offer to grant an option is not accepted by any prescribed acceptance date, it shall be deemed to have been irrevocably declined.

REPORT OF THE DIRECTORS

(c) *Maximum number of Shares*

The maximum number of Shares in respect of which options may be granted under the Share Option Scheme and under any other share option schemes of the Company must not in aggregate exceed 10% of the total number of Shares in issue immediately following completion of the placing of 60,000,000 Shares in 2016 (as described in the Company's prospectus dated 17 February 2016), being 20,000,000 Shares (representing 10% of the issued shares as at the date of this annual report), excluding for this purpose Shares which would have been issuable pursuant to the options which have lapsed in accordance with the terms of the Share Option Scheme (or any other share option schemes of the Company). Subject to the issue of a circular by the Company and the approval of the Shareholders in general meeting and/or such other requirements prescribed under the GEM Listing Rules from time to time, the Board may:

- (i) renew this limit at any time to 10% of the Shares in issue as of the date of the approval by the Shareholders in general meeting; and/or
- (ii) grant options beyond the 10% limit to Eligible Participants specifically identified by the Board.

Notwithstanding the foregoing, the Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company at any time shall not exceed 30% of the Shares in issue from time to time.

No options shall be granted under any schemes of the Company (including the Share Option Scheme) if this will result in the 30% limit being exceeded. The maximum number of Shares in respect of which options may be granted shall be adjusted, in such manner as the auditors of the Company or an approved independent financial adviser shall certify to be appropriate, fair and reasonable in the event of any alteration in the capital structure of the Company in accordance with paragraph (q) below whether by way of consolidation, capitalisation issue, rights issue, sub-division or reduction of the share capital of the Company but in no event shall exceed the limit prescribed in this paragraph.

REPORT OF THE DIRECTORS

(d) *Maximum number of options to any one individual*

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option schemes of the Company (including both exercised and outstanding options) to each Eligible Participant in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue as of the date of grant. Any further grant of Options in excess of this 1% limit shall be subject to:

- (i) the issue of a circular by the Company containing the identity of the Eligible Participant, the numbers of and terms of the options to be granted (and options previously granted to such participant in the 12-month period) the information as required under the GEM Listing Rules and/or such other requirements as prescribed under the GEM Listing Rules from time to time; and
- (ii) the approval of the Shareholders in general meeting and/or other requirements prescribed under the GEM Listing Rules from time to time with such Eligible Participant and his associates (as defined in the GEM Listing Rules) abstaining from voting. The numbers and terms (including the exercise price) of options to be granted to such participant must be fixed before the Shareholders' approval and the date of the Board meeting at which the Board proposes to grant the options to such Eligible Participant shall be taken as the date of grant for the purpose of calculating the subscription price of the Shares. The Board shall forward to such Eligible Participant an offer document in such form as the Board may from time to time determine.

(e) *Price of Shares*

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be such price as the Board in its absolute discretion shall determine, save that such price will not be less than the highest of:

- (i) the official closing price of the Shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities;
- (ii) the average of the official closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and
- (iii) the nominal value of a Share.

REPORT OF THE DIRECTORS

(f) *Time of exercise of option and duration of the Share Option Scheme*

An option may be exercised in accordance with the terms of the Share Option Scheme at any time after the date upon which the option is deemed to be granted and accepted and prior to the expiry of 10 years from that date. The period during which an option may be exercised will be determined by the Board in its absolute discretion, save that no option may be exercised more than 10 years after it has been granted. No option may be granted more than 10 years after the date of approval of the Share Option Scheme. Subject to earlier termination by the Company in general meeting or by the Board, the Share Option Scheme shall be valid and effective for a period of 10 years from the date of its adoption. As at the date of this annual report, the remaining life of the Share Option Scheme is approximately 1 year and 10 months. Subject to the requirements under the GEM Listing Rules and unless the Board specifies otherwise, there is no general requirement on the minimum period for which an option must be held before it can be exercised.

(g) *Performance target*

A grantee may be required to achieve any performance targets as the Board may then specify in the grant before any options granted under the Share Option Scheme can be exercised.

(h) *Present status of the Share Option Scheme*

No share options were granted, exercised, vested, cancelled or lapsed under the Share Option Scheme during the year ended 31 December 2024 and there were no outstanding share options under the Share Option Scheme as at 31 December 2024 and up to the date of this annual report. Given that no share option has been granted under the Share Option Scheme during the reporting period, it is not applicable for the Company to set out the number of shares that may be issued in respect of the share options granted under such scheme during the reporting period divided by the weighted average number of shares of the relevant class in issue for the reporting period. As at 31 December 2024, the Company had 20,000,000 share options available for issue under the Share Option Scheme, which represented approximately 10% of the Company's shares as at the date of this annual report. The total number of share options available for grant under the Share Option Scheme as of 1 January 2024 and 31 December 2024 were 20,000,000 and 20,000,000, respectively. The Share Option Scheme shall be valid and effective for a period of 10 years from 2 February 2016. As at the date of this annual report, the remaining life of the Share Option Scheme is approximately ten months.

REPORT OF THE DIRECTORS

DISCLOSURE OF INTERESTS

(a) Interests and short position of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or the associated corporations.

As at 31 December 2024, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required as otherwise to be notified to the Company and the Stock Exchange pursuant to the required standard of dealings by Directors as referred to in Rule 5.46 of the GEM Listing Rules, were as follows:

(i) Interests in the Company

Name of Director	Capacity/ Nature of interest	Number of Shares (note 1)	Approximate percentage of Shares
Mr. Chung Chi Wah (note 2)	Interest of a controlled corporation	126,260,000	63.13%
Mr. Chung Tin Shing	Beneficial interest	14,000,000	7.00%

Notes:

- (1) All interest stated are long positions.
- (2) These Shares are held by Century Lead International Limited, 100% shareholding of which is owned by Mr. Chung Chi Wah. Mr. Chung Chi Wah is deemed to be interested in the Shares held by Century Lead International Limited under the SFO.

(ii) Interests in associated corporation(s) of the Company

Name of Director	Name of associated corporation	Capacity/ Nature of interest	Percentage of shareholding
Mr. Chung Chi Wah	Century Lead International Limited	Beneficial owner	100%

REPORT OF THE DIRECTORS

Save as disclosed above, as at 31 December 2024, none of the Directors and chief executive of the Company had any interests and short positions in the Shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required 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/or short positions which they are taken or deemed to have under such provisions of the SFO) or (ii) which were required to be recorded in the register required to be kept by the Company under Section 352 of the SFO or (iii) which were otherwise notified to the Company and the Stock Exchange pursuant to the required standards of dealing by Directors as referred to in Rule 5.46 of the GEM Listing Rules.

(b) Interests and short positions of the substantial shareholders in the shares and underlying shares

Save as disclosed above, as at 31 December 2024, the Directors and chief executive are not aware of any person, other than a Director or chief executive of the Company, who has an interest or short position in the Shares and underlying Shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

DIRECTORS' RIGHT TO ACQUIRE SHARES

Save as disclosed in this annual report, at no time during the year ended 31 December 2024 was the Company, or any of its holding companies, its subsidiaries or its fellow subsidiaries a party to any arrangement to enable the Directors and chief executive of the Company (including their spouses and children under 18 years of age) to hold any interest or short positions in the shares, or underlying shares, or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO).

SUFFICIENCY OF PUBLIC FLOAT

From the information publicly available to the Company and within the knowledge of the Directors, the Company has maintained the public float as required by the GEM Listing Rules up to the date of this annual report.

REMUNERATION OF DIRECTORS AND FIVE INDIVIDUALS WITH HIGHEST EMOLUMENTS

Details of the emoluments of the Directors and five individuals with the highest emoluments are set out in note 13 to the consolidated financial statements in this annual report. No Director has waived or has agreed to waive any emolument during the year ended 31 December 2024.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in this annual report, no transactions, arrangements or contracts of significance to which the Company, any of its subsidiaries, fellow subsidiaries or its parent company was a party and in which a Director or his/her connected entities had a material interest, whether directly or indirectly, subsisted at the end of the year ended or at any time during the year ended 31 December 2024.

REPORT OF THE DIRECTORS

MANAGEMENT CONTRACTS

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

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as otherwise disclosed, neither the Company nor any of its subsidiaries had entered into any contract of significance with the Company's controlling shareholders or their subsidiaries, or any contract of significance for the provision of services to the Company or any of its subsidiaries by the controlling shareholders or their subsidiaries, at the end of the year or at any time during the year ended 31 December 2024.

INTERESTS IN COMPETING BUSINESS

As at 31 December 2024, none of the Directors or the controlling Shareholders or their respective close associates had any business or interests in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group, or has or may have any other conflict of interest with the Group.

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Group as at 31 December 2024 are set out in note 25 to the consolidated financial statements in this annual report.

RETIREMENT BENEFITS PLANS

Particulars of retirement benefits plans of the Group as at 31 December 2024 are set out in note 3 to the consolidated financial statements in this annual report.

CONFIRMATION OF INDEPENDENCE

In accordance with Rule 5.09 of the GEM Listing Rules, the Company has received from each of its independent non-executive Directors the written confirmation of his/her independence. The Company, based on such confirmations, considers Mr. Cheung Yee Tak, Jonathan, Mr. Lam Chon Loi and Ms. Fu Jingyan to be independent.

CONNECTED TRANSACTIONS

The related party transactions and balance of the Company are set out in note 34 to the consolidated financial statements in this annual report. Apart from the continuing connected transactions disclosed below, all the other related party transactions did not fall under the scope of "Connected Transactions" or "Continuing Connected Transactions" which are subject to disclosure in this annual report under Chapter 20 of the GEM Listing Rules and are not required to comply with any of the relevant reporting, announcement or independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

Information on connected transactions effective during the year ended 31 December 2024 which are fully exempt connected transactions pursuant to the Rule 20.74 of the GEM Listing Rules are contained in note 34 to the consolidated financial statements in this annual report.

REPORT OF THE DIRECTORS

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

- (i) in the ordinary and usual course of business of the Group;
- (ii) on normal commercial terms; and
- (iii) in accordance with the terms of the agreements governing the relevant transactions, and on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The independent non-executive Directors of the Company also have confirmed that the continuing connected transactions set out below are subject to the reporting and announcement requirements but is exempt from the circular (including independent financial advice) and independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

The auditors of the Company has provided a Continuing Connected Transactions report to the Board confirming the matters as required under Rule 20.54 of the GEM Listing Rules in respect of the Continuing Connected Transactions as set out below for the year ended 31 December 2024.

Details of the Group's continuing connected transactions are as follows:

Leasing

On 25 March 2015, 河源天裕電子塑膠有限公司 (He Yuan Sky Wealth Electronic and Plastic Company Limited) ("**He Yuan Sky Wealth**") and 天工電子塑膠(河源)有限公司 (T-Lab Electronic and Plastic (He Yuan) Co. Ltd.) ("**He Yuan T-Lab**") entered into a tenancy agreement (the "**Tenancy Agreement**") whereby He Yuan Sky Wealth would lease from He Yuan T-Lab the properties located at the east of Xinggong Avenue and south of Keqi Road, High-tech Development Zone, Heyuan City, Guangdong Province, the PRC (the "**Properties**") for a term of three years commencing from the listing of the Company on 24 February 2016 (the "**Listing Date**") at a monthly rental of RMB124,000 (excluding any utilities and management fees). The Properties are used by He Yuan Sky Wealth for production, warehouse and dormitory uses, with an option to renew every three years.

He Yuan T-Lab is a company established in the PRC on 12 January 2005 and is wholly-owned by Yield Speed Limited which is ultimately owned as to 90% by Cyber Goodie Limited and as to 10% by Mr. Chung Tin Shing. At present, other than holding and leasing the Properties, He Yuan T-Lab does not engage in any operating activities. Cyber Goodie Limited is wholly-owned by Mr. Chung Chi Hang, Larry, the younger brother of Mr. Chung Chi Wah, an executive Director and Chairman of the Company. Mr. Chung Tin Shing is one of the shareholders and executive Directors of He Yuan T-Lab. As such, He Yuan T-Lab is a connected person of the Company under Rule 20.07 of the GEM Listing Rules.

REPORT OF THE DIRECTORS

On 28 December 2020, He Yuan T-Lab (as landlord) and He Yuan Sky Wealth (as tenant) entered into a tenancy agreement (the “2021 Tenancy Agreement”) to further renew the lease of the Properties for three years from 1 January 2021 to 31 December 2023 (both days inclusive) with principal terms as follows:

Date:	28 December 2020
Parties:	(i) He Yuan T-Lab (as landlord) (ii) He Yuan Sky Wealth (as tenant)
Properties:	East of Xinggong Avenue and south of Keqi Road, High-tech Development Zone, Heyuan City, Guangdong Province, the PRC
Term:	Three years commencing from 1 January 2021 and expiring on 31 December 2023 (both days inclusive)
Rent:	RMB124,000 (equivalent to approximately HK\$140,000) per month (excluding any utilities and management fees), payable in advance on the 5th day of each month
Use of property:	Production facilities, warehouse and dormitory of the Group

During each of the three years ended 31 December 2023, the rental payment payable by the Group under the 2021 Tenancy Agreement shall not exceed the annual cap (the “**Cap**”) of RMB1,488,000 (equivalent to approximately HK\$1,681,000). During the year ended 31 December 2023, the actual annual rental payment paid by the Group to He Yuan T-Lab is approximately HK\$1,637,000.

On 4 December 2023, He Yuan T-Lab (as landlord) and He Yuan Sky Wealth (as tenant) entered into a tenancy agreement to further renew the lease of the Properties with similar terms as the 2021 Tenancy Agreement for three years from 1 January 2024 to 31 December 2026 (both days inclusive) with principal terms as follows:

Date:	4 December 2023
Parties:	(i) He Yuan T-Lab (as the landlord) (ii) He Yuan Sky Wealth (as the tenant)
Properties:	East of Xinggong Avenue and south of Keqi Road, High-tech Development Zone, Heyuan City, Guangdong Province, the PRC
Term:	Three-year term commencing from 1 January 2024 and expiring on 31 December 2026 (both days inclusive)

REPORT OF THE DIRECTORS

Rent: RMB124,000 (equivalent to approximately HK\$135,000) per month (inclusive of government rent and rates but excluding management fees and other outgoing charges and expenses), payable in advance on or before the 5th day of each month

Use of property: Production facilities, warehouse and dormitory of the Group

For details, please refer to the Company's announcement dated 4 December 2023.

The Directors confirm that the Company has complied with the disclosure requirements in accordance with Chapter 20 of the GEM Listing Rules in respect of the connected transactions and continuing connected transactions. Save for the connected transactions and continuing connected transactions disclosed above, the Group does not have other connected transactions and continuing connected transactions as defined under the GEM Listing Rules.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated.

TAX RELIEF

The Company is not aware of any relief from taxation available to Shareholders by reason of their holdings in Shares.

EQUITY-LINKED AGREEMENTS

Save as disclosed otherwise, no equity-linked agreements were entered into by the Group, or existed during the year ended 31 December 2024.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2024, the Company did not redeem any of its shares, and neither did the Company nor any of its subsidiaries purchase or sell any of the Shares.

DIRECTORS' INDEMNITIES

Pursuant to the Articles, every Director shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which such Director shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of his duty in his office. None of the Directors shall be answerable for the acts, receipts, neglects or defaults of the other or for joining in any receipts for the sake of conformity, or for any bankers or other persons with whom any moneys or effects belonging to the Company shall or may be lodged or deposited for safe custody, or for insufficiency or deficiency of any security upon which any moneys of or belonging to the Company shall be placed out on or invested, or for any other loss, misfortune or damage which may happen in the execution of his office, or in relation thereto; provided that this indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to such Director.

REPORT OF THE DIRECTORS

Each Member agrees to waive any claim or right of action he might have, whether individually or by or in the right of the Company, against any Director on account of any action taken by such Director, or the failure of such Director to take any action in the performance of his duties with or for the Company; provided that such waiver shall not extend to any matter in respect of any fraud or dishonesty which may attach to such Director.

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

The Company has arranged appropriate directors' and officers' liability insurance coverage for the Directors and officers of the Group.

CORPORATE GOVERNANCE

The Company maintains a high standard of corporate governance practices. Details of the corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 18 to 38 of this annual report.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group is set out in the financial highlights on page 4 of this annual report.

EVENTS DURING AND AFTER THE REPORTING PERIOD

On 26 January 2024, the Board was notified by Century Lead International Limited (the **"Offeror"**, whose sole shareholder and sole director is a Mr. Chung Chi Wah (**"Mr. Chung"**)) that, the Offeror and Cyber Goodie Limited (the **"Vendor"**, the entire issued share capital of which is owned by Mr. Chung Chi Hang, Larry, the younger brother of Mr. Chung), entered into a sale and purchase agreement (the **"SPA"**), pursuant to which the Offeror agreed to acquire and the Vendor agreed to sell 126,000,000 ordinary shares in the share capital of the Company (representing 63.0% of the total issued share capital of the Company).

Pursuant to Rule 26.1 of the Takeovers Code, the Offeror was therefore required to make a mandatory unconditional cash offer (the **"Offer"**) to acquire all the issued ordinary shares in the share capital of the Company (other than those already owned or agreed to be acquired by the Offeror and the parties acting in concert with it). The composite document containing, among other things: (i) details of the Offer (including the expected timetable); (ii) a letter of advice from the Independent Board Committee to the Independent Shareholders in relation to the Offer; and (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee in relation to the Offer, together with the Form of Acceptance, have been despatched to the Independent Shareholders on 8 April 2024. As at 29 April 2024, immediately after the close of Offer, the Offeror and parties acting in concert with it (other than the Vendor) were interested in 126,260,000 Shares, representing 63.13% of the total issued share capital of the Company.

REPORT OF THE DIRECTORS

For details, please refer to the joint announcements jointly issued by the Offeror and the Company dated 26 January 2024, 16 February 2024, 15 March 2024, 8 April 2024 and 29 April 2024 (collectively with “**Joint Announcements**”) and the composite document dated 8 April 2024. Unless otherwise defined, capitalised terms used in this section shall have the same meanings as those defined in the Joint Announcements.

Mr. Chung became an executive Director and Chairman of the Company, and Mr. Chung Chi Hang, Larry resigned as an executive Director and Chairman of the Company, with effect from 1 October 2024.

Save as disclosed above, the Group had no significant events during and after the reporting period which needs to be disclosed.

AUDITOR

On 1 August 2024, WM CPA Limited has been appointed as auditor of the Company to fill the casual vacancy following the resignation of ZHONGHUI ANDA CPA Limited and to hold office until the conclusion of the next annual general meeting of the Company. The financial statements for the year ended 31 December 2024 have been audited by WM CPA Limited who will retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of WM CPA Limited as the auditor of the Company is to be proposed at the forthcoming annual general meeting of the Company.

CHANGES IN THE BOARD AND THE DIRECTORS’ INFORMATION

There is no change in the information of the Directors required to be disclosed pursuant to Rule 17.50A(1) of the GEM Listing Rules.

OBLIGATIONS OF ON-GOING DISCLOSURE UNDER THE GEM LISTING RULES

The Directors confirmed that they were not aware of any circumstances which would give rise to a disclosure requirement under Rules 17.22 to 17.24 of the GEM Listing Rules during the year.

By order of the Board
Chung Chi Wah
Chairman

Hong Kong, 25 March 2025

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Keen Ocean International Holding Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) present its Environmental, Social and Governance Report (the “**ESG Report**”) for the year ended 31 December 2024 (the “**Year 2024**”).

The Group is committed to the long-term sustainability of its business, as well as providing support to environmental protection and the communities in which it operates. Quality accommodation services are delivered to customers by the Group, and its business is managed prudently under sound decision-making processes. The Group seeks to balance the views and interests of the stakeholders through constructive conversation with a purpose to set the course for long-term prosperity. The Board is responsible for evaluating and determining the ESG risks of the Group, and ensuring that relevant risk management and internal control systems are in place and operate effectively. The Group has set up a working team (the “**ESG Working Team**”) of which the team members meet regularly to review and evaluate the corporate performance on the relevant ESG issues.

COMPANY PROFILE

During the Year 2024, the Group was principally engaged in the design, development, production and sale of transformers, switching mode power supplies, healthcare products and other electronic parts and components. The Group sells its products domestically as well as overseas. Customers are mainly manufacturers and trading entities. Most of the transformers and power supply products were manufactured and sold under the Group’s branch name “Keen Ocean” while all electronic parts and components as well as electric healthcare products were sold on an Original Equipment Manufacturer (“**OEM**”) basis. Among the products manufactured and sold, the transformers remained the Group’s flagship products.

REPORTING FRAMEWORK

The ESG Report is prepared in compliance with the Environmental, Social and Governance (the “**ESG**”) Reporting Guide under Appendix C2 of the Rules Governing the Listing of Securities on the GEM, and will be published annually. For information regarding the governance section, please refer to Corporate Governance Report as incorporated in the Company’s Annual Report 2024.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

GOVERNANCE STRUCTURE

Board's oversight of ESG issues

The board of directors of the Company (the "**Board**") has a primary role in overseeing the Group's ESG issues. During the Year 2024, the Board, the management and the ESG Working Team evaluate the impacts of ESG-related risks towards the operation and formulate ESG-related policies in dealing with relevant risks. The oversight of the Board ensures that the management and the ESG Working Team can have all the right tools and resources to oversee the ESG issues.

To demonstrate the Group's commitment to transparency and accountability, the management and ESG Working Team review and evaluate the Group's performance in respect of ESG issues and report to the Board regularly.

Board's ESG management approach and strategy for material ESG-related issues

To better understand the opinions and expectations of different stakeholders on the ESG issues, materiality assessment is conducted annually. The Group ensures various platforms, and channels of communication are used to reach, listen and respond to its key stakeholders. Through communication with the stakeholders, the Group can understand their expectations and concerns. The feedbacks obtained allow the Group to make more informed decisions, and to better assess and manage the resulting impacts of the business decisions.

The Group has evaluated the materiality in ESG aspects through the following steps: (i) identification of ESG issues by the Group; (ii) key ESG areas prioritisation with stakeholder engagement; and (iii) validation and determining material ESG issues based on the results of communication with the stakeholders.

Taking these steps enhances the understanding of the expectations and concerns of the Group's stakeholders on various ESG issues, which enable the Board to plan the sustainable development direction to address material ESG-related issues in the future.

Board review progress against ESG-related goals and targets

The progress of implementation and the performance of the goals and targets should be closely reviewed from time to time. Modification may be needed if the progress falls short of expectation or change of business operations. Effective communication about the goals and targets with key stakeholders such as employees, customers and suppliers are essential.

Setting strategic goals enables the Group to develop a realistic roadmap and focus on results of achieving the visions. The Board will carefully examine the attainability of the targets which should be weighed against the Group's ambitions and goals.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

REPORTING PRINCIPLES

The report is centred on four principles:

Materiality: Stakeholder engagement and materiality assessment were conducted regularly to identify material ESG issues, and to ensure that these issues are addressed in the report.

Quantitative: Data presented in this report have been collected prudently. Please refer to the environmental and social performance data for standards and methodologies used for calculation of key performance indicators.

Balance: Both positive and negative sides of the performance have been presented in a transparent manner.

Consistency: Unless otherwise stated, the disclosures, data collection and calculation methods have remained consistent throughout the years to facilitate comparability over time.

REPORTING BOUNDARIES

This ESG Report focuses on the ESG performance of the Group in Year 2024 in respect of its major subsidiary in the People's Republic of China ("PRC"), namely, He Yuan Sky Wealth Electronic and Plastic Company Limited ("He Yuan Sky Wealth"), which has plant operation in Heyuan, the PRC. Hence, the disclosures in this ESG Report focus on the policies and performance of the plant operation in relation to four environmental aspects and eight social aspects.

The preparation of this ESG Report includes identifying and ranking major concerns of stakeholders relating to ESG; deciding on the coverage of the ESG Report; and collecting relevant ESG policies and data.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

STAKEHOLDER ENGAGEMENT

The Group is committed to promoting sustainable development, which it deems as extremely important for creating long-term value for the Group's shareholders, government/regulatory authorities, investors, customers, employees, suppliers, community, general public and other stakeholders. The Group cares about the impact of its daily operation on the environment and society, and strives to set a good example for the public, while effectively conducting business operations. It makes every effort to address the interests of all stakeholders; contribute to the economy, environment and society; and promote good corporate governance – striving to achieve a fine balance while realising such objectives.

Stakeholders	Appeals and expectations for the Group	Communication and Response
Shareholders	<ul style="list-style-type: none"> Financial results Corporate transparency Sound risk management and internal control 	<ul style="list-style-type: none"> Improvement in profitability Regular information disclosure Optimise risk management and internal control
Government/ Regulatory authorities	<ul style="list-style-type: none"> Compliance with laws and GEM Listing Rules Pay taxes according to law Promotion of regional economic development and employment 	<ul style="list-style-type: none"> Continuously strengthen corporate compliance management to ensure compliance for the operation of the Group Pay taxes in a full and timely manner Closely monitor any changes in government policies
Investors	<ul style="list-style-type: none"> Implement corporate governance and create value Information disclosure 	<ul style="list-style-type: none"> Optimise corporate governance and continuously improve corporate value Release operating data in due course, set up investor hotline
Customers	<ul style="list-style-type: none"> Product quality Protection of consumers' rights and interests Customer information security 	<ul style="list-style-type: none"> Customer satisfaction survey Handle customer complaints and products return Customer privacy protection

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

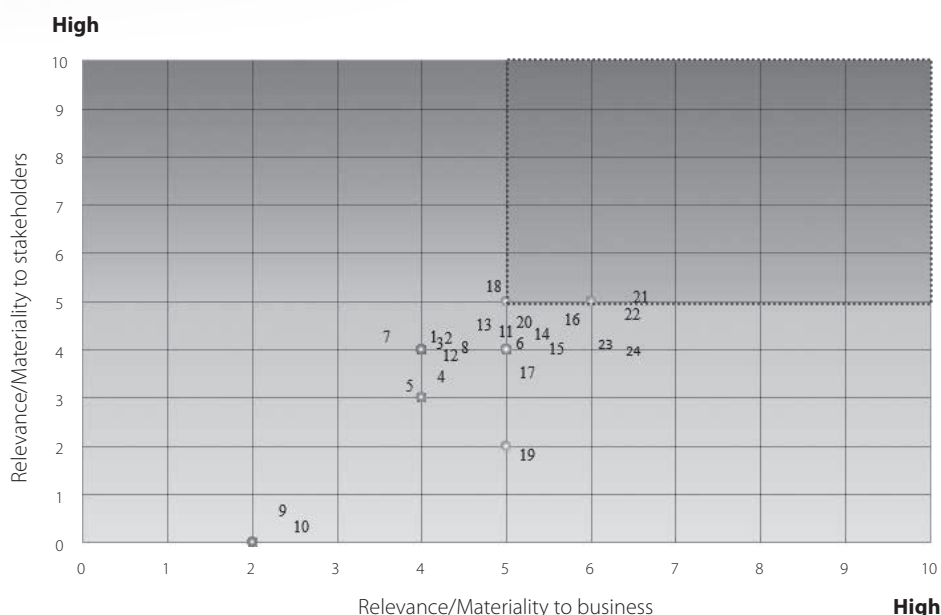
Stakeholders	Appeals and expectations for the Group	Communication and Response
Employees	<ul style="list-style-type: none"> • Reasonable salary and welfare • Employee promotion and development • Occupational health and safety • Care of employees 	<ul style="list-style-type: none"> • Competitive remuneration package • Transparent promotion channel • Conduct regular occupational health and safety awareness training for staff • Provide accommodation for employees
Suppliers	<ul style="list-style-type: none"> • Integrity cooperation • Business ethics and credibility 	<ul style="list-style-type: none"> • Establish a responsible supply chain • Fulfillment of obligations under any contract in accordance with laws
Community	<ul style="list-style-type: none"> • Serve the community 	<ul style="list-style-type: none"> • Proactively carry out and participate in charitable donations and social welfare activities
Public	<ul style="list-style-type: none"> • Environmental protection • Response to climate change • Establish a resource-saving and environmental protection mechanism in work process 	<ul style="list-style-type: none"> • Classify and recycle hazardous waste • Utilise low-carbon energy • Environmental and energy-saving equipment was put into use

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

MATERIALITY ASSESSMENT

In Year 2024, the Company undertook its annual materiality assessment exercise. This involved conducting interviews and/or surveys with internal and external stakeholders to identify “material issues” and reflect the environmental, social and operational issues which have the most significant impacts on the Company’s business and the relevant issues which are of concern to the stakeholders.

With reference to the scope of disclosure as required under the ESG Reporting Guide, as well as taking into consideration its business features, the Group has identified and determined 24 issues covering greenhouse gas (“GHG”) emissions, energy consumption, employee welfare, occupational health and safety, training and development, supply chain management, customer privacy, anti-corruption, and community investment with respect to its business operation.



Environmental

1. Greenhouse gas emissions
2. Energy consumption
3. Water consumption
4. Waste
5. Saving energy measures
6. Use of packaging materials
7. Utilization of energy resources
8. Use of chemicals

Social

9. Local community engagement
10. Community investment
11. Occupational health and safety
12. Labour standards in supply chain
13. Training and development
14. Employee welfare
15. Inclusion and equal opportunities
16. Talent attraction and retention

Operating practices

17. Economic value generated
18. Corporate governance
19. Anti-corruption
20. Supply chain management
21. Customer satisfaction
22. Customer privacy
23. Intellectual property protection
24. Marketing and labelling

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

EMISSIONS

The Group is principally engaged in manufacturing process, emissions and wastes are mainly generated in the production process. To minimise the environmental impacts, the Group is dedicated to protecting the environment by enhancing means to mitigate emissions and to promote environmental awareness. The policies for managing the emissions effectively adopted by the Group are listed out as below:

- Regular examinations on air and water emissions and noise are carried out by a qualified inspection and testing agency to ensure the emissions are up-to-standard;
- Adopt an effective management system to prevent pollution and reduce the impact on environment;
- Optimise production processes by effectively using energy, water and raw materials;
- Use of facilities and processes which generates less or no emission is widely promoted in the Group;
- Emission mitigation equipment and waste reduction means are introduced and reinforced through the regular assessment of needs and investigation of adequate facilities and measures;
- Use of resources effectively to reduce unnecessary waste generation and encourage the habit of reuse and recycle where applicable; and
- Employees are educated continuously by broadcasted messages on environmental protection during orientation training programs as well as regular trainings to meet their environmental obligations. Messages on environmental protection are also delivered to external stakeholders. For example, the suppliers are also introduced to green purchasing standards time to time.

Air Emission

Waste gases are mainly generated from the use of insulating varnish for the production of enamelled copper wires and steel core.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The relevant data of the three key types of air pollutants, including volatile organic compounds (“VOCs”), xylene, and non-methane hydrocarbon (“NMHC”), are listed out as below:

Environmental Indicators	Year 2024	Year 2023
Air pollutants ^(Note 1)		
VOCs (kg)	99.58	134.00
Xylene (kg)	1.64	–
NMHC (kg)	573.46	724.80
Total	674.68	858.80

Note 1: Each of the air pollutants is calculated by using actual emission rate (kg/hour) measured by local government authority, multiplied by annual factory operating hour.

Besides the production process, there are 5 motor vehicles used for business in Mainland China, which generated nitrogen oxides (“NO_x”), sulphur oxides (“SO_x”) and PM. The air pollutants from the vehicles are set out as follows:

Gaseous emissions from the use of motor vehicles

Environmental Indicators	Year 2024	Year 2023
Emissions		
NO _x (kg) ^(Note 1 & Note 2)	244.87	389.14
SO _x (kg) ^(Note 1 & Note 2)	0.30	0.30
PM (kg) ^(Note 1 & Note 2)	24.27	29.86
Total	269.44	419.30

Note 1: In Year 2024, 5 motor vehicles are used, of which 3 private cars (Year 2023: 5 motor vehicles are used, of which 3 private cars) run on unleaded petrol, 1 medium & heavy goods vehicle (>= 15 tonnes) runs on diesel oil and 1 medium & heavy goods vehicle (5.5 – 15 tonnes) (the same with Year 2023) runs on diesel oil.

Note 2: The emission factors used to calculate the NO_x, SO_x and PM are sourced from: the Hong Kong Environmental Protection Department’s (“EPD”) EMFAC-HK Vehicle Emission Calculation model and the United States Environmental Protection Agency’s Vehicle Emission Modeling Software – MOBILE6.1; and the assumptions of 80% relative humidity, a temperature of 25 degrees Celsius, an average speed of 30kmh, and include running exhaust emissions only.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

GHG emissions from operations

Environmental Indicators	Year 2024	Year 2023
GHG Emissions		
Total GHG emissions		
(Tonnes of carbon dioxide equivalent ("Tonnes of CO ₂ e")) (Note 1)	2,119.40	1,957.42
No. of unit produced	8,728,662	6,900,606
GHG emissions per unit produced (kg of CO ₂ e)	0.2520	0.2837
Direct emissions (Scope 1) (Tonnes of CO ₂ e)	48.34	49.45
Indirect emissions (Scope 2) (Tonnes of CO ₂ e) (Note 2)	2,039.09	1,868.71
Other indirect emissions (Scope 3) (Tonnes of CO ₂ e) (Note 3)	31.97	39.26

Note 1: GHG emissions (direct and indirect) can be divided into the following three separate areas:

Scope 1: Direct GHG emissions from operations that are owned or controlled by the relevant company including GHG emissions from vehicles controlled by the relevant company;

Scope 2: "Energy indirect" GHG emissions resulting from generation of purchased or acquired electricity, heating, cooling and steam consumed within the relevant company; and

Scope 3: All other indirect GHG emissions that occurred outside the relevant company, including both upstream and downstream emissions.

Note 2: The emission factor is sourced from the China Southern Power Grid in 2021. The figures are calculated in accordance with the "Reporting Guidance on Environmental KPIs. The figure is restated in the Year 2022 as the emission factor used for the calculation of tonnes of CO₂e associated with electricity purchased in Southern China is changed in order to be in line with the calculation of the figure in the Year 2024.

Note 3: Emission factor used = Unit electricity consumption of processing sewage (obtained) from Drainage Services Department) × Territory-wide default value (i.e. 0.7kg/kWh) of purchased electricity For calculation of sewage drained for commercial institutional purposes, assuming 100% of the fresh water consumed will enter the sewage system.

Target(s) set for emissions and steps taken to achieve them

Reduction target of air emissions

Environmental KPI	Reduction Target	Baseline Year	Status
Air emissions			
NO _x intensity	Reduce 5% by Year 2024	Year 2020	Achieved
SO _x intensity	Reduce 5% by Year 2024	Year 2020	Achieved
PM intensity	Reduce 5% by Year 2024	Year 2020	Increased 9%

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Reduction target of GHG emission

Environmental KPI	Reduction Target	Baseline Year	Status
GHG emission intensity (Scope 1)	Reduce 5% by Year 2024	Year 2020	Achieved
GHG emission intensity (Scope 2)	Reduce 5% by Year 2024	Year 2020	Achieved
GHG emission intensity (Scope 3)	Reduce 5% by Year 2024	Year 2020	Achieved

The emission target is to mitigate air emissions no matter there are more or less productions. The Group adopted steps below to achieve the target:

1. Reinforcing the emission mitigation equipment. Air emission treatment systems with water spray tower installation, activated carbon absorption device and centrifugal fan were adopted in the production process of copper wires and steel core since the end of 2014.
2. To ensure complete collection and proper treatment of air emissions, subsequent to the enhancement of the new treatment system in October 2017, the installation of additional gas collection system and rotating-stream-tray scrubber in the production process of copper wires was enhanced in the above-mentioned new treatment system.
3. Since February 2020, the Group imply “water-based paint take place of oil-based paint” to reduce emissions.
4. To achieve an organised and up-to-standard emissions, a comprehensive rectification project has been carried out for the collection of gas in production process since July 2020.
5. Since November 2020, two sets of UV photolysis equipments has been adopted to replace the original equipments.
6. Since October 2021, a new activated carbon adsorption equipment has been put into use (the original facility is applied for scrapping) and a dry filter was installed at the front end of the activated carbon facility to reduce mist entering the activated carbon facility.

To achieve the target in fuel saving, carpooling and task combination travel arrangement have been enhanced to reduce the use of vehicles. Unnecessary business trips were cut down as far as possible. If available, all employees would take seats in the economy class on flights whenever they go on necessary business trips to minimize carbon emissions.

To achieve reducing GHG emission target, we have implemented a series of electricity-saving measures (see the paragraph under heading “Use of Resources” for details).

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Hazardous Waste

Hazardous Waste, including waste organic solvent, waste mineral oil, scrap lamps, waste barrels, waste resin, waste rags, waste active charcoal, sludge from metal surface treatment and waste cutting fluid are generated in production process. The total amount and intensity of hazardous waste are summarized as below:

Environmental Indicators	Year 2024	Year 2023
Waste		
Hazardous waste generated in total (Tonnes) <i>(Note 1)</i>	20.65	32.69
Hazardous waste generated per unit produced (kg)	0.00237	0.00474

Note 1: The waste was classified as hazardous waste in the National Catalogue of Hazardous Wastes effective from 1 August 2016.

Non-hazardous Waste

Non-hazardous wastes are mainly consisted of electronic waste, plastic waste, paper waste, scrap copper and scrap iron from plant operation and effluents mainly generated from daily consumption. Only a small portion of water is consumed in production process. Non-hazardous wastes generated in total and their intensity are summarized below:

Environmental Indicators	Year 2024	Year 2023
Waste		
Effluents generated in total (cbm)	45,672.00	74,071.00
Effluents generated per employee <i>(Note 1)</i>	96.97	161.73
Non-hazardous waste generated in total (Tonnes)	100.75	117.87
Non-hazardous waste generated per unit produced (kg)	0.01154	0.01708

Note 1: Total number of employees at the year end were used for the calculation.

Targets set for waste management and reduction and steps taken to achieve them

Reduction target of waste produced

Environmental KPI	Reduction Target	Baseline Year	Status
Hazardous waste produced intensity	Reduce 5% by Year 2024	Year 2020	Increased 3.5%
Effluents	Reduce 5% by Year 2024	Year 2020	Achieved
Non-hazardous waste produced intensity	Reduce 5% by Year 2024	Year 2020	Decreased 0.7%

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Aiming at reducing hazardous wastes and non-hazardous wastes, four basic principles namely “reduce”, “recover”, “reuse” and “recycle” are adopted. The detailed steps taken are listed as below:

Reduction

Less waste of paper through five steps as follows:

- Using more electronic means of communications instead of using paper communications;
- Filing the above-said electronic documents;
- Encouraging double sided printing to minimize necessary paper printing;
- Collecting double-printed paper into bags for recycling company to collect regularly; and
- Considering reminding clients or employees in emails not to print out the emails, if possible, so as to reduce paper consumption and carbon emissions.

Less waste of metal materials through one step as follows:

- Introduction of new models of automatic slitting and winding machines.

Reuse

Less waste of paper through one step as follows:

- Reuse of one-side printed paper and reuse the envelopes and packaging materials internally;

Less waste of other materials through one step as follows:

- Reuse of plastics, epoxy, components and parts from disqualified products for production.

Recover and Recycle

Less wastes through two steps recycle as follows:

- Hazardous wastes are stored separately against non-hazardous wastes in a designated house; and
- Wastes are handled by qualified subcontractors for processing and recycling.

All effluents are discharged into the municipal sewer systems for collective treatment in accordance with the “Effluent Water Quality Standards for the Urban Sewage System”.

Compliance with relevant laws and regulations

Full compliance with local environmental laws and regulations including the Environmental Protection Law of the PRC and the Law of the PRC on the Prevention and Control of Atmospheric Pollution is assured through strict implementation of these policies and measures. No non-compliance with relevant laws and regulations occurred in Year 2024.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

USE OF RESOURCES

The Group incorporates the Reduce, Reuse and Recycle principle and implements environmentally friendly measures in its operations to efficiently use resources, reduce waste and conserve energy. The Group remains steadfast in its support of environmental protection efforts, which is consistent with its commitment to being a good corporate citizen.

The Group advocates environmental protection in its ordinary business operations, and has implemented a variety of environmental protection measures and set up comprehensive policies in its office premises as well as plant manufacturing process.

We mitigate the negative impacts of office operations on the environment by making optimal use of office resources, including paper, electricity, toner cartridges and water.

Efficient use of resources and improvement in efficiency have been achieved through four aspects briefly described as below:

- High staff involvement: Involvement of all manpower is essential for the success on effective and adequate use of natural resources. In the staff handbook ("**Staff Handbook**"), policies for energy saving and water conservation is stated clearly, including methods of water saving, electricity saving, paper saving, recycling of packages and wastes. Labels for saving water are posted to remind the employees;
- Product design reform: New technology, production process, materials and equipment are adopted for the invention of energy-efficient products;
- Production process redesign: Production schedules are thoroughly planned and production steps are streamlined to minimize the energy consumed and frequency of use of machine; and
- Use of energy-efficiency equipment: Energy-efficiency is one of the selection criteria on acquisition and use of equipment.

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Energy consumption

Purchased electricity is the main source of energy consumed in plant operation in the PRC. The data of energy consumption in total and its intensity are listed out as below:

Environmental Indicators	Year 2024	Year 2023
Electricity consumption in plant operation/production (kWh)	2,701,992	3,110,196
Diesel consumption (kWh) ^(Note 1)	197,946	162,455
Petrol consumption (kWh) ^(Note 1)	26,040	34,343
Electricity consumption in dormitory (kWh)	640,228	782,141
Total energy consumption (kWh) ^(Note 2)	3,566,206	4,089,135
Energy consumption per unit produced (kWh)	0.40856	0.59258

Note 1: The conversion factors used to calculate the unit to kWh are sourced from the Energy Statistics Manual issued by the International Energy Agency.

Note 2: Gas or oil consumption is not significant in production process, therefore it is not included in the ESG Report.

Water consumption

Water is mainly consumed for daily use. The total amount and intensity are listed out as below:

Environmental Indicators	Year 2024	Year 2023
Water consumption in total (cbm)	45,672.00	82,302.00
Water consumption per employee ^(Note 1)	96.97	179.70

Note 1: Total number of employees at the year end was used for the calculation.

Targets set for efficient use of energy and water and steps adopted for achieve them

Reduction target of resources consumption

Environmental KPI	Reduction Target	Baseline Year	Status
Energy consumption intensity	Reduce 5% by Year 2024	Year 2020	Increased 1.3%
Water consumption intensity	Reduce 5% by Year 2024	Year 2020	Achieved

Targeted at reducing the electricity consumed for production, during the Year 2024, 789 LED lights were used to replace the existing conventional fluorescent lamps which were burnt out, to control energy consumption.

The increase of electricity consumed for daily use of employee was caused by the increase of time for the employees to stay at dormitory. The Group will keep on implementing the above said electricity saving method to save energy.

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There are no significant issues identified in seeking appropriate water source. A substantial amount of water is consumed for domestic use and merely a minimal amount of water is used for production. The target set for efficient use of water is to reduce water consumption and water consumed for domestic use per employee. Less water is utilized in Year 2023 through the effective implementation of water efficiency steps described as below:

Educational guidelines to change employee behavior are listed as follows:

- Reminding our employees to avoid wastage by posting the “Save Water” sign. The message of water conservation was widely spread in the factory to educate every employee to be self-discipline on daily use of water.
- Orientation introduction of how to save water has been arranged for new employees, including the following areas: wash dishes, vegetables and clothes in a container filled with water, instead of washing them under running water; run a washing machine only with a full load of clothes to reduce the frequency of wash; turn off the tap after use or when using intermittently (e.g. while brushing teeth and washing face); flush toilet with water used for washing vegetables and fruits; and fix dripping taps, water mains and breakdowns of devices using water promptly.
- Monitoring and inspection from time to time.

Use of water saving means are listed as follows:

- Replacement of bottled potable water with water filter. The water outlet time and water volume of faucets in toilets have been shortened and reduced by the management office of the building to save water.
- Posting various types of green messages and environmental protection labels (e.g. “please turn off the tap” and “water conservation”) at every area of water usage such as pantry and washroom to serve as a friendly reminder to employees;
- Reuse of cooling water for production process.

Packaging material used for products

Environmental Indicators	Year 2024	Year 2023
Packaging material in total (Tonnes) ^(Note 1)	348.95	204.96
Packaging material per unit of production volume (kg)	0.03998	0.02970

Note 1: Carton boxes with various sizes are used for packing products.

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Other Resource Management Methods

We put recyclable items such as paper, plastics, aluminum, batteries into recycling bins and separate such items into different categories for recycling.

THE ENVIRONMENT AND NATURAL RESOURCES

Natural resources are consumed and certain emissions and wastes are generated during daily operation and manufacturing process. This results in the aggravation of global warming, stratospheric ozone depletion and resource depletion. The Group strive to improve the waste management mechanism. Policies such as green and resource-saving policy in the Staff Handbook, including methods of water saving, electricity saving, paper saving, recycling of packages and wastes were introduced.

The Group endeavors to promote environmental awareness and protection of natural resources by integrating the concept and value into its daily operations and by spreading the green message to other stakeholders. In addition to reaching the emission standard and complying with the local environmental laws and regulations, the Group strives to minimize impact on the environment and natural resources through a number of ways below:

- Adoption of green policies supported with the basic principles of “reduce”, “recover”, “reuse” and “recycle”;
- Education on energy and water saving, and adequate use of resources through training and internal guidelines;
- Regular review of emission and waste data to assess if there is a need to enhance emission and waste mitigation means or strengthen the energy-saving measures;
- In order to reduce the damage on the forest, our offices use Forest Stewardship Council (FSC) certified paper and encourage double-sided printing of various types of documents; and
- Coordinate closely with the local Environmental Protection Bureau on its advice to reach the emission standard and to minimize emission and waste generated.

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CLIMATE CHANGE

Significant climate-related issues and policies on identification and mitigation of significant climate-related issues

Incredibly high temperatures are becoming the new norm due to global warming. Rising temperatures are impacting productivity in the factory in Heyuan, the PRC. High temperatures won't just impact productivity, but also put workers at risk. The Group has made policies on identification and mitigation of significant climate-related issues. Actions taken to manage the significant climate-related issues are as follows:

- For extremely hot or cold climates, when the weather reached certain degrees, jobsite air-conditioners and heaters can keep employees and temperature-sensitive components cool or warm enough to work safely. There are even blankets available to help concrete cure properly during the cold winter months; and
- Policies to avoid hurricanes also already have been prepared, backup power options have been set. These can help keep things productive during power outages.

During the Year 2024, there was no climate-related risk, including physical risks and transitional risks that had a significant impact to the Group.

EMPLOYMENT

Every effort is made to meet requirements under the PRC Labor Law and other relevant applicable laws and regulations. It has also stuck to the principles and strictly followed the regulations related to recruitment and promotion, compensation and dismissal, working hours, rest periods, equal opportunity, diversity, anti-discrimination and other benefits and welfare. The Group has never employed minors or forced labors with a basic salary below minimum wage.

The Group's administration and human resources department has formulated comprehensive human resources policies, and expressly stated the same in its Staff Handbook to learn the rules of personnel. In addition to compliance with basic labor laws, the Group also formulates and implements human resources policies when necessary and provides benefits more than those required by laws to recruit, retain and develop the talents.

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Distribution of workforce of the Group classified by different catalogues as follows:

Social Performance	Unit	Year 2024	Year 2023
By Gender			
Male	People	314 (54%)	236 (52%)
Female	People	271 (46%)	222 (48%)
Total	People	585 (100%)	458 (100%)
By Age Group			
Under 30 years old	People	107 (18%)	39 (9%)
30 – 50 years old	People	305 (52%)	277 (60%)
Over 50 years old	People	173 (30%)	142 (31%)
Total	People	585 (100%)	458 (100%)
By Employment Categories			
Senior level	People	23 (4%)	18 (4%)
Middle level	People	60 (10%)	69 (15%)
Entry level	People	502 (86%)	371 (81%)
Total	People	585 (100%)	458 (100%)
By Geographical Region			
Hong Kong and Macau	People	15 (3%)	18 (4%)
Mainland China	People	570 (97%)	440 (96%)
Total	People	585 (100%)	458 (100%)

As at 31 December 2024, the Group had 585 employees, of whom 100% were full-time employees.

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As at year end, the turnover rates of employees of the Group by different categories are as follows:

Employee turnover rate ^(Note 1)	Year 2024	Year 2023
By Gender		
Male	37%	51%
Female	22%	50%
By Age		
Under 30 years old	73%	195%
30-50 years old	25%	47%
Over 50 years old	12%	19%
By Geographical Region		
Hong Kong and Macau	13%	–
Mainland China	30%	53%

Note 1: The employee turnover rate is calculated based on the number of employees who cease employment during the year divided by the number of employees at end of the year in each category.

Recruitment and promotion

Equal employment and promotion policy are adopted. Employees are recruited, promoted and assigned based on abilities, experiences, qualifications and skills. Diversity is encouraged and all employees are treated fairly, regardless of their social identities such as race, nationality, gender, religious belief, age and marital status. Labor contract is formally signed with relevant terms and conditions stated.

Remuneration

A comprehensive remuneration and welfare package are offered to employee with salary adjustment benchmarked against individual performance. The Group formulates salaries and salary review policies based on the internal relativity which is established in accordance with qualification benchmark system among each grade. Under the qualification benchmark system, the Group determines the salary starting point for individual entry rank with reference to the remuneration level of similar position in the market and after considering other factors related to the nature of the work.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Work-life balance

Work-life balance is strongly emphasized to enhance sense of belonging of employees, as well as work efficiency and productivity. We are committed to enhancing the quality of life for our staff, their families and the community, and put the objective of work-life balance into practice while seeking to create a harmonious workplace and enhance loyalty among our staff. The Group engages our staff members in a variety of recreational events so as to promote staff morale. Such events can also provide more opportunities for the management to reach out to our staff, and increase communication channels to deepen mutual understanding. Standard working hour mechanism is adopted and regular entertainment and sports activities are organized. Holidays and statutory paid leaves are provided in compliance with the requirements of both the Hong Kong and the PRC laws.

Dismissal

Employees are treated as the most valuable assets for running a successful business. Dismissal of employees is not recommended unless it is the last resort when warnings are not sufficient to deter an employee from offending or seriously breaching the relevant policies.

Compliance with relevant laws and regulations

The Group is not aware of any material non-compliance with the Labour Law of the PRC, Labour Contract Law of the PRC, Payment of Wages Tentative Provisions and other applicable laws and regulations that has a significant impact relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination and other benefits and welfare on the Group in Year 2024.

No non-compliance with law that resulted in significant fines or sanctions had been reported in Year 2024.

HEALTH AND SAFETY

Along with the enforcement of the Group's well-established policies, guidelines and controls, all applicable health and safety laws and regulations comprising of the PRC Labour Law and the Law of the PRC on Work Safety were adhered to during the reporting period. During the Year 2024 there was no material illegal or non-compliance issue that had a significant impact on the Group. There are no work-related fatalities in Year 2024, Year 2023, Year 2022 and Year 2021. The total days lost due to work injury in Year 2024 is 387 days.

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Heavy emphasis is placed on minimizing occupational health and safety risks in the workplace, and therefore providing a safe working environment for employees is crucial. For the purpose of effective prevention of occupational hazard and emergencies such as disease outbreaks, especially when COVID-19 breaks out, the following policies and measures are established:

- Set up of a comprehensive occupational health and safety management mechanism: A series of policies and procedures manuals comprised of occupational health management policy, warning sign and protective device management policy and a comprehensive set of operational procedures are established. Detailed guidelines on supervision and administration of occupational health surveillance, safe operating of equipment and adequate application of warning sign and protective device are stipulated in these policies and procedures. Experienced and qualified production safety management employee is assigned to monitor the overall safety management.
- Adoption of protection device: Adequate protection device such as protective mask, ear plug and anti-static clothing in line with the local and industry standard is provided to employees engaged in operations with exposure to occupational hazard. To prevent emergency diseases and protect the employees from COVID-19, plenty of surgical masks have been provided. Proper instruction is provided to guide the use and wearing. Penalty punishment shall employees who does not wear surgery mask properly.
- Regular health check: Employees engaged in operations with exposure to occupational hazard are arranged to undergo annual occupational health examinations with the expenses charged to the Group.
- Safe working environment: A number of measures have been implemented to protect employees in the premise. For example, warning sign are posted in dangerous areas and emergency exits are clear at all times. Safety management employee conducts monthly safety inspection throughout the premise to identify improvement areas. Fire drill is organized regularly.
- The Group has drawn up and executed a clear plan to support employees that complies with applicable health advice and guidelines. Whenever there is an outbreak of emergency public disease, the Group is proactive and transparent when communicating with employees, providing relevant updates on clinical and business impacts. The Group assesses opportunities to strengthen purpose and morale among employees. It considers ways to support response efforts (e.g. financial, R&D, medical staff, etc.) Several steps have been taken to prevent spreading of disease, such as when starting work before entering the office building, the employees are required to consciously take a temperature measurement. If the body temperature is normal, one can enter the building and is required to wash his hands in the bathroom. If the body temperature exceeds 37.2° C, he will be prohibited from entering into the building to work and should go home to have a rest and inspection, if necessary, go to the hospital for treatment. The Group also adopts divided meals to avoid crowded people. The restaurant is disinfected daily, and the tables and chairs are disinfected after use. Cutlery must be sterilized at high temperature. The operation room should be kept clean and dry. It is strictly forbidden to mix raw food and cooked food, and to serve raw meat. A nutritious, light and delicious meal is suggested.

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The Group implemented a series of measures to improve indoor air quality in offices: for example, regular air quality testing, provision of air cleaners, regular cleaning of ventilation systems, use of water-cooled air conditioning systems and enhancement of air circulation in offices. In order to reduce the employees' chance of suffering from respiratory infections and COVID-19, the Group issues influenza notices when necessary and enhance preventive measures, such as the preparation of hygiene masks and hand sanitizers for staff's usage at any time.

Compliance with relevant laws and regulations

The Group is not aware of any material non-compliance with the Law of the PRC on Work Safety, Regulations on Work-Related Injury Insurance of the PRC and other applicable laws and regulations that has a significant impact on the Group relating to provide a safety working environment and protecting employees from occupational hazards in Year 2024.

No non-compliance with law that resulted in significant fines or sanctions had been reported in Year 2024.

DEVELOPMENT AND TRAINING

Regular trainings are scheduled to strengthen competence and develop the potential of employees no matter the gender. Ongoing internal training programs covering the aspects of production skills, equipment operation, communication and negotiation skills, fire safety and environmental protection knowledge are organised for employees as well as management. Quizzes in verbal or written form is held to test the knowledge of employees and management. As orientation trainings and regularly trainings have already been recorded, these KPIs have no significant impact on its business.

During the year, the employee training rate is as follows:

	Year 2024	Year 2023
Percentage of employees trained ^(Note 1)	100%	100%
Percentage of employees trained by gender ^(Note 2)		
Male	52%	52%
Female	48%	48%
Percentage of employees trained by employment category ^(Note 2)		
Senior management	4%	4%
Middle management	12%	15%
General staff	84%	81%

Note 1: It is calculated by dividing the number of employees who took part in training by the number of employee as at year end.

Note 2: It is calculated by dividing the number of employees trained in such category by the total number of employees trained.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The information on average training hours completed per employee by gender and employee category are considered not significant, hence they are not covered in this ESG Report.

Feedbacks are obtained from both the lecturer and attendees to evaluate the training result, which would be used as a reference for future improvement on course details.

Employees are also encouraged to focus on work-life balance by participating in entertainment and sports activities organized internally and externally by the community.

LABOUR STANDARDS

As explicitly defined in the Staff Handbook and the employment management policy, employment of candidates under the age of 16 and forced labour are prohibited.

Through the stringent internal review and monitoring procedure designed to verify the personal information during the recruitment process, such situations are believed to be effectively avoided and the PRC Labour Law is complied with. A labour contract is formally signed with relevant terms and conditions stated to protect the interests of employees. The ages of employees have been checked when signing the labour contract to avoid child labour. Interviews have been arranged to ensure no forced labour.

Compliance with relevant laws and regulations

The Group is not aware of any non-compliance with the Labour Law of the PRC, Provisions on the Prohibition of Using Child Labour, Protection of Minors of the PRC and other applicable laws and regulations relating to preventing child or forced labour on the Group in Year 2024.

No non-compliance with law that resulted in significant fines or sanctions had been reported in Year 2024.

SUPPLY CHAIN MANAGEMENT

The general suppliers of the Group comprise of suppliers engaged in manufacturing toroidal transformers, EI transformer, inductor and switching mode power supply. Most suppliers are from the PRC. The number of suppliers is trade secret therefore not included into this Report. The operations of suppliers impose direct impact on the sustainability performance of the Group. A systematic supplier management mechanism has been set up to monitor and review the overall performance of suppliers. Our purchase decisions are made according to the pricing, the quality of products, production capacity, past performance, suitability and general reputation of suppliers. The supplier's governance, social and environmental responsibility is also taken into consideration during assessment. Suppliers are requested to follow the code of conducts established based on the Group's internal policies and standards. For example, the Supplier Quality Assurance Agreement stating the commitment on product quality is required to be signed by the suppliers. Environmental-friendly suppliers have priority when selecting the suppliers. We identify the suppliers (if any) who have been punished by government because of environmental or social risks and do not cooperate with them anymore. In addition, regular evaluation on the suppliers' performance is carried out to ensure ongoing quality monitoring. We highlight environmentally preferable products when promote our products.

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During the year, the number of suppliers by geographical region is as follows:

Social KPI	Year 2024	Year 2023
Mainland China	92	89
Hong Kong	15	16

PRODUCT RESPONSIBILITY

The Group has implemented certain measures according to its internal policies related to maintain product quality, safeguard product image and protect customer interests in the following aspects:

Quality assurance

Sales of products cover several geographical locations including Hong Kong, the PRC, Europe, United States, Korea, Japan, Australia and Europe. Products are not merely inspected under the internally established quality assurance procedural manuals, but also required to obtain the relevant product safety and environmental certificates of export countries.

Quality control measures on finished goods, involving the process of product design and development, material purchasing, production and packaging, are implemented and jointly monitored by engineering department and quality control and assurance department. Labelling of certification, warning and usage instruction attached on products are governed by internal guidelines and inspected by quality control and assurance department.

Quality control employees are well-trained to handle the internal customer feedback management procedural manual. Timely responses from customers are collected to improve the goods and services quality in the future. Generally, we would deal with clients' urgent complaints or comments within 24 hours. Issues related to our products are normally handled by our employees from production department and operation representatives. As for issues related to clients' feedbacks, customer service representatives would collect the opinions and raise them at regular meetings, so that each department could get to the bottom of the problems. Records of customer complain are duly kept and collected by the production department.

Promotion

Products are promoted through various channels like product exhibition, company website and online sales platform. Factual information on products is delivered to potential customers while exaggeration and overstatement is not allowed.

Customer privacy

The Group is committed to protecting customer information and safeguard their privacy. Guidelines has been set up to control the collection, access, updating, security and retention of customer data and assets. In addition, sufficient IT related control measures are implemented to prevent unauthorized access and virus attack in the ERP system containing customer information.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Intellectual Property Rights (“**IP rights**”): The Group has obtained five patents for certain aspects of proprietary technology product designs and technical know-how, and registered four trademarks. One new patent has been obtained in Year 2022. The Group engaged experts to regularly monitor any potential infringement of IP rights.

In Year 2024, there were no cases of product recall and 47 complaints received against the Group’s products and services. None of them were due to health and safety issues.

Compliance with relevant laws and regulations

The Group is not aware of any material non-compliance with the Patent Law of the PRC and other applicable laws and regulations that has a significant impact relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress on the Group in Year 2024.

No significant fines had been reported in Year 2024.

ANTI-CORRUPTION

The Group implements a comprehensive internal control system and stringent policies against fraud, bribery, extortion and money laundering. The Group has complied with the related laws and regulations in both Hong Kong and the PRC. During the reporting period, there was no related material illegal or non-compliance issue that had a significant impact on the Group.

The Staff Handbook has specified that employees of the Company shall not offer bribes, grant or receive any bonus, commission or other similar illegal benefits which will affect business decisions for business interest. The employees shall not require any person or company to accept gifts, entertainment activities or bonus which do not comply with the normal social etiquette and ethical business practices. Related training is offered in orientation section. Anticorruption trainings have been provided to directors and employees from time to time. No legal cases regarding corrupt practices brought against the Company or its employees during the reporting period.

In addition, whistleblowing and complaint policy is established to govern the whistleblowing procedures on suspected malpractice, misconduct and irregularities discovered. All whistleblower is assured of protection and confidential identity. All reported cases are seriously handled by management following the relevant procedures.

During the Year 2024, the Group held one session of anti-corruption training for its directors and staff.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Compliance with relevant laws and regulations

The Group is not aware of any material non-compliance with the Anti-Unfair Competition Law of the PRC and other applicable laws and regulations that has a significant impact on the issuer relating to bribery, extortion, fraud and money laundering in Year 2024.

There was no legal case concerning corruption brought against the Group or its employees in Year 2024.

COMMUNITY INVESTMENT

To create values for the community, efforts and resources have been devoted to community engagement through close collaboration with local government and other enterprises, and through the Group's involvement in charity activities. The Group's focus area of contribution is on helping the needy by hiring the low-income community employees.

Contributing to society and working together to build a better environment are integral components of corporate social responsibility. Recognising this, the Group has participated in an event of fund donation to local government labour authorities in Year 2024. The Group believes that such activities are not only beneficial to the health of staff, but are also conducive to bond building outside of the workplace, improving cross-departmental communications, and promoting camaraderie, leading ultimately to a more harmonious and productive working environment.

INDEPENDENT AUDITOR'S REPORT



WM CPA LIMITED

維文會計師事務所有限公司

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF KEEN OCEAN INTERNATIONAL HOLDING LIMITED

(Incorporated in Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of Keen Ocean International Holding Limited (the **"Company"**) and its subsidiaries (together the **"Group"**) set out on pages 89 to 142, 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"**) as issued by the HKICPA. Our responsibilities under those standards are further described in the *"Auditor's Responsibilities for the Audit of the Consolidated Financial Statements"* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the **"Code"**), as applicable to audits of financial statements of public interest entities. We have also fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current 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.

INDEPENDENT AUDITOR'S REPORT

Inventories

As disclosed in Note 18 to the consolidated financial statement, as at 31 December 2024, the carrying amount of inventories of the Group amounted to approximately HK\$34,434,000.

We identified inventories as a key audit matter due to the significant balance of inventories to the consolidated financial statements as a whole and the significant degree of management judgement involved in recognising impairment loss on inventories.

Our audit procedures in relation to inventories included, among others, the following:

- Assessing the Group's procedures on ordering and holding of inventories;
- Evaluating the Group's impairment assessment;
- Assessing the marketability of the inventories;
- Assessing the ageing of the inventories;
- Assessing the net realisable values of the inventories; and
- Checking subsequent sales and usage of the inventories.

INDEPENDENT AUDITOR'S REPORT

Trade receivables

As disclosed in Note 19 to the consolidated financial statement, as at 31 December 2024, the carrying amount of trade receivables of the Group amounted to approximately HK\$59,208,000.

We identified trade receivables as a key audit matter due to the significant balance of trade receivables to the consolidated financial statements as a whole and the significant degree of management judgement involved in recognising impairment loss on trade receivables.

Our audit procedures in relation to trade receivables included, among others, the following:

- Assessing the Group's procedures on granting credit limits and credit periods to customers;
- Assessing the Group's relationship, transaction history and creditworthiness with the customers;
- Evaluating the Group's impairment assessment;
- Checking subsequent settlements from the customers;
- Assessing the scope, expertise and independence of the independent professional valuer appointed by the Group; and
- Testing on a sample basis the ageing of trade receivables at the end of year.

INDEPENDENT AUDITOR'S REPORT

Other Matter

The consolidated financial statements of the Group for the year ended 31 December 2023, were audited by another auditor who expressed in unmodified opinion on those statements on 28 March 2024.

Other information in the annual report

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

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

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

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

The directors of the Company are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibility in this regard.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

INDEPENDENT AUDITOR'S REPORT

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

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

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

INDEPENDENT AUDITOR'S REPORT

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

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

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

The engagement partner on the audit resulting in the independent auditor's report is Chow Wing Yiu.

WM CPA Limited

Certified Public Accountants

Chow Wing Yiu

Practising Certificate Number P07574

Hong Kong

25 March 2025

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2024

	Notes	2024 HK\$'000	2023 HK\$'000
Revenue	7	287,213	326,713
Cost of sales		(230,810)	(276,057)
Gross profit		56,403	50,656
Interest revenue		3,046	785
Other income	8	1,434	3,265
Other (losses)/gains, net	9	(1,354)	3,731
Selling and distribution expenses		(6,893)	(6,887)
Administrative expenses		(30,164)	(29,944)
Profit from operations		22,472	21,606
Finance costs	10	(1,792)	(2,585)
Profit before tax		20,680	19,021
Income tax expense	11	(3,134)	(1,847)
Profit for the year	12	17,546	17,174
Other comprehensive income after tax:			
Items that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations		(945)	(843)
Total comprehensive income for the year		16,601	16,331
Profit for the year attributable to:			
Owners of the Company		17,550	17,182
Non-controlling interests		(4)	(8)
		17,546	17,174
Total comprehensive income for the year attributable to:			
Owners of the Company		16,605	16,339
Non-controlling interests		(4)	(8)
		16,601	16,331
Earnings per share			
Basic and diluted (HK cents)	15	8.78	8.59

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2024

	Notes	As at 31 December 2024 HK\$'000	As at 31 December 2023 HK\$'000
Non-current assets			
Property, plant and equipment	16	36,973	34,967
Right-of-use assets	17	3,009	–
		39,982	34,967
Current assets			
Inventories	18	34,434	53,148
Trade and other receivables and prepayments	19	71,882	34,898
Amount due from a related party	20	1,113	–
Investments at fair value through profit or loss	21	–	9,140
Pledged bank deposits	22	26,913	10,810
Short-term deposits	22	37,200	55,800
Bank and cash balances	22	6,130	11,711
		177,672	175,507
Current liabilities			
Trade and other payables and accruals	23	62,581	41,958
Contract liabilities	24	42,627	29,851
Bank loans and overdrafts	25	20,173	37,050
Amount due to a related party	26	–	1,841
Lease liabilities	27	3,080	–
Current tax liabilities		4,456	1,638
		132,917	112,338
Net current assets		44,755	63,169
NET ASSETS		84,737	98,136

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2024

		As at 31 December 2024 HK\$'000	As at 31 December 2023 HK\$'000
	Notes		
Capital and reserves			
Share capital	28	2,000	2,000
Reserves	30	82,763	96,158
Equity attributable to owners of the Company		84,763	98,158
Non-controlling interests		(26)	(22)
TOTAL EQUITY		84,737	98,136

The consolidated financial statements on pages 89 to 142 were approved and authorised for issue by the Board of Directors on 25 March 2025 and are signed on its behalf by:

Chung Chi Wah
Director

Chung Tin Shing
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2024

	Attributable to owners of the Company					Non-controlling interests		Total equity
	Share capital HK\$'000	Share premium HK\$'000	Special reserve HK\$'000	Retained profits HK\$'000	Translation reserve HK\$'000	Total HK\$'000	HK\$'000	
At 1 January 2023	2,000	24,973	3,000	51,876	(30)	81,819	(14)	81,805
Profit/(loss) and total comprehensive income/(expense) for the year	—	—	—	17,182	(843)	16,339	(8)	16,331
At 31 December 2023	2,000	24,973	3,000	69,058	(873)	98,158	(22)	98,136
At 1 January 2024	2,000	24,973	3,000	69,058	(873)	98,158	(22)	98,136
Profit/(loss) and total comprehensive income/(expense) for the year	—	—	—	17,550	(945)	16,605	(4)	16,601
Dividend paid	—	—	—	(30,000)	—	(30,000)	—	(30,000)
At 31 December 2024	2,000	24,973	3,000	56,608	(1,818)	84,763	(26)	84,737

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2024

	Notes	Year ended 31 December	
		2024	2023
		HK\$'000	HK\$'000
Cash flows from operating activities			
Profit before tax		20,680	19,021
Adjustments for:			
Depreciation of property, plant and equipment	12	3,621	3,354
Depreciation of right-of-use assets	12	1,505	1,984
Interest income		(3,046)	(785)
Finance costs	10	1,792	2,585
(Gain)/loss on disposal of property, plant and equipment	9	(9)	673
Fair value loss/(gain) on investments at fair value through profit or loss	9	3,240	(3,513)
(Reversal)/provision of loss allowance on trade receivables	12	(47)	81
Operating profit before working capital changes		27,736	23,400
Change in inventories		18,714	50,958
Change in trade and other receivables and prepayments		(36,937)	51,144
Change in amount due from a related party		(1,113)	–
Change in trade and other payables and accruals		20,623	(45,122)
Change in contract liabilities		12,776	18,474
Change in amount due to a related party		(1,841)	869
Income tax paid		(849)	(2,587)
Net cash generated from operating activities		39,109	97,136
Cash flows from investing activities			
Interest received		3,046	785
Acquisition of property, plant and equipment		(6,113)	(26,483)
Proceeds from disposal of property, plant and equipment		19	193
Proceed of pledged and short-term bank deposits		233,794	1,025
Placement of pledged and short-term bank deposits		(231,297)	(55,800)
Purchases of investments at fair value through profit or loss		(18,198)	(98,595)
Proceeds from settlements of investments at fair value through profit or loss		23,968	94,768
Net cash generated from/(used in) investing activities		5,219	(84,107)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2024

	Year ended 31 December	
	2024	2023
	HK\$'000	HK\$'000
Cash flows from financing activities		
New borrowings raised	85,352	126,890
Repayment of bank borrowings	(101,746)	(142,374)
Repayment of lease liabilities	(1,434)	(2,076)
Lease interests paid	(183)	(53)
Interest paid	(1,609)	(2,532)
Dividend paid	(30,000)	–
Net cash used in financing activities	(49,620)	(20,145)
Net decrease in cash and cash equivalents	(5,292)	(7,116)
Effect of foreign exchange rate changes	(289)	(506)
Cash and cash equivalents at beginning of year	11,711	19,333
Cash and cash equivalents at end of year	6,130	11,711
Analysis of cash and cash equivalents		
Bank and cash balances	6,130	11,711

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

1. GENERAL INFORMATION

Keen Ocean International Holding Limited (the “**Company**”) was incorporated in the Cayman Islands with limited liability. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The address of its principal place of business is Room 3702, 37/F, Cable TV Tower, No. 9 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong. The Company’s shares are listed on the GEM of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

The Company is an investment holding company. The principal activities of the Group are the manufacture and sale of transformers, switching mode power supplies, electronic parts and components and electric healthcare products. Details of the principal activities of its subsidiaries are set out in note 35 to the consolidated financial statements.

In the opinion of the directors of the Company, as at 31 December 2024, Century Lead International Limited, a company incorporated in the British Virgin Islands (“**BVI**”) with limited liability, is the immediate parent company of the Company and Mr. Chung Chi Wah is the ultimate controlling party of the Company.

2. ADOPTION OF NEW AND REVISED HKFRS ACCOUNTING STANDARDS

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

For the current reporting period, 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 reporting period beginning on 1 January 2024 for the preparation of the consolidated financial statements:

Amendments to HKFRS 16	<i>Lease Liability in a Sale and Leaseback</i>
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current</i>
	(the “ 2020 Amendments ”)
Amendments to HKAS 1	<i>Non-current Liabilities with Covenants</i>
	(the “ 2022 Amendments ”)
Amendments to HKAS 7 and HKFRS 7	<i>Supplier Finance Arrangements</i>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

2. ADOPTION OF NEW AND REVISED HKFRS ACCOUNTING STANDARDS – continued New and amended to HKFRS Accounting Standards in issue but not yet effective

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

HKFRS 18	<i>Presentation and Disclosure in Financial Statements³</i>
HKFRS 19	<i>Subsidiaries without Public Accountability: Disclosures³</i>
Amendments to HKFRS 9 and HKFRS 7	<i>Amendments to the Classification and Measurement of Financial Instruments²</i>
Amendments to HKFRS 10 and HKAS 28	<i>Sale or Contribution of Assets between an Investor and Its Associate or Joint Venture⁴</i>
Amendments to HKAS 21	<i>Lack of Exchangeability¹</i>
Annual Improvements to HKFRS Accounting Standards – Volume 11	Amendments to HKFRS 1, HKFRS 7, HKFRS 9, HKFRS 10 and HKAS 7 ²

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/reporting periods beginning on or after 1 January 2027

4 No mandatory effective date yet determined but available for adoption

The directors of the Company anticipate that the application of all new and amended to HKFRS Accounting Standards will have no material impact on the consolidated financial statements in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICIES

Basis of preparation of consolidated financial statements

These consolidated financial statements have been prepared in accordance with HKFRS Accounting Standards as issued by the HKICPA, the applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of The Stock Exchange ("**Listing Rules**") and by the Hong Kong Companies Ordinance. For the purpose of preparation of the consolidated financial statement, information is considered material if such information is reasonably expected to influence decisions made by primary users.

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

The preparation of consolidated financial statements in conformity with HKFRS Accounting Standards requires the use of certain key estimates. It also requires the directors of the Company to exercise its judgments in the process of applying the accounting policies. The areas where assumptions and estimates are significant to these financial statements, are disclosed in note 4 to the consolidated financial statements.

The material accounting policies applied in the preparation of these consolidated financial statements are set out below.

Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "**Group**") at the end of each reporting period. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties, to determine whether it has control. A potential voting right is considered only if the holder has the practical ability to exercise that right.

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

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. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICIES – continued

Consolidation – continued

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

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

Foreign currency translation

(a) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars ("HK\$"), which is the Company's presentation currency. The functional currency of the Company is United States dollars ("US\$"). The directors consider that choosing HK\$ as the presentation currency best suits the needs of the shareholders and investors.

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

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICIES – continued

Foreign currency translation – continued

(c) Translation on consolidation

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

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

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are recognised in consolidated profit or loss as part of the gain or loss on disposal.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses.

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

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

Land and buildings	50 years
Leasehold improvements	Over the shorter of term of the lease, or 5 years
Plant and machinery	5 to 10 years
Furniture, fixtures and office equipment	3 to 5 years
Motor vehicles	5 years

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICIES – continued

Property, plant and equipment – continued

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

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

Leases

The Group as lessee

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are stated at cost less accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. Depreciation of right-of-use assets is calculated at rates to write off their cost over the shorter of the asset's useful life and the lease term on a straight-line basis. The principal useful lives are as follows:

Buildings

Over the lease term of 3 years

Right-of-use assets are measured at cost comprising the amount of the initial measurement of the lease liabilities, lease payments made at or before the commencement date less any lease incentives received, initial direct costs and the restoration costs. Lease liabilities include the net present value of the lease payments discounted using the interest rate implicit in the lease if that rate can be determined, or otherwise the Group's incremental borrowing rate. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the lease liability. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

Payments associated with short-term leases and leases of low-value assets are recognised as expenses in profit or loss on a straight-line basis over the lease terms. Short-term leases are leases with an initial lease term of 12 months or less. Low-value assets are assets of value below HK\$38,750.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICIES – continued

The Group as lessor

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

Leases that do not substantially transfer to the lessees all the risks and rewards of ownership of assets are accounted for as operating leases. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

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

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred. An internally generated intangible asset arising from the Group's health products development is recognised only if all of the following conditions are met:

- An asset is created that can be identified (such as software and new processes);
- It is probable that the asset created will generate future economic benefits; and
- The development cost of the asset can be measured reliably.

Where no internally generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average basis. The cost of finished goods and work in progress comprises raw materials, direct labour and an appropriate proportion of all production overhead expenditure, and where appropriate, subcontracting charges. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of to be incurred to completion and disposal.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICIES – continued

Recognition and derecognition of financial instruments

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

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

Financial assets

Financial assets are recognised and derecognised on a trade date basis where the purchase or sale of an asset is under a contract whose terms require delivery of the asset within the timeframe established by the market concerned, and are initially recognised at fair value, plus directly attributable transaction costs except in the case of investments at fair value through profit or loss. Transaction costs directly attributable to the acquisition of investments at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets of the Group are classified as under the following categories:

- Financial assets at amortised cost; and
- Investments at fair value through profit or loss.

(a) *Financial assets at amortised cost*

Financial assets (including trade and other receivables) are classified under this category if they satisfy both of the following conditions:

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

They are subsequently measured at amortised cost using the effective interest method less loss allowance for expected credit losses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICIES – continued

Financial assets– continued

(b) *Investments at fair value through profit or loss*

Financial assets are classified under this category if they do not meet the conditions to be measured at amortised cost and the conditions of debt investments at fair value through other comprehensive income unless the Group designates an equity investment that is not held for trading as at fair value through other comprehensive income on initial recognition.

Investments at fair value through profit or loss are subsequently measured at fair value with any gains or losses arising from changes in fair values recognised in profit or loss. The fair value with any gains or losses recognised in profit or loss are net of any interest income and dividend income. Interest income and dividend income are recognised in profit or loss.

Impairment of financial assets

The Group recognises an allowance for expected credit losses (“**ECLs**”) for all debt instruments not held at fair value through profit or loss. ECLs are the weighted average of credit losses with the respective risks of a default occurring as the weights.

At the end of each reporting period, the Group measures the loss allowance for a financial instrument at an amount equal to the ECLs that result from all possible default events over the expected life of that financial instrument (“lifetime expected credit losses”) for trade receivables, or if the credit risk on that financial instrument has increased significantly since initial recognition.

If, at the end of the reporting period, the credit risk on a financial instrument (other than trade receivables) has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to the portion of lifetime ECLs that represents the ECLs that result from default events on that financial instrument that are possible within 12 months after the reporting period.

The amount of ECLs or reversal of loss allowance at the end of the reporting period to the required amount is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICIES – continued

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash on hand and at banks, and short-term highly liquid deposits with a maturity of generally within three months that are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value and held for the purpose of meeting short-term cash commitments.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term deposits as defined above, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

Financial liabilities and equity instruments

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

Borrowings

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICIES – continued

Trade and other payables

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

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Revenue from contracts with customers

Revenue is measured based on the consideration specified in a contract with a customer with reference to the customary business practices and excludes amounts collected on behalf of third parties. For a contract where the period between the payment by the customer and the transfer of the promised product or service exceeds one year, the consideration is adjusted for the effect of a significant financing component.

The Group recognises revenue when it satisfies a performance obligation by transferring control over a product or service to a customer. Depending on the terms of a contract and the laws that apply to that contract, a performance obligation can be satisfied over time or at a point in time. A performance obligation is satisfied over time if:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance;
- the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If a performance obligation is satisfied over time, revenue is recognised by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the product or service.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICIES – continued

Other revenue

Interest income is recognised using the effective interest method.

Rental income is recognised on a straight-line basis over the lease term.

Employee benefits

(a) Employee leave entitlements

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

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

(b) Pension obligations

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme ("MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme in Hong Kong. Contributions are made based on 5% of the employees' relevant income, subject to a ceiling of monthly relevant income of HK\$30,000 and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The Group also participates in a defined contribution retirement scheme organised by the government in the People's Republic of China ("PRC"). The Group is required to contribute a specific percentage of the payroll of its employees to the retirement scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the retirement scheme. No forfeited contributions may be used by the employers to reduce the existing level of contributions.

(c) Termination benefits

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICIES – continued

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

A government grant is recognised when there is reasonable assurance that the Group will comply with the conditions attaching to it and that the grant will be received.

Government grants relating to income are deferred and recognised in profit or loss over the period to match them with the costs they are intended to compensate.

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

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICIES – continued

Taxation – continued

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

Deferred tax liabilities are recognised for taxable temporary differences arising on 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.

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

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

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

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

Segment reporting

Operating segments and the amounts of each segment item reported in the financial statements are identified from the financial information provided regularly to the Group's most senior executive management for the purpose of allocating resources and assessing the performance of the Group's various lines of business.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICIES – continued

Segment reporting – continued

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of productions processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

Related parties

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

- (a) the party is a person or a close member of that person's family and that person :
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group;or
- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group; (If the Group is itself such a plan) and the sponsoring employers of the post-employment benefit plan;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICIES – continued

Impairment of assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets, except investments, inventories and receivables to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

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 (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICIES – continued

Events after the reporting period

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

4. KEY ESTIMATES

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

(a) Impairment loss for bad and doubtful debts

The Group makes impairment loss for bad and doubtful debts based on assessments of the recoverability of the trade and other receivables, including the current creditworthiness and the past collection history of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the trade and other receivables and doubtful debt expenses in the year in which such estimate has been changed.

(b) Allowance for slow-moving inventories

Allowance for slow-moving inventories is made based on the ageing and estimated net realisable value of inventories. The assessment of the allowance amount involves judgments and estimates. Where the actual outcome in future is different from the original estimate, such difference will impact the carrying value of inventories and allowance charge/write-back in the period in which such estimate has been changed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

5. FINANCIAL RISK MANAGEMENT

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

(a) Foreign currency risk

The sales of the Group are mainly denominated in US\$. However, the Group has certain foreign currency sales and purchases transactions denominated in HK\$, which exposes the Group to foreign currency risk. The Group currently have no foreign currency hedging policy and management monitors the foreign exchange exposure by closely monitoring the movement of foreign currency rates.

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

	Assets		Liabilities	
	2024 HK\$'000	2023 HK\$'000	2024 HK\$'000	2023 HK\$'000
HK\$	<u>18,359</u>	<u>7,196</u>	<u>11,935</u>	<u>6,892</u>

In the opinion of the management of the Group, the sensitivity analysis of currency risk exposure of HK\$ is not presented as it is pegged with US\$, the average change in foreign exchange rate will not have significant impact on the profit or loss for the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

5. FINANCIAL RISK MANAGEMENT – continued

(b) Price risk

The Group's investments at fair value through profit or loss are measured at fair value at the end of each of reporting period. Therefore, the Group is exposed to equity security price risk. The directors of the Company manage this exposure by maintaining a portfolio of investments with different risk profiles.

At 31 December 2024, if the fair value of investments at fair value through profit or loss increase/decrease by 5%, profit or loss for the year would have been HK\$nil (2023: HK\$457,000) higher/lower.

(c) Credit risk

The carrying amount of the pledged bank deposits, bank and cash balances, trade and other receivables and investments included in the statement of financial position represents the Group's maximum exposure to credit risk in relation to the Group's financial assets.

It has policies in place to ensure that sales are made to customers with an appropriate credit history.

The credit risk on pledged bank deposits and cash and bank balances is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The credit risk on investments is limited because the counterparty is a well-established securities broker firm in the People's Republic of China ("PRC").

The Group's maximum exposure to credit risk in the event that counterparties fail to perform their obligations at 31 December 2024 in relation to each class of recognised financial assets is the carrying amounts of those assets as stated in the consolidated statement of financial position. The Group's credit risk is primarily attributable to its trade receivables. In order to minimise the credit risk, management of the Group has credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

5. FINANCIAL RISK MANAGEMENT – continued

(c) Credit risk – continued

The Group considers whether there has been a significant increase in credit risk of financial assets on an ongoing basis throughout each reporting period by comparing the risk of a default occurring as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following information is used:

- internal credit rating;
- external credit rating (if available);
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations;
- actual or expected significant changes in the operating results of the borrower; and
- significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers.

A significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment. A default on a financial asset is when the counterparty fails to make contractual payments within 60 days of when they fall due.

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. The Group normally categorises a receivable for write off when a debtor fails to make contractual payments greater than 360 days past due. Where receivables have been written off, the Group, if practicable and economical, continues to engage in enforcement activity to attempt to recover the receivable due.

The Group uses two categories for non-trade loan receivables which reflect their credit risk and how the loan loss provision is determined for each of the categories. In calculating the expected credit loss rates, the Group considers historical loss rates for each category and adjusts for forward looking data.

Category	Definition	Loss provision
Performing	Low risk of default and strong capacity to pay	12 month expected losses
Non-performing	Significant increase in credit risk	Lifetime expected losses

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

5. FINANCIAL RISK MANAGEMENT – continued

(d) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term. All of the Group's financial liabilities are due within one year.

(e) Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to the pledged bank deposits, bank balances and bank loans and overdrafts. The directors of the Company consider that the changes in interest rates of bank balances have no significant impact to the Group due to the low interest rates and short-term maturities and therefore no sensitivity analysis is presented for pledged bank deposits, bank balances and bank loans and overdrafts.

At 31 December 2024, if interest rates at that date had been 10 basis points lower with all other variables held constant, consolidated profit after tax for the year would have been approximately HK\$20,000 (2023: HK\$31,000) higher, arising mainly as a result of lower interest expense on bank loans and overdrafts. If interest rates had been 10 basis points higher, with all other variables held constant, consolidated profit after tax for the year would have been HK\$20,000 (2023: HK\$31,000) lower, arising mainly as a result of higher interest expense on bank loans and overdrafts.

(f) Categories of financial instruments

	2024 HK\$'000	2023 HK\$'000
Financial assets:		
Investments at fair value through profit or loss		
– Mandatorily measured	–	9,140
Financial assets at amortised cost (including cash and cash equivalents)	132,921	104,510
Financial liabilities:		
Financial liabilities at amortised cost	81,836	80,764

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

6. FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: unadjusted quoted price in active markets for identical assets or liabilities that the Company can access at the measurement date.

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

Level 3 inputs: fair value measured using significant unobservable inputs.

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

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

	Fair value measurements using: 2024 Level 1 HK\$'000	Fair value measurements using: 2023 Level 1 HK\$'000
Description		
Recurring fair value measurements:		
Investments at fair value through profit or loss		
– Future	–	6,107
– Option contract – put option	–	3,033
Total recurring fair value measurements	–	9,140

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

7. REVENUE AND SEGMENT INFORMATION

The Group's operation is derived from the manufacture and sale of transformers, switching mode power supply, electronic parts and components and electric healthcare products during the year. For the purpose of resources allocation and performance assessment, the chief operating decision maker (i.e. the chief executive officer of the Company) reviews the overall results and financial position of the Group as a whole prepared based on same accounting policies set out in note 3. Accordingly, the Group has only one single operating segment and no further analysis of this single segment is presented.

An analysis of the Group's revenue from its major products is as follows:

	2024 HK\$'000	2023 HK\$'000
Sales of transformers	119,202	146,176
Sales of switching mode power supply	3,228	3,100
Sales of electronic parts and components	164,783	174,750
Sales of electric healthcare products	–	2,687
Revenue from contracts with customers	287,213	326,713

Disaggregation of revenue from contracts with customers:

Geographical information

The Group's operation is located in the PRC. Information about the Group's revenue is presented based on the location of the customers. Information about the Group's non-current assets is presented based on the geographical location of the assets.

	Revenue from external customers		Non-current assets	
	2024 HK\$'000	2023 HK\$'000	2024 HK\$'000	2023 HK\$'000
Hong Kong	2,760	19,184	21,502	21,997
PRC	55,121	41,950	18,480	12,970
Europe	139,289	183,340	–	–
United States	23,128	25,380	–	–
India	52,638	43,218	–	–
Others	14,277	13,641	–	–
	287,213	326,713	39,982	34,967

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

7. REVENUE AND SEGMENT INFORMATION – continued

Geographical information – continued

All timing of revenue recognition is at a point of time for the years ended 31 December 2024 and 2023.

Revenue from major customers individually accounting for 10% or more of total revenue are as follows:

	2024 HK\$'000	2023 HK\$'000
Customer A (sales of transformers)	52,537	43,116
Customer B (sales of electronic parts and other products)	<u>108,534</u>	<u>162,054</u>

Sales of transformers, switching mode power supply, electronic parts and components and electric healthcare products

The Group manufactures and sells transformers, switching mode power supply, electronic parts and components and electric healthcare products. Sales are recognised when control of the products has transferred, being when the products are delivered to a customer, there is no unfulfilled obligation that could affect the customer's acceptance of the products and the customer has obtained legal titles to the products.

Sales to customers are normally made with credit terms of 15 to 90 days. For new customers, deposits or cash on delivery may be required. Deposits received are recognised as a contract liability.

A receivable is recognised when the products are delivered to the customers as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

8. OTHER INCOME

	2024 HK\$'000	2023 HK\$'000
Sales of scrap materials	1,006	1,088
Government incentive	301	1,801
Rental income	–	100
Others	127	276
	1,434	3,265

9. OTHER (LOSSES)/GAINS, NET

	2024 HK\$'000	2023 HK\$'000
Fair value (loss)/gain on investments at fair value through profit or loss	(3,240)	3,513
Gain/(loss) on disposal of property, plant and equipment	9	(673)
Net exchange gain	1,877	891
	(1,354)	3,731

10. FINANCE COSTS

	2024 HK\$'000	2023 HK\$'000
Leases interests	183	53
Interest on loans and overdrafts	1,609	2,532
	1,792	2,585

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

11. INCOME TAX EXPENSE

	2024 HK\$'000	2023 HK\$'000
Current tax – Hong Kong Profits Tax		
Provision for the year	1,531	519
Current tax – PRC enterprise income tax		
Provision for the year	1,603	1,328
	<u>3,134</u>	<u>1,847</u>

Hong Kong Profits Tax has been provided at the rate of 8.25% on assessable profits up to HK\$2,000,000 and 16.5% on any part of assessable profits over HK\$2,000,000 for the years end 31 December 2024 and 2023.

Under the Law of the PRC on Enterprise Income Tax (the “**EIT Law**”) and Implementation Regulation of the EIT Law, He Yuan Sky Wealth Electronic and Plastic Co. Ltd., an indirect wholly-owned subsidiary of the Company, has successfully obtained “High and New Technology Enterprise” (“**HNTE**”) qualification under EIT Law during the year ended 31 December 2023 and as a result, He Yuan Sky Wealth Electronic and Plastic Co. Ltd. enjoys a preferential tax rate of 15% from 1 January 2023 to 31 December 2025. Therefore, the applicable tax rate for He Yuan Sky Wealth Electronic and Plastics Co. Ltd. was 15% for the year ended 31 December 2024 (2023: 15%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

11. INCOME TAX EXPENSE – continued

The reconciliation between the income tax expense and the product of profit before tax multiplied by the Hong Kong Profits tax rate is as follows:

	2024 HK\$'000	2023 HK\$'000
Profit before tax	20,680	19,021
Tax at Hong Kong Profits tax rate	3,412	3,125
Tax effect of income not taxable and expenses not deductible	(321)	(1,818)
Effect of different tax rates of subsidiaries	(137)	(36)
Tax effect of temporary differences not recognised	(97)	(57)
Tax effect of tax loss not recognised	277	633
Income tax expense	3,134	1,847

Under the EIT Law of the PRC, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiary. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to the profits earned by the PRC subsidiary because the amount is insignificant.

No unused tax losses has been recognised by the Group for the years ended 31 December 2024 and 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

12. PROFIT FOR THE YEAR

The Group's profit for the year has been arrived at after charging/(crediting) the following:

	2024 HK\$'000	2023 HK\$'000
Auditor's remuneration	510	450
Cost of inventories sold (including depreciation and direct labor costs)	229,593	274,067
Depreciation of property, plant and equipment	3,621	3,354
Depreciation of right-of-use assets	1,505	1,984
(Gain)/loss on disposals of property, plant and equipment	(9)	673
(Reversal)/provision of loss allowance on trade receivables	(47)	81
Research and development expenses	11,499	10,048
Directors' remuneration (Note 13)	1,801	1,821
Staff costs (not including directors' emoluments)		
Salaries, bonus and allowances	41,844	39,678
Retirement benefits scheme contributions	4,954	5,174
Total staff costs (including directors' emoluments)	48,599	46,673

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

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

(a) Directors' and chief executive's emoluments

Details of the emoluments paid or payable to the Directors and the chief executive were as follows:

	Fees HK\$'000	Salaries and allowances HK\$'000	Retirement benefit contributions HK\$'000	Total HK\$'000
For the year ended				
31 December 2024				
Executive directors				
Mr. Chung Chi Hang, Larry*	–	103	5	108
Mr. Chung Tin Shing	–	910	18	928
Mr. Wong Shek Fai, Johnson	–	546	18	564
Mr. Chung Chi Wah**	–	54	3	57
	–	1,613	44	1,657
Independent non-executive directors				
Mr. Cheung Yee Tak, Jonathan	48	–	–	48
Mr. Li Chung Pong, Stephen***	36	–	–	36
Mr. Lam Chon Loi	48	–	–	48
Ms. Fu Jingyan****	12	–	–	12
	144	–	–	144
	144	1,613	44	1,801

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

13. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS – continued

(a) Directors' and chief executive's emoluments – continued

	Fees HK\$'000	Salaries and allowances HK\$'000	Retirement benefit contributions HK\$'000	Total HK\$'000
For the year ended 31 December 2023				
Executive directors				
Mr. Chung Chi Hang, Larry*	–	222	11	233
Mr. Chung Tin Shing	–	868	18	886
Mr. Wong Shek Fai, Johnson	–	540	18	558
	–	1,630	47	1,677
Independent non-executive directors				
Mr. Cheung Yee Tak, Jonathan	48	–	–	48
Mr. Li Chung Pong, Stephen***	48	–	–	48
Mr. Lam Chon Loi	48	–	–	48
	144	–	–	144
	144	1,630	47	1,821

* Mr. Chung Chi Hang, Larry has resigned as executive director on 1 October 2024.

** Mr. Chung Chi Wah has been appointed as executive director with effect from 1 October 2024.

*** Mr. Li Chung Pong, Stephen has resigned as independent non-executive director on 1 October 2024.

**** Ms. Fu Jingyan has been appointed as independent non-executive director with effect from 1 October 2024.

Notes:

- The directors' emoluments of the executive directors shown above were for their services in connection with the management of the affairs of the Company and the Group.
- Mr. Chung Tin Shing is also the Chief Executive of the Company and his emoluments disclosed above include those for services rendered by him as the Chief Executive.
- No emoluments were paid by the Group to the directors and chief executive as an inducement to join or upon joining the Group or as compensation for loss of office in both years.
- There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

13. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS – continued

(b) Five highest paid individuals

The five highest paid individuals in the Group during the year included two (2023: three) directors whose emoluments are reflected in the analysis presented above. The emoluments of the remaining three (2023: two) individuals are set out below:

	2024 HK\$'000	2023 HK\$'000
Basic salaries and allowances	1,284	983
Retirement benefits contributions	42	34
	1,326	1,017

Their emoluments individually were all below HK\$1,000,000.

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

14. DIVIDENDS

	HK\$'000	HK\$'000
Interim dividends declared and paid of HK\$0.15 per ordinary share (2023: nil)	30,000	–

Pursuant to the Board meeting on 19 August 2024, the Directors resolved to declare a special interim dividend for the six months ended 30 June 2024 of HK\$0.15 per ordinary share totalling HK\$30,000,000 (2023: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

15. EARNINGS PER SHARE

	2024 HK\$'000	2023 HK\$'000
Earnings:		
Profit for the year attributable to owners of the Company for the purpose of calculating basic earnings per share	<u>17,550</u>	<u>17,182</u>
	'000	'000
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<u>200,000</u>	<u>200,000</u>

No diluted earnings per share for the current and prior year was presented as there were no potential ordinary shares in issue.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

16. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings HK\$'000	Leasehold improvements HK\$'000	Plant and machinery HK\$'000	Furniture, fixtures and office equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
COST						
At 1 January 2023	-	3,025	25,302	1,535	2,120	31,982
Additions	21,680	1,789	2,699	44	271	26,483
Disposals	-	-	(2,684)	(6)	(20)	(2,710)
Exchange differences	-	(83)	(622)	(30)	(24)	(759)
At 31 December 2023 and 1 January 2024	21,680	4,731	24,695	1,543	2,347	54,996
Additions	-	557	5,231	170	155	6,113
Disposals	-	-	(13)	-	(107)	(120)
Exchange differences	-	(108)	(839)	(41)	(39)	(1,027)
At 31 December 2024	21,680	5,180	29,074	1,672	2,356	59,962
ACCUMULATED DEPRECIATION						
At 1 January 2023	-	2,505	13,079	1,313	2,044	18,941
Charge for the year	217	891	2,108	73	65	3,354
Eliminated on disposals	-	-	(1,819)	(5)	(20)	(1,844)
Exchange differences	-	(70)	(304)	(26)	(22)	(422)
At 31 December 2023 and 1 January 2024	217	3,326	13,064	1,355	2,067	20,029
Charge for the year	433	762	2,242	106	78	3,621
Eliminated on disposals	-	-	(9)	-	(101)	(110)
Exchange differences	-	(79)	(410)	(34)	(28)	(551)
At 31 December 2024	650	4,009	14,887	1,427	2,016	22,989
CARRYING AMOUNTS						
At 31 December 2024	21,030	1,171	14,187	245	340	36,973
At 31 December 2023	21,463	1,405	11,631	188	280	34,967

At 31 December 2024, the carrying amount of land and buildings pledged as security for the Group's bank loans amounted to HK\$21,030,000 (2023: HK\$21,463,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

17. RIGHT-OF-USE ASSETS

Disclosures of lease-related items:

	2024 HK\$'000	2023 HK\$'000
At 31 December:		
Right-of-use assets		
– Buildings	<u>3,009</u>	<u>–</u>
Lease commitments of leases not yet commenced (other than short-term leases)	<u>1,572</u>	<u>4,852</u>
The maturity analysis, based on undiscounted cash flows, of the Group's lease liabilities is as follows:		
– Less than 1 year	<u>1,504</u>	<u>–</u>
– More than 1 year	<u>1,577</u>	<u>–</u>
	<u>3,081</u>	<u>–</u>
Year ended 31 December:		
Depreciation charge of right-of-use assets		
– Buildings	<u>1,505</u>	<u>1,984</u>
Lease interests	<u>183</u>	<u>53</u>
Total cash outflow for leases	<u>1,617</u>	<u>2,129</u>

The Group leases various buildings. Lease agreements are typically made for fixed periods of 3 years (2023: 2 to 3 years). Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants and the leased assets may not be used as security for borrowing purposes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

18. INVENTORIES

	2024 HK\$'000	2023 HK\$'000
Raw materials	14,294	21,335
Work in progress	9,340	22,706
Finished goods	10,800	9,107
	34,434	53,148

19. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	2024 HK\$'000	2023 HK\$'000
Trade receivables	63,775	29,644
Less: allowance for doubtful receivables	(4,567)	(4,614)
	59,208	25,030
Deposits	5,336	237
Prepayments	1,857	4,397
Other tax recoverable	3,124	4,075
Other receivables	2,357	1,159
	71,882	34,898

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

19. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS – continued

During the year, the Group discounted certain trade receivables to a bank for cash proceeds. If the trade receivables are not paid at maturity, the bank has the right to request the Group to pay the unsettled balance. As the Group has not transferred the significant risks and rewards relating to these trade receivables, it continues to recognise the full carrying amount of the receivables and has recognised the cash received on the transfer as a secured borrowing (see note 25). The carrying amount of the trade receivables at 31 December 2024 that have been transferred but have not been derecognised amounted to HK\$6,480,000 (31 December 2023: HK\$706,000) and the carrying amount of the associated liability is HK\$1,924,000 (31 December 2023: HK\$968,000).

The Group allows an average credit period of 15 to 90 days to its trade customers. The aging analysis of trade receivables, based on the invoice date, and net of allowance, is as follows:

	2024 HK\$'000	2023 HK\$'000
0 to 90 days	56,898	24,185
91 to 180 days	1,546	294
181 to 365 days	7	40
Over 1 year	757	511
	59,208	25,030

Before accepting any new customer, the Company assesses the potential customer's credit quality and defines credit limits by customer. The trade receivables that are neither past due nor impaired have no default payment history.

Included in the trade receivable balance are debtors with aggregate amount of HK\$17,990,000 as at 31 December 2024 (31 December 2023: HK\$3,038,000) which is past due as at the reporting date for which the Company has not provided for impairment loss because the status of subsequent settlement of the debtors is satisfactory. The Company does not hold any collateral over these balances.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

19. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS – continued

Reconciliation of allowance for trade receivables

	2024 HK\$'000	2023 HK\$'000
At the beginning of the year	4,614	4,533
Change in impairment losses, net	(47)	81
At the end of the year	4,567	4,614

Allowances for doubtful debts are recognised against trade receivables based on estimated irrecoverable amounts determined by reference to past default experience of the counterparty and an analysis of the counterparty's current financial position.

The Group applies the simplified approach under HKFRS 9 to provide for expected credit losses using the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit losses also incorporate forward looking information.

	Current	1-30 days past due	31-60 days past due	61-120 days past due	121 days- 1 year past due	Over 1 year past due	Total
At 31 December 2024							
Weighted average expected loss rate	2%	2%	2%	2%	2%	82%	
Receivable amount (HK'000)	41,990	13,768	3,804	18	–	4,195	63,775
Loss allowance (HK'000)	772	280	77	1	–	3,437	4,567
At 31 December 2023							
Weighted average expected loss rate	0%	2%	2%	3%	2%	90%	
Receivable amount (HK'000)	22,035	2,193	128	166	40	5,082	29,644
Loss allowance (HK'000)	–	33	3	5	1	4,572	4,614

20. AMOUNT DUE FROM A RELATED PARTY

The amount is trade in nature, unsecured, interest-free and repayable on demand.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

21. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2024 HK\$'000	2023 HK\$'000
Included in current assets		
– Future	–	6,107
– Option contract – put option	–	3,033
	–	9,140

22. PLEDGED BANK DEPOSITS AND BANK AND CASH BALANCES

Pledged bank deposits represent deposits pledged to banks to secure banking facilities granted to the Group. At 31 December 2024, the pledged bank deposits carry prevailing market interest rate from 0.25% to 4.34% (2023: 0.88% to 4.95%) per annum. At 31 December 2024, bank balances of the Group carry interest at market rates from 0.10% to 0.88% (2023: 0.75% to 0.88%) per annum. As at 31 December 2024, the short-term deposits represent bank deposits with original maturity of three months and redeemable on maturity, and the carrying prevailing market interest rate was 3.90% to 4.25% (2023: 4.70% to 4.90%).

As at 31 December 2024, the bank and cash balances of the Group denominated in RMB amounted to approximately HK\$1,835,000 (2023: HK\$7,684,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations.

23. TRADE AND OTHER PAYABLES AND ACCRUALS

	2024 HK\$'000	2023 HK\$'000
Trade payables	51,892	37,792
Accrued expenses and other payables	8,050	4,081
Other tax payables	2,639	85
	62,581	41,958

The following is an aged analysis of trade payables based on the invoice date at the end of the reporting period.

	2024 HK\$'000	2023 HK\$'000
0 to 90 days	51,566	37,502
91 to 180 days	133	27
181 to 365 days	15	87
Over 1 year	178	176
	51,892	37,792

The average credit period on purchases of goods is 90 days.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

24. CONTRACT LIABILITIES

Disclosures of revenue-related items:

	As at 31 December		As at 1 January
	2024	2023	2022
	HK\$'000	HK\$'000	HK\$'000
Contract liabilities	42,627	29,851	11,377

	As at 31 December		As at 1 January
	2024	2023	2022
	HK\$'000	HK\$'000	HK\$'000
Contract receivables (included in trade receivables)	59,208	25,030	69,757

Transaction prices allocated to performance obligations unsatisfied at end of year and expected to be recognised as revenue in:

	2024 HK\$'000	2023 HK\$'000
-2024	N/A	29,851
-2025	42,627	–
	42,627	29,851
	2024 HK\$'000	2023 HK\$'000
Revenue recognised in the year that was included in contract liabilities at beginning of year	29,851	11,377

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

24. CONTRACT LIABILITIES – continued

Significant changes in contract liabilities during the year

	2024 HK\$'000	2023 HK\$'000
Increase due to operations in the year	42,627	29,851
Transfer of contract liabilities to revenue	29,851	11,377

A contract liability represents the Group's obligation to transfer products or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

25. BANK LOANS AND OVERDRAFTS

	2024 HK\$'000	2023 HK\$'000
Bank loans	18,199	35,012
Factoring loans (note 19)	1,924	968
Bank overdrafts	50	1,070
Total bank loans and overdrafts	20,173	37,050
Bank loans, trust receipt loans, factoring loans and bank overdrafts which are secured by assets held by the Group (note 31)	11,908	13,928
Bank loans which are secured by assets held by a connected person/related party (note 34)	8,190	19,822
Unsecured bank loans	75	3,300
	20,173	37,050
The borrowings are repayable as follows:		
On demand or within one year	20,173	37,050
	20,173	37,050
Less: Amount due for settlement within 12 months (shown under current liabilities)	(20,173)	(37,050)
Amount due for settlement after 12 months	–	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

25. BANK LOANS AND OVERDRAFTS – continued

Included in bank loans and overdrafts are the following amounts denominated in a currency other than the functional currency of the corresponding group entity which it relates:

	2024 HK\$'000	2023 HK\$'000
HK\$	<u>10,034</u>	<u>12,625</u>

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's bank loans and overdrafts as at 31 December 2024 and 2023, respectively, are as follows:

	2024	2023
Effective interest rates (per annum):		
Variable interest rates	<u>3.40% to 6.60%</u>	<u>2.87% to 8.12%</u>

26. AMOUNT DUE TO A RELATED PARTY

The amount is trade in nature, unsecured, interest-free and repayable on demand.

27. LEASE LIABILITIES

	Lease payments		Present value of lease payments	
	2024 HK\$'000	2023 HK\$'000	2024 HK\$'000	2023 HK\$'000
Within one year	1,617	–	1,503	–
In the second to fifth years, inclusive	1,617	–	1,577	–
	<u>3,234</u>	–		
Less: Future finance charges	(154)	–		
	<u>3,080</u>	–	3,080	–
Present value of lease liabilities				
Less: Amount due for settlement within 12 months (shown under current liabilities)			(1,503)	–
Amount due for settlement after 12 months			<u>1,577</u>	–

At 31 December 2024, the average effective borrowing rate was 4.8% (2023: 4.8%). Interest rates are fixed at the contract dates and thus expose the Group to fair value interest rate risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

28. SHARE CAPITAL

	Number of shares	Share capital HK\$
Authorised:		
Ordinary shares of HK\$0.01 (2023: HK\$0.01) each		
At 1 January 2023, 31 December 2023		
1 January 2024 and 31 December 2024	<u>1,000,000,000</u>	<u>10,000,000</u>
Issued and fully paid:		
Ordinary shares of HK\$0.01 (2023: HK\$0.01) each		
At 1 January 2023, 31 December 2023		
1 January 2024 and 31 December 2024	<u>200,000,000</u>	<u>2,000,000</u>

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

The capital structure of the Group consists of debts, which include bank loans and overdrafts and amount due to a related party, disclosed in notes 25 and 26, and equity of the Group, comprising issued share capital and reserves.

The directors of the Company review the capital structure periodically. As a part of this review, the directors of the Company consider the cost of capital and the risks associates with each class of capital. Based on recommendations of the directors of the Company, the Company will balance its overall capital structure through new share issues, the issue of new debt or the redemption of existing debt.

The only externally imposed capital requirement is that for the Group to maintain its listing on the Stock Exchange it has to have a public float of at least 25% of the shares. The Group receives a report from the share registrars weekly on substantial share interests showing the non-public float and it demonstrates continuing compliance with the 25% limit throughout the year. As at 31 December 2024, 30% (2023: 30%) of the shares were in public hands.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

29. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2024 HK\$'000	2023 HK\$'000
Non-current assets		
Investment in subsidiaries	1	1
Current assets		
Other receivables and prepayments	314	112
Amounts due from subsidiaries	108	1,914
Bank and cash balances	72	20
	494	2,046
Current liabilities		
Other payables	376	716
Amounts due to subsidiaries	405	–
	781	716
Net current (liabilities)/assets	(287)	1,330
NET (LIABILITIES)/ASSETS	(286)	1,331
Capital and reserves		
Share capital	2,000	2,000
Reserves	(2,286)	(669)
TOTAL EQUITY	(286)	1,331

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

30. RESERVES

(a) Group

The amounts of the Group's reserves and movements therein are presented in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity.

(b) Company

	Share premium HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 31 December 2022 and 1 January 2023	24,973	(21,869)	3,104
Loss and total comprehensive expense for the year	—	(3,773)	(3,773)
At 31 December 2023	<u>24,973</u>	<u>(25,642)</u>	<u>(669)</u>
At 31 December 2023 and 1 January 2024	24,973	(25,642)	(669)
Profit and total comprehensive income for the year	—	28,383	28,383
Dividend paid	—	(30,000)	(30,000)
At 31 December 2024	<u>24,973</u>	<u>(27,259)</u>	<u>(2,286)</u>

31. PLEDGE OF ASSETS

The following assets of the Group were pledged at end of the reporting period for certain banking facilities granted to the Group:

	2024 HK\$'000	2023 HK\$'000
Land and buildings	21,030	21,463
Pledged bank deposits	26,913	10,810
Trade receivables	6,480	706
	<u>54,423</u>	<u>32,979</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

32. CAPITAL COMMITMENTS

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

	2024 HK\$'000	2023 HK\$'000
Contracted but not provided for:		
Plant and equipment	<u>641</u>	<u>–</u>

Same as disclosed above, as 31 December 2024, the Group did not have any other significant commitments.

33. CONTINGENT LIABILITIES

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

34. CONNECTED AND RELATED PARTY TRANSACTIONS

(a) The Group had the following balances with connected and related parties at the end of the reporting period:

	2024 HK\$'000	2023 HK\$'000
Amount due from a related party:		
Sure Win Garment Limited*	<u>1,113</u>	<u>N/A</u>
Amount due to a connected person/related party:		
T-Lab Electronics & Plastics (He Yuan) Co., Ltd.**	<u>2,639</u>	<u>1,841</u>

* The beneficial owner of Sure Win Garment Limited is Mr. Chung Chi Wah, a director of the Company. Mr. Chung Chi Wah has been appointed as executive director with effect from 1 October 2024.

** T-Lab Electronics & Plastics (He Yuan) Co., Ltd is a connected person and was a related party to the Company as Mr. Chung Chi Hang, Larry, a former executive director of the Company, is the beneficial owner of T-Lab Electronics & Plastics (He Yuan) Co. Ltd. Mr Chung Chi Hang, Larry has resigned as executive director with effect from 1 October 2024.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

34. CONNECTED AND RELATED PARTY TRANSACTIONS – continued

- (b) The Group entered into the following transaction with a connected person/related party during the year:

	2024 HK\$'000	2023 HK\$'000
Rental paid to a connected person/related party		
T-Lab Electronics & Plastics (He Yuan) Co., Ltd	<u>1,617</u>	<u>1,637</u>

- (c) The Group's bank loans have been guaranteed and secured by a connected person/related party at the end of the reporting period:

	2024 HK\$'000	2023 HK\$'000
Amount of bank loans guaranteed and secured by assets held by a connected person/related party:		
T-Lab Electronics & Plastics (He Yuan) Co., Ltd	<u>8,190</u>	<u>19,822</u>

- (d) **Key management personnel emoluments**

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including certain directors of the Company and other key management of the Group. The key management personnel compensations are as follows:

	2024 HK\$'000	2023 HK\$'000
Basic salaries and allowances	2,602	2,788
Retirement benefit contributions	<u>81</u>	<u>94</u>
	<u>2,683</u>	<u>2,882</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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35. PARTICULARS OF THE SUBSIDIARIES OF THE COMPANY

Details of the Company's subsidiaries at 31 December 2024 and 2023 are set out below:

Name of subsidiaries	Date and place of incorporation/ establishment/ kind of legal entity	Issued and fully paid-up share capital/ registered capital	Equity interest attributable to the Group		Principal activities
			Directly	Indirectly	
Keen Ocean Electronics Co., Ltd. (Note b)	5 December 2014 BVI Limited liabilities company	US\$100	100%	–	Investment holding
Keen Ocean Industrial Limited (Note b)	17 May 2000 Hong Kong Limited liabilities company	HK\$3,000,000	–	100%	Trading of transformers, switching mode power supply, electronic parts and components
He Yuan Sky Wealth (河源天裕電子塑膠有限公司) (Note a, b)	24 November 2010 The PRC Limited liabilities company	US\$3,500,000	–	100%	Manufacture and sale of transformers, switching mode power supply, electronic parts and components, and electric healthcare products
T-Lab Industrial (Holdings) Ltd. (Note b)	18 February 2011 Hong Kong Limited liabilities company	HK\$6	–	100%	Inactive
KOS Technology Company Limited (Note b)	17 September 2017 Hong Kong Limited liabilities company	US\$4,000	–	55%	Trading of electronic parts and components

Notes:

- a) He Yuan Sky Wealth is a wholly foreign owned enterprise with limited liability. The English translation name is for identification only.
- b) The place of operations for Keen Ocean Electronics Co. Ltd., Keen Ocean Industrial Limited, T-Lab Industrial (Holdings) Ltd. and KOS Technology Company Limited is in Hong Kong and He Yuan Sky Wealth is in the PRC.

None of the subsidiaries had issued any debt securities at the end of the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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36. SHARE OPTION SCHEME

The Company has passed the written resolution on 2 February 2016 to adopt a share option scheme and the principal terms of the share options scheme were set out in the report of the directors in the annual report. No share options have been granted by the Company since the date of adoption of the share option scheme.

37. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Changes in liabilities arising from financing activities

The following table shows the Group's changes in liabilities arising from financing activities during the year:

	Interest payable (included in other payables) HK\$'000	Lease liabilities HK\$'000	Bank loans and overdrafts HK\$'000	Total liabilities from financing activities HK\$'000
At 31 December 2022 and 1 January 2023	–	2,076	52,534	54,610
Changes in cash flows	(2,532)	(2,129)	(15,484)	(20,145)
Non-cash changes – interest charged	2,532	53	–	2,585
At 31 December 2023	–	–	37,050	37,050
At 31 December 2023 and 1 January 2024	–	–	37,050	37,050
Changes in cash flows	(1,609)	(1,617)	(16,877)	(20,103)
Non-cash changes – additions	–	4,514	–	4,514
– interest charged	1,609	183	–	1,792
At 31 December 2024	–	3,080	20,173	23,253

38. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 25 March 2025.