



RISECOMM

瑞斯康

Risecomm Group Holdings Limited

瑞斯康集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1679

2024

ANNUAL REPORT



RISECOMM GROUP

PRODUCT ASSEMBLY HUBS



CONTENTS

2	Corporate Information
4	Chairman's Statement
6	Management Discussion and Analysis
16	Biographical Details of Directors and Senior Management
23	Directors' Report
43	Corporate Governance Report
58	Environmental, Social and Governance Report
84	Independent Auditor's Report
90	Consolidated Statement of Profit or Loss and Other Comprehensive Income
92	Consolidated Statement of Financial Position
94	Consolidated Statement of Changes in Equity
95	Consolidated Statement of Cash Flows
97	Notes to the Consolidated Financial Statements
170	Five-year Financial Summary



CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Ms. Zhao Luyi (*Chairman*) (*appointed on 28 June 2024*)
Mr. Jiang Feng
Mr. Tsang Wah, Brian (*appointed on 28 June 2024*)

NON-EXECUTIVE DIRECTORS

Mr. Yu Lu
Mr. Ding Zhigang
Ms. Guo Lei (*re-designed from an executive Director
as a non-executive Director on 28 June 2024*)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Victor Yang
Ms. Lo Wan Man
Mr. Zou Heqiang

COMPANY SECRETARY

Ms. Chau Hing Ling

AUTHORIZED REPRESENTATIVES

(for the purpose of the Listing Rules)

Ms. Guo Lei (*resigned on 28 June 2024*)
Ms. Zhao Luyi (*appointed on 28 June 2024*)
Ms. Chau Hing Ling

AUDIT COMMITTEE

Ms. Lo Wan Man (*Chairman*)
Mr. Zou Heqiang
Mr. Victor Yang

NOMINATION COMMITTEE

Ms. Lo Wan Man (*Chairman*)
Ms. Zhao Luyi (*appointed on 28 June 2024*)
Mr. Victor Yang

REMUNERATION COMMITTEE

Mr. Victor Yang (*Chairman*)
Ms. Lo Wan Man
Ms. Zhao Luyi (*appointed on 28 June 2024*)

PRINCIPAL BANKERS

In Hong Kong:
Bank of China (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation Limited

In the People's Republic of China (the "PRC"):
Bank of China Limited
China Merchants Bank

AUDITOR

SHINEWING (HK) CPA Limited
Certified Public Accountants
17/F, Chubb Tower
Windsor House
311 Gloucester Road
Causeway Bay
Hong Kong

LEGAL ADVISER

ONC Lawyers
(As to Hong Kong Law)

CORPORATE INFORMATION

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Grand Cayman KY1-1111
Cayman Islands

COMPANY WEBSITE

www.risecomm.com.cn

STOCK CODE

1679

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Units 4004–5, 40th Floor
Cosco Tower
183 Queen's Road Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

CHAIRMAN'S STATEMENT

TO THE SHAREHOLDERS

On behalf of the board (the **"Board"**) of directors (the **"Directors"**) of Risecomm Group Holdings Limited (the **"Company"**) together with its subsidiaries, the **"Group"**), I hereby present the annual report of the Company for the year ended 31 December 2024 (**"year under review"**).

The Group is principally engaged in the design, development and sale of power line communication (**"PLC"**) products as well as the provision of relevant maintenance services in connection with the deployment and upgrades of automated meter reading (**"AMR"**) systems by power grid companies in the PRC and for a wide range of applications related to energy saving and environmental protection. The PLC products of the Group are mainly used in the Electric Energy Data Acquisition System of the State Smart Grid, which is an important support for power big data. The Group is also engaged in the sales of software license, production safety products, construction contracts as well as the provision of software post-contract customer support services in connection with the smart manufacturing & industrial automation (**"SMIA"**) applied in the area of maintenance and safety integrity system in the petroleum and petrochemicals industry.

In the past year of 2024, amidst a complex and volatile market environment, all of our colleagues worked hard and contributed to the Group's outstanding operational performance. On behalf of the Board, I would like to express my gratitude to all Shareholders for your ongoing trust and support to the Group.

Looking back at 2024, the Group's annual operating income rose steadily, and for the year ended 31 December 2024, both revenue and profit were solid. The results demonstrated the Group's excellent abilities in cost control and operation. Adjusted loss and adjusted net loss margin both improved significantly, and synergies across business segments were evident, laying a solid foundation for the Group's sustainable development in the future.

At the technology and market level, with the emergence of a large number of distributed wind and solar power generators, electric vehicle charging piles, energy storage equipment and other two-way loads, the local quantitative IoT operating environment is becoming increasingly complex. The expansion of network scale and the improvement of real-time business requirements have raised higher standards for equipment communication rate, time delay and reliability. State Grid has been accelerating the formulation of new technology standards. The new generation of smart meters will continue to be promoted, coupled with the older generation will continue to be updated, and the construction of new power systems will lead to the replacement of more energy meters. The number of smart meter tenders is expected to maintain a steady growth momentum in the future, which will in turn drive the growth in demand for PLC modules.

The Group is actively expanding its market share in smart city lighting, smart air conditioning and integrated energy management systems and terminal products. Since state vigorously promoted the smart grid and smart city construction, supported energy conservation and promoted emission reduction, and promoting new energy, and the expanding overseas smart meter market under the development of the "Belt and Road Initiative", the market for PLC technology is expected to maintain a good development trend in the next few years, which is expected to promote the sales of various products of the Group, especially in the field of maintenance and safety integrity systems in the petroleum and petrochemical industries which continue to expand its market scope, bringing more opportunities to the Group.

Notably, in 2024, the Group completed the acquisition of the entire issued share capital of Zhongyi (BVI) International Limited and successfully set foot in the wind farm operation and maintenance business. The wind power equipment manufacturers hold the core technology of wind power equipment. In recent years, the manufacturers have also paid more attention to operation and maintenance services, and are committed to providing overall solutions to strengthen their competitive advantages, which cast a strong momentum to the Group's development in such field.

CHAIRMAN'S STATEMENT

However, we clearly recognized that the road ahead is still full of challenges and uncertainties. The Group's forward-looking statements are not assured to be fully realized and actual developments may differ from expectations. Shareholders of the Company (the "**Shareholders**") and potential investors are reminded to exercise caution when making investment decisions and not to place undue reliance on the information disclosed in this report. If in doubt, it is advisable to seek professional advice.

Looking ahead, the Group will continue to uphold the concepts of innovation-driven and refined management, grasp market opportunities, proactively respond to challenges, and continuously enhance its core competitiveness, so as to repay our shareholders' support and trust with outstanding performance.

The Group will continue to be prudent, and maintain a lean-cost strategy to reduce operating expenses in order to cope with future risks and pressure. In addition, the Group is persistently enhancing its corporate governance in all aspects of the Group's operations by continuously leveraging its competitive advantages in a bid to preserve values for the Shareholders.

Lastly, on behalf of the Board and the management, I wish to extend my sincere appreciation to all the staff of the Group for their tireless dedication and tremendous contribution during the year, and to also express my thanks to all Shareholders, investors, customers, suppliers and business partners for their ongoing support to the Group.

Zhao Luyi

Chairman and Executive Director

Hong Kong, 27 March 2025

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

With the intelligentization, informatization, and digitization of power grids, broadband power line communication (“**PLC**”) technology has seen significant development and application. Since 2018, the State Grid Corporation of China (“**State Grid**”) has initiated large-scale construction of a residential electricity information collection system based on high-speed power line communication (“**HPLC**”) technology.

China is vigorously advancing the development of a new power system dominated by renewable energy. In 2024, the National Energy Administration issued the “2024 Energy Work Guidance Opinions”, aiming to promote sustainable and healthy development in the energy sector. The document emphasizes coordinated development between renewable and traditional energy sources, balancing holistic and localized approaches, as well as energy development with efficient utilization. These measures seek to provide safer and more reliable energy security for China’s modernization. Key future goals include improving energy efficiency, implementing green development strategies for the power industry, deepening power sector reforms, building a sustainable modern power system, and advancing smart grid technologies in transmission, generation, and power supply services.

Currently, within State Grid’s operations, PLC technology is widely used in distribution automation, smart grids, home networks, and multimedia communication. These applications demand higher performance in communication speed, real-time responsiveness, data capacity, and transmission distance. As smart grid multi-scenario integration requirements grow, State Grid has introduced a dual-channel technology combining PLC and wireless communication (HPLC+HRF). This dual-mode approach enables automatic complementary networking between communication and wireless channels. By 2024, State Grid has completed standardization, field trials, and lab verification for dual-mode technology. Over the next 3-5 years starting in 2024, all bidding for electricity information collection systems will require broadband dual-mode communication products.

China Southern Power Grid is accelerating its digital transformation, enhancing smart transmission, distribution, and consumption infrastructure, and promoting multi-energy complementary smart energy systems. Since the second bidding round in November 2024, its smart grid electricity information collection systems have fully transitioned from broadband communication technology to dual-mode communication standards.

In 2024, State Grid requires approximately 89 million broadband dual-mode communication modules for electricity information collection systems, low-voltage distribution networks, and measurement switches, while China Southern Power Grid demands over 10 million modules for low-voltage meter reading systems, both figures remaining stable compared to those of 2023.

According to the 2025 Tender and Procurement Programme for Electricity Meters (Including Electricity Consumption Information Gathering) for Marketing Projects announced by the State Grid, there are three batches of public bidding in April, July and October respectively, and it is predicted that the demand for State Grid broadband dual-mode communication modules will exceed 80 million.

Under China’s “14th Five-Year Plan”, energy system reforms, and dual-carbon policy framework, the large-scale integration of renewable energy (e.g., distributed photovoltaic power), rapid growth of EV charging infrastructure, and energy storage demands will further drive industry development.

On the other hand, during the year, the Group’s Smart Manufacturing & Industrial Automation (“**SMIA**”) business segment has been continuing in exploring the field of industrial automation systems by leveraging its core technology competency, particularly in the area of maintenance and safety integrity system (“**MSI**”) for the petroleum and petrochemicals industry.

MANAGEMENT DISCUSSION AND ANALYSIS

In the face of the current global manufacturing industry's transformation towards digitalization, networking and intelligence, there has been a continuous increase in policy support for the intelligent manufacturing industry by the PRC government. The "14th Five-Year Plan for Development of Smart Manufacturing" ("十四五" 智慧製造發展規劃) puts forward a number of development targets for 2025, including achieving fundamental digitization and network transformation of 70% of large-scale manufacturing enterprises, the establishment of more than 500 smart manufacturing demonstration factories, and the creation of more than 200 national industry standards. In 2035, the plan envisages the "comprehensive and general digitization and network transformation of large-scale manufacturing enterprises" as well as the "fundamental smart conversion of key industry backbone enterprises." In the future, rapid industrial development will promote the continuous expansion of the market scale of the intelligent manufacturing industry, bringing abundant opportunities to the Group.

In March 2024, the Group completed the acquisition of Zhongyi (BVI) International Limited, which allowed the Group to enter into the wind farm operation and maintenance ("**WFOM**") business segment, where the Group provided operation and maintenance services to owners of wind farms in the PRC.

China's wind turbines were mainly provided with a two-year warranty before 2010 and a three-to-five-year warranty thereafter. During the period from 2006 to 2010, with the rapid development of the domestic wind power industry, a large number of wind turbines were put into operation, and most of these wind turbines are now in post-warranty stage. There has been a large number of post-warranty equipment which require maintenance, repair or upgrade of operating environment in wind farms such needs have given rise to the emergence of the wind farm operation and maintenance services industry. In recent years, there has been a relatively rapid development of the WFOM services market in the PRC, with compound annual growth rate of 16.42% in demand from 2016 to 2023.

The main competitors in China's WFOM services market include wind power equipment manufacturers, wind farm owners (developers) and operation and maintenance services companies. The wind power equipment manufacturers hold the core technology of wind power equipment. In recent years, manufacturers have also paid more attention to operation and maintenance services, and are committed to providing overall solutions to strengthen its competitive advantage. Wind farm owners (developers) mainly invest in wind farms and continuously expand the scale of installed capacity, with strong advantages in aspects such as capital, resources, and scale. The operation and maintenance services companies focus on maintenance and status analysis of wind turbine equipment, with advantages such as flexible service models. However, there are also areas of improvement, such as inconsistent technical levels and service quality.

The projects of the Group's WFOM business segment are performing well. It will be tuning its operation and maintenance services according to market trends, as well as maintaining close communication with the wind farm owners to ensure the proper functioning of the wind farm owners' assets to the greatest extent possible.

BUSINESS REVIEW

During the year under review, the Group operated in two major business segments. Firstly, the Group operated in AMR and other business, where the Group sold PLC products such as PLC integrated circuits ("**IC**"), modules and devices such as connectors and concentrators, which have been mainly used in the deployment and upgrade of AMR systems for smart meters by power grid companies in China as a key part of the smart grid infrastructure. The Group had been developing PLC IC with proprietary IC designs and advanced PLC technologies for the deployment of AMR systems by the State Grid. In addition, the Group also provided maintenance services on AMR systems on a project-by-project basis. Furthermore, the Group's PLC products also apply to several smart energy business in China, mainly in the area of streetlight controls, building energy management and photovoltaic power management.

Secondly, the Group expanded its business in late 2018 and engages in SMIA business where the Group offered software licenses, production safety products as well as the provision of software post-contract customer support services applied in the area of MSI for the petroleum and petrochemicals industry.

MANAGEMENT DISCUSSION AND ANALYSIS

During the year under review, the Group recorded revenue of approximately RMB122.3 million (2023: approximately RMB94.9 million), representing an increase of approximately 28.9%.

The Group's AMR and other business segment recorded a revenue of approximately RMB67.1 million (2023: approximately RMB42.3 million), representing an increase of approximately 58.4%. Revenue from AMR and other business segment for the year under review accounted for approximately 54.8% (2023: 44.6%) of the Group's total revenue. The increase in revenue from AMR and other business segment for the year under review was mainly due to the Group focus on the broadband dual-mode communication market, actively participating in the development and marketing of broadband dual-mode products by State Grid, China Southern Power Grid and other provincial network companies.

In January 2024, the broadband dual-mode HPLC chips and modules developed by the Group have satisfied the requirements of Electric Energy Data Acquisition Standards (電力用電資訊採集系列標準) of State Grid and have passed the inspection and testing thereof by the State Grid Measurement Center (國家電網計量中心). Such accreditation indicates that the broadband dual-mode HPLC chips and modules of the Group meet the market entry requirements promulgated by the State Grid Measurement Center and therefore are eligible for participation in the centralized biddings conducted by State Grid. The broadband dual-mode HPLC chips and modules developed by the Group will better meet the application needs of State Grid and accelerate the Group's development in smart energy applications market. The Group has won certain major biddings for sales of its broadband dual-mode products to two customers located in two provinces in China. Such sales are expected to contribute to the Group's revenue in the future.

During the year under review, the Group's SMIA business segment recorded a revenue of approximately RMB29.8 million (2023: approximately RMB52.5 million), representing a decrease of approximately 43.2%. Revenue from SMIA business segment for the year under review accounted for approximately 24.4% (2023: 55.4%) of the Group's total revenue.

The decrease in revenue from SMIA business segment for the year under review was mainly due to the shortage of working capital for acceptance of larger scale projects as mainly resulted from the prolonged late settlement of trade receivables from certain major customers since early 2022, whereas the Group was able to accept and deliver a relatively larger scale production safety products project for the corresponding period in 2022 which contributed revenue of approximately RMB17.5 million.

The Group's WFOM business was acquired since March 2024. It contributed RMB25.4 million for the year of 2024, representing approximately 20.8% of the Group's revenue (2023: nil). The Group recorded a decrease in loss attributable to the equity shareholders of the Company from approximately RMB138.5 million in the corresponding period in 2023 to approximately RMB73.5 million for the year under review. The decrease of loss attributable to the equity shareholders was due to no one-off impairment of financial and contact assets which happened in 2023.

RESEARCH AND DEVELOPMENT

The Group has been committed to PLC IC design and its applications tailored to China's market environment since the inception in the industry in 2006 by establishing its core competency in designing advanced application-specific IC, or application-specific integrated circuits ("**ASICs**"), and using these proprietary ASICs to develop the PLC products. As a high-tech company driven by research and development, the Group's research and development efforts focus on enhancing the functionality of its products and addressing the technical needs of its customers, as well as expanding the Group's product portfolio for different PLC applications.

MANAGEMENT DISCUSSION AND ANALYSIS

As at 31 December 2024, the research and development team of the Group consisted of 10 employees (as at 31 December 2023: 51 employees), representing approximately 19% (as at 31 December 2023: approximately 35%) of the Group's total workforce, specializing in PLC IC design and product development for AMR and other applications as well as software development and application for the MSI for the petroleum and petrochemicals industry.

As at 31 December 2024, the Group held a significant intellectual property portfolio, comprising 23 patents, 137 computer software copyrights and 9 IC layout designs registered, signifying the Group's achievements in research and development in PLC technology and MSI for the petroleum and petrochemicals industry. The Group's AMR obtained its new ISO14001:2015 Environmental Management System Certification.

FINANCIAL REVIEW

Revenue

Revenue increased from approximately RMB94.9 million for the corresponding period in 2023 to approximately RMB122.3 million for the year under review, or by approximately 28.9%. The increase was attributable to the increase in revenue of approximately 58.4% from the AMR and other business segment and contribution of revenue of approximately 20.8% from the WFOM business segment.

Revenue from the AMR and other related business segment increased by approximately 58.4% to RMB67.1 million (2023: approximately RMB42.3 million) as compared with that in 2023. The increase was mainly due to the increased trading business of new products in Southern Power Grid. The revenue of trading business amounted to RMB22.7 millions in 2024. Such business does not happen in the corresponding period in 2023.

In January 2024, the broadband dual-mode HPLC chips and modules developed by the Group have satisfied the requirements of Electric Energy Data Acquisition Standards (電力用電資訊採集系列標準) of State Grid and have passed the inspection and testing thereof by the State Grid Measurement Center (國家電網計量中心). Such accreditation indicates that the broadband dual-mode HPLC chips and modules of the Group meet the market entry requirements promulgated by the State Grid Measurement Center and therefore are eligible for participation in the centralized biddings conducted by State Grid. The broadband dual-mode HPLC chips and modules developed by the Group will better meet the application needs of State Grid and accelerate the Group's development in smart energy applications market. The Group has won certain major biddings for sales of its broadband dual-mode products to two customers located in two provinces in China. Such sales are expected to contribute to the Group's revenue in the future.

The revenue of the SMIA business segment decreased as the Group is currently in the process of testing new technologies. New contracts with customers can only be signed upon the successful development and validation of these technologies.

The Group is now offering WFOM services in China, which was about RMB25.4 million in 2024. WFOM services could contribute to the Group about 20.8% revenue and this will become a new business turbine in the future.

Gross profit

Gross profit increased by approximately 138.3% to approximately RMB37.1 million for the year under review from approximately RMB15.6 million for the corresponding period in 2023.

Gross profit margin was approximately 30.3% for the year under review and increased by approximately 13.9% as compared with approximately 16.4% for the corresponding period in 2023. The increase in gross profit margin was mainly attributable to the increase in gross profit margin by approximately 8% of the AMR and contribution of WFOM services by RMB18.2 million.

MANAGEMENT DISCUSSION AND ANALYSIS

Gross profit margin of the AMR was approximately 16.2% for the year under review as compared with approximately 8% for the corresponding period in 2023. The increase in gross profit margin was mainly attributable to the rise of the smart grid business revenue by 49%, and the increased trading business as compare to the corresponding period of last year.

Gross profit margin of the SMIA business segment was approximately 29.5% for the year under review as compared with approximately 23.2% for the corresponding period in 2023. The increase in gross profit margin was mainly attributable to the increase in proportion of revenue from software license products which earned a relatively higher gross profit margin than that of other products or service lines.

Other income, gains & losses, net

Other losses of approximately RMB12.2 million was recognized during the year under review (for the corresponding period in 2023: other gains of approximately RMB4.5 million). The increase in other income was mainly attributable to the impairment of prepayment of the SMIA business segment was approximately RMB15.2 million.

Allowance for impairment loss on financial assets and contract assets, net

Allowance for impairment losses on financial assets and contact assets of approximately RMB1.9 million was recognized during the year under review (for the corresponding period in 2023: approximately RMB22.0 million). The decrease was mainly due to the further impairment of other loan receivables happened in 2023.

Selling and marketing expenses

Selling and marketing expenses increased by approximately 70.3% to approximately RMB20.1 million for the year under review from approximately RMB11.8 million for the corresponding period in 2023. The increase was mainly attribute to signing contract of opening sales channel to distribute the circuits and modules which costs approximately RMB3.2 million. Additional plan of marketing expenses of building up sales channel which creates additional marketing fees.

General and administrative expenses

General and administrative expenses decreased by approximately 11.5% to RMB41.4 million for the year under review from approximately RMB46.8 million for the corresponding period in 2023. The AMR and other business segment decreased by approximately 31% from approximately RMB38.0 million for the corresponding period in 2023 to approximately RMB 14.4 million. The slightly decrease was primary attribute to the one-off impairment of trade receivable of approximately RMB11.0 million happened in the car rental business in Ningbo division happened in 2023 only. Those variance was net off by the RMB9.96 million severance compensation to the staff in Shenzhen Risecomm division in 2024. The restructure schedule aimed to focus on the broadband dual-mode communication market and related products.

Research and development expenses

Research and development expenses increased by approximately 10.8% to approximately RMB22.6 million for the year under review from approximately RMB20.4 million for the corresponding period in 2023. The increase was mainly attributable to the contracted development expenses, R&D material costs and inspection costs related to the Group's new broadband dual-mode products as a higher volume of research activities were focused in 2022 in order to develop the new broadband dual-mode products.

MANAGEMENT DISCUSSION AND ANALYSIS

Finance costs

Finance costs decreased by approximately 6.2% to approximately RMB11.1 million for the year under review from approximately RMB11.8 million for the corresponding period in 2023. The decrease was mainly attributable to full year effect of the interest expenses, from bank and other borrowings.

Income tax expense/credit

Income tax expense of approximately RMB1.3 million was recorded during the year under review (for the corresponding year in 2023: income tax credit of approximately RMB23.2 million). The income tax expense for the year under review mainly comprised of deferred tax expense which was mainly attributable to the derecognition of deferred tax assets to which future taxable profits were deemed insufficient for offsetting, as the financial performance of the Group continued to record loss in the year under review and projection of future financial performance had been tuned down accordingly.

Impairment of goodwill and intangible assets

During the year under review, in accordance with the relevant requirements under “Hong Kong Accounting Standard 36 — Impairment of Assets” (“**HKAS 36**”) and “Hong Kong Accounting Standard 38 — Intangible Assets”, the Group performed impairment test with assistance of an external valuation firm for the goodwill and intangible assets arising from the acquisitions of Green Harmony (the “**Valuation**”).

After conducting impairment tests, the Group recognized (i) impairment loss of prepayments of RMB15.2 million for the year under review (for the corresponding year in 2023: nil).

Loss Attributable to Equity Shareholders of the Company

As a result of the above factors, the Company recorded a loss attributable to equity shareholders of the Company for the year under review of approximately RMB73.5 million (2023: loss attributable to equity shareholders of the Company of approximately RMB138.5 million).

Liquidity and Financial Resources

During the year under review, the Group’s operations were mainly financed by (i) internal resources, including but not limited to existing cash and cash equivalents, cash flow generated from operating activities; (ii) net proceeds generated from the listing of shares (“**Shares**”) of the Company (the “**Listing**”) on the Main Board of The Stock Exchange of Hong Kong Limited (“**Stock Exchange**”) on 9 June 2017; (iii) net proceeds generated from the Subscriptions (as defined below) of new shares under general mandate completed in June 2023 and July 2023; and (iv) borrowings. The Board believes that the Group’s liquidity needs will be satisfied.

As of 31 December 2024, the Group’s current assets amounted to approximately RMB108.1 million (as of 31 December 2023: approximately RMB152.5 million), with cash and cash equivalents totaling approximately RMB15.2 million (as of 31 December 2023: approximately RMB35.9 million). The cash and cash equivalents of the Group are principally held in RMB, HKD and USD.

As of 31 December 2024, the Group’s total interest-bearing liabilities amounted to RMB247.1 million (as of 31 December 2023: RMB194.0 million), representing borrowings and lease liabilities. The Group had interest-bearing liabilities of RMB247.1 million (as of 31 December 2023: RMB185.3 million), out of which RMB190.2 million (as of 31 December 2023: RMB76.6 million) which will be due repayable within one year and after one year respectively with coupon rates ranging from 0% to 5% per annum. The interest-bearing liabilities were principally denominated in RMB, HKD and USD. The net debt-to-equity ratio (referred as to the gearing ratio: which is calculated by interest-bearing liabilities less cash and cash equivalents divided by total equity) was approximately -208% as of 31 December 2024 (as of 31 December 2023: -458%).

MANAGEMENT DISCUSSION AND ANALYSIS

The Directors are actively seeking new way of development and opportunities, and will make further investments, rights issues or equity financing arrangement in the future to reduce the current debt of the Company and explore business opportunities.

Exchange Rate Risk

Most of the businesses of the Group are settled in RMB while businesses in foreign currencies are mainly settled in HKD or USD. The fluctuation of exchange rate of the currencies will have certain impact on the Group's business which are settled in foreign currencies. During the year under review, the Group did not enter into any foreign exchange forward contracts or other hedging instruments to hedge against fluctuations. The foreign currency risk is managed and monitored on an on-going basis by senior management of the Group.

Capital Commitments

As of 31 December 2024, the Group had no capital commitment contracted for but not yet incurred (as of 31 December 2023: RMB1.83 million).

Contingent Liabilities

As at 31 December 2024, the Group had no contingent liabilities (as at 31 December 2023: nil).

Charge on assets

As at 31 December 2024 and 2023, the entire issued shares of two subsidiaries of the Company, namely Risecomm Co. Ltd., and Risecomm (HK) Technology Co. Limited, have been pledged as security for other borrowings of approximately RMB111.1 million (as at 31 December 2023: RMB108.7 million).

During the year ended 31 December 2024, the Group entered into two set-off arrangements, whereby other borrowings amounting to RMB9,316,000 were offset against loan receivables totalling RMB8,500,000.

As at 31 December 2023 and 2024, the total borrowings include other borrowing of RMB60,000,000, which were drawn down for financing the acquisition of Zhongyi (BVI). If the Group fails to acquire Zhongyi (BVI), the lenders have the right to request immediate repayment in full together with any accrued interest. After the acquisition of Zhongyi (BVI) and as at 31 December 2024, the equity interest of Zhongyi (BVI) is pledged to secure the said borrowing of RMB60,000,000.

As at 31 December 2024, trade receivables of approximately RMB2,197,000 (2023: RMB1,663,000) and no future trade receivables (2023: RMB33,103,000) was pledged to secure a bank loan amounting to approximately RMB1,082,000 (2023: RMB3,237,000).

Saved as disclosed, the Group had no other charge on assets as at 31 December 2024 (as at 31 December 2023: nil).

Significant investments

During the year under review, the Group did not hold any material investments.

MANAGEMENT DISCUSSION AND ANALYSIS

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

The Company, as the purchaser, a vendor (the **"Vendor"**), being an independent third party, and Zhongyi (BVI), as the target company, entered into a sale and purchase agreement on 25 August 2023 (the **"SPA"**) and a supplemental agreement on 12 December 2023, pursuant to which (i) the Vendor has conditionally agreed to sell, and the Company has conditionally agreed to purchase, the entire equity interest of Zhongyi (BVI) (the **"Acquisition"**), for a total consideration of RMB110,000,000, subject to additional payment under the adjustment mechanism as stipulated in the SPA. Details of the Acquisition have been disclosed by the Company in its announcement dated 25 August 2023, supplemental announcement and circular dated 12 December 2023.

As the highest applicable percentage ratio in respect of the Acquisition exceeds 25% but all of them are less than 100%, the Acquisition constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules. An extraordinary general meeting of the Company has been convened on 29 December 2023, and was passed by ordinary resolution.

On 27 March 2024, all the conditions precedent to completion under the SPA had been fulfilled, and completion of the Acquisition took place on that day, Zhongyi (BVI) became an indirect wholly-owned subsidiary of the Company and its financial results are consolidated into the Group's financial statements.

Saved as disclosed above, during the year under review, there was no other material acquisition or disposal of subsidiaries or associated companies.

PROSPECTS

As reform of electric power system takes place, along with the construction of a new electric power system basing on new energy, it becomes necessary to increase investment in the entire chain of electric energy from electricity production to transmission and consumption. From power grid side, to ensure reliable power supply and safe operation, it is necessary to significantly improve the power system's peak shaving, frequency regulation and voltage regulation capabilities, and to configure relevant technical equipment. Against the background of the dual-carbon policy and the construction of a new electric power system basing on new energy, the development of the power Internet of Things is expected to accelerate. With the emergence of a large number of distributed wind and solar power generators, electric vehicle charging piles, energy storage equipment and other two-way loads, the local quantitative IoT operating environment is becoming increasingly complex. As network scale increases and requirement for realtime transmission increases, there also puts forward a higher requirement on equipment communication speed, delay and reliability. In order to meet the needs of new power systems, State Grid has been accelerating the formulation of new technology standards. The new generation of smart meters will continue to be promoted, the older generation will continue to be updated, and the construction of new power systems will lead to the replacement of more energy meters. The number of smart meter tenders is expected to maintain a steady growth momentum in the future, which will in turn drive the growth in demand for PLC modules.

With the further advancement of carbon peaking and carbon neutrality strategies, the development of renewable energy such as photovoltaic and wind power will accelerate. Energy transformation requires the reshaping of the power grid, and the distribution network also needs to be transformed and upgraded.

MANAGEMENT DISCUSSION AND ANALYSIS

Distribution network will become a key part of power grid construction in the “14th Five-Year Plan”. State Grid issued the “Action Plan for Building a New Power System with New Energy as the Main Body (2021–2030)” (構建以新能源為主體的新型電力系統行動方案(2021–2030年)) and proposed investment in distribution network construction will exceed RMB1.2 trillion, accounting for more than 60% of the total investment in power grid construction. China Southern Power Grid issued the “14th Five-Year Plan” power grid development plan, proposing a planned investment of approximately RMB670 billion yuan in power grid construction to accelerate the construction of digital power grids and the modernization of the power grid. Among them, the planned investment in distribution network construction reached RMB320 billion, accounting for 48% of the total. Historically, the investments of State Grid and China Southern Power Grid have mainly been concentrated in power transmission and transformation. The proportion of investment on the distribution network is expected to increase significantly in the future.

In 2025, State Grid and China Southern Power Grid will still be committed to the application of broadband dual-mode technology in power information collection systems and terminal products such as low-voltage distribution networks and measurement switches. The Group is promoting its broadband dual-mode products (including chips and modules) to more network provincial markets to further expand the competitiveness of the Group’s broadband dual-mode products in the domestic market. The Group will focus on the broadband dual-mode communication market, keeping its technologies updated, and actively participating in the development and marketing of broadband dual-mode products by State Grid, China Southern Power Grid and other provincial network companies. At the same time, founding on the research and development of its broadband or broadband dual-mode communication technology, the Group is actively promoting itself in more application markets including power grid low-voltage distribution network, measurement switch, and power Internet of Things market.

The application of the Group’s broadband and broadband dual-mode communication chips and communication modules will be set around smart power distribution, smart power consumption, smart microgrids and comprehensive power application requirement, and will also cover collection and application of power consumption information, photovoltaic or energy storage, industrial enterprises and parks and other energy management fields. The Group adopts broadband or broadband dual-mode integrated communication solutions, combined with edge computing technology, to develop a series of intelligent products adapted to the energy internet, and provides a variety of intelligent energy internet solutions for integrated energy and smart grids.

In addition, the Group is expanding its market in smart city lighting, smart air conditioning and integrated energy management systems and terminal products. With the national government’s promotion of smart grid and smart city construction, support for energy conservation and emission reduction, promotion of new energy, and the expanding overseas smart meter market under the development of the “Belt and Road Initiative”, the market for PLC technology is expected to maintain a good development trend in the next few years, which is expected to promote the sales of various products of the Group, especially in the field of maintenance and safety integrity systems in the petroleum and petrochemical industries which continue to expand its market scope, bringing more opportunities to the Group.

For the Group’s SMIA business, the Group believes that the growth of China industrial automation market would continue to be healthy given its current relatively low penetration rate and the rising cost of labour. As petrochemical enterprises are the pioneers of the manufacturing sector in China, major market participants have started to build smart oil fields, smart pipelines and smart factories.

The Group will continue to capture opportunities in the design and implementation of industrial automation systems, particularly in the area of MSI for the petroleum and petrochemicals industry, other manufacturing and construction businesses by leveraging the Group’s own technologies and intellectual property rights.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group aims to enhance the expertise in smart factory integrated solutions for petroleum refining and pipeline construction. At the same time, the Group will utilise its own research and development resources to cooperate with external companies to further develop its own intellectual property rights on the smart factory application interface and visual integrated management platform as well as the integration of the online and core applications on the big data collaboration platform. Such intellectual property will strengthen the Group's core competitiveness while leveraging the Group's PLC technology. By exploring these new profit-driven business opportunities, the Group believes that it will persist a more diversified growth in the market in the long run.

For the Group's WFOM business, the domestic wind power industry has been developing on a large scale for nearly a decade. With the passage of time, wind turbines wear out, and the maintenance of wind turbines has become the key to ensuring the proper functioning of wind farms. The industry believes that with the gradual reduction of high-quality wind power resource areas and new installed capacity in PRC, wind farm operation and maintenance services will provide huge potential for wind power equipment manufacturers to expand their business in the fiercely competitive new installed capacity market. The key points are as follows:

1. Wind turbines are out of warranty, and demand for operation and maintenance services market is released

Over the past fifteen years, PRC has gradually formed the world's largest wind power market. The rapid growth of wind power installed capacity has led to a significant increase in equipment maintenance. Domestic wind turbines had a two-year warranty before 2010 and a three to five year warranty thereafter. During the period from 2006 to 2010, with the rapid development of the domestic wind power industry, a large number of wind turbines were put into operation. Most of the wind turbines of this period are now in post-warranty stage. With the end of the warranty period, a huge wind farm operation and maintenance services market is gradually emerging. According to a research report by Bloomberg New Energy Finance on PRC's wind farm operation and maintenance services market, the total expenditure of wind farm operation and maintenance services in PRC reached US\$16 billion during the period between 2015 and 2022.

2. The market potential has been greatly increased due to replacement of old turbines

As high-quality wind resources are becoming increasingly scarce, in order to efficiently utilize those territories with high-quality wind resources, it will become inevitable to replace old wind turbines with new ones. In addition, as the service life of those wind turbines approaches their 20-year limit, there will be a large number of retired wind turbines in PRC. This means that there are new growth points in the highly competitive market for new installed capacity.

The warranty period of the Group's operation and maintenance contracts will expire in 2026-2029. The management team is also vigorously expanding new wind farm operation and maintenance services projects, including but not limited to business such maintenance services, trade in business, and other businesses.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Zhao Luyi (趙露憶) (“Ms. Zhao”), aged 37, was appointed as an executive Director and the chairman of the Board on 28 June 2024. She is also a member of Remuneration Committee and Nomination Committee of the Company. Ms. Zhao possesses rich experience in investment and management. From 2009 to 2012, Ms. Zhao was a project manager in EV Capital Pte. Ltd., which was engaged in management consultancy services and corporate finance advisory services in Singapore. From 2012 to 2014, Ms. Zhao was the investment director of Shanghai Halo Capital, which was engaged in investment fund management and advisory services. Since 2014, Ms. Zhao acted as an executive director of Ho Hau Financial Leasing (Shanghai) Co. Limited (和厚融資租賃(上海)有限公司). Since 2015, she also acted as an executive director of Shanghai IHOME Investment Development Co. Limited (上海愛弘投資發展有限公司). Ms. Zhao has a master degree in finance.

On 28 June 2024, Ms. Zhao was appointed as a director of each of Risecomm HK, Risecomm HK Technology, Old Cayman, Harvest Year Global Limited and Prime Key Holdings Limited, and as a general manager of Risecomm (HK), subsequent to the resignation of Ms. Guo from such positions on the same day. Ms. Zhao obtained the legal advice required under Rule 3.09D of the listing rules and she confirmed that she understood her obligations as a director of a listed issuer in Hong Kong.

Save as disclosed above, Ms. Zhao does not hold any position with the other members of the Group. She did not hold any directorships in other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years.

Jiang Feng (江峰) (“Mr. Jiang”), aged 51, was appointed as an executive Director on 19 April 2021.

Mr. Jiang has extensive experience in sales and sales management. He has over 27 years of working experience in petroleum and petrochemical industries. He obtained a bachelor's degree in Exploration Geophysics from Jiangnan Petroleum Institute* (江漢石油學院) (currently known as Yangtze University (長江大學)) in June 1994 and obtained a master's degree of Business Administration from Communication University of China (中國傳媒大學) in July 2014.

Mr. Jiang is the sales director of Beijing Hongteng Weitong Technology Co., Ltd (北京鴻騰偉通科技有限公司), which is one of the subsidiaries of the Company.

Save as disclosed above, Mr. Jiang does not hold any position with the other members of the Group. He did not hold any directorships in other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years.

Tsang Wah Tak, Brian (曾華德) (“Mr. Tsang”), aged 41, was appointed as an executive Director on 28 June 2024. Mr. Tsang possesses over 15 years of experience in the fields of insurance, financial services and management. From 2008 to 2011, Mr. Tsang worked as financial advisor in CBS Insurance Inc. He further acted as financial advisor for Affinity Financial Services Inc. since 2012. He is also currently an executive director of Enrich Developments which is engaged in real estate development in Canada. Mr. Tsang achieved a qualifying member of the Million Dollar Round Table from 2014 to 2016, and became a member of the Top of the Table in 2021. Mr. Tsang is a licensed person authorized by the Insurance Council of British Columbia to carry on insurance business. Ms. Tsang obtained the legal advice required under Rule 3.09D of the listing rules and he understood his obligations as a director of a listed issuer in Hong Kong.

Save as disclosed above, Mr. Tsang does not hold any position with the other members of the Group. He did not hold any directorships in other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years.

As of 31 December 2024, Mr. Tsang was interested in certain Shares. Please refer to the section headed “Directors’ and Chief Executives’ Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company or any Associated Corporation” in this report for further details.

* For identification purposes only

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

NON-EXECUTIVE DIRECTORS

Yu Lu (于路) ("Mr. Yu"), aged 62, was appointed as a non-executive Director on 9 September 2021. Mr. Yu obtained a bachelor of Arts degree in English from Beijing Union University (北京聯合大學) in July 1988 and obtained an Executive Master's degree of Business Administration (EMBA) from Nankai University (南開大學) in December 2012. Mr. Yu has worked in Tianjin Precious Metals Exchange Co., Ltd. since 2008 and has been its vice-chairman since 2013. He has extensive experience in the areas of investment and financial services.

Save as disclosed above, Mr. Yu does not hold any position with the other members of the Group. He did not hold any directorships in other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years.

As of 31 December 2024, Mr. Yu was interested in certain Shares. Please refer to the section headed "Directors' and Chief Executives' Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company or any Associated Corporation" in this report for further details.

Ding Zhigang (丁志綱) ("Mr. Ding"), aged 64, was appointed as a non-executive Director on 13 January 2022. Mr. Ding obtained a bachelor of laws degree in economic law from China University of Political Science and Law (中國政法大學) in July 1986. He then obtained a master's degree of monetary banking from Chinese Academy of Social Sciences (中國社會科學院) in November 1998. Mr. Ding is a lawyer of the People's Republic of China, and he also has extensive experience in investment.

Save as disclosed above, Mr. Ding does not hold any position with the other members of the Group. He did not hold any directorships in other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years.

As of 31 December 2024, Mr. Ding was interested in certain Shares. Please refer to the section headed "Directors' and Chief Executives' Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company or any Associated Corporation" in this report for further details.

Guo Lei (郭磊) ("Ms. Guo"), aged 57, was appointed as an executive Director and the chairman of the Board on 5 June 2023. She was re-designated as a non-executive Director and ceased to be the chairman of the Board on 28 June 2024.

From September 2023 to June 2024, Ms. Guo was a director of Risecomm Microelectronics (Shenzhen) Co., Ltd. ("**Risecomm WFOE**"), Risecomm (HK) Technology Co. Limited ("**Risecomm HK Technology**"), Risecomm Co. Ltd. ("**Old Cayman**"), Harvest Year Global Limited, Prime Key Holdings Limited and was a general manager of Risecomm (HK) Holding Co. Limited ("**Risecomm HK**"). From January 2024 to June 2024, she was a director of Shangyi (BVI) International Limited; from March 2024 to June 2024, she was a director of Zhongyi (BVI) International Limited; and from April 2024 to June 2024, she was a director of Zhongyi (Hong Kong) International Limited.

Ms. Guo obtained a bachelor degree in philosophy and a master degree in business administration from Nanjing University (南京大學) in July 1989 and March 2001, respectively.

Ms. Guo obtained a qualification of senior economist issued by the Personnel Department of Jiangsu Province in December 2001. Ms. Guo possesses rich experience in the new energy industry. From 2005 to 2006, Ms. Guo was the deputy general manager of Jiangsu New Energy Development Co., Ltd.* (江蘇省新能源開發股份有限公司) ("**Jiangsu New Energy**"), a company listed on the Shanghai Stock Exchange (stock code: 603693), she then became the general manager of the company since 2007. From 2015 to 2021, she was appointed as the general manager and chairman of Jiangsu New Energy. From 2021 to 2022, Ms. Guo acted as an external director of Jiangsu Guoxin Group* (江蘇省國信集團).

Save as disclosed above, Ms. Guo does not hold any position with the other members of the Group. She did not hold any directorships in other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years.

* For identification purposes only

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Victor Yang (楊岳明) ("Mr. Yang"), aged 79, has been appointed as the independent non-executive Director on 5 June 2023. In addition, Mr. Yang is also the chairman of remuneration committee of the Company, a member of audit committee and nomination committee of the Company.

Mr. Yang obtained a Juris Doctorate degree from University of British Columbia in Canada in May 1970. Mr. Yang obtained his bachelor degree in commerce from University of British Columbia in Canada in November 1972. Mr. Yang has over 50 years of experience in legal practice primarily in the areas of corporate finance, commercial law, mergers, acquisitions and private wealth. Mr. Yang is a qualified lawyer in Hong Kong, British Columbia, Canada and the United Kingdom. Mr. Yang is presently a governor of the Canadian Chambers of Commerce in Hong Kong. He is also a member of the University of British Columbia, Canada, Dean of Law's Council of Advisors, since 2010.

Mr. Yang was one of the founders of Boughton Peterson Yang Anderson ("BPYA") and served as a managing partner from July 1996 to March 2015. Mr. Yang's partnership was continued under the name of Zhong Lun Law Firms in March 2015, when BPYA changed its name to Zhong Lun Law Firm, and he continues to be a managing partner till March 2017 and remained as a partner till June 2019. In June 2019, Mr. Yang joined Yang Chan & Jamison LLP, a member firm of the Deloitte Legal network, as a managing partner until February 2023. After resigning from Yang Chan & Jamison LLP by the end of February 2023, Mr. Yang set up a new law firm Yang & Yang Solicitors LLP. (now known as YYC Legal LLP) which commenced business on 14 April 2023.

From January 2007 to August 2015, Mr. Yang was an independent non-executive director of China Agri-Industries Holdings Limited (stock code: 606), a company previously listed on the Stock Exchange. From July 2007 to August 2019, Mr. Yang was an independent non-executive director of Playmates Toys Limited (stock code: 869), a company listed on the Stock Exchange, primarily engaged in design, development, and distribution of toys and family products. From April 2008 to July 2019, Mr. Yang was an independent non-executive director of Singamas Container Holdings Limited (stock code: 716), a company listed on the Stock Exchange, primarily engaged in the business of manufacturing of containers and providing logistics services. From April 2014 to August 2019, Mr. Yang was an independent non-executive director of One Media Group Limited (stock code: 426), a company listed on the Stock Exchange, primarily engaged in media business in Hong Kong. From May 2015 to January 2016, Mr. Yang was an independent non-executive director of China Hanking Holdings Limited (stock code: 3788), a company listed on the Stock Exchange, primarily engaged in iron ore mining.

Save as disclosed above, Mr. Yang does not hold any position with the other members of the Group. He did not hold any directorships in other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Zou Heqiang (鄒合強) (“Mr. Zou”), aged 56, has been appointed as the independent non-executive Director on 29 May 2019. In addition, Mr. Zou is also a member of the audit committee of the Company.

Mr. Zou graduated from Shanghai Medical University in 1991 with major in forensic medicine and obtained a master degree in Law from the Shanghai Academy of Social Sciences in 2005. Mr. Zou holds the qualifications of lawyer and deputy chief physician of general surgery.

After graduating from undergraduate degree, Mr. Zou has been engaged in the clinical work and management of pathology research, general surgery and intensive care, and obtained the title of deputy chief physician of general surgery. He changed to the lawyer industry in 2008 and is currently practicing at Shanghai Yingdong Law Firm, mainly focusing on the medical dispute resolution, system construction in the field of medical safety management and contract disputes. Mr. Zou was appointed as the legal counsel of the Shanghai Jing'an District Health Commission (上海市靜安區衛生健康委員會) and the mediator of the Shanghai Jing'an District Medical Dispute Resolution Committee (上海市靜安區醫患糾紛調解委員會). At the same time, he has been employed as the legal advisor for certain companies and has accumulated extensive experiences in corporate compliance and risk control.

Save as disclosed above, Mr. Zou does not hold any position with the other members of the Group. He did not hold any directorships in other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years.

Lo Wan Man (盧韻雯) (“Ms. Lo”), aged 50, has been appointed as the independent non-executive Director on 29 May 2019. Ms. Lo was appointed as the chairman of the nomination committee of the Company and the audit committee of the Company on 5 July 2021 and 5 June 2023 respectively. In addition, Ms. Lo is also a member of the remuneration committee of the Company.

Ms. Lo has over 20 years of experience in the area of accounting, auditing and financial management for both listed and private companies in Hong Kong and the PRC by working in an international accounting firm and other listed companies. She obtained a master of science in finance from City University of Hong Kong in November 2006. She worked at Ernst & Young from March 2001 to December 2003. She was then employed by Emperor Motion Picture (Hong Kong) Limited as finance manager from May 2004 to July 2008. Subsequently, she worked at New World Telecommunications Limited as finance manager in July 2008 until her resignation in March 2010. She was a finance manager of Midland IC&I Limited from May 2011 to January 2014. She was employed by MCGI Consultancy Limited as a senior consultant from May 2015 to September 2022. She has been working at Acclime Corporate Services Limited as director since October 2022.

Ms. Lo has been appointed as an independent non-executive director of Sky Light Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 3882) since 28 November 2022.

Since April 2019, she has been appointed as the company secretary and authorized representative of Man Shun Group (Holdings) Limited, a company listed on the Main Board of the Stock Exchange (stock code: 1746). In addition, Ms. Lo has been appointed as a company secretary and authorized representative of K. H. Group Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 1557) since 3 October 2022.

Ms. Lo is a certified public accountant of the Hong Kong Institute of Certified Public Accountants since January 2003.

Save as disclosed above, Ms. Lo does not hold any position with the other members of the Group. She did not hold any directorships in other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT OF THE GROUP

Chen Junling (陳俊玲) (“Ms. Chen”), aged 52, is the general manager of Risecomm Beijing Comm responsible for overall supervision of sales and marketing of the AMR business. She has joined the Group as the general manager of Risecomm Beijing Comm since June 2014.

Ms. Chen has over 20 years of experience in electronics and power meter sales and marketing.

Prior to joining the Group, from November 2000 to August 2009, Ms. Chen worked as a sales manager in Beijing Taide Jiaxun Technology Co., Ltd., a company engaged in, among others, the sales of electrical and communication equipment. Ms. Chen was the sales manager of Beijing RSK Electronics from September 2009 to March 2014. Ms. Chen graduated from Henan Province Zhumadian First High School in the PRC in July 1990.

Save as disclosed above, Ms. Chen does not hold any position with the other members of the Group. She did not hold any directorships in other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years.

Liu Ming (劉明) (“Mr. Liu”), aged 54, is the executive president of Risecomm WFOE since November 2024, responsible for the overall operation and management of the company. He joined the Group in June 2006 as the sales and marketing director of Risecomm WFOE and has been the vice president of Risecomm WFOE from February 2009 to October 2024. He was appointed as a director of Risecomm WFOE from September 2023 to September 2024. Mr. Liu was a director of Risecomm (Beijing) Technology Company Limited (“**Risecomm Beijing Tech**”) from May 2016 to August 2022.

Mr. Liu has approximately 30 years of experience in the intelligent technology industry. From 1994 to 2003, Mr. Liu worked in Shenzhen Kaifa Technology Co., Ltd., a company principally engaged in electronic product research and development and manufacturing electronic products and listed on the Shenzhen Stock Exchange (stock code: 000021), as a product research and development manager initially and then as a sales and marketing manager. From 2003 to 2005, Mr. Liu worked as a deputy general manager in Shenzhen Haoyuan Technology Co. Ltd. From 2005 to May 2006, Mr. Liu worked in Shenzhen Haoyuan Electronics Co., Ltd., as a deputy general manager.

Mr. Liu obtained a bachelor's degree in Electro-mechanical and Electronic Precision Machinery from the University of Electronic Science and Technology of China in the PRC in July 1994.

Save as disclosed above, Mr. Liu does not hold any position with the other members of the Group. He did not hold any directorships in other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Chen Shuiying (陳水英) (“Ms. Chen SY”), aged 50, is the vice president and financial controller of Risecomm WFOE responsible for financial system management of the Group. She has joined the Group as the financial controller of Risecomm WFOE since March 2013. Ms. Chen SY has been a director of each of Risecomm HK and Risecomm HK Technology since December 2015. She has been a director of Risecomm WFOE since May 2018 and the vice president of Risecomm WFOE since April 2020. She was an executive Director of the Company from July to October 2023.

Ms. Chen SY has approximately 27 years of experience in the areas of finance and accounting. From 1997 to 2001, Ms. Chen SY worked as an accounts supervisor at Shenzhen Guanlanhu Golf Club Co., Ltd., a golf and leisure resort operator in the PRC. From November 2001 to October 2008, Ms. Chen SY worked as a senior finance manager at Sylva Industries Limited, a Hong Kong company engaged in the manufacturing of rechargeable batteries, responsible for financial analysis. From November 2008 to October 2012, Ms. Chen SY worked as the finance manager (top financial officer) at ASV Stuebbe Pumps & Valves (Shenzhen) Co., Ltd., a company principally engaged in manufacturing and development of plastic pumps, valves and instrumentation systems, responsible for overall financial management of all subsidiaries in Asia.

Ms. Chen SY obtained a bachelor’s degree in International Finance from Nanjing Audit University (currently known as Nanjing Audit University) in the PRC in July 1997.

Save as disclosed above, Ms. Chen SY does not hold any position with the other members of the Group. She did not hold any directorships in other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years.

Zhu Deyun (朱德雲) (“Ms. Zhu”), aged 43, is a director of Zhongyi (Hong Kong) International Limited. She joined the Group in July 2023. She also serves as the executive director and general manager of Jiangsu Anyi Engineering Management Co., Ltd., where Ms. Zhu is entrusted with the comprehensive oversight of the company’s operation management. Ms. Zhu has extensive management experience in the new energy industry and has led and managed several key local new energy projects, including but not limited to the Baoying Liubao Wind Farm, Baoying Luduo Wind Farm, Jinhu Anfeng Wind Farm, Jinhu Ansheng Wind Farm, and Huai’an Runfeng Wind Farm, etc.

Ms. Zhu graduated from Renmin University of China in July 2015.

Save as disclosed above, Ms. Zhu does not hold any position with the other members of the Group. She did not hold any directorships in other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Ning Jun (寧軍) (“Mr. Ning”), aged 56, is the president of Risecomm WFOE. He joined the Group in August 2024, serving as executive director and general manager of Wuxi Risecomm Communication Technology Co., Ltd.

Mr. Ning has over 30 years of experience in the real estate and energy-related fields. From 1993 to 2001, Mr. Ning worked in Shanghai Far East Group, where he successively held positions including the business development and management of the Hong Kong business department in Guangdong Province, general manager of the Group’s International Trade Center, and Director of the real estate business. From 2001 to 2006, Mr. Ning served as the General Manager of Shanghai Ruisuo Investment Co., Ltd. Since 2006, Mr. Ning has been the Chairman of Enrich Developments, a Canadian company. In the meantime, since 2020, Mr. Ning has also served as the Chairman of Enrich Energy, another Canadian company.

Mr. Ning graduated from the Department of Architecture at Shanghai Urban Construction College in July 1992.

Save as disclosed above, Mr. Ning does not hold any position with the other members of the Group. He did not hold any directorships in other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years.

COMPANY SECRETARY

Chau Hing Ling (周慶齡) (“Ms. Chau”), was appointed as the company secretary of the Company on 31 July 2023. Ms. Chau is currently an executive director of corporate services of Vistra Corporate Services (HK) Limited. She has over twenty years of experience in the corporate services industry. She is currently the company secretary/joint company secretary of certain listed companies.

Ms. Chau obtained a master of laws majoring in corporate and financial law from The University of Hong Kong in November 2007. She has been a fellow member of The Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries) and a fellow member of The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators) in United Kingdom since May 2013.

DIRECTORS' REPORT

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

PRINCIPAL ACTIVITIES

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 19 August 2015 under the Companies Law of the Cayman Islands. The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 23 to the consolidated financial statements.

SHARE CAPITAL

As of 31 December 2024, the total issued share capital of the Company was approximately HKD255,729 divided into 255,728,860 ordinary Shares of nominal value of HKD0.001 each. Details of movements during the year under review in the share capital of the Company are set out in note 31 to the consolidated financial statements.

DEBENTURES IN ISSUE

The Company did not have any debentures in issue for the year under review.

BUSINESS REVIEW

A fair review of the business of the Group during the year under review, a discussion about the Group's future business development and an analysis of the Group's performance using financial key performance indicators are set out in the sections headed "Business Review" and "Prospects" in the "Management Discussion and Analysis" in this report and a discussion of the principal risks and uncertainties facing by the Group is included in this section and note 6 to the consolidated financial statements. The review forms part of this Directors' Report.

ENVIRONMENT PROTECTION

The Group has formulated certain policies in accordance with environmental regulations, including, during the stage of design, research, and development, conducting environmental impact assessment for various types of materials or machines prior to making any purchasing decision, enhancing awareness of environmental protection among all employees by organizing environmental protection activities, training programmes and promotions. Top management of the Group plays a leading role in establishing a well-defined structure and system for environmental management by outlining corresponding responsibility, scope and policy.

During the daily operations, the Group has paid close attention to the latest development of domestic and international environmental protection laws and regulations to ensure that the environmental policies are in line with the domestic and international standards, as well as the global development.

The two major operating subsidiaries of the Group received ISO14001:2015 environment management system certifications, which are valid to May 2024 and December 2024 respectively and subject to renewal. During the year under review, the Group did not receive any notice or warning in relation to pollution in respect of its production, nor had the Group been subject to any fines, penalties or other legal actions by government agencies in the PRC resulting from any non-compliance with any environmental protection laws in the PRC.

DIRECTORS' REPORT

RELATIONSHIP WITH EMPLOYEES

The Group's success depends on its ability to attract, retain and motivate qualified personnel. The Group has generally been able to attract and retain qualified personnel and maintain a stable core management team. The Group is dedicated to the training and development of its employees. The Group leverages its R&D capabilities and other resources to ensure that each employee maintains a current skill-set through continuous training. The Group provides introductory training and orientation for all new employees, as well as on-the-job training to continually improve its employees' technical, professional and management skills.

In accordance with the applicable PRC laws and regulations, the Group provides its employees with basic pension, basic medical insurance, workplace injury insurance, unemployment insurance, maternity insurance and housing provident funds. The Group pays great attention to its employee welfare, and continually improve its welfare system.

The Group believes that it maintains a good working relationship with its employees and the Group did not experience any significant labour disputes or disputes with the labour department of the PRC government during the year under review.

The two major operating subsidiaries of the Group have received ISO45001:2018 certifications for occupational health and safety management system, which are valid to May 2024 and December 2024 respectively and subject to renewal. The Group has implemented safety measures at its product assembly hub to ensure compliance with applicable regulatory requirements and to minimize the risk of injury of employees. The Group conducts periodic inspections of operating facilities to ensure that its product assembly operations are in compliance with existing laws and regulations. Furthermore, the Group requires new employees to receive work safety training.

RELATIONSHIP WITH CUSTOMERS AND SUPPLIERS

The Group strives to build and maintain long term and strong relationships with customers. The Group's business department has from time to time conducted a customer satisfaction management survey with a view to understand and fulfil customers' demands and enhance their satisfaction. In terms of suppliers, the Group's objective is to keep mutually beneficial and win-win partnerships with all suppliers. At the same time, the Group regularly evaluates the performance of its suppliers.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group has compliance and risk management policies and procedures, and members of the senior management are delegated with the continuing responsibility to monitor adherence and compliance with all significant legal and regulatory requirements. These policies and procedures are reviewed regularly. As far as the Board is aware, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group.

RISK FACTORS

The main activities of the Group include R&D, production and sales of PLC products and provision of SMIA services and products. During the year under review, the Group's AMR business was largely affected by the market environments in China's AMR deployment, and procurement paces of State Grid and China Southern Power Grid Co., Ltd. ("**Southern Grid**"). The long-term business and profitability growth of the Group are expected to be continuously impacted by variables of major qualitative factors (such as the development of political and economic policies of China and the escalating geopolitical tension including the economic conflict between U.S. and China). The Group's current operations and development are under influence of certain factors mainly including:

DIRECTORS' REPORT

PLC Technology in AMR business in China

The Group designs and develops AMR products to a large extent for sale to meter manufacturers which in turn supply smart meters to power grid companies in China, as well as for sale to power grid companies, both directly and indirectly through their designated entities and from time to time, other technology companies. The competition landscape has been changed as a portion of the PLC market shares retained by SOE, in general. Hence, the competition among domestic PLC market participants are even more intense although the overall market demand in PLC remains strong and promising.

To mitigate the effect from AMR business risk, the Group continues to strengthen its capabilities in PLC technology and R&D to enhance its AMR product functionality and features, in addition to expansion of new markets.

SMIA business

The ongoing economic conflict between the world's two largest national economies, China and the U.S. affected the strategic development and expansion planning on the State-owned enterprises, particularly in the petroleum industry which resulted in the reconsideration on the prioritization of resources deployment. This may lead to unexpected delay in delivery/implementation of certain contracts held by the Group. To mitigate the effect from SMIA business risk, the Group will further explore potential customers in different industries.

Exchange Rate Risk

Most of the businesses of the Group are settled in Renminbi while businesses in foreign currencies are mainly settled in HKD or USD. The fluctuation of exchange rate of the currencies will have certain impact on the Group's business which are settled in foreign currencies. During the year under review and the corresponding period in 2023, the Group did not enter into any foreign exchange forward contracts or other hedging instruments to hedge against fluctuations. The foreign currency risk is managed and monitored on an on-going basis by senior management of the Group.

DIRECTORS' REPORT

DIVIDEND POLICY

The Company has adopted a Dividend Policy on payment of dividends. The Company intends to distribute no less than 30% of its profit attributable to equity shareholders as dividends to its Shareholders, subject to the conditions and factors as set out below:

- results of operations;
- working capital and cash position;
- future business and earnings;
- capital requirements;
- contractual restrictions, if any; and
- any other factors that the Directors may consider relevant.

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.

The Board has the discretion to declare and distribute dividends to the Shareholders, subject to the provisions of the Articles of Association of the Company (the "**Articles**") and all applicable laws and regulations and the factors set out above. Any final dividend for a financial year will be subject to Shareholders' approval.

There is no arrangement that a Shareholder has waived or agreed to waive any dividend.

DIRECTORS' REPORT

FINAL DIVIDEND

The Board resolved not to recommend the payment of a final dividend for the year under review.

DISTRIBUTABLE RESERVES

The Company's reserves available for distribution to Shareholders as at 31 December 2024 comprised the share premium and accumulated losses of Nil (2023: Nil).

DIRECTORS

The directors of the Company during the year under review and up to the date of this report were:

EXECUTIVE DIRECTORS

Ms. Zhao Luyi (*Chairman*) (*appointed on 28 June 2024*)

Mr. Jiang Feng

Mr. Tsang Wah Tak, Brian (*appointed on 28 June 2024*)

NON-EXECUTIVE DIRECTORS

Mr. Yu Lu

Mr. Ding Zhigang

Ms. Guo Lei (*re-designated from an executive Director as a non-executive Director on 28 June 2024*)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Victor Yang

Ms. Lo Wan Man

Mr. Zou Heqiang

DIRECTORS' PROFILES

Directors' profiles are set out on pages 16 to 19 of this report.

Pursuant to Article 84(1) of the Articles, Mr. Jiang Feng, Mr. Ding Zhigang and Mr. Victor Yang will retire at the forthcoming annual general meeting. All of the above retiring Directors, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

Pursuant to Article 83(3) of the Articles, Ms. Zhao Luyi (who has been appointed as an executive Director by the Board on 28 June 2024) and Mr. Tsang Wah Tak, Brian (who has been appointed as an executive Director by the Board on 28 June 2024) shall hold office until the annual general meeting. All of the above additional retiring Directors, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

DIRECTORS' REPORT

CHANGE IN DIRECTORS' BIOGRAPHICAL DETAILS

Since the date of the Interim Report 2024 and up to the date of this report, the Company is not aware of any changes in the Directors' information which are required to be disclosed pursuant to rule 13.51B(1) of the Listing Rules.

PERMITTED INDEMNITY PROVISION

Under the Articles, the Company had a permitted indemnity provision (as defined in section 469 of the Companies Ordinance) in force for the benefit of the Directors during the year under review and up to the date of approval of this Directors' Report, pursuant to which the Company shall indemnify any Director against any liability, loss suffered and expenses incurred by the Director in connection with any legal proceedings in which he/she is involved by reason of being a Director, except in any case where the matter in respect of which indemnification is sought was caused by the fraud or dishonesty of the Directors. The Company has maintained insurance cover for Directors' and officers' liabilities in respect of legal actions against the Directors arising out of corporate activities. The insurance coverage is reviewed on an annual basis. During the year under review, no claims were made against the Directors.

DIRECTORS' SERVICE CONTRACTS

Each of the Executive Director has entered into a service contract with the Company for an initial term of three years which shall continue thereafter unless and until the Company or the Director serves a written notice of termination three months in advance during the term of the agreement or anytime thereafter. Particulars of the service contracts of the Directors are in all material respects the same. The compensation of the Executive Directors is subject to review each year.

None of the Non-Executive Directors (including the Independent Non-Executive Directors) has entered into any service contract with the Company. Pursuant to the letters of appointment of the Non-Executive Directors (including the Independent Non-Executive Directors), the term of appointment of each of such Directors is for three years commencing from the date of appointment.

None of the Directors being proposed for re-election at the forthcoming annual general meeting has entered into a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REPORT

RIGHTS OF DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the section headed "Share Option Schemes" below, at no time during the year under review was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate and none of the Directors, their spouses or children under the age of 18, had any rights to subscribe for securities of the Company, or had exercised any such rights during the year under review.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in note 41 to the consolidated financial statements, no transactions, arrangements and contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director or his connected entity had a material interest, whether directly or indirectly, subsisted at the end of the year under review or at any time during the year under review.

CONTRACTS OF SIGNIFICANCE

No controlling Shareholder or any of its subsidiaries has any contract of significance (including contract of significance for the provision of services) with the Company or its subsidiaries during the year under review.

PROPERTY, PLANT AND EQUIPMENT

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

DIRECTORS' REPORT

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As of 31 December 2024, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix C3 to the Listing Rules, were as follows:

Name of Director	Relevant company	Nature of interest	Number of Shares in the relevant company (Note 1)	Approximate Percentage* of interest
Mr. Tsang Wah Tak Brian	The Company	Beneficial owner (Note 2)	1,315,000 (L)	0.51%
Mr. Yu Lu	The Company	Beneficial owner (Note 3)	17,252,250 (L)	6.75%
Mr. Ding Zhigang	The Company	Beneficial owner (Note 4)	19,670,092 (L)	7.69%

* The percentage represents the number of shares/underlying shares involved divided by the number of the issued Shares as of 31 December 2024.

Notes:

- (1) The letter "L" denotes the Directors' long position in the Shares.
- (2) Mr. Tsang Wah Tak Brian is an executive Director.
- (3) Mr. Yu Lu is a non-executive Director.
- (4) Mr. Ding Zhigang is a non-executive Director.
- (5) The total issued shares of the Company was 255,728,860 Shares as of 31 December 2024.

Save as disclosed above, as of 31 December 2024, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' REPORT

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

As of 31 December 2024, so far as is known to the Directors, the following corporations or persons (other than a Director or the chief executives of the Company) had an interest or short position in the Shares and underlying Shares as recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name of Shareholder	Nature of interest	Number of Shares (Note 1)	Approximate Percentage* of Company's issued share capital
SB Asia Investment Fund II L.P. ("SAIF")	Beneficial owner (Notes 2 & 3)	15,119,053 (L) (Note 4)	5.91%
SAIF II GP L.P.	Interest in a controlled corporation (Note 2)	15,119,053 (L) (Note 4)	5.91%
SAIF Partners II L.P.	Interest in a controlled corporation (Note 2)	15,119,053 (L) (Note 4)	5.91%
SAIF II GP Capital Ltd.	Interest in a controlled corporation (Note 2)	15,119,053 (L) (Note 4)	5.91%
Mr. Andrew Y. Yan	Interest in a controlled corporation (Note 2)	15,119,053 (L) (Note 4)	5.91%
Cisco System, Inc.	Interest in a controlled corporation (Note 3)	15,119,053 (L) (Note 4)	5.91%
Ms. Fu Xiaoqin	Beneficial owner	33,000,000	12.90%
Mr. Ning Jun	Beneficial owner	20,280,000 (L) (Note 4)	7.93%
Ms. Liu Beibei	Beneficial owner	33,772,112 (L) (Note 4)	13.21%
Mr. Wu Yueshi	Interest in a controlled corporation (Note 5)	17,940,000 (L) (Note 4)	7.02%
Silver Castle International Limited	Interest in a controlled corporation (Note 5)	17,940,000 (L) (Note 4)	7.02%
XinDaXin Group Company Limited ("XinDaXin")	Beneficial owner (Note 5)	17,940,000 (L) (Note 4)	7.02%

* The percentage represents the number of shares/underlying shares involved divided by the number of the issued shares as of 31 December 2024. The total issued shares of the Company were 255,728,860 Shares as of 31 December 2024.

DIRECTORS' REPORT

Notes:

- (1) The letter "L" denotes the person's or corporation's long position in the Shares.
- (2) SAIF is an exempted limited partnership registered under the laws of the Cayman Islands. The general partner of SAIF is SAIF II GP L.P., a limited partnership established in the Cayman Islands, whose general partner is SAIF Partners II L.P., a limited partnership established in the Cayman Islands. The general partner of SAIF Partners II L.P. is SAIF II GP Capital Ltd., an exempted limited liability company incorporated in the Cayman Islands wholly owned by Mr. Andrew Y. Yan. By virtue of the SFO, SAIF II GP L.P., SAIF Partners II L.P., SAIF II GP Capital Ltd. and Mr. Andrew Y. Yan are deemed to be interested in the Shares in which SAIF is interested.
- (3) Cisco Systems, Inc., being a limited partner of SAIF, holds 38.9% of equity interest in SAIF. By virtue of the SFO, Cisco Systems, Inc. is deemed to be interested in the Shares in which SAIF is interested.
- (4) Based on the disclosure of interests forms submitted by these substantial shareholders respectively as of 31 December 2024.
- (5) XinDaXin is a company incorporated in Hong Kong with limited liability. XinDaXin is wholly owned by Silver Castle International Limited, a company incorporated in BVI with limited liability. Silver Castle International Limited is wholly owned by Mr. Wu Yueshi. By virtue of the SFO, Silver Castle International Limited and Mr. Wu Yueshi are deemed to be interested in the Shares in which XinDaXin is interested.

Save as disclosed above, as of 31 December 2024, other than the Directors and the chief executives of the Company whose interests are set out in the paragraph headed "Directors' and Chief Executives' Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company or any Associated Corporation" above, no person had interest or short position in the Shares or underlying Shares which were required to be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

EQUITY-LINKED AGREEMENT

During the year under review, save for the Share Option Schemes as set out in the paragraph headed "Share Option Schemes" of this Directors' Report, the Company did not enter into any other equity-linked agreement, nor did any other equity-linked agreement exist during the year under review. Please refer to the section headed "Management Discussion and Analysis" and note 40 to the consolidated financial statements for further information about the Share Option Schemes.

DIRECTORS' REPORT

SHARE OPTION SCHEMES

Share Option Scheme

As disclosed in the prospectus of the Company dated 29 May 2017 (the **"IPO Prospectus"**) the Company adopted a share option scheme (the **"Share Option Scheme"**) on 16 May 2017. The purpose of the Share Option Scheme is to enable the Company to grant share options to selected participants as incentives for their contribution to the Group. All Directors and employees of the Group that contributed to the development and performance of the Group are eligible participants under the Share Option Scheme.

The Share Option Scheme will remain in force for a period of 10 years commencing from 9 June 2017. The remaining life of the Share Option Scheme was approximately 2 years as at 31 December 2024.

The maximum number of Shares in respect of which options may be granted (including Shares in respect of which options, whether exercised or still outstanding, have already been 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 on 9 June 2017, being 80,000,000 Shares (the **"Scheme Limit"**), excluding for this purpose Shares which would have been issuable pursuant to options which have lapsed in accordance with the terms of the Share Option Scheme (or any other share option schemes of the Company). As at the date of this Directors' Report, the total number of Shares available for allotment and issue pursuant to the exercise of options granted under the Share Option Scheme was 548,499 Shares, representing about 0.21% of the issued share capital of the Company. As at the date of this Directors' Report, the number of options available for grant under the Scheme Limit was 6,507,000 Shares.

Unless approved by the Shareholders, the total number of Shares issued and to be issued upon exercise of the options granted under the Share Option Scheme and any other share option scheme of the Company (including both exercised, outstanding options and Shares which were the subject of options which have been granted and accepted under the Share Option Scheme and any other share option schemes of the Company but subsequently cancelled) to each participant in any 12-month period shall not exceed 1% of the Shares in issue as at the date of the grant.

An option may be accepted by a participant within 21 days from the date of the offer of grant of the option. A nominal consideration of HKD1 is payable on acceptance of the grant of an option.

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 commencing from 9 June 2017. 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. Subject to the general vesting period of 12 months required under the Listing Rules, there is no vesting period prescribed under the Share Option Scheme.

The subscription price for the Shares under the Share Option Scheme will be a price determined by the Board, but shall not be less than the highest of: (i) the closing price of Shares as stated in the Stock Exchange's daily quotation sheet 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 closing price of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of the grant; and (iii) the nominal value of a Share.

DIRECTORS' REPORT

Details of movements of the options granted under the Share Option Scheme during the year under review are as follows:

Employees

Date of grant	Vesting date	Exercisable period	Outstanding as at 1 January 2024	Exercise Price per Share HKD (Note)	During the year under review				Outstanding as at 31 December 2024	Adjusted Exercise Price per Share HK\$ (Note)
					Granted	Exercised	Cancelled	Lapsed		
3 September 2018	3 September 2020	From 3 September 2020 to 2 September 2026	182,833	1.724	-	-	-	(126,001)	56,832	17.24
3 September 2018	3 September 2021	From 3 September 2021 to 2 September 2026	182,833	1.724	-	-	-	(126,001)	56,832	17.24
3 September 2018	3 September 2022	From 3 September 2022 to 2 September 2026	182,833	1.724	-	-	-	(126,001)	56,832	17.24
Total			548,499		-	-	-	(378,003)	170,496	

No share option was granted to a director, chief executive or substantial shareholder (as defined in the Listing Rules) of the Company or an associate (as defined in the Listing Rules) of any of them under the Share Option Scheme since the adoption of the Share Option Scheme. 378,003 share options were lapsed during the year under review.

As at 1 January 2024 and 31 December 2024, the total number of options available for grant under the Share Option Scheme are 548,499 and 170,496 respectively. As at 31 December 2024, the total number of shares available for issue under the Share Option Scheme was 170,496, representing approximately 2% of the Company's issued share capital at 31 December 2024.

Save as disclosed above, no other share options under the Share Option Scheme were vested, exercised, cancelled or lapsed during the year under review.

DIRECTORS' REPORT

Pre-IPO Share Option Scheme

As disclosed in the IPO Prospectus, the Company adopted the Pre-IPO Share Option Scheme on 25 August 2016 and granted options to subscribe for an aggregate of 771,680 Shares. Immediately following the completion of the Capitalization Issue (as defined in the IPO Prospectus), the total number of Shares which may be allotted and issued upon exercise of all the outstanding options granted under the Pre-IPO Share Option Scheme increased from 495,180 Shares to 16,210,417 Shares. The purpose of the Pre-IPO Share Option Scheme is to recognize the contribution that certain parties made or may have made to the growth of the Group and/or the listing of Shares on the Stock Exchange. The principal terms of the Pre-IPO Share Option Scheme are substantially the same as the terms of the Share Option Scheme except for the following principal terms:

- (a) the exercise price per Share shall not be less than the par value of such Share. Subject to the preceding sentence, the Board shall determine the exercise price at its sole discretion;
- (b) the total number of Shares which may be allotted and issued upon exercise of all the outstanding options granted under the Pre-IPO Share Option Scheme immediately following completion of the Capitalization Issue and the Global Offering (as defined in the IPO Prospectus) was 16,210,417 Shares, representing approximately 2.03% of the issued share capital of the Company immediately upon completion of the Capitalization Issue and the Global Offering and taking no account of any shares which may be allotted and issued pursuant to the exercise of the Over-allotment Options (as defined in the IPO Prospectus) or the options granted or to be granted under the Pre-IPO Share Option Scheme or the Share Option Scheme;
- (c) the eligible participant under the Pre-IPO Share Option Scheme are the full-time employees, executives or officers (including executive, non-executive and independent non-executive Directors) of the Company or the full-time employees of any of the subsidiaries of the level of manager or above and other full-time employees of the Company or any of the subsidiaries who, in the sole opinion of the Board, have contributed or will contribute to the Company and/or any of the subsidiaries;
- (d) the conditions which the Board may in its absolute discretion to consider (including, without limitation, any minimum period for which an option must be held before it can be exercised and/or any performance targets which must be achieved before an option can be exercised) as it may think fit; and
- (e) except for the options which have been granted under the Pre-IPO Share Option Scheme, no further options will be offered or granted under the Pre-IPO Share Option Scheme, as the right to do so will terminate upon the listing of the Shares on the Stock Exchange.

HKD1.00 was payable by each grantee as consideration for grant of the options.

The Pre-IPO Share Option Scheme will remain in force for a period of 10 years commencing from 25 August 2016. The remaining life of the Pre-IPO Share Option Scheme was approximately 1 years as at 31 December 2024.

DIRECTORS' REPORT

No further options were granted under the Pre-IPO Share Option Scheme on or after 9 June 2017, i.e. the listing date of the Company, as the right to do so terminated on the same day. 770,900 share options were adjusted as a result of the Share Consolidation.

Details of movements of the options granted under the Pre-IPO Share Option Scheme during the year under review are as follows:

Employees

Date of grant	Vesting date	Exercisable period	Outstanding as at 1 January 2024	Exercise Price per Share USD (Note)	During the year under review				Outstanding as at 31 December 2024
					Granted	Exercised	Cancelled	Lapsed	
25 August 2016	25 August 2016	25 August 2016 to 25 March 2024	85,655	0.000302	-	-	-	(85,655)	-
Total			85,655		-	-	-	(85,655)	-

Save as disclosed above, no other Pre-IPO Share Options were vested, exercised, cancelled or lapsed during the year under review.

The number of Shares that may be issued in respect of options granted under all schemes of the Company during the year under review divided by weighted average number of Shares in issue for the Period is 0%.

RETIREMENT SCHEMES

The Group participates in defined contribution retirement benefit schemes organized by the PRC municipal and provincial government authorities for the Group's eligible employees in the PRC, and operates a Mandatory Provident Fund scheme for the employees in Hong Kong. Particulars of these retirement plans are set out in note 16 to the consolidated financial statements.

The Group's contributions to such defined contribution plans vest fully and immediately with the employees. Accordingly, there are no forfeited contributions under such plans which may be used by the Group as employer to reduce its existing level of contributions for the year ended 31 December 2024.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive Directors an annual confirmation of his independence as regards each of the factors referred to in Rule 3.13 of the Listing Rules. The Company considers all the independent non-executive Directors are independent.

DIRECTORS' REPORT

RELATED PARTY TRANSACTION

Details of related party transactions of the Group are set out in note 45 to the consolidated financial statements. None of the related party transactions disclosed in note 45(a) to the consolidated financial statements constitutes a connected transaction or continuing connected transaction (as defined in Chapter 14A of the Listing Rules) of the Company during the year under review, or as such, the Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

MANAGEMENT CONTRACT

No contracts concerning the management and administration of the whole or any substantial part of the Group's business were entered into during the year under review or subsisted at the end of the year under review.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year under review.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles, or the laws of the Cayman Islands, which would oblige the Company to offer new Shares on a pro-rata basis to existing Shareholders.

TAX RELIEF

The Company is not aware of any tax relief or exemption available to the Shareholders by reason of their holding of the Shares during the year under review.

MAJOR CUSTOMERS AND SUPPLIERS

Details of the Group's transactions with its major suppliers and customers during the year under review are set out below:

During the year under review, the Group's largest customer accounted for approximately 30.3% (2023: approximately 38.4%) of the total revenue of the Group and the aggregated revenue attributable to the five largest customers accounted for approximately 89.4% (2023: approximately 57.4%) of the total revenue of the Group.

During the year under review, the Group's largest supplier (including outsourced service provider) accounted for approximately 19.5% (2023: approximately 23.8%) and the aggregated purchases (including outsourced service fees) attributable to the Group's five largest suppliers (including outsourced service providers) accounted for approximately 45.3% (2023: approximately 31.9%) of the total purchases (including outsourced service fees) of the Group.

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

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the latest practicable date prior to the issue of this annual report, there was a sufficient prescribed public float of the issued Shares under the Listing Rules.

DIRECTORS' REPORT

ISSUE FOR CASH OF EQUITY SECURITIES

During the year under review, the Company did not later into any equity fund-raising activities.

USE OF PROCEEDS

(i) Use of proceeds from Initial Global Offering

References are made to the announcements of the Company dated 8 June 2017, 21 June 2017, 3 July 2019 and 29 March 2022. The aggregated net proceeds from the global offering of the shares of the Company in connection with the Listing and exercise of the over-allotment option by China Galaxy International Securities (Hong Kong) Co., Limited (on behalf of the International Underwriters (as defined in the Prospectus of the Company (the **"IPO Prospectus"**))) was approximately HK\$158.2 million. Proposed application of net proceeds as stated in the IPO Prospectus had been adjusted according to the principles as specified in the section headed "Future Plans and Use of Proceeds" of the IPO Prospectus.

On 3 July 2019, the Board resolved to change the use of the unutilised net proceeds (the **"2019 Re-allocation"**). For details of the 2019 Re-allocation, please refer to the announcement of the Company dated 3 July 2019.

On 29 March 2022, the Board resolved to further change the use of the unutilised net proceeds (the **"2022 Re-allocation"**). For details of the 2022 Re-allocation, please refer to the announcement of the Company dated 29 March 2022.

DIRECTORS' REPORT

The opening balance of the net proceeds brought forward from 31 December 2023 as at the beginning of the year under review was approximately HK\$13.9 million. The following table presented the utilisation of the net proceeds during the year under review after the 2019 Re-allocation made as of 3 July 2019 and the 2022 Re-allocation made as of 29 March 2022:

	Original planned use of net proceeds as stated in the IPO Prospectus approximate HKD' million	2019 Re-allocation on 3 July 2019 approximate HKD' million	2022 Re-allocation on 29 March 2022 approximate HKD' million	Amount utilised during 31 December 2024 approximate HKD' million	Unutilised net proceeds as at 31 December 2024 approximate HKD' million
Research and development of the PLC technology	95.7	(37.8)	–	57.9	–
Sales and marketing	32.0	(6.9)	–	25.1	–
Repayment of an entrusted bank loan	14.7	–	–	14.7	–
Working capital and general corporate purposes	15.8	–	14.0	29.8	–
Repayment of interest expenses	–	44.7	(14.0)	30.7	–
	158.2	–	–	158.2	–

As of the date of this report, the Company did not have any change to the above plan of use of proceeds. All the net proceeds were fully utilised as at 31 December 2024.

(ii) Use of proceeds from the June 2023 Subscriptions

References are made to the announcement ("**June 2023 GM Subscription Announcement**") of the Company dated 28 June 2023 in relation to the subscriptions ("**June 2023 Subscriptions**") of new ordinary shares of HK\$0.001 each in the share capital of the Company under the general mandate and the announcement of the Company dated 19 July 2023 in relation to the completion of the June 2023 Subscriptions.

On 28 June 2023, the Company entered into subscription agreements (the "**June 2023 Subscription Agreements**") with three subscribers, all being independent third parties, whereby the subscribers conditionally agreed to subscribe for and the Company conditionally agreed to allot and issue an aggregate of not more than 42,620,000 subscription Shares at the subscription price of HK\$0.56 each. The subscription price of HK\$0.56 represents a discount of approximately 8.2% to the theoretical closing price of HK\$0.61 per consolidated Share (after taking into account the effect of the Share Consolidation) based on the closing price of HK\$0.061 per Share as quoted on the Stock Exchange on 28 June 2023. The subscribers under the June 2023 Subscription Agreements were XinDaXin Group Company Limited, Mr. Ning Jun and Ms. Liu Beibei.

Completion of the June 2023 Subscriptions took place on 19 July 2023. A total of 42,620,000 Shares have been successfully allotted and issued under the general mandate. The aggregate nominal value of the subscription Shares is HK\$42,620. The net proceeds from the June 2023 Subscriptions, after deduction of the related expenses, were approximately HKD23,817,000, representing a net subscription price of approximately HK\$0.559 per subscription share.

DIRECTORS' REPORT

The aggregated net proceeds derived from the June 2023 Subscriptions were approximately HKD23.8 million. The balance of the net proceeds was used up by the end of 31 December 2024.

The following table presented the utilisation of the net proceeds from the June 2023 Subscriptions:

	Original planned use of net proceeds (Note) approximate HKD' million	Updated planned use of net proceeds approximate HKD' million	Amount utilised during 31 December 2024 approximate HKD' million	Unutilised net proceeds as at 31 December 2024 approximate HKD' million
Repayment of outstanding indebtedness	21.3	21.3	21.3	–
General working capital purposes:	10.0	20.0	20.0	–
i) staff costs	4.0	8.0	8.0	–
ii) contracted development expenses, R&D material costs and inspection costs	3.0	6.0	6.0	–
iii) professional fees	3.0	6.0	6.0	–
Business development funds	10.0	–	–	–
	41.3	41.3	41.3	–

Note:

According to the announcement of the Company dated 19 July 2023, approximately HKD10.0 million of the net proceeds was intended to be reserved as business development funds for the Group. Any updates regarding the utilisations of the business development funds should be duly disclosed in the Company's financial reports.

As at the date of this report, the intended utilisations of the business development funds have been updated as above.

With the Board's endeavor for a brighter prospect of the Group, the Board has been reviewing the business status of the Group as well as opportunities for enhancement. To boost the business development of the Group, (i) approximately HKD8.0 million is allocated to staff cost, which is intended for recruitment and proper motivation of talents who are determined and capable of bringing changes to the Group; (ii) approximately HKD6.0 million is allocated to contracted development expenses, R&D material costs and inspection costs as involved in the research and development activities of the Group's products, which is intended for continued upgrade of performance of the Group's products in a bid to boost sales and market competitiveness and (iii) approximately HKD6.0 million is allocated to professional fees, which is intended for facilitating the completion of the Acquisition in a bid to instill new business hope and revenue and cash flow stream in the Group.

As of the date of this report, the Company did not have any change to the above plan of use of proceeds. All remaining unutilised net proceeds were fully utilised as at 31 December 2024.

DIRECTORS' REPORT

EMPLOYEE INFORMATION

The emolument policy of the employees of the Group is set up by the management on the basis of their merits, qualifications and competence.

As at 31 December 2024, the Group had an aggregate of 67 employees (as at 31 December 2023: 155 employees). During the year under review, staff costs, including Directors' remuneration, was approximately RMB41.9 million (2023: approximately RMB36.2 million). The Group recruited and promoted individual persons according to their capabilities and development potential. The Group determined the remuneration packages of all employees including the Directors with reference to individual performance and prevailing market salary scale.

The Group is dedicated to the training and development of its employees by providing regular and induction trainings to employees. The Group leverages its research and development capabilities and other resources to ensure that each employee maintains a current skill-set through continuous training. The Group provides introductory training and orientation for all new employees, as well as on-the-job training to continually improve its employees' technical, professional and management skills. The Company has also adopted a share option scheme for the purpose of providing incentives and rewards to eligible participants, including the employees of the Group, who contribute to the success of the Group's operations. The remuneration package of employees include salary, pension contributions, discretionary bonus and options to be granted under the share option scheme.

CLOSURE OF REGISTER OF MEMBERS FOR THE 2025 AGM

The register of members of the Company will be closed from Tuesday, 17 June 2025 to Friday, 20 June 2025 (both days inclusive) for the purpose of determining the right to attend and vote at the forthcoming annual general meeting of the Company to be held on Friday, 20 June 2025 (the **"2025 AGM"**) or any adjournment thereof. The record date for entitlement to attend and vote at the 2025 AGM is Friday, 20 June 2025. In order to be qualified for attending and voting at the 2025 AGM, unregistered holders of Shares should ensure that all share transfer documents accompanied by the corresponding share certificates are lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration not later than 4:30 p.m. (Hong Kong time) on Monday, 16 June 2025.

EVENT AFTER THE REPORTING PERIOD

Details of significant events which would cause material impact on the Group from the end of the year under review to the date of this report are set out in note 46 to the consolidated financial statements as set out in this report.

FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the past five financial years are set out on page 170 of this report.

AUDIT COMMITTEE

The Audit Committee has discussed with the management of the Group and reviewed this report and the audited annual financial results of the Group for the year under review, including the accounting principles and practices adopted by the Group, and discussed financial related matters.

DIRECTORS' REPORT

AUDITOR

The financial statements for the year ended 31 December 2024 have been audited by SHINEWING (HK) CPA Limited. A resolution will be submitted to the forthcoming 2025 AGM to re-appoint SHINEWING (HK) CPA Limited as auditor of the Company.

SHINEWING (HK) CPA Limited was appointed as the auditor of the Company with effect from 4 December 2023 to fill the casual vacancy following the resignation of RSM Hong Kong.

On behalf of the Board

Risecomm Group Holdings Limited

Zhao Luyi

Chairman and Executive Director

Hong Kong, 27 March 2025

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Board is committed to maintaining good corporate governance standards.

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

The Company adopted the principles and code provisions ("**Code Provision(s)**") as set out in the Corporate Governance Code (the "**CG Code**") contained in Part 2 of Appendix C1 to the Listing Rules as its own code of corporate governance.

The Board will continue to review and monitor the corporate governance status of the Company for the purpose of complying with the CG Code and maintaining a high standard of corporate governance of the Company.

The Board has established the Company's purposes, values and strategy and ensured that a complementary culture has been formulated and promoted within the Group. The culture of the Group is further supplemented by the Group anti-corruption policy adopted by the Group.

In the opinion of the Directors, the Company has complied with all the applicable Code Provisions set out in the CG Code during the Year and up to the date of this annual report. Key corporate governance principles and practices of the Company are summarised below.

CORPORATE 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 Group to deliver long-term sustainable performance and fulfil its role as a responsible corporate citizen. The Group is committed to developing a positive and progressive culture that is built on its vision, mission and values.

During the year under review, the Group continued to strengthen its cultural framework by focusing on the followings:

Vision: To become a leading company in PLC technology and smart manufacturing & industrial automation in China

Mission: Stay at the competitive forefront in adapting to technology innovations with continual commitment to superior research and development capabilities

Values: Advancing technology frontiers for a better life

The Board sets and promotes corporate culture and expects and requires all employees to reinforce. All of our new employees are required to attend orientation and training programs so that they may better understand the Group's corporate culture, structure and policies, learn relevant laws and regulations, and raise their quality awareness. In addition, from time to time, the Group will invite external experts to provide training to our management personnel to improve their relevant knowledge and management skills.

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

CORPORATE GOVERNANCE REPORT

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding Directors' transactions in securities of the Company (the "**Company's Code**") on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of the Listed Issuers (the "**Model Code**") as set out in Appendix C3 to the Listing Rules.

Having made specific enquiry with the Directors, all Directors confirmed that they have complied with the required standard set out in the Model Code and the Company's Code throughout the year under review.

The Company has also extended the coverage of the Model Code adoption to the senior management of the Company who are likely to be in possession of unpublished inside information of the Company (the "**relevant employees**"). To the best knowledge and belief of the Directors, no incident of non-compliance of the Model Code by the relevant employees was noted by the Company throughout the year under review.

BOARD OF DIRECTORS

The Board oversees the Group's businesses, strategic decisions and performance and should take decisions objectively in the best interests of the Company.

The Board should regularly review the contribution required from a Director to perform his responsibilities to the Company, and whether the Director is spending sufficient time performing them.

Board Composition

The Board comprises of the following Directors during the year under review and up to the date of this report:

Executive Directors

Ms. Zhao Luyi (*Chairman*) (*appointed on 28 June 2024*)

Mr. Jiang Feng

Mr. Tsang Wah Tak, Brian (*appointed on 28 June 2024*)

Non-Executive Directors

Mr. Yu Lu

Mr. Ding Zhigang

Ms. Guo Lei (*re-designated from an executive Director as a non-executive Director on 28 June 2024*)

Independent Non-executive Directors

Mr. Victor Yang

Ms. Lo Wan Man

Mr. Zou Heqiang

The biographical information of the Directors are set out in the section headed "Biographical Details of Directors and Senior Management" on pages 20 to 22 of this annual report. None of the members of the Board is related to one another.

CORPORATE GOVERNANCE REPORT

Chairman and Chief Executive Officer

The roles of the chairman and Chief Executive Officer (“CEO”) should be served by different individuals to achieve a balance of authority and power. The main responsibility of the chairman is to lead the Board and manage its work to ensure that it effectively operates and fully discharges its responsibilities. Supported by the members of committees of the Board, the CEO is responsible for the day-to-day management of the Company and its subsidiaries’ business, recommending strategies to the Board, and determining and implementing operational decisions. Ms. Guo Lei is currently the Chairman of the Company. As at 31 December 2024 and up to the date of this report, the position of CEO has been vacant. The Board is in the course of identifying a suitable candidate as the CEO of the Company and will make further announcement upon the appointment of the position.

Independent Non-Executive Directors

Throughout the year under review and up to the date of this report, the Company has complied with the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors representing one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each independent non-executive Director of their independence as regards each of the factors referred to in Rule 3.13 of the Listing Rules. The Company considers all independent non-executive Directors to be independent in accordance with the independence guidelines set out in the Listing Rules. As at 31 December 2024, no independent non-executive Director had served more than nine years on the Board.

Appointment and Re-election of Directors

The non-executive Directors (including independent non-executive Directors), are appointed for a specific term of three years since the date of their relevant appointment and to be renewed upon the expiry of the current term.

The Articles provides that all Directors appointed to fill a casual vacancy shall be subject to election by Shareholders at the first general meeting after appointment.

Under the Articles, at each annual general meeting, one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years. The retiring Directors shall be eligible for re-election.

Responsibilities of the Directors

The Board should assume responsibility for leadership and control of the Company, and is collectively responsible for directing and supervising the Company’s affairs.

The Board directly, and indirectly through its committees, leads and provides direction to management by laying down strategies and overseeing their implementation, monitors the Group’s operational and financial performance, and ensures that sound internal control and risk management systems are in place.

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

The independent non-executive Directors are responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board for bringing effective independent judgement on corporate actions and operations.

CORPORATE GOVERNANCE REPORT

All Directors have full and timely access to all the information of the Company and may, upon request, seek independent professional advice in appropriate circumstances for discharging their duties to the Company.

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

Continuous Professional Development of Directors

Directors shall keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board remains informed and relevant.

Every newly appointed Director has received formal, comprehensive and tailored induction on the first occasion of his appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

In compliance with Code Provision C.1.4 of the CG Code, the directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills. Internally-facilitated briefings for Directors would be arranged and reading materials on relevant topics would be provided to Directors where appropriate. All Directors are encouraged to attend relevant training courses at the Company's expenses.

The record of continuous professional development relating to director's duties and regulatory and business development that have been received by the Directors during the year under review and up to date of this report are summarized as follows:

Directors	Type of Training (Note)
<i>Executive Directors</i>	
Ms. Zhao Luyi (Chairman) (appointed on 28 June 2024)	A & B
Mr. Jiang Feng	A
Mr. Tsang Wah Tak, Brian (appointed on 28 June 2024)	A
<i>Non-Executive Directors</i>	
Mr. Yu Lu	A
Mr. Ding Zhigang	A
Ms. Guo Lei (re-designated from an executive Director as a non-executive Director on 28 June 2024)	A
<i>Independent Non-executive Directors</i>	
Mr. Victor Yang	A
Ms. Lo Wan Man	A & B
Mr. Zou Heqiang	A

Note:

Types of Training

- A: Attending training sessions, including but not limited to, briefings, seminars, conferences and workshops
B: Reading relevant news alerts, newspapers, journals, magazines and relevant publications

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES

The Board has established three committees, namely, the Audit Committee, Remuneration Committee and Nomination Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with specific written terms of reference which deal clearly with their authority and duties. The terms of reference of the Audit Committee, Remuneration Committee and Nomination Committee are posted on the Company's website and the Stock Exchange's website and are available to Shareholders upon request.

The list of the chairman and members of each Board committee is set out under "Corporate Information" on page 2.

Audit Committee

The Audit Committee consists of three independent non-executive Directors namely Ms. Lo Wan Man (chairman), Mr. Zou Heqiang and Mr. Victor Yang. The composition of the Audit Committee meets the requirements of Rule 3.21 of the Listing Rules. Details of the authority and duties of the Audit Committee are set out in the Audit Committee's terms of reference which are available on the websites of the Stock Exchange and the Company.

The terms of reference of the Audit Committee are of no less exacting terms than those set out in the CG Code. The duties of the Audit Committee include, without limitation, (a) making recommendations to the Board on the appointment, re-appointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal; (b) monitoring the integrity of the financial statements and annual report and accounts, and the interim report, and reviewing significant financial reporting judgments contained therein; (c) reviewing the financial control, risk management and internal control systems; and (d) developing and reviewing the Company's policies and practices on corporate governance and making recommendations to the Board.

During the year under review, the Audit Committee held two meetings to review, in respect of the year under review, the interim and annual financial results and reports and significant issues on the financial reporting, operational and compliance controls, the effectiveness of the risk management and internal control systems and internal audit function on semi-annual basis (or on any other occasions, where appropriate) in respect of the interim and annual financial periods, engagement of non-audit services and relevant scope of work, arrangements for employees to raise concerns about possible improprieties and to recommend the appointment of new external auditor.

The Audit Committee also met the external auditor without the presence of the executive Directors. There is no disagreement between the Board and the Audit Committee regarding the appointment of external auditor.

Remuneration Committee

The Remuneration Committee consists of two independent non-executive Directors, namely Mr. Victor Yang (chairman) and Ms. Lo Wan Man, and one executive Director namely Ms. Zhao Luyi.

The terms of reference of the Remuneration Committee are of no less exacting terms than those set out in the CG Code. Details of the authority and duties of the Remuneration Committee are set out in the Remuneration Committee's terms of reference which are available on the websites of the Stock Exchange and the Company. The primary functions of the Remuneration Committee include (a) making recommendations to the Board on the Company's policy and structure for all Directors' and senior management and establishing a formal and transparent procedure for developing remuneration policy; (b) reviewing and approving the management's remuneration proposal with reference to the Board's corporate goals and objectives; (c) making recommendations to the Board on the remuneration packages of individual Directors and senior management; and (d) to review and/or approve matters relating to share schemes under Chapter 17 of the Listing Rules.

CORPORATE GOVERNANCE REPORT

The Remuneration Committee held two meetings during the year under review to review and make recommendation to the Board on the remuneration policy and the remuneration packages of the Directors and senior management.

Details of the annual remuneration of the members of the senior management by band for the year under review are set out below:

Remuneration band (HKD)	Number of individuals
HKDnil–HKD500,000	2
HKD500,001–HKD1,000,000	2
HKD1,000,001–HKD1,500,000	1
HKD1,500,001–HKD2,000,000	–

Details of the remuneration of each Director for the year under review are set out in note 15 to the consolidated financial statements.

The Remuneration Committee also considered and made recommendations to the Board on the terms of letters of appointment and the remuneration of Directors appointed during the year under review.

Nomination Committee

The Nomination Committee consists of two independent non-executive Directors, namely Ms. Lo Wan Man (chairman), Mr. Victor Yang and one executive Director, namely Ms. Zhao Luyi.

The terms of reference of the Nomination Committee are of no less exacting terms than those set out in the CG Code. Details of the authority and duties of the Nomination Committee are set out in the Nomination Committee's terms of reference which are available on the websites of the Stock Exchange and the Company. The Company has complied with the requirements under Code Provision B.3.1.

The principal duties of the Nomination Committee include, without limitation, (a) reviewing the structure, size and diversity (including without limitation, gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service) of the Board at least annually and making recommendations on any proposed changes to the Board to complement the corporate strategy; (b) identifying individuals suitably qualified to become members of the Board and selecting or making recommendations to the Board on the selection of individuals nominated for directorships; (c) assessing the independence of the independent non-executive Directors; and (d) making recommendations to the Board on the appointment or re-appointment of the Directors and succession planning for the Directors, in particular the chairman and the chief executive officer.

In assessing the Board composition, the Nomination Committee would take into account various aspects as well as factors concerning Board diversity as set out in the Company's Board Diversity Policy. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's character, qualifications, experience, independence and other relevant criteria necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board.

CORPORATE GOVERNANCE REPORT

During the year under review, the Nomination Committee held two meetings to review the structure, size and composition of the Board and the independence of the independent non-executive Directors, the implementation and effectiveness of the Board Diversity Policy, and to consider the qualifications of the retiring Directors standing for election at the annual general meeting. The Nomination Committee also considered and recommended to the Board on the appointment of Directors during the year under review.

Board Diversity Policy

The Company has adopted a Board Diversity Policy which sets out the approach to achieve diversity of the Board and is available on the website of the Company. The Company recognizes and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level as an essential element in maintaining the Company's competitive advantage.

Pursuant to the Board Diversity Policy, the Nomination Committee will review annually the structure, size and composition of the Board and where appropriate, make recommendations on changes to the Board to complement the Company's corporate strategy and to ensure that the Board maintains a balanced diverse profile. In relation to reviewing and assessing the Board composition, the Nomination Committee is committed to diversity at all levels and will consider a number of aspects, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and regional and industry experience.

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

The Board will consider setting measurable objectives to implement the Board Diversity Policy and review such objectives from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives.

The Board has set a measurable objective as to gender diversity that there should be at least one female Board member for giving a diversified insights to the Board. The Board will take opportunities to increase the proportion of female members over time when selecting and making recommendation on suitable candidates for Board appointments. The Board will ensure that appropriate balance of gender diversity is achieved with reference to stakeholders' expectations and international and local recommended best practices. During the year under review, the measurable objective been achieved as there was been at least one female member in the Board. At present, the Nomination Committee considered that the Board is sufficiently diverse.

The Nomination Committee will review the Board Diversity Policy, annually and as appropriate, to ensure its effectiveness.

For the details of the current gender ratio in the workforce, including senior management of the Group, please refer to the "Environmental, Social and Governance Report" in this report. Given the current composition of the workforce and the nature of the Group's business and industry, the Board is of the view that gender diversity is achieved and shall focus on maintaining the gender balance. The management will review the gender composition of the workforce and set targets based on the future needs of the Group's development.

CORPORATE GOVERNANCE REPORT

Workforce Diversity

The Group strictly adheres to fair and appropriate employment practices and labour standards. With an anti-discriminatory and equal-opportunity policy in place, the Group provides job applicants and employees with equal opportunities for employment and promotion, and prohibits all forms of discrimination on gender, religion, race, disability or age.

As at 31 December 2024, the Group had a total of 67 staff members (including members of the senior management but excluding Directors). The gender composition of the staff members (including members of the senior management but excluding Directors) was approximately 51% male staff members and approximately 49% female staff members.

The Board considered that gender diversity of the workforce of the Group had been well maintained during the year under review. As such, the plan and measurable objective for the Group in terms of gender diversity in the workforce is to maintain the balance of gender diversity in the foreseeable future.

The Remuneration Policy of Directors

Quality and committed staff are valuable assets contributing to the Group's success. To ensure the ability to attract and retain talents, the Group's Remuneration Policy for Directors is built upon the principles of providing equitable and market-competitive remuneration packages that support the performance culture and enable the achievement of strategic business goals. The Group's Remuneration Policy for Directors is, therefore, aiming at providing a competitive but not excessive remuneration package to the Directors.

The Directors' remuneration comprises fixed salary or service fee and variable components (such as bonus and share options), which is benchmarked against companies of comparable business or scale with reference to a mix of factors such as the prevailing market condition, the Company's performance and the qualifications, skills, experience and educational background of the Directors.

The Directors' remuneration will be reviewed annually and is subject to Shareholders' approval at the annual general meeting.

Director Nomination Policy

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

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

- character and integrity;
- qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy;
- diversity in all aspects, including but not limited to gender, age (18 years or above), cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service;
- requirements of independent non-executive Directors on the Board and independence of the proposed independent non-executive Directors in accordance with the Listing Rules; and
- commitment in respect of available time and relevant interest to discharge duties as a member of the Board and/or Board committee(s) of the Company.

CORPORATE GOVERNANCE REPORT

The Director Nomination Policy also sets out the procedures and process for the selection and appointment of new Directors and re-election of Directors at general meetings. During the year under review, the Nomination Committee adhered to the following nomination procedures and the process set out in the Director Nomination Policy to select and recommend candidates for directorship:

(a) Appointment of new Director

- (i) Upon receipt of the proposal on appointment of new Director and the biographical information (or relevant details) of the candidate, the Nomination Committee should, evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship.
- (ii) If the process yields one or more desirable candidates, the Nomination Committee should rank them by order of preference based on the needs of the Company and reference check of each candidate (where applicable).
- (iii) The Nomination Committee should then recommend to the Board to appoint the appropriate candidate for directorship, as applicable.
- (iv) For any person that is nominated by a Shareholder for election as a Director at the general meeting of the Company, the Nomination Committee should evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship.

Where appropriate, the Nomination Committee and/or the Board should make recommendation to Shareholders in respect of the proposed election of Director at the general meeting.

(b) Re-election of Director at General Meeting

- (i) The Nomination Committee should review the overall contribution and service to the Company of the retiring Director and the level of participation and performance on the Board.
- (ii) The Nomination Committee should also review and determine whether the retiring Director continues to meet the criteria as set out above.
- (iii) The Nomination Committee and/or the Board should then make recommendation to Shareholders in respect of the proposed re-election of Director at the general meeting.

During the year under review, there were some changes in the composition of the Board. Details are set out in Directors' Report. The Nomination Committee will review the Director Nomination Policy, as appropriate, to ensure its effectiveness.

Corporate Governance Functions

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

During the year under review, the Board had reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

CORPORATE GOVERNANCE REPORT

ATTENDANCE RECORDS OF DIRECTORS AND COMMITTEE MEMBERS

Board meetings should be held at least four times a year at approximately quarterly intervals, involving active participation, either in person or through electronic means of communication, of a majority of Directors entitled to be present.

Apart from Board meetings, the Chairman also held meetings with non-executive Directors without the presence of other Directors during the year under review.

The attendance record of each Director at meetings is set out in the table below:

Name of Director	Board	Audit Committee	Remuneration Committee	Nomination Committee	Annual general meeting held on 21 June 2024
Ms. Zhao Luyi (appointed on 28 June 2024)	1/1	N/A	0/0	0/0	0/0
Mr. Jiang Feng	3/5	N/A	N/A	N/A	1/1
Mr. Tsang Wah Tak, Brian (appointed on 28 June 2024)	0/1	N/A	N/A	N/A	0/0
Mr. Yu Lu	5/5	N/A	N/A	N/A	0/1
Mr. Ding Zhigang	2/5	N/A	N/A	N/A	0/1
Ms. Guo Lei	4/5	N/A	2/2	2/2	1/1
Mr. Victor Yang	4/5	2/2	2/2	2/2	0/1
Ms. Lo Wan Man	5/5	2/2	2/2	2/2	1/1
Mr. Zou Heqiang	5/5	2/2	N/A	N/A	1/1

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledged their responsibility for overseeing the risk management and internal control systems of the Group and for reviewing its effectiveness and adequacy.

In order to safeguard the Group's assets, effectiveness of business operation, ensure the reliability of financial report that the Company employs in its business or releases to the public and ensure compliance with relevant laws and regulations, the Company has established the risk management and internal control systems and conducts regular reviews of the effectiveness of such systems through the Audit Committee, executive management, functional departments, external advisers and external auditor. The risk management and internal control systems are designed to manage rather than eliminate the risk to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Group has developed and adopted different risk management procedures and guidelines with defined authority. All departments conducted internal control assessment regularly to identify risks that potentially impact the business of the Group and various aspects including key operational and financial process, regulatory compliance and information security. The management, in coordination with department heads, assessed the likelihood of risk occurrence, provide treatment plans, and monitor the risk management progress. The management monitors the assessment of the risk management and internal controls and reported to the Board and the Audit Committee on the effectiveness of the risk management and internal control systems.

CORPORATE GOVERNANCE REPORT

Since the Group did not have an internal audit function by itself, in reviewing the risk management and internal control systems by the Board, the Group has further engaged an external professional firm in view of facilitating the internal audit function. The professional firm is arranged to conduct internal audit on the Group every six months (who reports to the Audit Committee) with a view to facilitating adequate resources and quality review to satisfy the Group's internal audit function as required by the Stock Exchange and to assist the Board in identifying and assessing the risks through a series of interviews, and perform semi-annual reviews on the effectiveness of the Group's internal control systems. The reviews cover material controls including financial, operational and compliance controls at entity and operational levels. The Audit Committee and the Board have discussed and reviewed the relevant results of the review. The Group will continuously enhance its risk management and internal control systems according to findings therein and recommendations made to the Group.

The Group has established procedures in handling and dissemination of inside information in an accurate, secure and timely manner and to avoid possible mishandling of inside information within the Group.

The risk management and internal control systems are reviewed and assessed on an on-going basis by the Audit Committee and the Board, and will be further reviewed and assessed at least once each year by the Board.

Based on the risk management and internal control systems established and maintained by the Group, the internal audit findings, the reviews by external professional firm on internal audit of the Group, the review of the effectiveness of risk management and internal control systems performed by the management, the Audit Committee and the Board, the Board is of the view that the Group has maintained effective and adequate risk management and internal control systems during the year under review.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the consolidated financial statements of the Company for the year under review.

The Group incurred a net loss of approximately RMB73,543,000 during the year ended 31 December 2024 and, as of that date, the Group had net current liabilities and net liabilities of approximately RMB181,005,000 and RMB111,346,000, respectively. These events and conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern, therefore, it may be unable to realise its assets and discharge its liabilities in the normal course of business. Notwithstanding the above, the consolidated financial statements have been prepared on a going concern basis as the directors of the Company (the "**Directors(s)**") have taken the following measures:

- (a) The Group continues to implement operational plans to control costs and generate sufficient operating cash flows to meet its current and future obligations. These actions include cost control measures, and timely collection of outstanding receivables;
- (b) The Group obtained additional borrowing facility of approximately RMB10,000,000 from its shareholder on 22 March 2025, with the facility maturing in 2026;
- (c) The Group has been actively negotiating with various lenders on the extension of other borrowings. As at the date of approval of these consolidated financial statements, the Group has entered into contractual arrangements with certain lenders to extend the maturity of existing financing arrangements, including other borrowings of approximately RMB146 million which would not be repayable within the next 12 months; and
- (d) The Group has been actively exploring potential asset disposal opportunities to create liquidity for, inter alia, repayment of the borrowings.

CORPORATE GOVERNANCE REPORT

The Directors have reviewed the Group's cash flow projections prepared by the management. The cash flow projection cover a period of not less than twelve months from 31 December 2024. Having taken into account the above-mentioned plans and measures, the Directors consider that the Group will have sufficient financial resources to meet in full its working capital requirements and financial obligations as and when they fall due within the next twelve months from the date of the consolidated statement of financial position. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

However, significant uncertainties exist as to whether management of the Company will be able to achieve its plans and measures as described above.

Should the Group fail to achieve the above-mentioned plans and measures, it may be unable to continue as a going concern, and adjustments would have to be made to write down the carrying value of the assets to their recoverable amounts, to provide for any further liabilities which might arise and to classify non-current assets and liabilities as current assets and liabilities respectively. The effects of these potential adjustments have not been reflected in these consolidated financial statements.

The statement of the auditor of the Company about their reporting responsibilities on the consolidated financial statements is set out in the Independent Auditor's Report on pages 84 to 89.

AUDITOR REMUNERATION

The independence of the external auditor is monitored by the Audit Committee which is primarily responsible for making recommendations to the Board on the appointment of the external auditor as well as approving their terms of engagement and remuneration.

The remuneration paid to the external auditor of the Company, SHINEWING (HK) CPA Limited, in respect of audit and non-audit services provided to the Group during the year under review was analyzed below:

Service Category	Fees paid/ payable RMB
Audit services	1,730,000
Non-audit services — interim services	300,000
	2,030,000

COMPANY SECRETARY AND PRIMARY CONTACT OF THE COMPANY

The Company engaged Ms. Chau Hing Ling ("**Ms. Chau**"), the executive director of Corporate Services of Vistra Corporate Services (HK) Limited (a company secretarial service provider), as the company secretary of the Company. Ms. Chau has the necessary qualifications and experience as required under Rules 3.28 and 8.17 of the Listing Rules. Ms. Zhao Luyi is the executive Director of the Company, who acts as the primary contact person of Ms. Chau.

In compliance with Rule 3.29 of the Listing Rules, Ms. Chau undertook not less than 15 hours of relevant professional training to update her skills and knowledge during the year ended 31 December 2024.

SHAREHOLDERS' RIGHTS

To safeguard Shareholder interests and rights, separate resolution should be proposed for each substantially separate issue at general meetings, including the election of individual Director. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each general meeting.

CORPORATE GOVERNANCE REPORT

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

Extraordinary general meetings may be convened by Directors on requisition of one or more Shareholders holding, at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company. Such requisition shall be made in writing to the Board or the Company Secretary of the Company by mail to Units 4004–5, 40th Floor, Cosco Tower, 183 Queen's Road Central, Hong Kong, to require an extraordinary general meeting to be called by the Directors for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Putting Forward Enquiries to the Board

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

Contact Details

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

Address: Units 4004–5, 40th Floor, Cosco Tower, 183 Queen's Road Central, Hong Kong
(For the attention of the Company Secretary)

Email: ir@risecomm.com.hk

For the avoidance of doubt, Shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavours to maintain an on-going dialogue with Shareholders and in particular, through annual general meetings and other general meetings. At the 2024 AGM held on 20 June 2024, Directors (or their delegates as appropriate) were available to meet Shareholders and answer their enquiries.

Shareholders' Communication Policy

The Company has adopted a shareholders' communication policy (the "**Shareholders' Communication Policy**"), the details of which are summarised below:

The Board will maintain an on-going dialogue with the Shareholders and will review the Shareholders' Communication Policy regularly to ensure its effectiveness.

Information will be communicated to the Shareholders through the Company's financial reports, annual general meetings and other general meetings that may be convened, as well as all the disclosures submitted to Stock Exchange.

Effective and timely dissemination of information to the Shareholders will be ensured at all times. Any question regarding the Shareholders' Communication Policy will be directed to the Company Secretary of the Company.

CORPORATE GOVERNANCE REPORT

Shareholders' Enquiries

The Board will maintain an on-going dialogue with the Shareholders and will review the Shareholders' Communication Policy regularly to ensure its effectiveness.

Shareholders may at any time make a request for the Company's information to the extent such information is publicly available.

Shareholders will be provided with designated contacts, email addresses and enquiry telephone number of the Company in order to enable them to make any query in respect of the Company.

Corporate communication

Corporate communication will be provided to the Shareholders in plain language and in both English and Chinese versions to facilitate the Shareholders' understanding. Shareholders have the right to choose the language (either English and Chinese) or means of receipt of the corporate communications (in hard copy or through electronic means).

Shareholders are encouraged to provide, amongst other things, in particular, their email addresses to the Company in order to facilitate timely and effective communications.

Corporate website

A dedicated Investor Relations section is available on the Company's website at www.risecomm.com.cn. Information on the Company's website is updated on a regular basis.

Information released by the Company to the Stock Exchange is also posted on the Company's website immediately thereafter. Such information includes financial statements, results announcements, circulars and notices of general meetings and associated explanatory documents etc.

All presentation materials provided in conjunction with the Company's annual general meeting and results announcement each year will be made available on the Company's website.

All press releases and Shareholders' newsletters will be made available on the Company's website.

CORPORATE GOVERNANCE REPORT

Shareholders' meetings

Shareholders are encouraged to participate in general meetings or to appoint proxies to attend and vote at meetings for and on their behalf if they are unable to attend the meetings.

Appropriate arrangements for the annual general meetings will be in place to encourage Shareholders' participation.

The process of the Company's general meeting will be monitored and reviewed on a regular basis, and if necessary, changes will be made to ensure that Shareholders' needs are best served.

Board members, in particular, the chairmen of the Board committees or their delegates, appropriate senior management and external auditors will attend annual general meetings to answer Shareholders' questions.

Shareholders are encouraged to attend Shareholders' activities organized by the Company, where information about the Company, including its latest strategic plan, products and services will be communicated.

Shareholder Privacy

The Company recognizes the importance of Shareholders' privacy and will not disclose Shareholders' information without their consent, unless required by law to do so.

Review of the Shareholders' Communication Policy

The Company highly values the view and comments of the Shareholders and relevant stakeholders to the Company and would invite the Shareholders and relevant stakeholders to communicate with the Company by employing the means mentioned in this report. In view of the above Shareholders' communication means and measures adopted by the Company, the Board is of the view that the Shareholders' Communication Policy implemented during the year under review was sufficient and effective.

CONSTITUTIONAL DOCUMENTS

The Company did not made any changes to its constitutional documents during the year ended 31 December 2024.

Dividend Policy

The Company has adopted a Dividend Policy on payment of dividends. Details are set out in Directors' Report.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THIS REPORT

The Group is pleased to present the Environmental, Social and Governance Report (the “**Report**”). The purpose of the Report is to disclose to investors and other stakeholders the Group’s strategies, policies and performance in the areas such as environmental protection, corporate management, talent training, supply chain management, social responsibility, social welfare undertakings in 2024.

REPORTING PERIOD AND SCOPE

Information contained in this Report covers the period from 1 January 2024 to 31 December 2024, which is consistent with the financial year covered by the Group’s Annual Report 2024. Its main business operation areas include Beijing, Guangdong, Jiangsu, Hunan and Hong Kong, China.

The Report is prepared in both Chinese and English versions. Should there be any discrepancy between the Chinese and the English versions, the English version shall prevail.

BASIS OF PREPARATION

This Report is prepared in accordance with Appendix C2 of the Listing Rules — “Environmental, Social and Governance Reporting Guide” (the “**ESG Reporting Guide**”) based on the principles of materiality, quantitative, balance and consistency, and has complied with the “comply or explain” provisions as set out in the Listing Rules. The data disclosed in this Report are from the Company’s official documents and statistical report.

REPORTING PRINCIPLES

The reporting principles of Materiality, Quantitative, and Consistency have been adopted as a basis for the preparation of the Environmental, Social and Governance (“**ESG**”) Report.

Materiality:

The Group has implemented a materiality assessment based on the effective engagement with its various stakeholders through different channels. The standardised assessment showed that ESG issues such as emission reduction, energy saving, and health and safety are highly important to the Group in its ESG management. Through this process, the Group pays particular attention to these issues to meet the expectations of stakeholders.

Quantitative:

Quantitative reporting was primarily reflected under the environmental disclosure of greenhouse gas (GHG) emissions, treatment of exhaust gases, and in the section titled “Use of Resources” in this Report in terms of KPIs. The Group has applied this principle in reporting the Group’s employment structure by age, gender, geographical area, and employee category in accordance with the social aspect of employment.

Consistency:

The Group has adopted a consistent methodology and reporting framework to allow for meaningful comparisons over years.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

REPORTING BOUNDARY

The Report covers major operations and the administrative offices of the Group in Mainland China and Hong Kong. Its main business operation areas include Beijing, Guangdong, Jiangsu, Hunan and Hong Kong, China. The Group believes this clear boundary can provide sufficient and relevant scope for the Report from the perspective of materiality.

OBJECTIVE OF THE REPORT

The Group believes that the integration of ESG considerations into the Group's business operation has become an integral part of the Group's corporate development strategy. Meanwhile, it also focuses on fostering closer connection with its stakeholders, listening to their voices, working openly with partners to overcome challenges, caring for and growing with employees, and taking on more social responsibilities, in order to seek continuous improvement.

HOW TO OBTAIN THE REPORT

The Report is part of the Group's annual report and is available on the Group's website. For more information about the Group, please visit <http://www.risecomm.com.cn>.

CONTACT METHOD

The Group attaches great importance to the valuable opinions of stakeholders and welcomes suggestions on the Report or on the Group's overall performance on sustainable development, please contact us by email at ir@risecomm.com.hk.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THE GROUP

The Group, is a high and new technology enterprise ("**HNTE**") which engages in scientific research, product development and the provision of technical services. The Group's business operation areas include Beijing, Guangdong, Jiangsu, Hunan and Hong Kong, the PRC. The Group's production, R&D and sales businesses are mainly carried out by its various subsidiaries, namely Risecomm WFOE, Risecomm Beijing Comm, Risecomm Wuxi, Beijing Jiangxinchuangda Technology Co., Ltd., Beijing Hongten Weitong Technology Co., Ltd. and Jiangsu Anyi Engineering Management Co., Ltd.. As a high technology enterprise driven by R&D, Risecomm WFOE is honoured as a National HNTE, Shenzhen HNTE and National Integrated Circuit Design Enterprise.

Based on smart manufacturing, the Group uses the power line chip design as the source, and form the strategic layout of smart grid and smart energy management applications in parallel. With its advanced R&D strength and ample industry experience, the Group provides three major businesses to the market. Firstly, through Power Line Communication ("**PLC**") technology, the Group provides: (i) Automatic Meter Reading ("**AMR**") and other business including provision of design, development and sale of PLC-products, energy saving and environmental protection products and solutions used in streetlight control, building energy management, photovoltaic power management, and providing maintenance services in connection with the development and upgrading of AMR systems by power grid companies in the PRC; (ii) Smart Manufacturing In Automotive ("**SMIA**") business including sales of software license, production safety products, construction contracts as well as the provision of software post-contract customer support services in connection with the smart manufacturing and industrial automation system applied in the petroleum and petrochemical industries; and (iii) WFOM ("**WFOM**") business including the support operation of wind power facilities, technical support, equipment inspection, performance optimization, and regulatory compliance management to enhance the reliability and efficiency of wind farm operations.

There are major changes in energy management and control and energy usage pattern in the PRC and even the world which presents huge social responsibility and development opportunities for energy conservation and emission reduction. The Group has stayed true to its original aspiration to actively fulfill its corporate social responsibility while achieving leapfrog development and sustained innovation, takes into account the various factors of sustainable development in the formulation and management of enterprise strategies and strives for a full understanding of the social and environmental impacts of measures and decisions before their implementation.

GOVERNANCE STRUCTURE

Board Statement

Environmental issues are of growing concern. In fact, climate change will be the most important challenge over the next decade. The Board is fully obliged to do its part to help. The Board has ultimate and overall responsibility for the Group's ESG strategy and reporting. The Board continues to steer the Group towards environmentally and socially responsible business through its governance structure and the maintenance of oversight over material ESG issues.

The governance structure has an ESG working group, comprised of professionals from various departments and led by a designated executive director, to collect and analyse data from operation level and market data; identify, prioritise and manage material ESG-related issues; and implement the relevant ESG policies in the Group. The designated executive director reports on material ESG matters to the Board for review and formulation of strategy through the merging of top-down approach and bottom-up approach.

The Board reviews the sustainability performance against ESG-related goals and targets which relate to its business annually to monitor and inform the Group's actions so as to reduce carbon footprint of the Group significantly within the next five years.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

STAKEHOLDERS ENGAGEMENT

In addition to tireless efforts taken in business operation in providing returns for shareholders and protecting investors' interests, the Group has maintained effective communication with relevant stakeholders through various channels and paid particular attention to their feedbacks, in order to get a better understanding of their expectation and areas of concerns, which allows the Group to make appropriate improvement and implementation so as to further improve sustainable development strategy and reinforce the Group's contribution to society.

Stakeholders	Engagement Channels	Expectations
Government and Regulatory Authorities	<ul style="list-style-type: none"> — On-site inspection and checking — Research through work conferences, work reports preparation and approval submission — Information release on HKExnews and company's website, such as annual reports, interim reports and announcements 	<ul style="list-style-type: none"> — Compliance with laws and regulations — Making tax payment, conducting operation in accordance with laws, under government supervision and evaluation — Participating in the formulation of industry standards — Promoting economic development and employment
Shareholders and Investors	<ul style="list-style-type: none"> — Annual general meeting and other shareholder meetings — Information release on HKExnews and company's website, such as annual reports, interim reports and announcements — Meeting with investors and analysts 	<ul style="list-style-type: none"> — Return on investment — Information disclosure and transparency — Protection of interests and fair treatment of shareholders
Employees	<ul style="list-style-type: none"> — Meetings — Trainings, seminars and briefing sessions — Cultural and sports activities — Intranet and emails 	<ul style="list-style-type: none"> — Protection of rights and interests of employees — Comfortable working environment — Career development opportunities and self-realization — Occupational health and safety
Customers	<ul style="list-style-type: none"> — Websites and brochures — Emails and customer service hotlines — Feedback forms — Regular meetings — Industry exhibitions 	<ul style="list-style-type: none"> — Safe and high-quality products — Stable cooperation — Information transparency — Integrity — Business ethics
Suppliers and Business Partners	<ul style="list-style-type: none"> — Regular meetings, supplier conferences, phone calls and interviews — Review and assessment 	<ul style="list-style-type: none"> — Long-term partnership — Honest cooperation, fairness and openness — Information resources sharing — Quality of supply — Reduction of business risks
Peer and Industry Associations	<ul style="list-style-type: none"> — Industry conferences and meetings — Site visits and field trips 	<ul style="list-style-type: none"> — Experience sharing — Fair competition — Cooperation
Society and the Public	<ul style="list-style-type: none"> — Volunteering activities — Charity and social investment 	<ul style="list-style-type: none"> — Community participation — Social responsibilities — Provision of career opportunities

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

MATERIALITY ASSESSMENT

On the basis of previous year's stakeholder survey, the Group conducted several communications with various stakeholder representatives in 2024, including group discussions, telephone interviews and so on, in order to understand the stakeholders' concerns and expectations. The Group believes that the annual stakeholder communication is to help enterprises identify priorities and important work contents in areas where improvement is needed. It also expects to understand what the Group needs to improve from the results of each communication, and give a more targeted response in the Report in order to continuously improve the Group's reputation.

The following table is a summary of the Group's material ESG issues contained in this Report:

ESG Reporting Guide A. Environmental	Material ESG Issues	Materiality to the Group		
		Low	Medium	High
A1. Emissions	Harmful Exhaust Gas and Greenhouse Gas ("GHG") Emissions	✓		
	Sewage Reduction	✓		
	Hazardous and Non-hazardous Waste	✓		
A2. Use of Resources	Energy Saving			✓
	Water Saving			✓
	Environmentally Friendly Packaging Materials		✓	
A3. The Environment and Natural Resources	Assist Customers in Energy Saving and Emission Reduction			✓
	Creating a Green Office Environment			✓
	Supplier with Environmental Protection Concepts			✓
B. Social		Low	Medium	High
B1. Employment	Protection of Employees Rights and Interests			✓
	Benefits and Rewards			✓
	Advocating Work-life Balance			✓
B2. Health and Safety	Safe Production			✓
	Occupational Health Training			✓
B3. Development and Training	Training Management			✓
B4. Labour Standards	Prevention of Child or Forced Labour	✓		
B5. Supply Chain Management	Supply Chain Management			✓
	Transparent Procurement		✓	
B6. Product Responsibility	Quality Control			✓
	Green Products			✓
	Intellectual Property Rights			✓
	Privacy Protection			✓
B7. Anti-corruption	Anti-corruption			✓
B8. Community Investment	Community Investment			✓

The Group is a fabless R&D oriented PLC technology company specialized in the design, development and sale of proprietary PLC-related SOC IC, modules, devices and solutions. The Group adopts fabless production model, under which, instead of in-house manufacturing IC chipsets, it sources IC chipsets, as its main raw materials, from IC chipsets suppliers which provide ASICs based on its proprietary design it developed. Unlike general manufacturing enterprises, the Group assembles its products with the adoption of fabless production model, which greatly reduces the negative impacts on the environment during the course of operation and production.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ENVIRONMENTAL PROTECTION

With the development of the world industrial revolution and the rapid development of economy and technology, human society has begun to enter a new era, but at the same time, our environment has suffered unprecedented damage. In the 21st century, environmental problems have become a severe challenge for the world. Therefore, the Group has always regarded environmental protection as a prerequisite for the steady development of enterprises, so it shoulders the important mission of “sustainable development” and strives to ensure the ultimate goal of legitimate and compliance operation. The Group respects and conserves nature, strictly complies with national laws, regulations and standards, takes the initiative to consider the impact of decision-making and activities on the environment as a whole, and strives to achieve a harmonious coexistence with the environment.

For the year ended 31 December 2024, the Group did not have any violation of relevant local environmental laws and regulations in relation to exhaust gas and GHG emissions, water and land discharge, and the generation of hazardous and non-hazardous wastes that have a significant impact on the Group, including but not limited to “Environmental Protection Law of the People’s Republic of China” (中華人民共和國環境保護法), “Water Pollution Prevention Law of the People’s Republic of China” (中華人民共和國水污染防治法), “Atmospheric Pollution Prevention and Control Law of the People’s Republic of China” (中華人民共和國大氣污染防治法), “Law of the People’s Republic of China on Prevention and Control of Pollution From Environmental Noise” (中華人民共和國環境噪聲污染防治法) and “Law of the People’s Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste” (中華人民共和國固體廢物污染環境防治法).

Emissions

The Group has obtained the ISO14001 environmental management system certification, which indicates that its operation and management of R&D, production and sales have achieved internationally recognised standards. The Group has also formulated the Waste Management Policy to establish regulations and guidance on waste disposal and manage and monitor the effectiveness of targeted measures for different kinds of waste. Moreover, it acts in accordance with the “Control Procedures for Monitoring and Measurement of Environment, Occupational Health and Safety”, and regularly engages inspection bodies to conduct accurate monitoring of emissions and provide monitoring reports, so as to keep abreast of the Group’s performance in environmental protection and formulate measures for improvement.

For the year ended 31 December 2024, the Group did not receive any notice or warning on pollution in respect of its production, nor had the Group been subject to any fines, penalties or other legal actions by government agencies in the PRC resulting from any non-compliance with any environmental protection laws and regulations in the PRC.

GHG emissions

The Group’s production activities mainly use electricity to maintain machine operation, general lighting and indoor temperature control etc. As such, the main source of its carbon emission is GHG generated from electricity consumption. Meanwhile, its products are energy-saving and environmentally-friendly. The Group has installed its self-developed air conditioner controllers and energy-saving control switches in all office areas and plants. Such on-site application allows backstage control of the usage of lighting and air-conditioners and thus effectively saves electricity resources. The Group has promoted this series of energy-saving products to its customers and have achieved the desired energy-saving effect.

The Group’s direct GHG emissions (Scope 1) source from fuel consumption by the Group’s vehicles which are mainly used in the provision of AMR maintenance services. During the year under review, the Group estimates that there will be a trend of decrease in market demand for the Group’s AMR maintenance services which is performed and based on narrowband products following the transition of market demand from narrowband to broadband technology, the Group therefore had disposal of as well as reduced utilization of its motor vehicles which were involved in the performance of AMR maintenance services. Therefore, the vehicle utilization rate has dropped as compared to 2023, resulting in the decrease in direct GHG emissions (Scope 1) by approximately 20% from 24.28 tCO₂e in 2023 to 19.56 tCO₂e in 2024.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group's indirect GHG emissions (Scope 2) source from purchased electricity in association with power consumption for the Group's operation. During the year under review, mainly due to increased electricity consumption in research and development, the Group recorded an increased consumption of purchased electricity as compared to 2023, resulting in the decrease in indirect GHG emissions (Scope 2) by approximately 3% from 134.04 tCO₂e in 2023 to 129.59 tCO₂e in 2024.

As a result, the Group's total GHG emissions have decreased by approximately 5% from about 158.32 tCO₂e in 2023 to approximately 149.15 tCO₂e in 2024.

GHG Emissions Indicator ¹	Unit	2024	2023
Direct GHG emissions (Scope 1) ²	tCO ₂ e	19.56	24.28
Indirect GHG emissions (Scope 2) ²	tCO ₂ e	129.59	134.04
Total GHG emissions (Scope 1 and 2) ²	tCO ₂ e	149.15	158.32
Intensity ³	tCO ₂ e/turnover (RMB'000)	0.0012	0.0017

Notes:

1. GHG emission data are presented in terms of carbon dioxide equivalent, with reference to, including but not limited to, the reporting requirements of "The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standards" issued by the World Resources Institute and the World Business Council for Sustainable Development, "How to prepare an ESG Report — Appendix 2: Reporting Guidance on Environmental KPIs" issued by the Stock Exchange, latest released emission factors of China's regional power grid basis, the emission factor released by the Hong Kong Electric Investments in 2021 and "Global Warming Potential Values" from the IPCC Fifth Assessment Report, 2014.
2. Scope 1: Direct GHG emissions from vehicles owned by the Group.
Scope 2: Indirect GHG emissions from the generation of purchased electricity consumed by the Group.
3. For the year ended 31 December 2024, the Group's turnover was approximately RMB94,868,000.

Treatment of exhaust gases

The Group's main air pollutant are vehicle exhaust gases emission and welding fumes produced in welding work stations.

Immaterial amount of fumes is produced during welding and will be discharged into high-altitude air after being collected and filtered according to the requirements from the environmental protection authority in the PRC. Discharging pipes are installed above each welding work station of production lines in the assembly hub in Hunan. Welding gas will be sucked into the pipes and discharged into high-altitude air after being filtered and purified. The Group has established a routine maintenance system. Discharging pipes in the factories are regularly cleaned.

The Group estimates that there will be a trend of decrease in market demand for the Group's AMR maintenance services which is performed and based on narrowband products following the transition of market demand from narrowband to broadband technology, the Group therefore had disposal of as well as reduced utilization of its motor vehicles which were involved in the performance of AMR maintenance services. Therefore, the vehicle utilization rate has dropped as compared to 2023, resulting in the decrease in emission of exhaust gases. For the year ended 31 December 2024, the Group's vehicle exhaust gases emission was as follows:

Types of Emission	Unit	2024	2023
Sulphur oxides	Tonnes	0.0001	0.0002
Nitrogen oxides	Tonnes	0.0070	0.0076
Particulate Matters	Tonnes	0.0005	0.0006

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Sewage reduction

The Group does not generate industrial sewage as water is not required in its production process. Sewage generated by the Group is mainly domestic sewage, which will be discharged to municipal sewage system after primary treatment in regional septic tank, and then undergone advanced treatment in regional sewage treatment plant. The Group has also renovated its water-saving tanks installed in washrooms and carried out other measures to reduce domestic sewage discharge. For the year ended 31 December 2024, the performance of sewage reduction was as follows:

Types of Sewage	Unit	2024	2023
Domestic sewage	Cubic meters	927.3	936.40
Intensity	Cubic meters/turnover (RMB'000)	0.008	0.010

The overall domestic sewage reduction of the Group decreased by approximately 13% from approximately 936.4 cubic meters in 2023 to approximately 927.3 cubic meters in 2024.

Hazardous and non-hazardous wastes

Production Department

The Group strictly complies with the national regulations governing the management of electronic waste equipment, promotes the recycling and reuse of waste products, and reduces the rate of waste disposal. The solid wastes are mainly lead-free tin slag, metal and plastic waste, waste packaging materials and other recyclable wastes produced during the production process, as well as office waste generated during operation process, fluorescent lights and disposed batteries, a small amount of defective devices and semi-finished scrapped devices. The Group's general waste is contracted to professional recyclers for centralized recycling. Hazardous wastes are handed over to departments qualified for hazardous wastes disposal and registered with the Environmental Protection Bureau. Due to the Group's business nature, the Group does not have any hazardous waste electronics and generate any significant hazardous waste discharge in the daily operations.

The Group has a strict classification system for different types of wastes. Wastes are stored, handled and recorded separately. Waste bins are set up according to the type of wastes and are placed in appropriate areas. Wastes generated by each department are classified and throw into designated waste bins according to the "Waste Management Requirements", and engaged qualified recyclers for disposal. The Group has also put much efforts on recycling and reusing general or valuable components and parts (such as universal chip on printed circuit board) to reduce the impacts on nature.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Office Areas

Recyclable wastes are recycled, while hazardous wastes (e.g. end-of-life fluorescent lights and batteries) are collected in specific site, which will then be handed over to outsourced parties with appropriate qualification for disposal after reaching a certain amount.

The Group promotes the use of various electronic mobile office software to reduce paper usage. Electronic mobile system such as the R&D projects “Product Life Cycle Management” and “Enterprise Resource Planning” were used for approval procedure, which further expanded the paperless network and the coverage of mobile office. Paperless systems were established for internal communications such as employee learning and development. As a result, the amount of paper used in the office has been reduced and the results are satisfactory. In addition, declaration and approval process is performed on the OA system. Most of the internal approval processes have become paperless, which will control the amount of paper used in the office in 2024. For the year ended 31 December 2024, the Group’s non-hazardous waste discharge performance is summarized as follows:

Types of Wastes	Unit	2024	2023
Total amount of non-hazardous wastes	Tonnes	0.26	0.26
Intensity	Tonnes/turnover (RMB'000)	0.000002	0.000003

Use of Resources

Energy saving

The Group acknowledges that every enterprise should work towards the trend of low-carbon operation. The Group has been committed to environmental protection and invested substantial capital and human resources in environmental protection, striving to provide smart energy saving and emission reduction management solutions for the global market with PLC technology, and application of which includes streetlight control, building energy management and photovoltaic power management. Meanwhile, it has always been devoting efforts to efficient use of energy in order to strike a balance between corporate development and environmental protection.

During the year under review, the Group estimates that there will be a trend of decrease in market demand for the Group’s AMR maintenance services which is performed and based on narrowband products following the transition of market demand from narrowband to broadband technology, the Group therefore had disposal of as well as reduced utilization of its motor vehicles which were involved in the performance of AMR maintenance services. Therefore, the vehicle utilization rate has dropped as compared to 2023, resulting in the decrease in petrol usage. Purchased electricity mainly represents power consumption by the Group for its operations. During the year under review, mainly due to the increased electricity consumption in research and development, the Group recorded an increased consumption of purchased electricity as compared to 2023. Based on the above, the overall energy consumption decreased by approximately 14% from approximately 318,217.32 kWh in 2023 to approximately 291,880.15 kWh in 2024. The Group’s energy consumption for the year ended 31 December 2024 is as follows:

Types of Energy	Unit	2024	2023
Petrol ⁴	kWh	80,312.28	99,704.69
Purchased electricity	kWh	211,567.87	218,512.63
Total	kWh	291,880.15	318,217.32
Intensity	kWh/turnover (RMB'000)	2.40	3.35

Note:

4. Actual petrol consumption in 2024 and 2023 is approximately 8,287.00 liters and approximately 10,288.00 liters.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Energy efficiency

The Group adopts its self-developed building energy management system to centralize the management of its internal air conditioners in a planned manner and remotely control the temperature and switching time of the working environment, which effectively reduces wear and tear and extend the service life of air conditioners. In 2024, these enhancement projects have allowed it to efficiently reduce energy usage of air conditioning system as well as the entire floors and cut down carbon dioxide emissions of the Group.

Water saving

As always, internal energy-saving education to its employees is continuously carried out to develop the awareness of conservation. For example, once the water pipeline leakage was discovered, timely reporting and repairing would be carried out. Visual energy-saving slogans for water-saving, energy-saving and paper-saving are posted in the area of office, pantry and toilet to raise environmental awareness of employees. The Group did not face any issues in sourcing water fit for its purposes in 2024.

The Group has been strived to promote environmental protection and raise employees' awareness of environmental protection, with reasons mentioned in the "Sewage reduction" section. Therefore, overall water consumption has been decreased by approximately 13% from approximately 936.4 cubic meters in 2023 to approximately 927.3 cubic meters in 2024.

Water Consumption	Unit	2024	2023
Water consumption	Cubic meters	927.3	936.40
Intensity	Cubic meters/turnover (RMB'000)	0.0008	0.010

Environmentally friendly packaging materials

The Group has reduced the use of materials and prioritized recyclable and reusable materials without impairing the packaging quality. Also, the Group has increased the reuse rate of packaging materials, which greatly reduced the actual usage of packaging materials. For example, the Product Assembly Hub in Hunan adopted reusable plastic materials in production cycle and temporary storage packaging, which significantly reduced the wastage on packaging cartons. Furthermore, in terms of product design, plastics have been replaced by recyclable aluminium alloy for certain products in order to reduce the damages to the environment.

During the year under review, the number of products sold decreased in 2024 as compared to 2023 due to the decrease in the number of sales orders in the Group's AMR and other business segments. As a result, the usage of PE plastic bag decreased. The types of packaging materials used by the Group during the year under review are as follows:

Types of Packaging Material	Unit	2024	2023
PE plastic bag	Tonnes	0.110	0.001
Pearl cotton	Tonnes	0.000	0.01

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Environment and Natural Resources

Assisting customers in energy conservation and emission reduction

The Group continues to save energy, improve energy efficiency and reduce the pressure of energy use on the environment. Through its self-developed PLC technology and in-depth integration with the new generation of information technology such as the Internet of Things, big data and cloud computing, the Group strives to provide users with integrated energy management solutions and equipment and develops the Internet of Things for energy, with a view to facilitate energy conservation and emission reduction, while providing a safe, comfortable and efficient working environment. Many of its customers have started to adopt the Risecomm Building Energy Management Equipment extensively in workshops, dormitories, offices, and indoor work and study space in schools. Compared with that before the installation of the system, the energy saving effect is significant.

Creating a green workplace

In 2024, the Group, according to its pre-determined schedule, implemented the concept of green environmental protection in the operation of office areas, focusing on improving the office environment, which aims at reducing the emissions of its own office operations and improving the efficiency of the use of resources and energy. In terms of emission reduction awareness, as in the previous year, the Group has continued to organise “Walking for health” activities to encourage employees to embrace low carbon footprint travel. There is no significant waste of natural resources in the Group’s business. It also introduces energy-saving equipment in its office, such as multi-functional photocopiers (with printing, scanning and fax functions) that meet efficiency standards to promote green office and reduce energy consumption.

Supplier with environmental protection concepts

In 2024, the Group uses established principles to select suppliers and gives priority to printing materials with green concepts. Using recycling paper to print companies’ leaflets, albums, greeting cards, etc., and also work with printers and advertising companies with environmental protection concepts. In order to implement the environmental awareness and social responsibility requirements to all suppliers as a whole in terms of supply of production materials, the Group has formulated the relevant system, “Procurement Management Process”, and also gives priority to suppliers who comply with national environmental standards and environmentally conscious suppliers when selecting suppliers.

The nature of the Group’s business is itself concerned with limiting the harmful effects on the environment that energy use can have, as demonstrated by the Risecomm Building Energy Management Equipment which has been widely used. Therefore, the impact of the Group’s activities on the environment and natural resources are limited and mainly includes only the use of vehicles producing exhaust gases emissions and the consumption of electricity and office paper.

For the actions taken to manage them, please refer to the subsection titled “Creating a green workplace” within the section “The Environment and Natural Resources”.

Environmental-related targets, such as emissions targets, hazardous and non-hazardous waste reduction targets, energy use efficiency targets, and water efficiency targets, are still to be reviewed by the Group which will disclose such targets in due course.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Climate Change

Climate change affects people and businesses globally and the Group cannot ignore the impacts thereof. The Group has identified the following significant climate-related issues and has formulated action policies to limit the effects of climate change as far as possible.

Significant climate-related issues which have impacted and those which may impact the issuer		Actions taken to manage the identified risks
Physical risks:		
<i>Acute risks</i>		
i) Typhoon	<p>Some places such as Hong Kong are affected by typhoons almost every year. For example, there were over 60,000 reports of trees collapsing and at least 500 reports of damage to windows or glass curtain wall throughout Hong Kong during the Typhoon Mangkhut. More than 40,000 households in Hong Kong had their electricity supply disrupted, causing traffic chaos.</p>	<p>The Group will closely monitor weather forecasts and warnings issued by authorities in various places such as the Hong Kong Observatory, the Emergency Bureau and the Meteorological Bureau of Shenzhen and Beijing, and will allow staff to go to work or leave earlier or suspend their work at appropriate times to ensure their safety.</p> <p>The Group will take precautionary measures before the typhoon hits, including closing windows tightly, pulling down curtains, etc. and locking up important documents to minimise those being blown away during the typhoon.</p>
ii) Flood	<p>Extreme weather conditions such as heavy rainfall may cause flooding and hence damage to the Group's property.</p>	<p>Emergency lights are installed at all exits of the Group.</p> <p>The Group will regularly check the drainage inlets to prevent blockage and reduce the damage to the Group's property caused by flooding.</p>
<i>Chronic risks</i>		
	<p>The rising trend in average global temperatures shows that there are more warming areas than cooling areas. Long-term risks such as prolonged heat waves may affect the occupational safety and health of employees.</p>	<p>The Group will pay attention to weather forecasts and warnings issued by the Hong Kong Observatory and the Meteorological Bureau of Shenzhen and Beijing, etc., adjust work arrangements and provide heat protection materials and information on occupational safety and health to our staffs.</p> <p>The extent of global warming in the future will depend on the amount of carbon dioxide and other greenhouse gases emitted in the coming decades. Our goal is to reduce carbon emissions.</p>

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Significant climate-related issues which have impacted and those which may impact the issuer

Actions taken to manage the identified risks

Transition risks:

i) Policy risks

With the introduction of a series of policies such as China's Policies and Actions on Climate Change (《中國應對氣候變化的政策與行動》), "Opinions on Deepening the Battle of Pollution Prevention and Control" (《關於深入打好污染防治攻堅戰的意見》) and "Guiding Opinions on Deepening the Legal Administration in the Field of Ecology and Environment and Continuously Strengthening the Governance of Pollution in accordance with the Law" (《關於深化生態環境領域依法行政持續強化依法治污的指導意見》), which triggered the increase in the supply of raw materials and energy prices, it may create the risk of cost increase to the production and operation activities of the Group.

The Group continuously pays attention to the relevant policy requirements of government departments on energy conservation and emission reduction as well as the trend of policy development. The Group has a sound financial management system and is able to control various budgets and cost expenditures effectively. The Group has also formulated corresponding energy saving and emission reduction measures to reduce the consumption of raw materials, energy and water, etc., and to minimise the harm and risk to the environment in its production. Therefore, the impact of policy risk on the Group is not significant and the risk is manageable.

ii) Legal risks

National laws and regulations on environmental protection are becoming increasingly sophisticated and local governments in the region where the Group is located have increased their efforts in environmental protection supervision. However, the Group mainly engages in technology research and development activities and its production activities only involve simple assembly and testing, so the impact of its research and development and production activities on the environment is relatively low and the chance of occurrence of this risk is low.

The Group regularly collects and updates the environmental, occupational health and safety laws and regulations applicable to the Group each year and disseminates them throughout the Group, requiring compliance with relevant environmental, occupational health and safety laws and regulations in its technology development activities and production processes, and conducts annual assessments of the Group's operating activities in compliance with relevant laws and regulations to ensure that the Group's operating activities comply with the relevant laws and regulations.

The impact of this risk on the Group is low and the risk is manageable.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Significant climate-related issues which have impacted and those which may impact the issuer

Actions taken to manage the identified risks

iii) Technology risks

The Group is in the power line communications industry and is exposed to technological risks mainly because power line communications technology is widely used for data transmission, with increasing amounts of data transmission information and increasing requirements for communication speed. Meanwhile, the Group's products are exposed to product compatibility risk due to differences in application, distribution network structure and power line channel characteristics in different regions.

The Group adopted dual-mode communication technology to make up for the shortcomings of pure power line communications technology, which does not have an advantage in terms of communication rate. We effectively improved the communication rate of the products, so that the communication success rate and communication rate of the Company's products are among the best in the industry.

The Group's products are developed in accordance with the requirements set out in the "Technical Specification for Interconnection of Low Voltage Power Line Broadband Power Line Communications (《低壓電力線寬帶載波通信互聯互通技術規範》)", and the Group also actively participates in the interconnection tests of various meter plants in various provinces to effectively improve product compatibility.

The Group's products are environmental-friendly products. The technical research and development department intentionally gives priority to environmental materials in the material selection stage of product development in order to reduce excessive greenhouse gas emissions from its products to the environment, while the Group actively promotes the adoption of new materials and processes by its suppliers to produce environmental materials and share its social and environmental responsibility.

The products developed and manufactured by the Group are environmental-friendly and energy efficient, designed to save energy and reduce carbon emissions for its customers (and end users), so the probability of this risk is low.

iv) Market risks

The Group is exposed to market risk mainly due to changes in industry demand and shifts in customer demand for its products.

The Group pays close attention to changes in market demand, requirements of the domestic environment and customer demand, adjusts the Company's strategic objectives and product direction in a timely manner, puts forward environmental protection and safety requirements at the product decision stage, promotes the adoption of new processes and materials by suppliers for environmental-friendly production, and strives to provide green, environmental-friendly and safe products that meet national environmental and energy saving requirements and market demand.

The impact of this risk on the Group is low.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Significant climate-related issues which have impacted and those which may impact the issuer

Actions taken to manage the identified risks

v) Reputational risks

Climate change is a global issue and stakeholders are increasingly concerned about the environmental performance of companies. If the Group caused disruption to the climate, it will have difficulty attracting and retaining customers, employees, business partners and investors. This could have an impact on the Group's sales, financing and image.

The Group aims to reduce carbon emissions by, for example, reducing the use of cars and planes by more frequent use of alternate ways of communication such as online meeting software where possible.

Some office buildings use environmental air-conditioning, with the temperature set at no less than approximately 26°C, energy-saving lamps, carry out regular inspection and maintenance of all equipment affecting energy efficiency, and implement energy saving and consumption reduction policies in the Group, urging all personnel to save energy, water and electricity as required, and separate waste collection and disposal properly.

The Group has obtained ISO14001 (environmental management system) and ISO45001 (occupational health and safety management system) certification in response to the relevant policy requirements.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

SOCIAL RESPONSIBILITY

The Group takes initiative to fulfil its social responsibility in corporate development, insists on sustainable development, humanistic care and environmental protection and applied the concept of social responsibility consistently throughout the entire supply chain, and has created an efficient supply chain platform for mutual benefit and better carried forward corporate social responsibility on this basis. For the year ended 31 December 2024, the Group has established, continuously operated and updated, a strong social responsibility management system through the following initiatives.

Employment and Labour Practices

Employment

The Group puts the core values of “people-oriented” and “investing in people” into practice and emphasizes to have “mutual commitment” with its employees, incorporating the pursuit of individual employee into long term corporate development. Through sharing the growth with its employees, the Group develops its business together with the staff.

Analysis of human resources

As at 31 December 2024, the Group and its subsidiaries had total of 67 employees, 34 of whom were male and 33 were female, representing 51% and 49% of the total number of employees respectively. Among all employees, 6 employees held doctorate and postgraduate degree, 33 employees held university degree and 25 employees were below degree level, representing 9%, 52% and 37% of the total number of employees respectively.

Breakdowns of the employees by gender, age group, geographical area and employee category as at 31 December 2024 are set out below:

Type of Employees	2024		2023	
	Number of employees	Approximate percentage of the total number	Number of employees	Approximate percentage of the total number
Total ⁵	67	100	155	100
By gender				
Male	34	51	97	63
Female	33	49	58	37
By age group				
Aged 30 or below	7	10	32	21
Aged 31-40	28	42	67	43
Aged 41-50	16	24	33	21
Aged 51 or above	16	24	23	15
By geographical area				
China	63	94	149	96
Hong Kong	4	6	6	4
By employee category				
General	11	16	101	65
Middle Management	30	45	38	25
Senior Management	26	39	16	10

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Type of Employees	2024		2023	
	Number of employees who left	Turnover rate	Number of employees who left	Turnover rate
Total	88	131%	28	18%
By gender				
Male	63	183%	18	19%
Female	25	76%	10	17%
By age group				
Aged 30 or below	25	357%	7	22%
Aged 31-40	41	146%	4	6%
Aged 41-50	15	94%	9	27%
Aged 51 or above	6	38%	8	35%
By geographical area				
China	87	138%	27	18%
Hong Kong	1	25%	1	17%

Note:

5 Except a part-time staff, all employees work in full-time base.

Shenzhen Risecomm had performed restructure schedule aimed to focus on the broadband dual-mode communication market and related products. The total number of staff is dramatically decrease to 67 in 2024.

Protection of employees' right

Employees are the foundation of corporate development. The Group has been actively protecting the basic rights of employees. In terms of employment, the Company has strictly complied with "Labour Law of the People's Republic of China" (中華人民共和國勞動法), "Law of the People's Republic of China on the Protection of Rights and Interests of Women" (中華人民共和國婦女權益保護法) and other relevant requirements of the places where its overseas companies operate. The Group has also developed a human resources management system, with the Human Resources Control Procedures being established in a scientific and reasonable manner and applied in the areas of recruitment, promotion, remuneration, benefit, assessment, training, employee relations and communication etc. of the Company, so as to ensure the fairness of employment conditions, without discrimination in age, gender, place of origin, ethnicity, customs, religion, social hierarchy, physical disability, political affiliation and so on. Child labour and forced labour are explicitly forbidden.

Benefits and remuneration

The Group provides competitive remuneration and benefit for all employees and contributes to various kinds of social insurance in accordance with local policies, such as pension, medical care, work-related injuries, maternity, unemployment insurance and housing provident funds. In order to attract, retain and motivate employees, the Company conducts comprehensive assessment of employees according to annual performance appraisal. Key performance indicators of employees will be recorded through the system, and the management department will evaluate employees' performance based on the completion time and quality of work as well as their contribution to the Company. Performance assessment results are divided into 5 levels, and are in line with annual performance pay, bonuses, and promotions, thereby generating employees' enthusiasm for working.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Encouraging work-life balance

As always, the Group attaches great importance to occupational health of each employee and strictly abides by national policies on holidays and working hours, encourages employees to balance work and life, and ensures that employees enjoy benefits such as sick leave, marriage leave, maternity leave and annual leave. It advocates entrepreneurial spirit in the Company, encourages the team to share their successful experience and happiness in office, and has established an “internal trainer” incentive scheme to encourage technological innovation and experience sharing. In addition, the Group has organized various types of entertainment and leisure activities for employees and established recreation and sports groups such as basketball club, badminton club, table tennis club and reading club, so as to enrich employees’ leisure time. Team activities and social activities are regularly organised as well, allowing employees to enjoy their lives in a stressful working atmosphere.

Caring for employees’ families

The Group cares about its employees not only in daily operation, but also the family of each employee. The Group presents gifts to employees on their birthday, wedding, death of relatives as well as traditional festivals. The “Family Day Trip” and “Family Visit Day” have been the Group’s events for showing care to its employees.

For the year ended 31 December 2024, the Group actively complied with requirements in “Labour Law of the People’s Republic of China” (中華人民共和國勞動法), “Labour Contract Law of the People’s Republic of China” (中華人民共和國勞動合同法) and other laws and regulations, and no major violation matters against human resources laws and regulations have been found.

Female employees’ rights

With respect to the protection of female employees’ rights, the Group also complies with the relevant state laws and regulations to provide its female employees in all branch offices around the country with a maternity leave of at least 98 days and maternity allowances. In the meantime, the Group also provides pregnant or breastfeeding female employees with suitable work positions, breaks and pregnancy-friendly facilities. Pregnant employees are entitled to paid maternity leave and lactating mothers are allowed to have 1 hour breast feeding leave per day. These initiatives allow them to continue to develop their career and professional skills at any time regardless of their physical conditions or family status.

Equal opportunity, diversity, and anti-discrimination

The Group incorporates the concepts of equal opportunity, diversity, and anti-discrimination into its organisational culture, which complies with relevant laws such as the Law of the People’s Republic of China on the Protection of Disabled Persons (中華人民共和國殘疾人保障法), Disability Discrimination Ordinance (Cap. 487 of the Laws of Hong Kong) and the Sex Discrimination Ordinance (Cap. 480 of the Laws of Hong Kong).

Recruitment is based on candidates’ relevant experience, qualifications, personalities, and comprehensive abilities. Training and promotion are also based on equal opportunities regardless of age, gender, place of origin, ethnicity, customs, religion, physical disability, and so on. The Group has zero tolerance for any kind of discrimination and harassment and aims to create a positive working environment, promotive of the concepts of equal opportunity, diversity, and anti-discrimination.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Health and Safety

The Group attaches great importance to the safety and health of its employees in the course of operation, and strives to create a safe and comfortable working atmosphere. The Group has purchased commercial insurance for employees who travel frequently and arranged health check-ups for employees regularly to ensure their physical and mental health.

The Group has built a clear organizational structure of safety production management and established a safety management committee. The Group fully applied the "ISO45001 Occupational Health and Safety Management System" and "ISO14001 Environmental Management System". Based on the actual condition of the Company, it has established 29 procedures and management documents in various categories, covering emergency management, fire control management, dangerous goods management, construction management, safety training and safety production inspection, so as to implement safety management in all aspects. At the same time, the Group has dedicated personnel to manage these systems and files, and conduct regular assessment, maintenance, updating and upgrading.

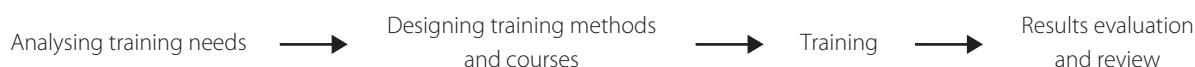
The Group has had no work-related fatalities and injuries for the past three years (including the reporting year). Accordingly, there was no loss of working day due to work-related injuries.

Safety seminars and drills

For the year ended 31 December 2024, the Group strictly enforced relevant laws and regulations such as "Labour Law of the People's Republic of China" (中華人民共和國勞動法), "Production Safety Law of the People's Republic of China" (中華人民共和國安全生產法), "Law of the People's Republic of China on the Prevention and Treatment of Occupational Diseases" (中華人民共和國職業病防治法) and "Fire Protection Law of the People's Republic of China" (中華人民共和國消防法). No violation against laws and regulations related to health and safety in the workplace have been found, and no cases of death due to work relationship and serious injuries at work occurred.

Development and Training

The Group has established the diversified career development paths to help staff development, which is expressly stated in the Human Resources Procedures, Training Management Measures, and Management Measures for Job Qualification and Performance Evaluation, and has implemented a continuous improvement model to promote training:



The Group's training methods include tutorials, meetings and discussions, technical exchanges and industry forums, information learning, etc. Employees can set goals and upgrade themselves according to their actual situation and get fair promotion.

In order to develop employees' potential and abilities to fulfil their duties and handle challenges in work, the Group has provided training for employees at all levels to help them to achieve self-improvement. The Group firmly believes that, every employee is its most precious asset. In terms of training contents, the Group has designed professional, general and project-based courses. Among these, professional courses are provided to employees working in R&D centre, sales centre, production centre, quality control, finance and various departments and positions. General courses and project-based courses cover a wider range of topics, including fire safety, occupational health and professional ethics. The Group designs different training programs for different levels of employees, for example, according to management level, it will design training targeted from the junior to the senior level.

The Group provides room for each employee to grow and develop, and sets up a proper training system to ensure that every employee in the Group will remain competitive and attractive in the highly competitive industry development.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Breakdowns of the employee training by gender and employee category as at 31 December 2024 are set out below.

Employee training	Male				Female				Total			
	Number of employees trained	Approximate percentage of employees trained	Hours of training	Average training hours completed per employee	Number of employees trained	Approximate percentage of employees trained	Hours of training	Average training hours completed per employee	Number of employees trained	Approximate percentage of employees trained	Hours of training	Average training hours completed per employee
By employee category												
General	0	0%	0	0	0	0%	0	0	0	0%	0	0
Middle Management	8	21%	62	5	6	16%	14	1	14	21%	76	2.53
Senior Management	13	34%	40	3	11	29%	40	3	24	36%	80	3.08
Total	21	55%	102	3	17	45%	54	2	38	57%	186	2.33

Labour Standards

The Group employs staff in accordance with “Labour Law of the People’s Republic of China” (中華人民共和國勞動法), “Labour Contract Law of the People’s Republic of China” (中華人民共和國勞動合同法), “Special Rules on the Labour Protection of Female Employees” (女職工勞動保護特別規定) and “Regulations of the Shenzhen Special Economic Zone on the Promotion of the Harmonious Labour Relationship” (深圳經濟特區和諧勞動關係促進條例), actively complies with relevant labour laws and regulations, safeguards the labour interests of employees, creates a safe and stable working environment, ensures workplace hygiene and safety and properly takes care of employees’ physical and mental health.

The Group strictly prohibits the employment of any child or forced labour in its business. The Group reviews its employment practices from time to time and inspects the employment status of suppliers and business partners to prevent potential irregularities. In addition, the Group requires employees to fill in the entry form and provide personal data (including resume, identity documents, academic certificates, career background check, etc.) in an honest manner upon joining. The Human Resources Department and the Project Office will review before hiring to ensure that the recruitment complies with regulations and laws.

The Group has set up a suggestion box to receive suggestions and complaints from all employees. If the Group is found to have violated the relevant laws such as the employment of child labour, the employment will be terminated immediately. If forced labour is discovered, the Group will investigate and impose appropriate penalties such as warnings, book warnings, demerits, termination of employment contracts, etc. If the interests of the Group is affected, the relevant personnel will be held responsible in order to protect human rights and assume social responsibility.

For the year ended 31 December 2024, the Group did not find any significant violations against laws and regulations relating to the prevention of child and forced labour.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

OPERATING PRACTICES

Supply Chain Management

To better perform corporate social responsibilities, the Company has established a supply chain management system which is managed by the supply chain management team of the Group in a centralized manner. Suppliers are selected and evaluated on the basis of fairness, impartiality, objectivity and information transparency. All existing and potential suppliers will be informed of the requirements of the Group on the social responsibility of suppliers, so as to promote suppliers' greater commitment to social responsibilities and environmental protection awareness. The Company has developed the Supplier Management Procedures which provides detailed standards and requirements in terms of corporate social responsibility, quality management, environment management, occupational safety, intellectual property, materials management, quality control and other aspects. All suppliers are required to carry out their social responsibilities.

The Group has entered into quality assurance agreements with its suppliers, which set out the specific quality standards that suppliers must comply with and the passing rates required for quality inspection. The Group conducts internal checks on the raw materials received from its suppliers and delivers them for production afterwards. In particular, all the raw materials needed for outsourced production are purchased by the Group and passed its internal quality inspection before delivered to the outsourced manufacturers to ensure the quality of the raw materials of the products.

The following table shows the distribution of the Group's suppliers for the year 31 December 2024:

Supplier management process:



Selection and assessment

The Group emphasizes social responsibility during the resources collection, evaluation, selection and development process of suppliers under the premise of guaranteeing the quality and cost-performance, and prefers high-quality potential suppliers which comply with national requirements on environmental protection and social responsibility. The process is designed to guarantee equal opportunities for suppliers as well as fair and impartial evaluation and selection.

Supplier assessment is conducted by a team. A list specifying the scope of assessment is provided by category. In order to be qualified, a supplier must meet the requirements of the Company in respect of product quality, safety, environmental protection, management responsibility, social obligations and risk management. Its assessment team will assess and ascertain the qualification of supplier in an objective and fair manner and in strict compliance with the requirements of the process.

Based on the principle of "quality first, mutual benefits, joint development", the Group has built a solid foundation for win-win cooperation with its suppliers. The Group has the right to request for continuous quality improvement and the suppliers has the obligation to continuously improve the quality of their products.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Monitoring and improvement

The “Corporate Resources Planning”, “Supplier Management Procedures” and Supplier Database System allow the Group to conduct supplier management categorised by different supplies or different classifications of service qualification. The database system records suppliers’ comprehensive information on business registration, on-time delivery, quality level, price management and performance evaluation score, etc. The Group has adopted supplier resource sharing strategies to conduct joint tendering and centralized procurement for projects at different places, which enhances the quality of products and reduces the cost of procurement in a dramatic way.

The Group requires suppliers to establish comprehensive quality and environment management system with reference to ISO9001, ISO14001 and ISO45001. Its supplier quality assurance team will conduct regular review and evaluation on the suppliers’ level of attainment in respect of their implementation and management. Suppliers failed to meet its requirements will be required to make improvement and receive counselling for the establishment of comprehensive management system.

Regarding the products of the Group, except for a few products that require high soldering reliability, which use lead-based processes, all other products must meet environmental protection requirements. Therefore, the Group is required to pay attention to supplier qualifications regards supplier’s product environmental protection policy and process control, and the ability to inspect the content of harmful substances when selecting supplier. The supplier selection and review process are under the responsibility by the supply chain management department, the procurement of environmentally friendly materials from suppliers is managed according to the following procedures:

The Group’s supplier management engineer will send the “Supplier Environmental Management Substance Control System Checklist” to the suppliers for self-assessment. After the self-assessment is qualified, the supplier management engineer will conduct an on-site review of the effectiveness of the supplier’s environmental protection system management. The on-site review mainly reviews the implementation status of the supplier’s environmental protection goals, the environmental protection laws and regulations, and the management and programming of environmentally friendly materials control and procurement. After the supplier’s on-site review is qualified, the Group will sign a green environmental protection (RoHS) compliance commitment letter with the supplier as part of a supplier quality assurance agreement.

For all new materials, according to the requirements of the group’s new material sample storage and confirmation management regulations, suppliers must provide qualified samples and attach qualified third-party samples RoHs testing report. In the subsequent product supplies, the supplier must provide a qualified third-party RoHs test report every year (or when the Group requires it). The quality department is responsible for inspecting the incoming materials according to the requirements of incoming inspection specifications.

Transparent procurement

In respect of supply chain management and procurement, the Group has adhered to the philosophy of “transparent procurement”, and has also been committed to its environment management and social responsibilities, so as to ensure that the corporate social responsibilities are fulfilled throughout the process of supply chain management and procurement and such process is “fair, open and equitable”. Management personnel of suppliers are required to exercise strict self-discipline and supervise their subordinates to create an ethical business environment within the Company with self-awareness to protect and ensure that their team members who work with the Group are aware of and abide by the requirements of “transparent procurement”. Any form of bribery shall be prohibited, and any improper business practices or unethical behaviour shall be disclosed to the Group proactively.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Product Responsibility

The Group adheres to the principle that “Quality is the life of Risecomm and the dignity of every employee”. In order to constantly provide customers with satisfactory products and services, the Group has been devoting its efforts to establish and improve its quality management system. The Group places importance on the reliability of product design, failure analysis and comprehensive reliability verification. All products would undergo strict system testing before they are finalized. R&D, pilot production, mass production, pre-sale technical support and after-sales service are all carried out by specialized quality control personnel.

For the year ended 31 December 2024, the Group did not find any major violation against the health and safety, advertising, labelling and privacy of the products and services provided, and strictly complied with relevant laws and regulations, including but not limited to, “Product Quality Law of the People’s Republic of China” (中華人民共和國產品質量法), “Law of the People’s Republic of China on the Protection of Consumer Rights and Interests” (中華人民共和國消費者權益保護法), “Advertising Law of the People’s Republic of China” (中華人民共和國廣告法), “Copyright Law of the People’s Republic of China” (中華人民共和國著作權法), “Patent Law of the People’s Republic of China” (中華人民共和國專利法) and “Trademark Law of the People’s Republic of China” (中華人民共和國商標法), etc.

The Group has obtained the ISO9001 quality management system certification. The Group has also established a specialized quality control team responsible for carrying out quality control procedures based on the ISO9001 standard. The Group carries out quality control measures at various stages of the procurement and product manufacturing process. All suppliers must undergo different inspections before the Group approves their engagement, including on-site examinations and assessments, as well as sample tests, to ensure that the raw materials purchased by the Group and services outsourced by the Group would meet its quality standards and customer’s product requirements.

The Group also regularly sends quality control personnel to outsourced manufacturers to perform standard quality control procedures and closely monitor outsourced production processes. For IC chipsets, upon receipt of IC chipsets from chipset suppliers, it will conduct a series of internal inspections. For example, its warehouse and procurement personnel will first check the quantity and model of the IC chipsets, and its quality control team will check the vacuum packaging, function and quality of the IC chipsets as well as related quality control reports provided by suppliers. Any inferior products identified during the acceptance process will be returned to the supplier. For the year ended 31 December 2024, no sold or shipped products are subject to recall for safety and health reasons and the Group did not receive any products and services related complaints.

The Group has set up a communication station for customer products and services, and customers can give feedback on product quality and service issues at any time through telephone, email, and corporate WeChat. Each product of the Group has a full-time customer service engineer, which is managed by the marketing department.

When receiving customer feedback, the customer service personnel will transfer the feedback to the corresponding customer service engineer for further communication and confirmation with the customer. When the cause of the problem is related to usage, the customer service engineer will guide and solve it with the customer according to their requirements or remotely, and provide the customer with necessary technical support and service. After the problem is solved, the customer service personnel will contact the customer in time to see if they regard the problems have been solved satisfactorily.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

When the problem is related to product quality or service issue of the group, the customer is requested to report to the person in charge of the customer service of the Group. The customer service engineer and the quality management personnel will initially confirm the cause of the problem and transfer the problem to the relevant person in charge for analysis and handling. The quality management department is responsible for following up the progress of problem analysis and improvement, verification of improvement results, and responding to customer problem improvement countermeasure reports. The customer service engineer is responsible for following up the return and exchange of defective products, and completing the analysis of defective problems in a timely manner according to customer requirements, fulfilling the quality responsibilities and cost commitments stipulated in the quality agreement, and striving to improve customer satisfaction.

All customer feedback and complaints will be classified, analyzed and continuously improved by the quality department every month.

Product application and function problems caused by potential poor product design or process quality defects during sample testing, quality inspection and customer usage, or other problems (including technology, laws and regulations and emergencies) that affect the quality of delivered products or safety, according to the Group's "Unqualified Product Recall Management System", the quality department will convene relevant responsible personnel such as project, research and development, marketing, and legal counsel to evaluate the product quality risk level and determine the degree and scope of impact of defective products on customers to decide whether to initiate a recall of defective products.

If it is determined through review that a recall is to be initiated, the quality department is responsible for formulating a Product Recall Notice, specifying the reasons, methods, approaches, and handling methods for the recalled products. The marketing department negotiates with the customer, considers the impact on relevant parties of the recall, and chooses an appropriate way to release recall information, such as telephone, fax, email, media announcement, etc. The planning department traces the cause of the defect, and inform the marketing department to recall all relevant defective products in a timely manner.

The quality department is responsible for identification and classification of recalled products. According to the process of dealing with defective products, the quality department will complete the rework, repair and reliability testing of defective products, or scrap the defective products directly. After the recall activity is over, the quality department will compile the "Recall Product Analysis Report" as input for management review. The report should include the reasons for the recall, handling results, impact, problem improvement and preventive measures.

Its IC chipset inventory will be managed in accordance with the "first-in-first-out" policy. The Group will conduct quality reviews on IC chipsets aged over six months to ensure that the chipsets are qualified for production use. The Group also operates internal testing and quality control systems to ensure consistent quality of finished products and application of proprietary technologies. These procedures mainly include functional and product safety tests, as well as packaging inspections. Due to its business nature, the Group considers information relating to advertising and labelling is immaterial.

Green product

Provision of energy-efficient green products and solutions to reduce carbon emission is the main objective of product development of the Group. Its smart energy control products have been in compliance with the energy-efficient requirements throughout the development, production and delivery process. Through advanced technology, optimised design of standby function of products and streamlined product packaging, the Group has been improving the management of its energy-saving control system, enhancing management efficiency, and facilitating its operation.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Intellectual property rights

In order to protect the intellectual properties of the Group, the Group has formulated the Management Measures for Intellectual Property to regulate the requirements of protection and supervision in accordance with the "Patent Law of the People's Republic of China" (中華人民共和國專利法), the "Detailed Rules for the Implementation of the Patent Law of the People's Republic of China" (中華人民共和國專利法實施細則) and the "Provisions of Patent of Guangdong Province" (廣東省專利條例), etc. Also, it has established an intellectual property rights management system in accordance with the national requirements under GB/T 29490-2013 "Enterprise Intellectual Property Management Practice" (企業知識產權管理規範), so as to protect the intellectual property rights of the Group.

As of 31 December 2024, the Group held an important intellectual property portfolio comprising 23 patents, 135 computer software copyrights and 9 registered IC layout designs, signifying the Group's achievements in R&D in PLC technology and the MSI of the petroleum and petrochemical industries.

Privacy protection

Furthermore, the Group places great importance to the privacy protection of customers, employees and suppliers, and is committed to maintaining and safeguarding its relevant information, including brand-related intellectual property and confidential information or any form of confidential information of potential property interests or economic value. At the same time, cooperating suppliers are required to sign relating provisions to prevent leakage of confidential information and prevent the relevant information from unauthorized use through appropriate technical means and processes. Any leakage of supplier or staff information will be strictly investigated and processed in accordance with the effective provisions signed or internal regulations.

The Group emphasizes on the protection of consumer data and privacy. Each new employee is required to sign an employment contract agreeing not to disclose the Group's confidential data, including consumer data and personal information, during or after employment without the Group's authorisation. The relevant policy is implemented and monitored by dedicated personnel.

Anti-corruption

In respect of staff management, the management and all employees in the Group are required to strictly follow the principle of "being a man of integrity and working with integrity" and comply with the "Code of Conduct for Employees", the "Management Rules of Motivation and Discipline", the "Management Rules of Anti-corruption and Reporting and Complaint" and related national laws and regulations. In the event that an employee's interests are found to be infringed as a result of internal frauds, unethical business practice, violation against laws and regulations or professional misconduct, complaints and reports may be made directly to the supervisor or relevant department.

In order to further prevent fraudulent practices, enhance the governance and internal control and protect the legitimate interests of the Group and shareholders, the Group has also created an email address specialized for reporting, through which employees may directly report illegal or irregularities in work or operation to the top management. Investigation will be taken to the extent permitted by laws.

Whistleblowing emails are managed by two designated management staffs for monitoring purposes. If a report case exists, management will conduct an investigation. If management believes that a criminal offence has been committed, it will report to law enforcement agencies where necessary.

For the year ended 31 December 2024, the Group has provided anti-corruption training to its directors and staff. For example, "ESG training on Anti-corruption", "Management Rules of Anti-corruption and Reporting and Complaint" and "Management Procedures for Encouraging Employees to Declare Conflicts of Interest". The total number of participants was 38 and the total number of training hours was 186.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Subsidiaries are required to strictly comply with the “Hong Kong Financial Reporting Standards” and strengthen random financial audit to prevent financial risks. Also, the Group has made its anti-corruption management requirements clear, expanded internal and external reporting channels and established a smooth and efficient management system to support employees to report directly on any suspected violation against integrity regulations. The identity of whistle-blower will be protected.

Supplier management

The Group requires its suppliers to include anti-bribery provisions in contracts so as to guarantee that their personnel (company employees, agents, negotiators or other designated personnel) will not make any direct or indirect bribery or other improper payments to the Group’s employees and not engage in activities which are in contravention with business ethics and the “Anti-unfair Competition Law” (反不正當競爭法) and other laws and regulations. If a supplier is found to have violated any laws or commitments in the contract, the Group has the right to terminate any transaction with the suppliers involved.

The Group has authorized the human resources department to set up reporting telephone hotline and email address for external parties (including suppliers and customers) and to monitor violation against laws or regulations which involves individual unlawful profits and damage to the Group’s reputable and economic benefits.

For the year ended 31 December 2024, the Group strictly complied with the relevant laws and regulations to prevent bribery, extortion, fraud and money laundering, including but not limited to, “Company Law of the People’s Republic of China (中華人民共和國公司法)”, “The Bidding Law of the People’s Republic of China (中華人民共和國招標投標法)”, “Criminal Law of the People’s Republic of China (中華人民共和國刑法)”, “Anti-Unfair Competition Law of the People’s Republic of China (中華人民共和國反不正當競爭法)” and “Interim Provisions on Banning Commercial Bribery (關於禁止商業賄賂行為的暫行規定)”. The Group was not aware of any case related to corruption and bribery. There are no concluded legal cases regarding corrupt practices brought against the Group or its employees.

Community Investment

Since its establishment, the Group has been actively devoted to social-charitable services. The Group bears in mind of its social responsibility in actively fostering good relationship with the communities where it operates and participates in the promotion of exchanges among enterprise in high-tech parks. However, as the Group reorganized its structure, the Group did not participate in charitable activities in 2024.

INDEPENDENT AUDITOR'S REPORT



SHINEWING (HK) CPA Limited
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Causeway Bay, Hong Kong

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香港銅鑼灣告士打道311號
皇室大廈安達人壽大樓17樓

TO THE MEMBERS OF RISECOMM GROUP HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Risecomm Group Holdings Limited (the “**Company**”) and its subsidiaries (hereinafter collectively referred to as the “**Group**”) set out on pages 90 to 169, which comprise the consolidated statement of financial position as at 31 December 2024, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

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

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing (“**HKSAs**”) issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA’s Code of Ethics for Professional Accountants (the “**Code**”) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to note 2 to the consolidated financial statements, which indicates that the Group incurred a net loss of approximately RMB73,543,000 during the year ended 31 December 2024 and, as of that date, the Group had net current liabilities and net liabilities of approximately RMB181,005,000 and RMB111,346,000, respectively. As stated in note 2, these conditions, along with other matters, indicate that a material uncertainty exists that may cast significant doubt on the Group’s ability to continue as a going concern. Our opinion is not modified in respect of this matter.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional 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

KEY AUDIT MATTERS *(Continued)*

Impairment of trade receivables

Refer to note 25 to the consolidated financial statements and the accounting policies on pages 112 to 114.

The key audit matter	How the matter was addressed in our audit
<p>As at 31 December 2024, the Group had trade receivables with carrying amount of RMB64,865,000 after net of allowance for expected credit loss of RMB58,399,000.</p> <p>Management measures the loss allowance at an amount equal to lifetime ECLs of the trade receivables based on estimated loss rates for each category of trade receivables grouped according to shared credit risk characteristics. The estimated loss rates take into account the ageing of trade receivable balances, the payment history of the Group's customers, current market conditions, and forward-looking information. Such assessment involves management judgement and estimation.</p> <p>We identified the impairment of trade receivables as a key audit matter due to the significant management estimation and judgement required in determining the expected credit losses.</p>	<p>Our audit procedures were designed to assess the assumptions and judgements of the Group's ECL model on impairment assessment of trade receivables.</p> <p>We have assessed whether trade receivables were appropriately grouped by the management into categories with shared credit risk characteristics.</p> <p>We have tested on a sample basis the accuracy and completeness of the data used by the management to develop historical loss rates and assessing the sufficiency, relevance and reliability of that data.</p> <p>We have also tested on a sample basis the aging analysis of trade receivables.</p> <p>We have (i) assessed the appropriateness of the impairment model used by the Group; (ii) assessed the appropriateness of forward-looking adjustments to historical loss rates; (iii) tested the calculation of historical loss rates; and (iv) tested the calculation of the expected credit loss provisions.</p>

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS *(Continued)*

Impairment of intangible assets and property, plant and equipment

Refer to notes 22 and 19 to the consolidated financial statements and the accounting policies on page 111.

The key audit matter	How the matter was addressed in our audit
<p>As at 31 December 2024, the Group had intangible assets of approximately RMB113,039,000 after net of accumulated impairment losses of approximately RMB74,360,000 and property, plant and equipment of approximately RMB14,570,000.</p> <p>For intangible assets and property, plant and equipment where indicators of impairment were identified, management assessed the recoverable amounts of the separately identifiable cash generating unit ("CGU") to which the relevant assets were allocated based on value-in-use calculations using discounted cash flow forecasts.</p> <p>We have identified impairment on intangible assets and property, plant and equipment as a key audit matter because of their significance to the consolidated financial statements and the determination of the recoverable amount of these assets required significant management judgement relating to items such as level of revenue and amount of operating costs and discount rate.</p>	<p>Our audit procedures were designed to assessing management's identification of CGUs, the amounts of intangible assets and property, plant and equipment allocated to each CGU and the impairment assessment methodology adopted by management with reference to the requirements of the prevailing accounting standards.</p> <p>We have evaluated the competence, capabilities and objectivity of the independent appraiser engaged by the management to help management assess the value-in-use of the relevant CGUs.</p> <p>We have obtained the independent valuation report from the independent appraiser and comparing key inputs in the calculations, which include revenue growth rates, gross profit ratios and working capital assumptions, with the financial budget approved by the directors, available relevant external data and knowledge of the industry in which the Group operates.</p> <p>We have also checked the mathematical accuracy of the value-in-use calculation.</p>

INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION

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

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

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

RESPONSIBILITIES OF DIRECTORS OF THE COMPANY AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The Audit Committee is responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion, solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

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

INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

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

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

The engagement partner on the audit resulting in this independent auditor's report is Mr. Kwan Chi Fung.

SHINEWING (HK) CPA Limited

Certified Public Accountants

Kwan Chi Fung

Practising Certificate Number: P06614

Hong Kong

27 March 2025

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
Revenue	8	122,298	94,868
Cost of sales		(85,204)	(79,300)
Gross profit		37,094	15,568
Other income, gains and losses, net	9	(12,220)	4,516
Allowance for impairment losses on financial assets and contract assets, net		(1,933)	(22,043)
Selling and marketing expenses		(20,098)	(11,836)
General and administrative expenses		(41,379)	(46,758)
Research and development expenses		(22,613)	(20,406)
Loss from operations		(61,149)	(80,959)
Impairment losses of intangible assets	22	–	(27,654)
Finance costs	11	(11,086)	(11,823)
Loss before tax		(72,235)	(120,436)
Income tax expense	12	(1,308)	(23,212)
Loss for the year	13	(73,543)	(143,648)
Loss for the year		(73,543)	(143,648)
Other comprehensive expenses			
<i>Item that will not be reclassified subsequently to profit or loss:</i>			
Fair value changes of equity investment at fair value through other comprehensive income ("FVTOCI")		–	2,246
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translating foreign operations		(3,270)	(5,169)
Other comprehensive expenses for the year		(3,270)	(2,923)
Total comprehensive loss for the year		(76,813)	(146,571)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
Loss for the year attributable to:			
Owners of the Company		(73,543)	(138,514)
Non-controlling interests		–	(5,134)
		(73,543)	(143,648)
Total comprehensive loss for the year attributable to:			
Owners of the Company		(76,813)	(141,437)
Non-controlling interests		–	(5,134)
		(76,813)	(146,571)
Loss per share attributable to owners of the Company			
Basic and diluted (RMB cents)	18	(28.76)	(62.65)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	19	14,570	16,917
Right-of-use assets	20	–	8,458
Goodwill	21	–	–
Deposit paid for acquisition	40	–	60,000
Intangible assets	22	113,039	11,754
Deferred tax assets	32	835	846
Total non-current assets		128,444	97,975
Current assets			
Inventories	24	11,335	22,290
Trade and other receivables	25	77,777	91,686
Restricted bank deposits	26	3,834	2,618
Bank and cash balances	26	15,183	35,919
Total current assets		108,129	152,513
TOTAL ASSETS		236,573	250,488
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	27	222	222
Reserves	29	(105,923)	(29,110)
		(105,701)	(28,888)
Non-controlling interests		(5,645)	(5,645)
Total deficit		(111,346)	(34,533)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
LIABILITIES			
Non-current liabilities			
Deferred income	30	627	751
Lease liabilities	31	–	4,237
Deferred tax liabilities	32	615	929
Contingent consideration	36	603	–
Borrowings	33	56,940	108,705
Total non-current liabilities		58,785	114,622
Current liabilities			
Trade and other payables	34	83,114	74,530
Contract liabilities	35	10,964	12,184
Borrowings	33	190,204	76,587
Lease liabilities	31	–	4,455
Income tax payables		4,852	2,643
Total current liabilities		289,134	170,399
TOTAL EQUITY AND LIABILITIES		236,573	250,488

The consolidated financial statements on pages 90 to 169 were approved and authorised for issue by the board of directors on 27 March 2025 and are signed on its behalf by:

Zhao Luyi
Director

Jiang Feng
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2024

	Attributable to owners of the Company								Non-controlling interest RMB'000	Total equity/ (deficit) RMB'000
	Share capital	Share premium	Capital reserve	Statutory reserve	Exchange reserve	FVTOCI reserve	Accumulated losses	Total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		
	(note 27)	(note 29(b)(i))	(note 29(b)(iii))	(note 29(b)(iii))	(note 29(b)(iv))	(note 29(b)(vi))				
At 1 January 2023	158	370,960	132,518	21,683	17,314	(2,246)	(465,495)	74,892	(511)	74,381
Total comprehensive losses for the year	-	-	-	-	(5,169)	2,246	(138,514)	(141,437)	(5,134)	(146,571)
Share options forfeited	-	-	(1,052)	-	-	-	1,052	-	-	-
Transfer of statutory reserve	-	-	-	216	-	-	(216)	-	-	-
Share subscription (note 27(a) and (c))	64	37,657	-	-	-	-	-	37,721	-	37,721
Less: Share issue expense	-	(64)	-	-	-	-	-	(64)	-	(64)
Changes in equity for the year	64	37,593	(1,052)	216	(5,169)	2,246	(137,678)	(103,780)	(5,134)	(108,914)
At 31 December 2023	222	408,553	131,466	21,899	12,145	-	(603,173)	(28,888)	(5,645)	(34,533)

	Attributable to owners of the Company							Non-controlling interest RMB'000	Total deficit RMB'000
	Share capital	Share premium	Capital reserve	Statutory reserve	Exchange reserve	Accumulated losses	Total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		
	(note 27)	(note 29(b)(i))	(note 29(b)(iii))	(note 29(b)(iii))	(note 29(b)(iv))				
At 1 January 2024	222	408,553	131,466	21,899	12,145	(603,173)	(28,888)	(5,645)	(34,533)
Total comprehensive losses for the year	-	-	-	-	(3,270)	(73,543)	(76,813)	-	(76,813)
Share options forfeited	-	-	(2,902)	-	-	2,902	-	-	-
Changes in equity for the year	-	-	(2,902)	-	(3,270)	(70,641)	(76,813)	-	(76,813)
At 31 December 2024	222	408,553	128,564	21,899	8,875	(673,814)	(105,701)	(5,645)	(111,346)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2024

	Note	2024 RMB'000	2023 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		(72,235)	(120,436)
Adjustments for:			
Finance costs	11	11,086	11,823
Depreciation of property, plant and equipment	19	2,484	2,431
Depreciation of right-of-use assets	20	3,679	4,285
Amortisation of intangible assets	22	7,483	12,569
Loss on disposal of property, plant and equipment	9	88	23
Allowance for impairment losses of financial assets and contract assets, net		1,933	22,043
Impairment losses of intangible assets		–	27,654
Impairment loss on inventories		5,289	5,998
Interest income from bank deposits	9	(253)	(595)
Loss on early termination of lease	9	587	–
Net foreign exchange gain	9	(1,884)	(979)
Operating loss before working capital changes		(41,743)	(35,184)
Decrease/(increase) in inventories		5,666	(474)
Decrease in contract costs		–	786
Decrease in contract assets		–	20,050
Decrease/(increase) in trade and other receivables		10,959	(18,384)
Increase in restricted bank balances		(3,834)	–
Decrease in trade and other payables		(2,439)	(35,915)
(Increase)/decrease in contract liabilities		(1,963)	5,977
Decrease in deferred income		(124)	(204)
Cash used in operations		(33,478)	(63,348)
Income tax (paid)/refund		(447)	505
Net cash used in operating activities		(33,925)	(62,843)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2024

	2024 RMB'000	2023 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	253	595
Acquisition deposit paid	–	(60,000)
Net cash outflow from acquisition	(45,503)	–
Transaction costs from acquisition	(2,725)	–
Purchase of property, plant and equipment	(225)	(1,181)
Purchase of intangible assets	–	(4,200)
Withdrawal of restricted bank balances	2,618	1
Proceeds from disposal of property, plant and equipment	–	2
Net cash used in investing activities	(45,582)	(64,783)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment for interest on other borrowings	(1,492)	(5,702)
Payment for interest on bank loan	(228)	(171)
Net proceeds from share subscription	–	37,657
Other borrowing raised	57,935	60,000
Repayment of other borrowings	–	(13,496)
Bank loans raised	10,332	19,479
Repayment of bank loan	(4,937)	(15,543)
Interest on lease liabilities	(276)	(388)
Principal element of lease payment	(4,442)	(4,565)
Net cash from financing activities	56,892	77,271
NET DECREASE IN CASH AND EQUIVALENTS	(22,615)	(50,355)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	35,919	86,652
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	1,879	(378)
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	15,183	35,919
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Bank and cash balance	15,183	35,919

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

1. GENERAL INFORMATION

Risecomm Group Holdings Limited (the “**Company**” together with its subsidiaries, the “**Group**”) was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 19 August 2015 and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The address of the registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and the principal place of business of the Company in China is 41/F, Block A, Building 8, Shenzhen International Innovation Valley, Xili Street, Nanshan District, Shenzhen, the People’s Republic of China (the “**PRC**”).

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 23.

2. BASIS OF PREPARATION

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

2. BASIS OF PREPARATION *(Continued)*

The Group incurred a net loss of approximately RMB73,543,000 during the year ended 31 December 2024 and, as of that date, the Group had net current liabilities and net liabilities of approximately RMB181,005,000 and RMB111,346,000, respectively. These events and conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern, therefore, it may be unable to realise its assets and discharge its liabilities in the normal course of business. Notwithstanding the above, the consolidated financial statements have been prepared on a going concern basis as the directors of the Company (the "**Directors(s)**") have taken the following measures:

- (a) The Group continues to implement operational plans to control costs and generate sufficient operating cash flows to meet its current and future obligations. These actions include cost control measures, and timely collection of outstanding receivables;
- (b) The Group obtained additional borrowing facilities of approximately RMB10,000,000 from its shareholder on 22 March 2025, with the facility maturing in 2026;
- (c) The Group has been actively negotiating with various lenders on the extension of other borrowings. As at the date of approval of these consolidated financial statements, the Group has entered into contractual arrangements with certain lenders to extend the maturity of existing financing arrangements, including other borrowings of approximately RMB146 million which would not be repayable within the next 12 months; and
- (d) The Group has been actively exploring potential asset disposal opportunities to create liquidity for, inter alia, repayment of the borrowings.

The Directors have reviewed the Group's cash flow projections prepared by the management. The cash flow projection cover a period of not less than twelve months from 31 December 2024. Having taken into account the above-mentioned plans and measures, the Directors consider that the Group will have sufficient financial resources to meet in full its working capital requirements and financial obligations as and when they fall due within the next twelve months from the date of the consolidated statement of financial position. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

However, significant uncertainties exist as to whether management of the Company will be able to achieve its plans and measures as described above.

Should the Group fail to achieve the above-mentioned plans and measures, it may be unable to continue as a going concern, and adjustments would have to be made to write down the carrying value of the assets to their recoverable amounts, to provide for any further liabilities which might arise and to classify non-current assets and liabilities as current assets and liabilities respectively. The effects of these potential adjustments have not been reflected in these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

3. ADOPTION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS

(a) Application of amendments to HKFRSs

The Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2024 for the preparation of the consolidated financial statements:

Amendments to HKFRS 16

Amendments to HKAS 1

Lease Liability in a Sale and Leaseback

Classification of Liabilities as Current or Non-current and the related amendments to Hong Kong Interpretation 5 (2020)
Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

Amendments to HKAS 1

Amendments to HKAS 7 and HKFRS 7

Non-current Liabilities with Covenants

Supplier Finance Arrangements

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

3. ADOPTION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

(b) Amendments to HKFRSs issued but not yet effective

The Group has not early applied the following amendments to HKFRSs that have been issued but are not yet effective:

	Effective for accounting periods beginning on or after
Amendments to HKFRS 10 and HKAS 28 — Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
Amendments to HKAS 21 — Lack of Exchangeability	1 January 2025
Amendments to HKFRS 9 and HKFRS 7 — Amendments to the Classification and Measurement of Financial Instruments	1 January 2025
Amendments to HKFRS Accounting Standards — Annual Improvements to HKFRS Accounting Standards — Volume 11	1 January 2026
HKFRS 18 — Presentation and Disclosure in Financial Statements	1 January 2027
HKFRS 19 — Subsidiaries without Public Accountability: Disclosures	1 January 2027
Amendments to HKFRS 9 and HKFRS 7 — Contracts Referencing Nature — dependent Electricity	1 January 2026

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

4. MATERIAL ACCOUNTING POLICY INFORMATION

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

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

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

(a) Consolidation

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

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

Intragroup transactions and balances 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.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(b) Assets acquisitions

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to financial assets/financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

When the consideration transferred by the Group in an assets acquisition includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination.

Contingent consideration that is classified as an asset or a liability is remeasured to fair value at each reporting date, and changes in fair value are recognised in profit or loss.

(c) Separate financial statements

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment losses. Cost includes direct attributable costs of investments. The results of subsidiaries are accounted for by the Company on the basis of dividend received or receivable.

(d) Goodwill

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

(e) Foreign currency translation

(i) Functional and presentation currency

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(e) Foreign currency translation *(Continued)*

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

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

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

(f) Property, plant and equipment

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

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

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

Plant and buildings	5%
Leasehold improvements	20%–33.3%
Machinery and equipment	10%–20%
Office and other equipment	20%–33.3%
Motor vehicles	12.5%–25%

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(g) Leases

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(i) The Group as a lessee

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

The right-of-use asset comprises the initial measuring of the corresponding of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses.

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

(i) Lease liabilities

At the commencement date, the Group measures lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted by using the interest rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- (i) fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- (ii) variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- (iii) the amount expected to be payable by the lessee under residual value guarantees;
- (iv) the exercise price of purchase options if the lessee is reasonably certain to exercise the options; and
- (v) payments of penalties for terminating the lease, if the lease term reflects the Group exercising an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(g) Leases *(Continued)*

(ii) The Group as a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

(h) Intangible assets

(i) Internally-generated intangible assets — 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 development activities relating to the Group's non-automated meter reading ("AMR") business is recognised only if all of the following conditions are met:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- Management intends to complete the intangible asset and use or sell it;
- There is ability to use or sell the intangible asset;
- It can be demonstrated how the intangible asset will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available;
- The expenditure attributable to the intangible asset during its development can be reliably measured.

Internally generated intangible assets are stated at cost less accumulated amortisation and impairment losses. Amortisation is calculated on a straight-line basis over their estimated useful lives of 5 years. 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.

(ii) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and any impairment losses. The intangible assets with finite useful lives are amortised on a straight-line basis over their estimated useful lives from the date they are available for use and their estimated useful lives are as follow:

Software and other	3–10 years
Non-compete undertaking	5–7 years
Customer relationship	3–10 years
Service contracts	20 years
Unfulfilled contracts	2 years

Both the estimated useful life and method of amortisation are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(i) 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 completion and the estimated costs necessary to make the sale.

(j) Contract liabilities

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue. A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such case, a corresponding receivable would also be recognised.

(k) Construction contracts

A contract with a customer is classified by the Group as a construction contract when the contract relates to work on volatile organic compounds related assets under the control of the customer and therefore the Group's construction activities create or enhance an asset under the customer's control.

When the outcome of a construction contract can be reasonably measured, revenue from the contract is recognised progressively over time using the cost-to-cost method, i.e. based on the proportion of the actual costs incurred relative to the estimated total costs. The Directors consider that this input method is an appropriate measure of the progress towards complete satisfaction of these performance obligations under HKFRS 15.

The Group becomes entitled to invoice customers for construction of properties based on achieving a series of performance-related milestones. When a particular milestone is reached the customer is sent a relevant statement of work signed by an assessor of the customers and an invoice for the related milestone payment. The Group recognised a contract asset for any work performed. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer. If the milestone payment exceeds the revenue recognised to date under the cost-to-cost method then the Group recognises a contract liability for the difference. There is not considered to be a significant financing component in construction contracts with customers as the period between the recognition of revenue under the cost-to-cost method and the milestone payment is always less than one year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(l) Recognition and derecognition of financial instruments

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

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

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

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

(m) Financial assets

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

Debt instruments

Debt instruments held by the Group are classified and measured at amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(m) Financial assets *(Continued)*

Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due.

The Group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method less allowance for credit losses.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value.

Cash and cash equivalents

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

(n) 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 HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issues costs.

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 the right to defer settlement of the liability for at least 12 months after the reporting period.

Trade and other payables

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(o) Revenue and other income

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

(i) AMR and other business

Revenue from the sale of goods is recognised at a point in time when the customer takes possession of and accepts the products.

Revenue from the maintenance services is recognised at a point in time when the service is rendered and control over the service is transferred to the customers upon customer's acknowledgement of service rendered.

(ii) Smart manufacturing and industrial automation ("SMIA") business

Revenue from the software licenses is recognised at the point in time when the license software is delivered and accepted by the customers. In cases where the Group allocates revenue to post-contract customer support, primarily because the support is provided at no additional charge, revenue is recognised as the support is provided, which is generally ratably over the service period of the related software.

(iii) Wind farm operation and maintenance ("WFOM") business

Revenue from WFOM services is recognised over time as the customer simultaneously receives and consumes the benefit provided by the Group's performance as the Group performs.

(iv) Construction contract income and others

Revenue from construction contracts is recognised in accordance with the policy set out in note 4(k) above.

Interest income is recognised on a time-proportion basis using the effective interest method.

Rental income under operating leases is recognised in profit or loss over the periods covered by the lease term.

(p) Employee benefits

(i) Employee leave entitlements

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

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

(ii) Pension obligations

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(q) Share-based payments

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

(r) Borrowings 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.

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

(s) 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 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.

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

Government grants relating to the purchase of assets are recorded as deferred income and recognised in profit or loss on a straight-line basis over the useful lives of the related assets.

(t) Taxation

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

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

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are 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 assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of the transaction does not give rise to equal taxable and deductible temporary differences.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(t) Taxation *(Continued)*

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.

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.

Current and 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.

(u) Impairment of non-financial assets

The carrying amounts of other non-financial assets are reviewed at each reporting date for indications of impairment and where an asset is impaired, it is written down as an expense through the consolidated statement of profit or loss and other comprehensive income to its estimated recoverable amount. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the CGU to which the asset belongs. Recoverable amount is the higher of value in use and the fair value less costs of disposal of the individual asset or the CGU.

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

Impairment losses for CGU are allocated first against the goodwill of the unit and then pro rata amongst the other assets of the CGU. Subsequent increases in the recoverable amount caused by changes in estimates are credited to profit or loss to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for that asset/CGU in prior years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(v) Impairment of financial assets

The Group recognises allowances for impairment for ECL on trade receivables and other receivables. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

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

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

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

Significant increase in credit risk

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

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

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor; or
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(v) Impairment of financial assets *(Continued)*

Significant increase in credit risk *(Continued)*

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

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

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

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

Definition of default

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

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

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

Credit-impaired financial assets

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(v) Impairment of financial assets *(Continued)*

Write-off policy

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

Measurement and recognition of ECL

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

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

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

The Group recognises an impairment loss or reversal of an impairment loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amounts through a loss allowance account.

(w) Provisions

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES

Critical judgements in applying accounting policies

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

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

In the process of applying the accounting policies, the Directors have made the following judgements that have the most significant effect on the amounts recognised in the consolidated financial statements (apart from those involving estimations, which are dealt with below).

(a) Going concern basis

These consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the sufficient of finance resources available to the Group. Details are explained in note 2.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES *(Continued)*

Key sources of estimation uncertainty

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

(a) Income taxes

Deferred tax assets are recognised for tax losses not yet used and temporary deductible differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised, management judgement is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax assets to be recovered.

(b) Impairment of intangible assets and property, plant and equipment

Intangible assets and property, plant and equipment are stated at costs less accumulated amortisation and depreciation, and any impairment. In determining whether an asset is impaired, the Group has to exercise judgement and make estimation, particularly in assessing: (1) whether any events have occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the CGU to which the assets belongs. Changing the assumptions and estimates including the discount rates or the growth rate in the cash flow projections, could materially affect the recoverable amounts.

The carrying amount of intangible assets and property, plant and equipment as at 31 December 2024 were RMB113,039,000 (2023: RMB11,754,000) and, RMB14,570,000 (2023: RMB16,917,000) respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES *(Continued)*

Key sources of estimation uncertainty *(Continued)*

(c) Impairment of trade receivables and loan and other receivables

The management of the Group estimates the amount of impairment losses for ECL on trade receivables and loan and other receivables based on the credit risk of trade receivables and loan and other receivables. The amount of the impairment losses of trade receivables and loan and other receivables based on ECL model is measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. Where the future cash flows are less than expected, or being revised downward due to changes in facts and circumstances, a material impairment loss may arise.

As at 31 December 2024, the carrying amount of trade receivables and loan and other receivables is RMB69,118,000 (net of allowance for impairment of RMB75,664,000) (2023: RMB70,789,000 (net of allowance for impairment of RMB73,711,000)).

(d) Allowance for slow-moving inventories

Allowance for slow-moving inventories is made based on the estimated net realisable value of inventories. The assessment of the allowance amount involves judgement and estimates. Where the actual outcome in future is different from the original estimate, such difference will impact the carrying value of inventories and allowance charge/write-back in the period in which such estimate has been changed. Provision of RMB5,289,000 for slow-moving inventories was made for the year ended 31 December 2024 (2023: RMB5,998,000).

(e) Warranty provisions

The Group makes provisions under the warranties it gives on sale of its products taking into account the Group's recent claim experience. As the Group is continually upgrading its product designs and launching new models, it is possible that the recent claim experience is not indicative of future claims that it will receive in respect of past sales. Any increase or decrease in the provision would affect profit or loss in future years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

6. FINANCIAL RISK MANAGEMENT

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

(a) Foreign currency risk

The Group has certain exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currency, Hong Kong dollars and RMB, of the Group's entities. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group monitors its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise. The currency giving rise to this risk is primarily United States Dollars ("USD").

At 31 December 2024, if the RMB had weakened 5 per cent against the USD with all other variables held constant, consolidated loss after tax for the year would have been RMB654,000 (2023: RMB473,000) higher, arising mainly as a result of the foreign exchange loss on cash and bank balances and other borrowings denominated in USD. If the RMB had strengthened 5 per cent against USD with all other variables held constant, consolidated loss after tax for the year would have been RMB654,000 (2023: RMB473,000) lower, arising mainly as a result of the foreign exchange gain on cash and bank balances and trade and other payables denominated in USD.

(b) Interest rate risk

The Group's cash flow interest rate risk primarily relates to bank balances and borrowings. The Group's convertible bonds and borrowings bear interests at fixed interest rates and therefore are subject to fair value interest rate risks.

The Group's exposure to cash flow interest-rate risk arises from its bank balances. These bank balances bear interests at variable rates that vary with the then prevailing market condition.

At 31 December 2024, if interest rates had been 100 basis points lower with all other variables held constant, consolidated loss after tax for the year would have been approximately RMB129,000 (2023: RMB324,000) higher, arising mainly as a result of lower interest income on bank balances. If interest rates had been 100 basis points higher, with all other variables held constant, consolidated loss after tax for the year would have been approximately RMB129,000 (2023: RMB324,000) lower, arising mainly as a result of higher interest income on bank deposits.

(c) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group's exposure to credit risk arising from cash and cash equivalents is limited because the counterparties are banks with high credit-rating assigned by international credit-rating agencies, for which the Group considers to have low credit risk.

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period, 17.0% (2023: 14.1%) and 39.7% (2023: 31.3%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

6. FINANCIAL RISK MANAGEMENT *(Continued)*

(c) Credit risk *(Continued)*

Trade and other receivables *(Continued)*

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are usually with an average credit period of 180 days. Debtors with balances past due are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

The Group measures allowance for impairment of trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. The allowance for impairment of trade and bills receivables based on historical credit loss experience is distinguished between the Group's different customer bases.

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables as at 31 December 2024:

	2024		
	Expected loss rate %	Gross carrying amount RMB'000	Allowance for impairment of trade and bills receivable RMB'000
Risk Category I			
Within 6 months	8.0	458	37
After 6 months but within 1 year	14.5	255	37
After 1 year but within 2 years	22.4	1,095	245
After 2 years but within 3 years	44.9	1,968	883
After 3 years	100.0	2,019	2,019
Individually impaired	100.0	1,830	1,830
		7,625	5,051

	2024		
	Expected loss rate %	Gross carrying amount RMB'000	Allowance for impairment of trade and bills receivable RMB'000
Risk Category II			
Within 6 months	12.5	27,855	3,486
After 6 months but within 1 year	0.0	–	–
After 1 year but within 2 years	33.9	2,706	918
After 2 years but within 3 years	0.0	–	–
After 3 years	100.0	2,522	2,522
Individually impaired	100.0	1,266	1,266
		34,349	8,192

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

6. FINANCIAL RISK MANAGEMENT *(Continued)*

(c) Credit risk *(Continued)*

Trade and other receivables *(Continued)*

	2024		
	Expected loss rate %	Gross carrying amount RMB'000	Allowance for impairment of trade and bills receivable RMB'000
Risk Category III			
Within 6 months	30.6	8,260	2,525
After 6 months but within 1 year	62.3	7,627	4,748
After 1 year but within 2 years	78.4	51	40
After 2 years but within 3 years	0.0	–	–
After 3 years	100.0	3,062	3,062
Individually impaired	100.0	1,113	1,113
		20,113	11,488

	2024		
	Expected loss rate %	Gross carrying amount RMB'000	Allowance for impairment of trade and bills receivable RMB'000
Risk Category IV			
Within 6 months	0.0	19,971	–
After 6 months but within 1 year	0.0	–	–
After 1 year but within 2 years	0.0	–	–
After 2 years but within 3 years	0.0	–	–
After 3 years	0.0	–	–
Individually impaired	0.0	–	–
		19,971	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

6. FINANCIAL RISK MANAGEMENT *(Continued)*

(c) Credit risk *(Continued)*

Trade and other receivables *(Continued)*

	2024		
	Expected loss rate %	Gross carrying amount RMB'000	Allowance for impairment of trade and bills receivable RMB'000
Risk Category V			
Within 6 months	11.4	3,235	369
After 6 months but within 1 year	0.0	–	–
After 1 year but within 2 years	41.0	5,078	2,082
After 2 years but within 3 years	77.3	7,395	5,719
After 3 years	100.0	22,155	22,155
Individually impaired	100.0	3,343	3,343
		41,206	33,668

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables as at 31 December 2023:

	2023		
	Expected loss rate %	Gross carrying amount RMB'000	Allowance for impairment of trade and bills receivable RMB'000
Risk Category I			
Within 6 months	5.0	9,403	472
After 6 months but within 1 year	9.3	589	55
After 1 year but within 2 years	17.6	2,734	482
After 2 years but within 3 years	41.4	1,338	554
After 3 years	100.0	752	752
Individually impaired	100.0	3,335	3,335
		18,151	5,650

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

6. FINANCIAL RISK MANAGEMENT *(Continued)*

(c) Credit risk *(Continued)*

Trade and other receivables *(Continued)*

	2023		
	Expected loss rate %	Gross carrying amount RMB'000	Allowance for impairment of trade and bills receivable RMB'000
Risk Category II			
Within 6 months	8.7	5,075	443
After 6 months but within 1 year	0.0	–	–
After 1 year but within 2 years	0.0	–	–
After 2 years but within 3 years	65.5	2,002	1,312
After 3 years	100.0	715	715
Individually impaired	100.0	1,891	1,891
		9,683	4,361

	2023		
	Expected loss rate %	Gross carrying amount RMB'000	Allowance for impairment of trade and bills receivable RMB'000
Risk Category III			
Within 6 months	33.4	2,590	866
After 6 months but within 1 year	50.0	8	4
After 1 year but within 2 years	56.8	352	200
After 2 years but within 3 years	94.0	84	79
After 3 years	100.0	3,728	3,728
Individually impaired	100.0	1,112	1,112
		7,874	5,989

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

6. FINANCIAL RISK MANAGEMENT *(Continued)*

(c) Credit risk *(Continued)*

Trade and other receivables *(Continued)*

	2023		
	Expected loss rate %	Gross carrying amount RMB'000	Allowance for impairment of trade and bills receivable RMB'000
Risk Category IV			
Within 6 months	0.0	–	–
After 6 months but within 1 year	0.0	–	–
After 1 year but within 2 years	0.0	–	–
After 2 years but within 3 years	0.0	–	–
After 3 years	0.0	–	–
Individually impaired	0.0	–	–
		–	–

	2023		
	Expected loss rate %	Gross carrying amount RMB'000	Allowance for impairment of trade and bills receivable RMB'000
Risk Category V			
Within 6 months	12.5	6,640	829
After 6 months but within 1 year	20.7	28,837	5,958
After 1 year but within 2 years	37.5	5,568	2,085
After 2 years but within 3 years	70.5	15,946	11,249
After 3 years	100.0	13,974	13,974
Individually impaired	100.0	8,296	8,296
		79,261	42,391

Expected loss rates are based on actual loss experience over the historical default data. These rates are adjusted to reflect differences between economic conditions during the year over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

6. FINANCIAL RISK MANAGEMENT *(Continued)*

(c) Credit risk *(Continued)*

Movements in the allowance for impairment losses of trade receivables, loan and other receivables and contract assets during the years are as follows:

Trade receivables

	2024 RMB'000	2023 RMB'000
At 1 January	58,391	60,081
Amount written off during the year	–	(14,752)
Allowance for impairment losses recognised for the year	8	13,062
At 31 December	58,399	58,391

Loan and other receivables

	2024 RMB'000	2023 RMB'000
At 1 January	15,320	2,918
Allowance for impairment losses recognised for the year	1,925	12,402
At 31 December	17,245	15,320

Contract assets

	2024 RMB'000	2023 RMB'000
At 1 January	–	3,421
Reversal for impairment losses recognised for the year	–	(3,421)
At 31 December	–	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

6. FINANCIAL RISK MANAGEMENT *(Continued)*

(c) Credit risk *(Continued)*

The tables below detail the credit quality of the Group's financial assets as well as the Group's maximum exposure to credit risk by credit risk rating grades.

	Internal credit rating	12m or Life time ECL	2024		
			Gross carrying amount RMB'000	Loss allowance RMB'000	Net carrying amount RMB'000
Trade receivables	Note 1	Lifetime ECL (provision matrix)	123,264	58,399	64,865
Deposits and other receivables	Note 2	12m ECL	21,247	17,245	4,002
Restricted bank balances	N/A	12m ECL	3,834	–	3,834
Bank and cash balances	N/A	12m ECL	15,183	–	15,183

	Internal credit rating	12m or Life time ECL	2023		
			Gross carrying amount RMB'000	Loss allowance RMB'000	Net carrying amount RMB'000
Trade receivables	Note 1	Lifetime ECL (provision matrix)	114,969	58,391	56,578
Deposits and other receivables	Note 2	12m ECL	26,139	15,320	10,819
Restricted bank balances	N/A	12m ECL	2,618	–	2,618
Bank and cash balances	N/A	12m ECL	35,919	–	35,919

Notes:

- The Group has applied HKFRS 9 simplified approach to measure expected credit loss using a lifetime expected credit loss for trade receivables. To measure the expected credit loss, trade receivables have been grouped based on credit risk characteristics.
- For the purposes of internal credit risk management, the Group uses past due information to assess whether credit risk has increased significantly since initial recognition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

6. 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.

The maturity analysis based on contractual undiscounted cash flows of the Group's financial liabilities is as follows:

	Within 1 year or on demand RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Total undiscounted cash flows RMB'000	Total carrying amount RMB'000
At 31 December 2024					
Trade and other payables	82,376	–	–	82,376	82,376
Contingent consideration (note)	–	–	10,000	10,000	603
Borrowings	201,273	58,288	–	259,561	247,144
	283,649	58,288	10,000	351,937	330,123
At 31 December 2023					
Trade and other payables	73,783	–	–	73,783	73,783
Borrowings	81,044	111,279	–	192,323	185,292
Lease liabilities	4,810	3,143	1,274	9,227	8,692
	159,637	114,422	1,274	275,333	267,767

The amounts included above for contingent consideration are the maximum amounts the Group could be required to settle under the arrangement. At the end of the reporting period, the Group considers that the fair value of the contingent consideration is RMB603,000. However, this estimate is subject to change depending on the probability of achieving the profit target.

(e) Categories of financial instruments at 31 December

	2024 RMB'000	2023 RMB'000
Financial assets:		
Financial assets measured at amortised cost	87,884	105,934
Financial liabilities:		
Financial liabilities at fair value through profit or loss	603	–
Financial liabilities measured at amortised cost	329,520	259,075
	330,123	259,075

(f) Fair values

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

7. FAIR VALUE MEASUREMENTS

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

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group 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: unobservable inputs for the asset or liability.

During the years ended 31 December 2024 and 2023, there was no transfer between Level 2 and Level 3. 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.

The following table shows the carrying amounts and fair value of financial liabilities, including their levels in the fair value hierarchy.

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

The Group's financial reporting team is responsible for the fair value measurements of assets and liabilities required for financial reporting purposes, including level 3 fair value measurements. The team reports directly to the Financial Director for these fair value measurements. Discussions of valuation processes and results are held between the financial director and the board of directors twice a year, to coincide with the reporting dates. The Group engages external valuation firms to perform valuations for its financial instruments where necessary.

For level 3 fair value measurement, the Group will normally engage external valuation experts with the recognised professional qualifications and recent experience to perform the valuations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

7. FAIR VALUE MEASUREMENTS *(Continued)*

(b) Reconciliation of liabilities measured at fair value based on level 3

	2024 RMB'000	2023 RMB'000
Contingent consideration		
At 1 January	–	–
Acquisition of subsidiaries	603	–
At 31 December	603	–

The fair value of the contingent consideration at the end of the reporting period was classified as Level 3 within the fair value hierarchy. The fair value was determined using a discounted cash flow method, taking into account the estimated probability of achieving the profit target. Key assumptions include a three-year cumulative net profit of RMB47 million and a probability of achievement at 10%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

8. REVENUE

The Group is principally engaged in the design, development and sale of power line communication ("PLC") products as well as the provision of relevant maintenance services in connection with the deployment and upgrades of AMR systems by power grid companies in the PRC and for a wide range of applications related to energy saving and environmental protection.

The Group is also engaged in the sales of software license, production safety products, construction contracts as well as the provision of software post-contract customer support services in connection with the SMIA applied in the area of maintenance and safety integrity system in the petroleum and petrochemicals industry.

The Group also provides WFOM services in the PRC, ensuring efficient and compliant operations of wind power facilities. The services cover technical support, equipment inspection, performance optimisation, and regulatory compliance management to enhance the reliability and efficiency of wind farms operations.

(a) Disaggregation of revenue

An analysis of the Group's revenue for the year is as follows:

	2024 RMB'000	2023 RMB'000
Revenue from contracts with customers within the scope of HKFRS 15 and recognised at a point in time		
Disaggregated by major products or service lines:		
AMR and other business		
— PLC Integrated circuits ("ICs")	4,443	7,977
— PLC Modules	30,755	11,167
— Other products	29,271	14,434
— AMR maintenance services	2,606	8,759
Sub-total of AMR and other business	67,075	42,337
SMIA business		
— Software license	23,749	36,023
— Production safety products	2,079	8,639
Sub-total of SMIA business	25,828	44,662
Revenue from contracts with customers within the scope of HKFRS 15 and recognised over time		
Disaggregated by major products or service lines:		
SMIA business		
— Post-contract customer support service	221	3,541
— Construction contracts	3,790	4,328
Sub-total of SMIA business	4,011	7,869
WFOM business		
— Wind farm operation and maintenance services	25,384	—
Total	122,298	94,868

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

8. REVENUE *(Continued)*

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

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2024 and the expected timing of recognising revenue as follows:

	Software license		Post-contract customer support service		Wind farm operation and maintenance services	
	2024 RMB'000	2023 RMB'000	2024 RMB'000	2023 RMB'000	2024 RMB'000	2023 RMB'000
Within one year	21,080	14,053	2,342	1,562	35,245	–
More than one year but not more than two years	–	21,080	–	2,342	70,490	–
More than two years	–	–	–	–	584,329	–
	21,080	35,133	2,342	3,904	690,064	–

The Group has applied the practical expedient in paragraph 121 of HKFRS 15 to its construction contracts such that the above information does not include information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the construction contracts that had an original expected duration of one year or less.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

9. OTHER INCOME, GAINS AND LOSSES, NET

	2024 RMB'000	2023 RMB'000
Interest income from bank deposits	253	595
Government grant		
— Unconditional subsidies (note (a))	1,950	2,161
— Conditional subsidies (note (b))	123	204
Loss on disposals of property, plant and equipment	(88)	(23)
Net foreign exchange gain	1,884	979
Rental income	702	514
Loss on early termination of leases	(587)	—
Impairment loss on prepayment	(15,234)	—
Penalty	(1,319)	—
Others	96	86
	(12,220)	4,516

Notes:

- (a) Unconditional government grants mainly represent value-added tax ("VAT") refund on self-developed software embedded in AMR and smart energy management products in accordance with the relevant tax law in the PRC.
- (b) During the year ended 31 December 2024, the Group recognised an amount of approximately RMB123,000 (2023: RMB204,000) of government grants in respect of the acquisition of plant and equipments for supporting research and development activities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

10. SEGMENT INFORMATION

The Group manages its businesses by business lines. Segmental information has been presented in a manner consistent with the way in which information is reported internally to the Group's executive directors, being the chief operating decision makers, for the purposes of resources allocation and performance assessment.

The Group has three reportable segments, which are (a) AMR and other business; (b) SMIA business and (c) WFOM business.

The Group's reportable segments are as follows:

AMR and other business	This segment includes design, development and sale of power-line communication products, energy saving and environmental protection products and solutions used in streetlight control, building energy management, photovoltaic power management, etc. and providing maintenance services in connection with the deployment and upgrading of AMR systems by power grid companies in the PRC.
SMIA business	This segment includes sale of software license, production safety products, construction contracts as well as the provision of software post- contract customer support services in connection with the smart manufacturing and industrial automation system applied in the petroleum and petrochemicals industry.
WFOM business	This segment includes the provision of WFOM services, ensuring the efficient and compliant operation of wind power facilities. The services cover technical support, equipment inspection, performance optimisation, and regulatory compliance management to enhance the reliability and efficiency of wind farm operations.

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

The accounting policies of the operating segments are the same as those described in note 4. Segment profits or losses do not include unallocated finance costs, impairment losses of intangible assets, allowance for impairment losses of financial assets and contract assets, net and income tax expense.

No segment assets or liabilities information or other segment information is provided as the Group's chief operating decision maker does not review this information for the purpose of resource allocation and assessment of segment performance.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

10. SEGMENT INFORMATION *(Continued)*

(a) Information about operating segment profit or loss

The segment information provided to the Group's most senior executive management for the reportable segments for the years ended 31 December 2024 and 2023 is as follows:

Year ended 31 December 2024	AMR and other business RMB'000	SMIA business RMB'000	WFOM business RMB'000	Total RMB'000
Revenue	67,075	29,839	25,384	122,298
Reportable segment results	(47,526)	(21,823)	10,133	(59,216)
Amortisation of intangible assets	3,311	–	4,172	7,483

Year ended 31 December 2023	AMR and other business RMB'000	SMIA business RMB'000	Total RMB'000
Revenue	42,337	52,531	94,868
Reportable segment results	(57,154)	(1,762)	(58,916)
Amortisation of intangible assets	2,760	9,809	12,569

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

10. SEGMENT INFORMATION *(Continued)*

(b) Reconciliations of segment revenue and profit or loss

	2024 RMB'000	2023 RMB'000
Reportable segment results	(59,216)	(58,916)
Finance costs	(11,086)	(11,823)
Allowance for impairment losses on financial assets and contract assets, net	(1,933)	(22,043)
Impairment losses on intangible assets	–	(27,654)
Loss before tax	(72,235)	(120,436)

All the revenue of the Group is derived within the PRC and the non-current assets (excluding deferred tax assets) of the Group are located in the PRC including Hong Kong.

(c) Revenue from major customers

Revenue from customers contributing over 10% of the total revenue of the Group is as follows:

	2024 RMB'000	2023 RMB'000
Customer A ¹	N/A³	36,409
Customer B ²	20,325	N/A ³

¹ Revenue from segment of SMIA business

² Revenue from segment of AMR and other business

³ The corresponding revenue did not contribute over 10% of the total revenue of the Group.

11. FINANCE COSTS

	2024 RMB'000	2023 RMB'000
Interest expenses on lease liabilities	276	388
Interest expenses on bank and other borrowings	10,810	11,435
	11,086	11,823

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

12. INCOME TAX EXPENSE

Income tax has been recognised in profit or loss as follows:

	2024 RMB'000	2023 RMB'000
Current tax		
Provision for the year	2,196	484
Over-provision in prior years	(585)	(1,218)
	1,611	(734)
Deferred tax (note 32)	(303)	23,946
	1,308	23,212

Under the two-tiered profits tax rates regime of Hong Kong Profits Tax, the first HK\$2,000,000 of profits of the qualifying group entity established in Hong Kong will be taxed at 8.25% (2023: 8.25%), and profits above that amount will be subject to the tax rate of 16.5%. The profits of the group entities not qualifying for the two-tiered Profit Tax rate regime will continue to be taxed at a rate of 16.5% (2023: 16.5%).

The Group's PRC subsidiaries are subject to the PRC corporate income tax rate of 25% (2023: 25%), except for. Risecomm Microelectronics (Shenzhen) Co., Ltd. ("**Risecomm WOFE**"). Risecomm WOFE is entitled to the preferential tax rate of 15% from years 2019 to 2025, being accredited as a High and New Technology Enterprise according to the PRC Corporate Income Tax Law and its relevant regulations.

Under the PRC Corporate Income Tax Law and its relevant regulations, 100% (2023: 75%) additional tax deduction is allowed for qualified research and development costs for year 2024.

Pursuant to the rules and regulations of the Cayman Islands and Seychelles, the Group is not subject to any income tax in the Cayman Islands and Seychelles.

Tax charge on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

12. INCOME TAX EXPENSE *(Continued)*

The reconciliation between the income tax expense and the accounting loss before tax multiplied by the respective applicable tax rates is as follows:

	2024 RMB'000	2023 RMB'000
Loss before tax	(72,235)	(120,436)
Tax at the respective applicable tax rates	(14,540)	(24,553)
Tax effect of preferential tax rate	3,549	2,390
Tax effect of expenses that is not deductible	5,956	380
Additional deduction for qualified research and development costs	(3,089)	(2,115)
Tax effect of other temporary differences not recognised	795	7,088
Reversal of previously recognised tax losses and other temporary differences	–	32,580
Tax effect of unused tax losses not recognised in prior year	(1,422)	–
Tax effect of tax losses not recognised	10,644	8,660
Over-provision in prior years	(585)	(1,218)
Income tax expense	1,308	23,212

13. LOSS FOR THE YEAR

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

	2024 RMB'000	2023 RMB'000
Amortisation of intangible assets (note 22)	7,483	12,569
Cost of inventories sold	53,599	30,545
Depreciation of property, plant and equipment (note 19)	2,484	2,431
Depreciation of right-of-use asset (note 20)	3,679	4,285
Staff costs (note 14)		
— Salaries, bonuses and allowances	39,014	32,778
— Retirement benefit scheme contributions	2,878	3,395
	41,892	36,173
Research and development expenses	22,613	20,406
Provision for impairment loss on inventories (included in cost of sales)	5,289	5,998
Impairment loss on financial assets	1,933	25,464
Reversal of impairment loss on contract assets	–	(3,421)

Cost of inventories sold includes staff costs, depreciation of property, plant and equipment, depreciation of right-of-use assets and amortisation of intangible assets of approximately RMB1,490,000 (2023: RMB1,824,000).

Research and development expenses includes staff costs, depreciation of property, plant and equipment, depreciation of right-of-use assets, amortisation of intangible assets and materials consumed of approximately RMB18,271,000 (2023: RMB14,601,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

14. EMPLOYEE BENEFITS EXPENSE

	2024 RMB'000	2023 RMB'000
Employee benefits expense:		
Salaries, bonuses and allowances	39,014	32,778
Retirement benefit scheme contributions	2,878	3,395
	41,892	36,173

(a) Five highest paid individuals

The five highest paid individuals in the Group during the year included one (2023: two) director whose emoluments are reflected in the analysis presented in note 15(a). The emoluments of the remaining four (2023: three) individuals are set out below:

	2024 RMB'000	2023 RMB'000
Salaries and allowances	4,038	2,596
Discretionary bonuses	–	200
Retirement benefit scheme contributions	201	214
	4,239	3,010

The emoluments fell within the following bands:

	Number of individuals	
	2024	2023
HK\$1,000,001 to HK\$1,500,000 (equivalent to RMB911,901 to RMB1,367,850) (2023: equivalent to RMB905,001 to RMB1,358,000)	4	3

During the years, no emoluments were paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office, whether directly or indirectly, subsisting at the end of the year or any time during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

15. BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

The emoluments of every Director is set out below:

	Emoluments paid or receivable in respect of a person's services as a Director, whether of Company or its subsidiary undertaking					
	Fees	Salaries and allowance	Discretionary bonuses	Employer's contribution to a retirement benefit scheme	Equity-settled share option expenses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors						
Mr. Jiang Feng	110	336	-	32	-	478
Ms. Zhao Luyi (note (h))	56	278	-	-	-	334
Mr. Tsang Wah Tak, Brian (note (i))	56	-	-	-	-	56
Non-executive directors						
Mr. Yu Lu	109	-	-	-	-	109
Mr. Ding Zhigang	109	-	-	-	-	109
Ms. Guo Lei (note (a))	109	1,082	-	-	-	1,191
Independent non-executive directors						
Mr. Victor Yang (note (f))	219	-	-	-	-	219
Ms. Lo Wan Man	109	-	-	-	-	109
Mr. Zhou Heqiang	109	-	-	-	-	109
Total for the year ended 31 December 2024	986	1,696	-	32	-	2,714

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

15. BENEFITS AND INTERESTS OF DIRECTORS (Continued)

(a) Directors' emoluments (Continued)

Emoluments paid or receivable in respect of a person's services as a Director, whether of the Company or its subsidiary undertaking						
	Fees	Salaries and allowances	Discretionary bonuses	Employer's contribution to a retirement benefit scheme	Equity-settled share option expenses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive Directors						
Ms. Guo Lei (note (a))	62	174	–	–	–	236
Mr. Yue Jingxing (note (b))	94	974	–	21	–	1,089
Mr. Lau Wai Leung, Alfred (note (c))	100	1,392	–	9	–	1,501
Mr. Jiang Feng	108	336	–	32	–	476
Ms. Chen Shuiying (note (d))	26	488	–	36	–	550
Non-executive Directors						
Mr. Yu Lu	108	–	–	–	–	108
Mr. Ding Zhigang	108	–	–	–	–	108
Mr. Sun Peng (note (e))	5	–	–	–	–	5
Independent Non-executive Directors						
Mr. Victor Yang (note (f))	124	–	–	–	–	124
Mr. Ong King Keung (note (g))	94	–	–	–	–	94
Ms. Lo Wan Man	108	–	–	–	–	108
Mr. Zou Heqiang	108	–	–	–	–	108
Total for the year ended						
31 December 2023	1,045	3,364	–	98	–	4,507

Notes:

- (a) Ms. Guo Lei was appointed as an executive director on 5 June 2023 of re-designed to an non-executive director on 28 June 2024.
- (b) Mr. Yue Jingxing resigned as an executive director on 5 June 2023.
- (c) Mr. Lau Wai Leung, Alfred resigned as an executive director on 31 July 2023.
- (d) Ms.Chen Shuiying was appointed as an executive director on 31 July 2023 and resigned on 26 October 2023.
- (e) Mr. Sun Peng resigned as non-executive director on 17 January 2023.
- (f) Mr. Victor Yang was appointed as an independent non-executive director on 5 June 2023.
- (g) Mr. Ong King Keung resigned as an independent non-executive director on 5 June 2023.
- (h) Ms. Zhao Luyi was appointed as an executive director on 28 June 2024.
- (i) Mr. Tsang Wah Tak, Brian was appointed as an executive director on 28 June 2024.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

15. BENEFITS AND INTERESTS OF DIRECTORS *(Continued)*

(a) Directors' emoluments *(Continued)*

During the years, no emoluments were paid by the Group to the Directors as an inducement to join or upon joining the Group, or as compensation for loss of office, whether directly or indirectly, subsisting at the end of the year or any time during the year.

None of the Directors waived any emoluments during the year (2023: nil).

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

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

(c) Directors' termination benefits

None of the directors of the Company received any termination benefits during the year ended 31 December 2024 (2023: nil).

(d) Consideration provided to third parties for making available directors' services

During the year ended 31 December 2024, the Company did not pay considerations to any third parties for making available directors' services (2023: nil).

(e) Information about loans, quasi-loans and other dealings in favour of directors, bodies corporate controlled by and entities connected with such directors

As at 31 December 2024, there are no loans, quasi-loans or other dealings in favour of the directors, their controlled bodies corporate and the directors' connected entities (2023: none).

16. RETIREMENT BENEFIT SCHEMES CONTRIBUTIONS

The Group operates a mandatory provident fund scheme (the "**MPF Scheme**") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for all qualifying employees in Hong Kong. The Group's contributions to the MPF Scheme are calculated at 5% of the salaries and wages subject to a monthly maximum amount of contribution of HK\$1,500 per employee and vest fully with employees when contributed into the MPF Scheme.

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

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

During the years ended 31 December 2024 and 2023, the Group had no forfeited contributions under the PRC Retirement Schemes and MPF Scheme which may be used by the Group to reduce the existing level of contributions. There were also no forfeited contributions available at 31 December 2024 and 2023 under the PRC Retirement Schemes and MPF Scheme which may be used by the Group to reduce the contribution payable in future years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

17. DIVIDENDS

The board of directors does not recommend the payment of any dividend in respect of the years ended 31 December 2024 (2023: nil).

18. LOSS PER SHARE

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

	2024 RMB'000	2023 RMB'000
Loss		
Loss for the year for the purpose of calculating basis and diluted loss per share	(73,543)	(138,514)

	2024 '000	2023 '000
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	255,729	221,082

As a result of the Group's net loss for the years ended 31 December 2024 and 2023, share options were excluded from the calculation of diluted loss per share as their inclusion would have been anti-dilutive.

For the year ended 31 December 2023, the weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share have been adjusted for the share consolidation on 29 June 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

19. PROPERTY, PLANT AND EQUIPMENT

	Plant and buildings RMB'000	Machinery and equipment RMB'000	Office and other equipment RMB'000	Motor vehicles RMB'000	Leasehold improvements RMB'000	Total RMB'000
Cost						
At 1 January 2023	20,755	13,851	5,912	1,653	3,922	46,093
Additions	–	171	115	–	895	1,181
Disposals	–	(64)	(347)	–	–	(411)
At 31 December 2023 and 1 January 2024	20,755	13,958	5,680	1,653	4,817	46,863
Additions	–	42	183	–	–	225
Disposals	–	(902)	(582)	–	–	(1,484)
At 31 December 2024	20,755	13,098	5,281	1,653	4,817	45,604
Accumulated depreciation						
At 1 January 2023	6,048	12,362	5,223	1,316	2,952	27,901
Charge for the year	986	307	287	240	611	2,431
Disposals	–	(54)	(332)	–	–	(386)
At 31 December 2023 and 1 January 2024	7,034	12,615	5,178	1,556	3,563	29,946
Charge for the year	985	299	185	82	933	2,484
Disposals	–	(860)	(536)	–	–	(1,396)
At 31 December 2024	8,019	12,054	4,827	1,638	4,496	31,034
Carrying amount						
At 31 December 2024	12,736	1,044	454	15	321	14,570
At 31 December 2023	13,721	1,343	502	97	1,254	16,917

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

20. RIGHT-OF-USE ASSETS

	Leased properties	
	2024 RMB'000	2023 RMB'000
At 1 January	8,458	7,079
Addition for the year	–	5,716
Depreciation for the year	(3,679)	(4,285)
Early termination	(4,835)	–
Exchange differences	56	(52)
At 31 December	–	8,458

The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

	2024 RMB'000	2023 RMB'000
Depreciation expenses on right-of-use assets	3,679	4,285
Interest expense on lease liabilities (included in finance cost)	276	388
Expenses relating to short-term lease (included in selling and marketing expenses, general and administrative expenses, research and development expenses and cost of sales)	3,090	1,149

Details of total cash outflow for leases is set out in note 38(b).

Lease arrangements of office premises were negotiated on an individual basis and contain a wide range of different terms and conditions including lease terms ranging from 2 to 5 years in 2023. All leases were expired or early terminated during the year ended 31 December 2024.

Additions to the right-of-use assets for the year ended 31 December 2023 amounted to RMB5,716,000 due to new lease of an office.

21. GOODWILL

	2024 RMB'000	2023 RMB'000
Cost		
At 1 January and 31 December	215,147	215,147
Accumulated impairment loss		
At 1 January and 31 December	(215,147)	(215,147)
Carrying amount		
At 31 December	–	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

22. INTANGIBLE ASSETS

	Software and others RMB'000	Customer relationships RMB'000	Service contracts RMB'000	Non-compete undertakings RMB'000	Unfulfilled contracts RMB'000	Total RMB'000
Cost						
At 1 January 2023	23,051	99,380	–	100,147	22,264	244,842
Addition	4,200	–	–	–	–	4,200
Written-off	–	–	–	–	(22,264)	(22,264)
At 31 December 2023	27,251	99,380	–	100,147	–	226,778
Addition (note)	–	–	108,768	–	–	108,768
At 31 December 2024	27,251	99,380	108,768	100,147	–	335,546
Accumulated amortisation and impairment loss						
At 1 January 2023	12,737	77,410	–	84,654	22,264	197,065
Amortisation for the year	2,760	3,906	–	5,903	–	12,569
Written-off	–	–	–	–	(22,264)	(22,264)
Impairment loss for the year	–	18,064	–	9,590	–	27,654
At 31 December 2023 and 1 January 2024	15,497	99,380	–	100,147	–	215,024
Amortisation for the year	3,311	–	4,172	–	–	7,483
At 31 December 2024	18,808	99,380	4,172	100,147	–	222,507
Carrying amount						
At 31 December 2024	8,443	–	104,596	–	–	113,039
At 31 December 2023	11,754	–	–	–	–	11,754

Note:

During the year ended 31 December 2024, additions to intangible assets amounted to approximately RMB108,768,000, of which, approximately RMB106,043,000 arising from the acquisition of subsidiaries during the year, details are set out in note 42.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

22. INTANGIBLE ASSETS *(Continued)*

During the year ended 31 December 2023 certain software license projects were ceased without renewal. Therefore, the management expects the future revenue from the SMIA segment may be affected. Management assessed the recoverable amounts of assets allocated to this CGU, including certain property, plant and equipment and certain intangible assets.

As at 31 December 2023, the recoverable amount has been determined based on value-in-use calculation. The calculation of value-in-use used cash flow projections based on financial budgets approved by the board of directors covering a four-year period. Cash flows beyond the four-year period are extrapolated using growth rate of 2.0% which does not exceed the long-term average growth rate for the business in which the CGU operate. The cash flows are discounted using pre-tax discount rate of 20.16%, which reflect specific risks relating to the relevant business. Other key assumptions for the value-in-use calculation relate to revenue growth rate and gross profit margin for the four-year budget period, which take into account the CGU's historical performance, existing backlog contracts, pipelines and the management's business development plan built upon industry trends.

The carrying amount of assets of the CGU exceeded the recoverable amount. Based on the impairment assessment calculation and the allocation, impairment losses of RMB27,654,000 had been recognised on intangible assets during the year ended 31 December 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

23. INVESTMENTS IN SUBSIDIARIES

Particulars of the Group's major subsidiaries at 31 December 2024 and 2023 are set out as follows:

Name	Place of incorporation or registration/Type of legal entity	Paid up issued/ registered ordinary share capital	Percentage of ownership interest/ voting power/profit sharing		Principal activities/ Place of operation
			2024	2023	
Directly held by the Company					
Risecomm Co. Ltd.	Cayman Islands/ Limited liability company	Ordinary shares US\$18,128.22	100%	100%	Dormant
Harvest Year Global Limited	Seychelles/ Limited liability company	Ordinary shares US\$1	100%	100%	Investment holding/ Hong Kong
Prime Key Holdings Limited	Seychelles/ Limited liability company	Ordinary shares US\$1	100%	100%	Investment holding/ Hong Kong
Green Harmony Limited	Seychelles/ Limited liability company	Ordinary shares US\$1	100%	100%	Investment holding/ Seychelles
Shangyi (BVI) International Limited	The British Virgin Islands ("BVI")/ Limited liability company	Ordinary shares US\$1	100%	100%	Investment holding/ Hong Kong
Indirectly held by the Company					
Risecomm (HK) Technology Co. Limited	Hong Kong/ Limited liability company	Ordinary shares HK\$1	100%	100%	Trading and research and development/ Hong Kong
Risecomm (HK) Holding Co. Limited	Hong Kong/ Limited liability company	Ordinary shares HK\$1	100%	100%	Investment holding/ Hong Kong
Risecomm Microelectronics (Shenzhen) Co., Ltd.*	the PRC/ wholly foreign owned enterprise	Paid up capital US\$17,500,000	100%	100%	Manufacturing and sales of AMR products/ the PRC
Zhongyi (BVI) International Limited ("Zhongyi (BVI)")	BVI/ Limited liability company	Ordinary shares US\$50,000	100%	100%	Investment holding/ Hong Kong
Zhongyi (Hong Kong) International Limited	Hong Kong/ Limited liability company	Ordinary shares HK\$10,000	100%	100%	Investment holding/ Hong Kong
深圳安怡融豐工程管理有限公司	the PRC/ wholly foreign owned enterprise	–	100%	100%	Investment holding/ the PRC
江蘇安怡工程管理有限公司	the PRC/ wholly foreign owned enterprise	–	100%	100%	WFOM business/ the PRC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

23. INVESTMENTS IN SUBSIDIARIES (Continued)

Name	Place of incorporation or registration/Type of legal entity	Paid up issued/ registered ordinary share capital	Percentage of ownership interest/ voting power/profit sharing		Principal activities/ Place of operation
			2024	2023	
Indirectly held by the Company (Continued)					
Beijing Risecomm Communication Technology Company Limited*	the PRC/Limited liability company	Paid up capital RMB3,000,000	100%	100%	Sales and marketing/ the PRC
Wuxi Risecomm Communication Technology Company Limited*	the PRC/Limited liability company	Paid up capital RMB3,100,000	100%	100%	Research and development/ the PRC
North Mountain Information Technology Company Limited [#]	Hong Kong/Limited liability company	Ordinary shares HK\$10,000	–	100%	Investment holding/ Hong Kong
Hongten Technology Limited	Hong Kong/Limited liability company	Ordinary shares HK\$10,000	100%	100%	Investment holding/ Hong Kong
Beijing Hongteng Weitong Technology Co.,Ltd*	the PRC/wholly foreign owned enterprise	Paid up capital RMB32,244,307.16	100%	100%	SMIA business and construction/ the PRC
Beijing Jiangxinchuangda Technology Co.,Ltd*	the PRC/Limited liability company	Paid up capital RMB2,000,000	100%	100%	SMIA business/ the PRC
Beijing Tongyong Chuangweishi Technology Development Co.,Ltd*	the PRC/Limited liability company	Paid up capital RMB10,010,000	100%	100%	Dormant
Main Fullness Limited [^]	Hong Kong/Limited liability company	Ordinary shares HK\$100	–	100%	Investment holding/ Hong Kong
Ningbo Shiquan Technology Co. Limited*	the PRC/Limited liability company	–	51%	51%	Provision of vehicle rental service/ the PRC

Note:

* The official name of the company is in Chinese. The English translation of the company name is for reference only.

[#] The company was deregistered on 6 September 2024.

[^] The company was deregistered on 17 May 2024.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

24. INVENTORIES

	2024 RMB'000	2023 RMB'000
Raw materials	26,411	39,515
Work in progress	4,058	2,296
Finished goods	17,186	11,510
	47,655	53,321
Allowance for impairment of inventories	(36,320)	(31,031)
	11,335	22,290

25. TRADE AND OTHER RECEIVABLES

	2024 RMB'000	2023 RMB'000
Trade receivables	123,264	114,969
Allowance for impairment losses of trade receivables	(58,399)	(58,391)
	64,865	56,578
Prepayments	23,893	20,897
Other receivables	17,648	18,181
Loan receivables (note (a))	3,850	11,350
Allowance for impairment losses	(32,479)	(15,320)
	12,912	35,108
Total trade and other receivables	77,777	91,686

Note:

(a) The amount receivables under the loan agreements are unsecured and arranged at fixed interest rates of 0% to 5% per annum.

The Group generally allows an average credit period of 180 days (2023: 180 days) for its customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the Directors.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

25. TRADE AND OTHER RECEIVABLES *(Continued)*

The aging analysis of trade receivables, net of allowance for impairment of trade receivables, presented based on the invoice dates is as follows:

	2024 RMB'000	2023 RMB'000
Within 6 months	53,362	21,098
After 6 months but within 1 year	3,097	23,417
Over 1 year	8,406	12,063
	64,865	56,578

The carrying amounts of the Group's trade receivables are mainly denominated in RMB.

26. BANK AND CASH BALANCES

Bank and cash balances comprise cash held by the Group and short-term deposits with an original maturity of three months or less. The balances are mainly denominated in RMB.

As at 31 December 2024, the restricted bank deposits amounting to RMB3,834,000 represented deposits frozen by the Court due to an ongoing legal case. As at 31 December 2023, the Group's restricted cash represented guarantee deposit pledged to tenderer to use as performance bond and to secure the submission of tender in 2023.

As at 31 December 2024, the bank and cash balances of the Group denominated in RMB amounted to RMB13,758,000 (2023: RMB34,085,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

27. SHARE CAPITAL

	2024		2023	
	Number of shares '000	HK\$'000	Number of shares '000	HK\$'000
Ordinary shares of HK\$0.001 each*				
Authorised:				
At beginning of the financial year	1,000,000	1,000	10,000,000	1,000
Decrease on consolidated Share (note (b))	–	–	(9,000,000)	–
At the end of the financial year	1,000,000	1,000	1,000,000	1,000
At 31 December				
Ordinary shares, issued and fully paid:				
At 1 January	255,729	256	1,857,089	186
Decrease on consolidated Share (note (b))	–	–	(1,917,980)	–
Share subscription (note (a), (c) and (d))	–	–	316,620	70
At 31 December	255,729	256	255,729	256
RMB equivalent (RMB'000)		222		222

* Before share consolidation on 29 June 2023, the ordinary share is HK\$0.0001 each

Notes:

- On 2 June 2023, 274,000,000 ordinary shares at a price of HK\$0.064 were issued to 3 subscribers respectively according to the subscription agreements. The Company had raised an approximately HK\$17,536,000 (equivalent to RMB15,923,000), before net of expenses.
- On 29 June 2023, every ten existing shares of HK\$0.0001 in the issued and unissued share capital of the Company had been consolidated into one consolidated share of HK\$0.001.
- On 19 July 2023, 42,620,000 ordinary shares at a price of HK\$0.56 were issued to 3 subscribers respectively according to the subscription agreements. The Company had raised an approximately HK\$23,867,000 (equivalent to RMB21,798,000), before net of expenses.

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance.

The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the payment of dividends, issue new shares, buy-back shares, raise new debts, redeem existing debts or sell assets to reduce debts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

28. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

(a) Statement of financial position of the Company

	2024 RMB'000	2023 RMB'000
Non-current assets		
Investments in subsidiaries	110,603	134,471
Deposit paid for acquisition	–	60,000
	110,603	194,471
Current assets		
Deposits and prepayments	146	–
Cash and cash equivalents	50	1,330
	196	1,330
TOTAL ASSETS	110,799	195,801
Capital and reserves		
Share capital	222	222
Reserves	(142,277)	8,536
	(142,055)	8,758
Non-current liabilities		
Borrowings	56,940	108,705
Contingent consideration	603	–
	57,543	108,705
Current liabilities		
Amount due to a subsidiary	8,385	–
Borrowings	177,803	71,650
Other payables	9,123	6,688
	195,311	78,338
TOTAL EQUITY AND LIABILITIES	110,799	195,801

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

28. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

(Continued)

(b) Reserve movement of the Company

	Share premium RMB'000 (note 29(b)(i))	Capital reserve RMB'000 (re-stated)	Exchange reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2023	370,960	159,868	18,780	(493,254)	56,354
Total comprehensive expense for the year	–	–	(3,363)	(82,048)	(85,411)
Share option forfeited	–	(1,052)	–	1,052	–
Share subscription (note 27(a) and (c))	37,657	–	–	–	37,657
Less: share issue expense	(64)	–	–	–	(64)
At 31 December 2023 and 1 January 2024	408,553	158,816	15,417	(574,250)	8,536
Total comprehensive expense for the year	–	–	(1,198)	(149,615)	(150,813)
Share options forfeited	–	(2,902)	–	2,902	–
At 31 December 2024	408,553	155,914	14,219	(720,963)	(142,277)

29. 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) Nature and purpose of reserves

(i) Share premium

Under the Companies Law of the Cayman Islands, the share premium account is available for distribution to shareholders of the Company, provided that immediately following the date on which the dividend is proposed to be distributed, the Company is in a position to pay off its debts as they fall due in the ordinary course of business of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

29. RESERVES *(Continued)*

(b) Nature and purpose of reserves *(Continued)*

(ii) Capital reserve

Capital reserve comprised the followings:

- the fair value of outstanding share options (see note 37);
- the difference between fair value of the preference shares and the warrant and the issued amount, upon the waiver of the terms of convertible redeemable preference shares and the warrant in March 2014, and capitalization of the outstanding cumulative dividends payable due to preference shareholders upon waiver in March 2014, and;
- upon completion of a group reorganization in February 2016, the share premium of Risecomm Co. Ltd., which was the then holding company of the Group, was deducted from the share premium presented in the consolidated statement of changes in equity with a corresponding credit to capital reserve and retained earnings;
- the difference between the cost of the additional investment and the carrying amount of the net assets acquired at 10 August 2018 (the date of exchange) when acquiring the non-controlling interest in a subsidiary, Changsha Risecomm Communication Technology Company Limited.

(iii) Statutory reserve

Pursuant to the relevant laws and regulations for business enterprises in the PRC, a portion of the profits of the entities which are registered in the PRC has been transferred to the statutory reserve which is restricted as to use. When the balance of such reserve reaches 50% of the capital of that entity, any further appropriation is optional. The statutory surplus reserve can be used to make up for prior year losses, if any, and can be applied in conversion into capital by means of a capitalisation issue. However, when converting the statutory surplus reserve of the PRC subsidiaries into capital, the remaining balance of such reserve must not be less than 25% of the registered capital of the relevant PRC subsidiaries.

(iv) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 4(e) to the consolidated financial statements.

(v) FVTOCI reserve

FVTOCI reserve comprises the cumulative net change in the fair value of financial assets at FVTOCI held at the end of the reporting period and is dealt with in accordance with the accounting policy in note 4(m) to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

30. DEFERRED INCOME

Deferred income represents conditional government subsidies for encouragement of research and development projects. The amount is transferred to income over the useful lives of the relevant assets. This policy has resulted in a credit to income in the current period of RMB123,000 (2023: RMB204,000). As at 31 December 2024, an amount of RMB627,000 (2023: RMB751,000) remains to be amortised.

31. LEASE LIABILITIES

	2024 RMB'000	2023 RMB'000
Non-current	–	4,237
Current	–	4,455
	–	8,692

Amounts payable under lease liabilities	2024 RMB'000	2023 RMB'000
Within one year	–	4,455
After one year but within two years	–	2,992
After two years but within five years	–	1,245
	–	8,692
Less: Amount due for settlement within 12 months (shown under current liabilities)	–	(4,455)
Amount due for settlement after 12 months	–	4,237

The carrying amounts of lease liabilities are mainly denominated in RMB.

During the year ended 31 December 2023, the Group entered into a new lease agreement in respect of an office and recognised lease liability of approximately RMB5,716,000. All leases were expired or early terminated during the year ended 31 December 2024.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

32. DEFERRED TAX

Movement of each component of deferred tax assets/(liabilities) recognised in the consolidated statement of financial position and the movements during the year are as follows:

Deferred tax arising from:	Tax losses RMB'000	Impairment losses on receivables and inventories RMB'000	Intangible assets RMB'000	Intangible assets identified in business combination RMB'000	Others RMB'000	Total RMB'000
At 1 January 2023	16,276	16,304	(1,242)	(9,366)	1,891	23,863
Credited/(charged) to profit or loss	(16,276)	(16,304)	313	9,366	(1,045)	(23,946)
At 31 December 2023 and 1 January 2024	-	-	(929)	-	846	(83)
(Charged)/credited to profit or loss	-	-	314	-	(11)	303
At 31 December 2024	-	-	(615)	-	835	220

The following is the analysis of the deferred tax balances (after offset) for the consolidated statement of financial position purposes:

	2024 RMB'000	2023 RMB'000
Deferred tax assets	835	846
Deferred tax liabilities	(615)	(929)
	220	(83)

At the end of the reporting period, the Group has estimated unused tax losses of approximately RMB275,937,000 (2023: RMB253,254,000) available for offset against future profits. No deferred tax asset had been recognised as at 31 December 2024 and 2023 in respect of the estimated tax losses due to the unpredictability of future profit streams. Included in unrecognised tax losses are RMB211,219,000 (2023: RMB196,088,000) that will expire between 2025 and 2034. The remaining losses can be carried forward against future taxable income and have no expiry date.

Under the Corporate Income Tax Law of the PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to retained profits of the PRC subsidiaries of RMB725,000 (2023: RMB26,000) as at 31 December 2024 as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

33. BORROWINGS

	2024 RMB'000	2023 RMB'000
Bank loan	10,332	4,937
Other borrowings	236,812	180,355
	247,144	185,292

The borrowings are repayable as follows:

	2024 RMB'000	2023 RMB'000
On demand or within one year	190,204	76,587
More than one year, but not exceeding two years	56,940	108,705
	247,144	185,292
Less: Amount due for settlement within 12 months (shown under current liabilities)	(190,204)	(76,587)
Amount due for settlement after 12 months	56,940	108,705

The carrying amounts of the Group's borrowings are denominated in the following currencies:

	Bank loans RMB'000	Other borrowings RMB'000	Total borrowings RMB'000
As at 31 December 2024			
RMB	10,332	108,263	118,595
USD	–	16,756	16,756
HK\$	–	111,793	111,793
	10,332	236,812	247,144
As at 31 December 2023			
RMB	4,937	55,140	60,077
USD	–	16,510	16,510
HK\$	–	108,705	108,705
	4,937	180,355	185,292

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

33. BORROWINGS (Continued)

The average interest rates at 31 December were as follows:

	2024	2023
Bank loan	2.80%–4.80%	2.35%–9.97%
Other borrowings	0%–4%	0%–4%

Bank loan is arranged at fixed interest rates of 2.80%–4.80% per annum, which is repayable in one year, and expose the Group to fair value interest rate risk. Other borrowings are arranged at fixed interest rates of 0% to 4% per annum and expose the Group to fair value interest rate risk.

At 31 December 2024, the Group had RMB4,410,000 (2023: RMB50,000,000) available undrawn borrowing facilities.

During the year ended 31 December 2024, the Group entered into two set-off arrangements, whereby other borrowings amounting to RMB9,316,000 were offset against loan receivables totalling RMB8,500,000.

As at 31 December 2023 and 2024, included in the total borrowings are other borrowings of RMB60,000,000 which were drawn down for financing the acquisition of Zhongyi (BVI) and the equity interest of Zhongyi (BVI) is pledged to secure.

As at 31 December 2024, trade receivables of approximately RMB2,197,000 was pledged to secure a bank loan amounting to approximately RMB1,082,000. As at 31 December 2023, trade receivables of approximately RMB1,663,000 and right to future trade receivables of approximately RMB33,103,000 was pledged to secure a bank loan amounting to approximately RMB3,237,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

34. TRADE AND OTHER PAYABLES

	2024 RMB'000	2023 RMB'000
Trade payables (note (a))	58,930	56,765
Product warranty provision (note (b))	738	747
Other payables and accruals	19,126	17,018
Severance payment payable	4,320	–
	83,114	74,530

(a) Trade payables

Trade payables comprised amounts due to suppliers for purchase of goods or services used in regular course of business. Trade payables are non-interest bearing and the average credit period on purchases is 30 to 180 days. The aging analysis of trade payables based on the invoice dates is as follows:

	2024 RMB'000	2023 RMB'000
Within 3 months	30,935	17,113
After 3 months but within 6 months	1,386	8,396
After 6 months but within 1 year	2,864	300
Over 1 year but within 2 years	10,058	17,378
Over 2 years	13,687	13,578
	58,930	56,765

The carrying amounts of the Group's trade payables are mainly denominated in RMB.

(b) Product warranty provision

	2024 RMB'000	2023 RMB'000
Balance at 1 January	747	1,037
Additional provisions made	105	361
Provision utilised	(114)	(39)
Provision reversed	–	(612)
Balance at 31 December	738	747

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

35. CONTRACT LIABILITIES

Contract liabilities

	2024 RMB'000	2023 RMB'000
Billings in advance of performance obligation (note (a))	10,964	12,184

Movements in contract liabilities:

	2024 RMB'000	2023 RMB'000
Balance at 1 January	12,184	6,207
Decrease in contract liabilities as a result of recognising revenue during the year was included in the contract liabilities at the beginning of the period	(12,184)	(6,207)
Increase in contract liabilities as a result of billing in advance of manufacturing activities	10,964	12,184
Balance at 31 December	10,964	12,184

No billings in advance of performance received that is expected to be recognised as income after more than one year (2023: Nil).

Notes:

- (a) When the Group receives a deposit before the production activity commences this will give rise to contract liabilities at the start of a contract, until the revenue recognised when control over a product transferred to the customers. The Group typically receives a deposit on acceptance of orders from customers, the amount of the deposit, if any, is negotiated on a case by case basis with customers.

36. CONTINGENT CONSIDERATION

Guarantees

	2024 RMB'000	2023 RMB'000
Profit guarantees provided	603	–

Pursuant to the terms of the agreement for the acquisition of Zhongyi (BVI) as disclosed in Note 42, the Group has agreed to a profit guarantee arrangement. If (i) Zhongyi (BVI) and its subsidiaries (collectively referred to as “**Zhongyi Group**”) records a net profit for each of the financial years ending 31 December 2024, 2025 and 2026; and (ii) the aggregate audited net profit of Zhongyi Group for the three financial years ending 31 December 2026 (the “**Three-year Aggregate Net Profit**”) is not less than RMB47 million, the Company shall pay an additional consideration of RMB10 million to the vendor. The additional payment, if applicable, will be made within 30 business days upon finalisation of the audited financial information of Zhongyi Group for the relevant period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

37. SHARE-BASED PAYMENTS

Equity-settled share option scheme

The Company operates share option scheme (the “**Scheme**”) for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group’s operations. Eligible participants include the full-time and part-time employees, executives, officers, directors, business consultants, agents, legal and financial advisers of the Company and the Company’s subsidiaries. The Scheme became effective on 25 August 2016 and 3 September 2018 and, unless otherwise cancelled or amended, will remain in force for 10 and 8 years from that date respectively.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 30% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of shares options in excess of this limit is subject to shareholders’ approval in a general meeting.

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

The offer of a grant of share options may be accepted within 21 days from the date of the offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a certain vesting period and ends on a date which is not later than five years from the date of the offer of the share options or the expiry date of the Scheme, if earlier.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

37. SHARE-BASED PAYMENTS *(Continued)*

Equity-settled share option scheme *(Continued)*

(a) The terms and conditions of the grants for options which are outstanding as at 31 December 2024 and 2023 are as follows:

	Number of instrument	Vesting conditions	Contractual life of options
Options granted to employees			
— On 26 March 2014	503,858	25% of total shares vested on year anniversary of the grant date, the rest vested in 36 substantially equal monthly instalments from year anniversary of the grant date	10 years
Options granted to employees			
— On 3 September 2018	1,500,000	75% of total share vested immediately on grant date, the rest vested in 3 equal yearly instalments from the second year anniversary of the grant date	8 years
— On 3 September 2018	14,000,000	Vested in 3 equal yearly instalments from the second year anniversary of the grant date	8 years
Options granted to non-executive directors			
— On 26 March 2014	26,799	Vested immediately on grant date	10 years
Options granted to SB Asia Investment Fund II L.P. ("SAIF")			
— On 26 March 2014	136,000	Vested immediately on grant date	10 years
Total share options granted	<u>16,166,657</u>		

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

37. SHARE-BASED PAYMENTS *(Continued)*

Equity-settled share option scheme *(Continued)*

(b) The number and weighted average exercise prices of share options are as follows:

	At 31 December 2024		At 31 December 2023	
	Weighted Average exercise price	Number of options	Weighted Average exercise price	Number of options
Outstanding at the beginning of the year	–	–	USD0.000302	856,555
Adjustments due to share consolidation	–	–	USD0.002718	(770,900)
Forfeited during the year	–	–	USD0.00302	(85,655)
Outstanding at the beginning of the year	HK\$17.24	548,499	HK\$1.724	6,843,811
Adjustments due to share consolidation	–	–	HK\$15.516	(5,646,430)
Forfeited during the year	HK\$17.24	(378,003)	HK\$17.24	(648,882)
Outstanding at the end of the year	–	–	USD0.00302	–
Outstanding at the end of the year	HK\$17.24	170,496	HK\$17.24	548,499
Exercisable at the end of the year	–	–	USD0.00302	–
Exercisable at the end of the year	HK\$17.24	170,496	HK\$17.24	548,499

The options outstanding at 31 December 2024 had an exercise price of HK\$17.24 (2023: HK\$17.24) and a weighted average remaining contractual life of 1.67 years (2023: 2.67 years).

Total 378,002 numbers of share options have been forfeited during the year ended 31 December 2024 (2023: 734,537).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

37. SHARE-BASED PAYMENTS *(Continued)*

Equity-settled share option scheme *(Continued)*

(c) Fair value of share options and assumptions

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The fair value of the share options granted is measured based on a binomial option pricing model. The contractual life of the share option is used as an input into this model. Expectations of early exercise are incorporated into the binomial option pricing model.

The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility based on publicly available information. Changes in the subjective input assumptions could materially affect the fair value estimate.

Share options were granted under a service condition. This condition has not been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the share option grants.

Notes:

- (a) The exercise price of the tranches of share options granted in March 2014 was changed to USD0.0003 per share upon a capitalisation issue prior to the Company's initial Public Offering in June 2017, and was further changed to USD0.000302 per share upon the adjustments as a result of rights issue during the year ended 31 December 2021 and USD0.00302 per share upon the adjustments as a result of share consolidation during the year ended 31 December 2023.
- (b) The exercise price of the tranches of share options granted in September 2018 was changed to HK\$1.724 per share upon the adjustments as a result of rights issue during the year end 31 December 2021 and HK\$17.24 per share upon the adjustments as a result of share consolidation during the year ended 31 December 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

38. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Bank and other borrowings (note 33) RMB'000	Lease liabilities (note 31) RMB'000	Interest payables RMB'000	Total RMB'000
At 1 January 2024	185,292	8,692	2,627	196,611
Changes from cash flows:				
Payment for interest	–	–	(1,720)	(1,720)
New bank loans raised	10,332	–	–	10,332
Repayment of bank loan	(4,937)	–	–	(4,937)
Other borrowings raised	57,935	–	–	57,935
Capital element of lease rentals paid	–	(4,442)	–	(4,442)
Interest element of lease rentals paid	–	(276)	–	(276)
Total changes from cash flows	63,330	(4,718)	(1,720)	56,892
Other changes:				
Decrease in lease liabilities from early termination of leases during the year	–	(4,248)	–	(4,248)
Interest expense	3,379	276	7,431	11,086
Net off with loan receivables	(9,316)	–	–	(9,316)
Waive of interest payables	–	–	(621)	(621)
Foreign currency exchange adjustments	4,459	(2)	–	4,457
Total other changes	(1,478)	(3,974)	6,810	1,358
At 31 December 2024	247,144	–	7,717	254,861

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

38. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(a) Reconciliation of liabilities arising from financing activities (Continued)

	Bank and other borrowings (note 33) RMB'000	Lease liabilities (note 31) RMB'000	Interest payables RMB'000	Total RMB'000
At 1 January 2023	125,211	7,593	2,894	135,698
Changes form cash flows:				
Payment for interest	–	–	(5,873)	(5,873)
New bank loans raised	19,479	–	–	19,479
Repayment of bank loan	(15,543)	–	–	(15,543)
Borrowings raised	60,000	–	–	60,000
Repayment of borrowings	(13,496)	–	–	(13,496)
Capital element of lease rentals paid	–	(4,565)	–	(4,565)
Interest element of lease rentals paid	–	(388)	–	(388)
Total changes from cash flows	50,440	(4,953)	(5,873)	39,614
Other changes:				
Increase in lease liabilities from entering into new leases during the year	–	5,716	–	5,716
Interest expense	5,829	388	5,606	11,823
Foreign currency exchange adjustments	3,812	(52)	–	3,760
Total other changes	9,641	6,052	5,606	21,299
At 31 December 2023	185,292	8,692	2,627	196,611

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

38. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

(b) Total cash outflow for leases

Amounts included in the cash flow statements for leases comprise the following:

	2024 RMB'000	2023 RMB'000
Within operating cash flows	3,090	1,149
Within financing cash flows	4,718	4,953
	7,808	6,102

These amounts relate to the lease rental paid.

(c) Major non-cash transactions

During the year ended 31 December 2024, the Group entered into two set-off arrangements with counterparties, whereby other borrowings amounting to RMB9,316,000 and related interest payable of RMB621,000 were offset against loan receivables totalling RMB8,500,000.

During the year ended 31 December 2023, the financial assets at FVTOCI were disposed at a consideration of RMB2,800,000 and set off with other payable of the same amount.

39. OPERATING LEASE ARRANGEMENTS

The Group as lessor

Operating leases relate to property, plant and equipment owned by the Group with lease terms of 2 years. All operating lease contracts contain market review clauses in the event that the lessee exercises its options to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

Minimum lease payments receivable on lease are as follows:

	2024 RMB'000	2023 RMB'000
Within 1 year	399	422
After 1 year but within 2 years	–	399
Total	399	821

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

40. CAPITAL COMMITMENTS

During the year ended 31 December 2023, the Company entered into an agreement to acquire the entire interest of a company with consideration of RMB110,000,000. The Group paid deposit RMB60,000,000 during the year ended 31 December 2023 and the remaining RMB50,000,000 is settled upon completion of the acquisition (note 42).

41. RELATED PARTY TRANSACTIONS

- (a) In addition to those related party transactions and balances disclosed elsewhere in the consolidated financial statements, the Group had the following transactions with its related parties during the year:

	2024 RMB'000	2023 RMB'000
Interest expenses paid to Ms. Guo Lei (note)	1,630	352
Interest expenses paid to Mr. Ding Zhigang (note)	58	23
	1,688	375

Note: Ms. Guo Lei is the executive director and Mr. Ding Zhigang is the non-executive director of the Company.

- (b) The following balances were outstanding at the end of the year:

	2024 RMB'000	2023 RMB'000
Borrowings		
Ms. Guo Lei	63,746	29,301
Mr. Ding Zhigang	932	906
	64,678	30,207

- (c) The remuneration of Directors and other members of key management during the year were as follows:

	2024 RMB'000	2023 RMB'000
Short-term employee benefits	9,175	8,794
Post-employee benefits	268	388
	9,443	9,182

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

42. ACQUISITION OF SUBSIDIARIES

During the year ended 31 December 2024, the Group acquired 100% of the issued share capital of Zhongyi (BVI) at a cash consideration of RMB110,000,000 with a profit guarantee arrangement as set out in note 36. The contingent consideration is measured at fair value amounting to RMB603,000 at the acquisition date. The identifiable assets of Zhongyi Group are mainly wind farm operation and maintenance contracts. The Group elected to apply the optional concentration test in accordance with HKFRS 3 Business Combinations. The acquisition has been accounted for as an acquisition of assets rather than a business combination, given that substantially all of the fair value of the gross assets acquired is concentrated in a group of similar identifiable assets (wind farm operation and maintenance contracts).

	RMB'000
Intangible assets	106,043
Trade and other receivables	7,483
Cash and cash equivalents	4,497
Trade and other payables	(5,810)
Contract liabilities	(743)
Income tax payable	(867)
Net assets	110,603
Satisfied by:	
Cash consideration	110,000
Contingent consideration	
— Fair value of profit guarantee	603
	110,603
Net cash outflow arising on acquisition:	
Cash consideration	110,000
Less: deposit paid during the year ended 31 December 2023	(60,000)
Less: cash and cash equivalent balances acquired	(4,497)
	45,503

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

43. LITIGATIONS

- (a) As of 24 October 2023, Yingtu Software Technology (Qingdao) Co., Ltd ("**Yingtu**") filed an arbitration claim against Beijing Hongteng, alleging outstanding payments under multiple software sales and service agreements signed between 2016 and 2019. The total claim amounts to RMB8.88 million, comprising RMB7.69 million in outstanding payments, RMB0.94 million in late payment interest, and associated legal costs.

On 24 April 2024, a hearing was held, and both parties submitted verification and objection opinions. The arbitration ruling orders Beijing Hongteng to fulfil the payment obligations and bear additional enforcement costs. The case has been completed, and all related expenses have been fully recognised in profit or loss for the year.

- (b) On 22 October 2019, Beijing Hongteng entered into a procurement contract with 蘇州海陸重工股份有限公司 ("**蘇州海陸**") for the 中化泉州廢液焚燒設施項目 with a total contract value of RMB21 million. On 18 September 2024, 蘇州海陸 obtained a civil court ruling for enforcement measures against Beijing Hongteng for a claim amounting to RMB4.6 million, comprising RMB4.2 million in outstanding payments and RMB0.4 million in accrued interest up to 16 July 2024. As part of the enforcement action, restricted bank deposits of RMB3.8 million were placed under Judicial preservation and are included in the Group's consolidated statement of financial position as at the reporting date.

As at the reporting date, the management has assessed the legal claim and, after consulting with legal advisors, considers the possibility of an outflow of economic benefits to be remote. Accordingly, no provision for the outstanding interest has been recognised in the consolidated financial statements in respect of this litigation.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial statements.

FINANCIAL HIGHLIGHTS

	2020	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	212,734	248,154	149,851	94,868	122,298
Gross profit	33,534	43,005	39,076	15,568	37,094
Net profit/(loss)	(126,034)	(55,253)	(119,095)	(143,648)	(73,543)
Profit/(loss) attributable to equity shareholders of the Company	(126,034)	(55,253)	(118,584)	(138,514)	(73,543)
Total assets	518,349	471,545	341,340	250,488	236,573
Total liabilities	404,008	277,746	266,959	285,021	347,919
	114,341	193,799	74,381	(34,533)	(111,346)
Equity attributable to:					
— Equity shareholders of the Company	114,341	193,799	74,892	(28,888)	(105,701)
— Non-controlling interests	—	—	(511)	(5,645)	(5,645)
	114,341	193,799	74,381	(34,533)	(111,346)
Gross profit margin ¹	15.8%	17.3%	26.1%	16.7%	30.33%
Net profit margin ²	(59.2)%	(22.3)%	(79.5)%	(151.4)%	(60.13)%
Current ratio ³	0.79	1.12	0.94	0.89	0.37
Quick ratio ⁴	0.73	1.05	0.82	0.76	0.33
Net debt to equity ratio ⁵	116.0%	21.6%	62.0%	(457.7)%	(295.4)%

1. Gross profit margin is calculated by dividing gross profit by revenue.

2. Net profit margin is calculated by dividing net profit by revenue.

3. Current ratio is calculated by dividing total current assets by total current liabilities.

4. Quick ratio is calculated by dividing total current assets less inventories by total current liabilities.

5. Net debt to equity ratio is calculated by dividing interest-bearing liabilities less cash and equivalents by total equity.