SKYBLUE 11
天璽曜11有限公司

Sky Blue 11 Company Limited

(formerly known as Balk 1798 Group Limited 巴克1798集團有限公司)

(Incorporated in Bermuda with limited liability)

(Stock code: 1010)

2024 ANNUAL REPORT

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS
Executive Directors
Ms. Li Weina
Dr. Zhang Yu
Mr. Phen Chun Shing Vincent *Note 1*
Mr. Zhang Fumin *Note 2*

Independent Non-executive Directors
Ms. Ching Ching
Dr. Song Donglin
Mr. Mak Tin Sang *Note 3*
Dr. Zhang Shengdong *Note 2*
Mr. Wong Xiang Hong *Note 4*

BOARD COMMITTEES
Audit Committee
Ms. Ching Ching *(Chairlady)*
Dr. Song Donglin
Mr. Mak Tin Sang *Note 3*
Dr. Zhang Shengdong *Note 2*
Mr. Wong Xiang Hong *Note 4*

Nomination Committee
Dr. Song Donglin *(Chairman)*
Ms. Ching Ching
Mr. Mak Tin Sang *Note 3*
Dr. Zhang Shengdong *Note 2*
Mr. Wong Xiang Hong *Note 4*

Remuneration Committee
Dr. Song Donglin *(Chairman)*
Ms. Ching Ching
Mr. Mak Tin Sang *Note 3*
Dr. Zhang Shengdong *Note 2*
Mr. Wong Xiang Hong *Note 4*

COMPANY SECRETARY
Mr. Ngai Tsz Hin Michael

STOCK CODE
1010

WEBSITE
www.skyblue11.com

AUDITOR
Prism Hong Kong Limited
Certified Public Accountants

PRINCIPAL BANKERS
Bank of Communications (Hong Kong) Limited
Dah Sing Bank, Limited

REGISTERED OFFICE
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL PLACE OF BUSINESS IN HONG KONG
Suite 3902, 39/F., Central Plaza,
18 Harbour Road, Wanchai, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE
Appleby Global Corporate
Services (Bermuda) Limited
Canon's Court, 22 Victoria Street,
PO Box HM 1179,
Hamilton HM EX Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE
Tricor Investment Services Limited
17/F., Far East Finance Centre,
16 Harcourt Road, Hong Kong

Notes:

1 Appointed on 12 November 2024.
2 Retired on 6 June 2024.
3 Appointed on 20 September 2024 and resigned on 8 November 2024.
4 Appointed on 26 February 2025.

EXECUTIVE DIRECTORS

Ms. Li Weina, aged 40, was appointed as the executive director of the Company on 14 August 2020. She joined the Group from July 2019, and is taking the role of a vice president in human resource and administration. She obtained a bachelor degree in Marketing in Huaqiao University*（華僑大學）in 2007. She was employed as an administration and human resource manager and secretary to chief officer in Zhongxin Fengyue (Dalian) Limited*（中信豐悅（大連）有限公司）from 2010 to 2014, and a manager of the board office and secretary to chief officer in Zhongying Holding Group Limited*（中盈控股集團有限公司）from 2014 to 2019. She has extensive experience in human resource and administration management. She is the director of several subsidiaries of the Company.

Dr. Zhang Yu, aged 39, was appointed as the executive director of the Company on 6 April 2023 and is the director of 2 subsidiaries of the Company. He graduated from University of York, United Kingdom. Dr. Zhang started working as a research fellow at York Management School of University of York, United Kingdom in 2010. Since 2011, Dr. Zhang has been a global advisor of China Railway Group Limited in the international market. Also, Dr. Zhang is currently an advisor and business development director of Compact GTL Limited, founder and co-director of Innovation Centre for Commercialization of the University of Surrey, and representative of United Kingdom at Tianjin Administration of Foreign Experts Affairs. Dr. Zhang has extensive experience and industry background in trade finance and commodities trading. Dr. Zhang built up his business connections with a number of well-known worldwide corporations across multiple industries including but not limited to banking, trading, mining, smelting and financial services. In particular, Dr. Zhang is very experienced in both physical commodity trading and futures markets. Dr. Zhang also gave public speeches in relation to global finance and development since 2016, he has been invited to speak at Chatham House of the United Kingdom in 2016 and 2018.

Mr. Phen Chun Shing Vincent, aged 48, holds a bachelor degree in business administration and marketing from the University of North Texas. Mr. Phen has been an executive director of Taung Gold International Limited (stock code: 621) since 11 May 2017. From 2007 to 2009, he was employed at CLSA Capital Partners. From 2009 to 2012, Mr. Phen held the position of director at CMS Capital (HK) Co., Limited (formerly known as "CMTF Asset Management Limited"). From 2012 to 2015, Mr. Phen served as an executive director of China Merchants Capital Management (International) Limited. In addition, Mr. Phen served as (i) a non-executive director of Comtec Solar Systems Group Limited, a company listed on Main Board of The Stock Exchange (the "**Stock Exchange**") of Hong Kong Limited (stock code: 712), from 26 March 2010 to 20 September 2012; (ii) a non-executive director of EPI (Holdings) Limited, a company listed on Main Board of the Stock Exchange (stock code: 689), from 15 February 2016 to 19 October 2016; (iii) an executive director of China Partytime Culture Holdings Limited, a company listed on Main Board of the Stock Exchange (stock code: 1532), from 3 August 2017 to 3 April 2020; (iv) an independent non-executive director of Agritrade Resources Limited, which was listed on Main Board of the Stock Exchange but was delisted as of 31 January 2022, from 12 December 2017 to 8 June 2021 (stock code: 1131).

* For identification purposes only

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Ching Ching, aged 46, was appointed as independent non-executive director of the Company on 23 June 2020. She obtained a Bachelor of Science in Business Administration (Finance and Management Information System) in University of Arizona (USA) in 2001 and an Executive Master of Business Administration Certificate in Fudan University in 2014. She is a Fellow member of both the Institute of Public Accountants Australia, Certified Management Accountant Australia, Institute of Financial Accountants (UK), the Association of International Accountants and the Royal Statistical Society. She is also a Professional Member of CACFO（中國總會計師協會）and the British Computer Society. She is currently the Financial Controller of First America Title Insurance Company, a company licensed by the Insurance Authority in Hong Kong. She has around 20 years of experiences in corporate finance, mergers and acquisition, and business valuation.

Dr. Song Donglin, aged 68, was appointed as the independent non-executive director of the Company on 15 April 2021. He (i) obtained an undergraduate degree and a master's degree from the Jilin University in 1982 and 1985, respectively; (ii) served as a teacher of the Economics Department of Jilin University from 1985 to 1993, and was a visiting scholar at Rutgers University in the United States from 1988 to 1990; (iii) obtained a doctoral degree from Jilin University in 1994; (iv) served as the deputy dean of the Business School of Jilin University from 1993 to 2000; (v) served as the deputy dean and dean of the School of Economics of Jilin University from 2000 to 2005; (vi) served as the vice president of Changchun Taxation College from 2005 to 2006; (vii) served as the president of Changchun Taxation College from 2006 to 2010; (viii) served as the president of Jilin University of Finance and Economics from 2010 to 2018; (ix) has been serving as professor of Jilian University since 2018; (x) has been serving as an independent director of Jilin Bank since March 2020; and (xi) has been serving as the Director of the China State-Owned Economy Research Center at Jilin University since 2022. Dr. Song has extensive experience in the fields of economics and business administration.

Mr. Wong Xiang Hong (previously known as Wong Kan Edmond (王翔弘, previously known as 王勤)), aged 54, holds an MBA degree with Dean's Honor from the University of Texas at Austin. Mr. Wong previously served as an executive director and chief executive officer of Arta Techfin Corporation Limited (Stock Code: 279, formerly known as Freeman Fintech Corporation Limited), a company listed on the Main Board of the Stock Exchange, from April 2019 to March 2020. He also served as an executive director of Great Wall Terroir Holdings Limited (Stock Code: 524, formerly known as e-Kong Group Limited and Great Wall Belt & Road Holdings Limited) ("**Great Wall Terroir**"), a company listed on the Main Board of the Stock Exchange, from July 2015 to July 2018, where he was responsible for its equity investment business. Prior to joining Great Wall Terroir, Mr. Wong worked in J.P. Morgan Chase & Co. ("**J.P. Morgan**") Hong Kong as a Managing Director and Head of China Corporate Sales Team in the Credit & Rates Department. Mr. Wong joined J.P. Morgan Hong Kong in 2000 and worked in the Financial Advisory Unit, where he was responsible for building and managing the sales teams for the origination, advisory and execution of structured financing, risk management, balance sheet management solutions for Greater China corporate clients, as well as advising clients in the telecom and power industry on debt restructuring during the Asian financial crisis. Prior to relocating to Hong Kong, he had been working with Global Mergers & Acquisitions and Global Syndicated Finance Group with J.P. Morgan in New York from 1998 to 2000.

As disclosed in the regulatory announcements published by the Stock Exchange on 13 March 2020 (the "**2020 Regulatory Announcement**") and 15 June 2022 (the "**2022 Regulatory Announcement**"), the Listing Committee of the Stock Exchange ("**Listing Committee**") criticised, among others, Mr. Wong for breaches of certain provisions of the Listing Rules while acting as a former executive director of Great Wall Terroir. The Listing Committee concluded that Mr. Wong and certain other directors of Great Wall Terroir were in breach of the director's undertaking given by them to the Stock Exchange for failing to use their best endeavours to procure Great Wall Terroir to comply with the Listing Rules, particularly with regard to notifiable and connected transactions. For details, please refer to the 2020 Regulatory Announcement and the 2022 Regulatory Announcement, which can be found on the website of the Stock Exchange.

The 2020 Regulatory Announcement and the 2022 Regulatory Announcement did not appear to contain any allegation of fraud or dishonesty against Mr. Wong. Apart from the direction of the Listing Committee in the 2022 Regulatory Announcement requiring Mr. Wong to undergo 21 hours of director's training on compliance of the Listing Rules, particularly in relation to directors' duties, Corporate Governance Code, Listing Rule requirements regarding notifiable transactions and connected transactions, which Mr. Wong confirmed he has duly completed, no further action was taken against Mr. Wong in relation to the subject matter leading to the criticism by the Stock Exchange.

CHIEF EXECUTIVE OFFICER

The position of the chief executive officer is currently vacant and its roles and functions are performed by all executive Directors collectively.

COMPANY SECRETARY

Mr. Ngai Tsz Hin Michael, from Khoo & Co., an external service provider, has been engaged by our Company as our Company Secretary to support the Board. Mr. Ngai, aged 36, has extensive experience in the legal industry. He obtained a Bachelor of Laws degree and a postgraduate certificate in laws from the City University of Hong Kong in 2011 and 2012, respectively. Mr. Ngai is a practising solicitor in Hong Kong and is currently a partner of Khoo & Co. and the principal of Michael Ngai & Co. Mr. Ngai is currently the company secretary of several companies listed on the Stock Exchange.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results, the assets, liabilities and total equity of the Group for the last five financial years, as extracted from the audited consolidated financial statements and this Annual Report of the Company for the year ended 31 December 2024, is set out below:

RESULTS

	2024	2023	2022	2021	2020
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**36,034**	113,970	181,076	105,619	92,647
(Loss)/profit before tax	**(164,565)**	(44,254)	3,406	(52,550)	(4,820)
Income tax expense	**(548)**	(2,193)	(5,642)	(290)	(733)
Loss for the year	**(165,113)**	(46,447)	(2,236)	(52,840)	(5,553)
Attributable to owners of the Company	**(165,113)**	(46,447)	(2,236)	(52,840)	(5,495)

ASSETS AND LIABILITIES

	31 December 2024	31 December 2023	31 December 2022	31 December 2021	31 December 2020
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Non-current assets	**35,433**	41,473	38,795	43,154	79,293
Net current (liabilities)/assets	**(162,763)**	(42,462)	9,251	19,396	28,060
Total assets less current liabilities	**(127,330)**	(989)	48,046	62,550	107,353
Non-current liabilities	**(655)**	(1,990)	(881)	–	(67)
Net (liabilities)/assets	**(127,985)**	(2,979)	47,165	62,550	107,286
Shareholders' equity					
Share capital	**44,429**	37,025	37,025	37,025	37,025
Reserves	**(172,414)**	(40,004)	10,140	25,525	70,261
(Capital deficiency)/total equity	**(127,985)**	(2,979)	47,165	62,550	107,286

On behalf of the board of directors (the "**Directors**") (the "**Board**") of Sky Blue 11 Company Limited (the "**Company**"), I hereby report on the results of the Company and its subsidiaries (the "**Group**") for the year 2024.

BUSINESS REVIEW AND OUTLOOK

Looking back at 2024, it became evident that the recovery period from the COVID-19 pandemic was unexpectedly prolonged, resulting in an economic recession in major economies. The downward trend in the economy throughout the entire year of 2024 was extremely difficult to reserve or survive for many industries. While facing uncertainties on the economic outlook, the customers' purchasing power as well as the consumption sentiment experienced a continuous decline, particularly in the consumption products and luxury goods. As a result, the financial performance, especially on the business segments of the executive jet management and yacht businesses of the Group, was inevitably affected.

In light of the challenges faced, the Group adhered to its prudent approach by closely monitoring its business portfolio and implementing various strategies and decisive measures to reform during the year ended 31 December 2024, aiming to mitigate the negative impacts of the challenges and enhance the shareholders' value. Objectives of these measures were i) to maintain the core business that can create reliable returns with competitive advantages; ii) to exit from businesses that have not met expectations or might require further input from the Group; and iii) to continuously seek opportunities that enhance the Group's revenue bases and profit-making abilities.

In 2024, the principal businesses of the Group were i) the design and sales of integrated circuits and semi-conductors parts, ii) executive jet management, and iii) manufacturing and sales of yachts and other yachts related businesses. Throughout the year ended 31 December 2024, alongside with the reforms implemented by the management of the Group (the "**Management**"), the Group has endeavored to maintain its position by reducing costs and enhancing efficiencies across all business segments to generate stable cash flow of the Group and foster sustainable business development in the long term.

For the year ended 31 December 2024, the Group recorded a revenue of approximately HK$36.0 million, representing a decrease of 68.4% while compared to the revenue of approximately HK$114.0 million for the year ended 31 December 2023. A loss for the year of approximately HK$165.1 million was recorded for the year ended 31 December 2024, which was significantly higher when compared to the loss for the year of approximately HK$46.4 million for the year ended 31 December 2023. The loss was mainly attributable to impairment loss recognised in respect of trade and bills receivables of approximately HK$67.5 million (2023: approximately HK$5.8 million) and inventories of approximately HK$58.7 million (2023: approximately HK$14.5 million), respectively for the year ended 31 December 2024.

The selling and distribution costs was reduced from approximately HK$7.1 million for the year ended 31 December 2023 to HK$nil million for the year ended 31 December 2024. The finance costs was increased from approximately HK$0.4 million for the year ended 31 December 2023 to approximately HK$16.0 million for the year ended 31 December 2024 resulting from drawdown of new loans from third parties. The general and administrative expenses was decreased from approximately HK$61.5 million for the year ended 31 December 2023 to approximately HK$39.4 million for the year ended 31 December 2024 which was due to the decrease in the professional fees and general office expenses.

According to the Sales Market Report by IYC Yachts, the global yacht sales market experienced a decline in 2024, with demand for both new and pre-owned yachts decreasing by 19% compared to the previous year. The total value of yacht transactions amounted to US$6.9 billion, reflecting a 10% year-over-year decline. In addition, the overall market saw a steep 23% decline in transactions, the Group faced challenges in the yacht sales during 2024.

To align with the business strategies of the Group, new measures or strategies may be formulated or implemented from time to time, depending on availability and feasibility of the then opportunities. The Management is confident that the responsive measures taken have allowed the Group to deploy its resources into businesses with promising future, and will therefore enhance its revenue base and create long-term profitability.

ACKNOWLEDGEMENT

On behalf of the Board, I wish to take this opportunity to express our appreciation to the Management and staff of the Group for their commitment and dedication and sincere gratitude to the shareholders for their continued confidence in and support of the Group.

For and on behalf of the Board of
Sky Blue 11 Company Limited

Li Weina
Executive Director

Hong Kong, 28 March 2025

Set out below is a management discussion and analysis of the Group for the year ended 31 December 2024.

SEGMENT REVIEW

Design and sales of integrated circuit and semi-conductor parts

Design and distribution of integrated circuit and semi-conductor parts in the PRC, Hong Kong and Taiwan remained as one of the important part of the businesses of the Group. The Group acquires raw material integrated circuit ("**IC**") and semi-conductor related parts from external suppliers and applies internet technology and related equipment for the design of IC related products before outsourcing to external sub-contractors for production. The Group is not involved in the manufacturing processes.

The Group's IC products are used in industrial and housing measuring tools and electronic bicycles battery charger market. The core research and development team in Shanghai provides the design of the products and the products are then outsourced to certain external suppliers or sub-contractors for subsequent productions. After conducting successful testing of the sub-contracted products in Shanghai, the Group then sells the products to customers, which are usually end-product manufacturers/producers.

There are mainly two types of products in integrated circuit and semi-conductor parts: caliper and microcontroller unit ("**MCU**"), each of the products has approximately 10 different models. The total product mix between caliper and MCU remained relatively stable during the year ended 31 December 2024.

For the year ended 31 December 2024, this segment recorded (i) a revenue of approximately HK$31.0 million (2023: approximately HK$25.2 million); and (ii) a loss of approximately HK$0.1 million (2023: approximately HK$0.6 million). The Management noticed that competition in the IC market was becoming more intensive as a result of rapid technological advancement, increasing production costs and evolving customers' demands and favors, which exerted further pressure on profit margins. The Group has therefore contemplated to exploit more resources to the yacht businesses and other newly developed businesses with higher profit margins.

Executive jet management

Services provided by the Group mainly include executive jet management service, aircraft sales service and pilot training service. The Management adopted a customer-oriented strategy and focused on improving the service quality, as well as expanding the service categories, with an aim to build up competitive advantages to tackle with external competitions.

During the year ended 31 December 2024, the commercial airline industry experienced a revival due to the release of travel restrictions, resulting in increased passenger demand. On the other hand, the executive jet industry encountered ongoing challenges arising from the prolonged COVID-19 pandemic. Following the COVID-19 pandemic, businesses as well as individuals who previously utilized executive jets began to return to commercial airlines as health and safety concerns diminished. They may also opt for virtual meetings and remote work arrangement. The changing preferences in travel behavior reduced the demand for executive jet services. As a result, nil revenue and a segment gain from reversal of impairment of trade receivable of approximately HK$4.8 million were recorded for the year ended 31 December 2024 while nil revenue and a segment loss of approximately HK$5.4 million were recorded for the year ended 31 December 2023.

The Group will adopt prudent approach in assessing the development in executive jet management business and seek potential opportunities within the industry. While pursuing opportunities, the Group will also exercise cautious approach in allocating its limited resources. It will prioritise its core businesses that have higher profit margins and to generate better results to the shareholders of the Company.

Yacht businesses

The Company wishes to provide an update regarding the notable decrease in revenue from the yacht business, which is largely attributed to the backlog resulting from the COVID-19 pandemic. In 2024, yacht sales experienced a significant downturn due to rising labor and material costs, in addition to prolonged construction timelines, which adversely affected market demand. Following the cancellation of a purchase order for five 46-meter superyachts in 2023, the Group has encountered difficulties in attracting new buyers.

In 2024, the Group successfully disposed of five semi-finished yachts for a total of HK$5 million. As of 31 December 2024, five superyachts remain under construction and outfitting. Consequently, the Group recorded revenue of approximately HK$5 million and a segment loss of approximately HK$139.8 million (2023: revenue of approximately HK$88.8 million and segment loss of HK$7.4 million) for the year ended 31 December 2024. Nevertheless, the Group remains optimistic that this situation is transient.

To support the yacht business, the Group intends to market the work-in-progress superyachts to potential clients and industry partners. Concurrently, to mitigate business risks, the Management will focus on transitioning from a capital-intensive business model to a more asset-light, service-oriented approach. The Group will continue to monitor market conditions, secure necessary funding, and explore opportunities for synergistic ventures, as well as evaluate potential mergers and acquisitions, all aimed at significantly enhancing the Group's financial performance and operational efficiency.

Property investment

The Group possessed a leasehold interest on a land parcel in the Island of Saipan, with a site area of approximately 4,536 square meters upon which there is a housing development namely Miller's Estates. The total gross floor area of these properties in the Island of Saipan was approximately 1,953 square meters within six apartment buildings containing an aggregate of 31 apartment units. According to the valuation assessed by an independent professional valuer, the properties in the Island of Saipan had a value of approximately HK$27.2 million (2023: approximately HK$28.9 million) as at 31 December 2024. The properties in the Island of Saipan constituted the sole investment of the Group's investment properties.

The economy in the Island of Saipan heavily depends on tourism which was detrimentally hit by the COVID-19 pandemic. The local government has been working on resumption of its tourism industry since last year and it is expected the economy will be recovered gently. Since the local real estate market in the Island of Saipan was recovering from the economy downturn resulting from the COVID-19, the Management adopted a passive and prudent investment strategy for this business segment for the reporting year. Nil revenue and segment loss of approximately HK$1.8 million were recorded for the year ended 31 December 2024, while nil revenue and segment loss of approximately HK$1.5 million were recorded for the year ended 31 December 2023. The Group would consider and explore different options in realising the investment potential of the properties, such as leasing or sales based upon the market situation.

Investment holding

For the year ended 31 December 2024, the Group had the following investments:

- 23,000,000 unlisted shares of Cornerstone Securities Limited ("**Cornerstone Securities**"), representing approximately 8.81% of the entire issued capital of Cornerstone Securities. Cornerstone Securities is a company incorporated in Hong Kong with limited liability. It holds licenses to conduct the type 1 regulated activity (dealing in securities) and the type 4 regulated activity (advising on securities) and is principally engaged in securities dealing business in Hong Kong. As at 31 December 2024, the investment in Cornerstone Securities has a fair value of approximately HK$5.5 million (2023: approximately HK$4.4 million), representing approximately 2.4% (2023: 1.2%) of the total assets of the Company.

- 202 unlisted shares of Red Power Developments Limited ("**Red Power**"), representing 20.2% of the entire issued capital of Red Power, which is a company incorporated in the British Virgin Islands with limited liability. Through its subsidiaries, Red Power is principally engaged in the provision of air transportation services, development, sales, lease and maintenance of equipment involving the application of aviation technology in the PRC. The Group carried out an impairment assessment of Red Power and full impairment of the investment in an associate was recognised during the year ended 31 December 2021. For more details, please refer to the announcement of the Company dated 28 November 2022 and annual report 2021 of the Company.

For the year ended 31 December 2024, (i) no acquisition or disposal of the investment in Cornerstone Securities and Red Power was conducted; and (ii) no dividend in relation to the investment in Cornerstone Securities and Red Power was received or claimed. Red Power was deregistered at 2 May 2024, the investment was written off during the year ended 31 December 2024. The Company intends to hold the investment in Cornerstone Securities as a passive and long-term investment as at 31 December 2024.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group's operations, financials and prospects are affected by risks and uncertainties. Based on a review on the operation and environment of the Group's businesses, the risk factors listed below may directly or indirectly lead to significant differences in the Group's operating performances, financial positions and development prospects from its expected or past performances. These factors are not comprehensive, and there may be other risks and uncertainties that are not known by the Group or may not be noticeable at present, but may become significant in the future.

Business Risk

The Group's businesses are subject to risks associated with changes in the general macroeconomic, political, social and regulatory conditions in the markets in which it operates.

Performance of all business segments of the Group may be affected by fluctuations in market prices and market demands of the Group's final products and services. Some products, for example, integrated circuits and semi-conductor parts manufactured by the Group, have a relatively standardised design and/or predetermined production cycle, and therefore may not be able to meet changeable requirements of the customers. On the other hand, the executive jet management services and the yacht businesses are subject to price and quality competitions from other service providers and yacht manufacturers. If the Group fails to adapt and respond successfully, it may adversely affect the business performance and development prospects.

Raw materials or outsourced services which are provided by the Group's suppliers are subject to price fluctuations. The Group does not enter into any material contracts to hedge against such price fluctuations. Therefore, any increases in these raw materials or outsourced services will exert pressures on the Group's costs, gross profits and final prices that the Group in turn charges the customers. Should there be any significant increases in the prices of raw materials or outsourced services which are out of the Group's expectation over a period, the Group's performances would be significantly affected.

Industry Risk

All business segments of the Group are operated in industries which are highly competitive. Competition may intensify as the Group's competitors expand their products or services, lower their prices, or strengthen their qualities. There may be new competitors entering into the Group's existing markets as well. If the Group does not compete successfully against existing and new competitors, the Group may not be able to maintain its existing business scale and operating performance.

Policy Risk

Some business segments of the Group must abide by various policies and regulations. For example, the executive jet management business and the yachting businesses are all subject to intensive compliance requirements. Central and local regulators may require the Group to apply for new licenses, and impose new rules, regulations or requirements. Changes in policies and regulations will affect the development of the Group's business, such as increasing compliance costs and reducing business opportunities.

Credit Risk

All business segments of the Group allow a certain credit term for the customers. All trade and other receivables are accounted for by their carrying amounts less expected credit loss. However, such amounts do not represent the Group's maximum exposure to credit risk. On the other hand, the Group has certain long-term equity investments in unlisted companies in Hong Kong. All the Group's financial assets, including trade and other receivables and equity investments, are subject to credit risk. Save for their own performances of each individual customer and each investment, there are a lot of factors which can affect their credit risks, such as the general economy, government policies and investor confidences.

Other Risks

Some risks are not noticeable from the daily operations of the Group, but they can have a material adverse impact on the Group. Fluctuations in demand for luxury goods, such as yachts, can be impacted by economic cycles, consumer sentiment, and changes in disposable income of potential buyers. For the year ended 31 December 2024, the operations of the Group were significantly influenced by the changes in environmental regulations related to yacht emissions, disposal, and recycling may result in higher operational costs and such may deteriorate other risks and uncertainty that the Group are facing, such as an increase in credit risk. Given the complexity, materiality and unpredictability of these events, the Group is of the view that their impacts may take a longer time to fully emerge. For a comprehensive risk management, engaging with legal, financial, and industry-specific experts help address these challenges effectively.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2024, the Group achieved a revenue of approximately HK$36.0 million (2023: approximately HK$114.0 million). The revenue was principally contributed by the Group's core businesses, i.e. the design and sales of integrated circuits and semi-conductor parts and the manufacturing and sales of yachts and other yacht related businesses.

For the year ended 31 December 2024, 86% (2023: 22%) of the consolidated revenue came from the business of the design and sales of integrated circuits and semi-conductor parts and 14% (2023: 78%) of the consolidated revenue came from the business of manufacturing and sales of yachts and other yacht related businesses.

Operating expenses

Operating expenses comprise selling and distribution costs and general and administrative expenses in aggregate of approximately HK$39.4 million (2023: approximately HK$68.6 million) for the year ended 31 December 2024. Such decrease was mainly due to substantially decrease in general office expenses and professional fee during the year ended 31 December 2024.

Loss for the year

For the year ended 31 December 2024, loss for the year attributable to owners of the Company was approximately HK$165.1 million (2023: approximately HK$46.4 million). Basic loss per share attributable to ordinary equity holders of the Company was approximately HK37.45 cents (2023: approximately HK12.54 cents).

Liquidity and financial resources

On 22 December 2023, the Group entered into a placing agreement with a placing agent to place up to 74,049,028 new shares under the general mandate. On 17 January 2024, the placing of new shares under general mandate of the Company was completed. An aggregate of 74,049,028 placing shares, representing approximately 16.67% of the issued share capital of the Company as at the date of this Annual Report have been successfully placed to no less than six placees at the placing price of HK$0.56 per placing share. The gross and net proceeds from the placing amounted to approximately HK$41.5 million and HK$40.2 million respectively and the net placing price was approximately HK$0.54 per placing share. The proceeds from the share placement would be applied to general working capital and business development. Please refer to announcements of the Company dated 22 December 2023 and 17 January 2024 for more details.

Use of net proceeds	Net proceeds	Net proceeds utilised during the year ended 31 December 2024
	HK$'000	HK$'000
General working capital of the Group	40,223	40,223
Total	40,223	40,223

As at 31 December 2024, the cash in banks of the Group amounted to approximately HK$28.5 million (2023: approximately HK$69.1 million), in which a cash deposit of approximately RMB5.6 million (2023: approximately RMB43.4 million), equivalent to approximately HK$6.1 million (2023: approximately HK$47.5 million), maintained in one of the bank accounts of the Group was frozen as a result of a ruling in respect of preservation of frozen accounts receivable issued by The People's Court of Longgang District, Huludao City in the PRC on 11 April 2023. Such Ruling was against one of the suppliers of the Group, namely Liaoning Jinlong Mega Yacht Manufacturing Co. Limited, for its failure to repay a loan borrowed from a bank in the PRC. For more details, please refer to the announcement of the Company dated 28 April 2023. As of the date of this Annual Report, the Group's legal adviser is still dealing with the above-mentioned matters, and there is no new progress for the time being.

The Group had outstanding loans amounted to approximately HK$124.7 million (2023: nil) as at 31 December 2024.

Save for the above, the Group had no fund-raising activities during the year ended 31 December 2024.

Gearing ratio

The gearing ratio of the Group, defined as total interest-bearing liabilities expressed as a percentage of the total equity and liabilities, was 54.8% (2023: nil) as at 31 December 2024, which was attributed to the Group's net liabilities position.

Foreign currency exposure

The Group's results were exposed to exchange fluctuations of Renminbi as the Group had operations in the PRC. Certain materials used in the IC and semi-conductor parts and the cost of a yacht were settled in US dollars, which exposed the Group to exchange fluctuations of US$-RMB. Nevertheless, the Board considered that the Group in general was not exposed to significant foreign exchange risk, and had not employed any financial instrument for hedging. The Board will review the Group's foreign exchange risk and exposure from time to time and will apply hedging where necessary.

Capital structure

For the year ended 31 December 2024, there was no change to the authorised share capital of the Group.

As at 1 January 2024, the Company had issued a total of 370,245,142 shares in the par value of HK$0.1 each. On 17 January 2024, the Company issued 74,049,028 new shares by utilising the general mandate granted to the directors of the Company at the 2023 annual general meeting. The 74,049,028 new shares were issued as fund for general working capital and business development. As at 31 December 2024, the Company has issued a total of 444,294,170 shares in the par value of HK$0.1 each. All shares are fully paid and rank pari passu with each other in all respects.

As at 31 December 2024, the shareholders' deficiency amounted to approximately HK$128.0 million (2023: approximately HK$3.0 million).

Pledge of assets

As at 31 December 2024, the Group did not have any pledge of assets (2023: nil).

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATES

Save as disclosed in this Annual Report, there were no material acquisitions or disposals of subsidiaries, associates or joint ventures during the year ended 31 December 2024.

MATERIAL COMMITMENT

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

EVENTS AFTER THE REPORTING PERIOD

Change in Bermuda share registrar

As of 1 January 2025, the Company's Bermuda principal share registrar and transfer agent has been changed to:

Appleby Global Corporate Services (Bermuda) Limited
Canon's Court, 22 Victoria Street, PO Box HM 1179, Hamilton HM EX, Bermuda

For further information, please refer to the announcement of the Company dated 13 January 2025.

Change in Hong Kong share registrar

With effect from 11 April 2025, the Company's branch share registrar and transfer office in Hong Kong will be changed to:

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

For further information, please refer to the announcement of the Company dated 14 March 2025.

CONTINGENT LIABILITIES

No material contingent liabilities of the Group were noted as at 31 December 2024 (2023: nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2024, the Group had approximately 36 employees (2023: 42 employees). For the year ended 31 December 2024, total employee benefits expenses, including directors' emoluments, amounted to approximately HK$27.8 million (2023: approximately HK$30.3 million). The remuneration packages of employees are reviewed annually with reference to market level and individual staff performance. The Group's remuneration packages include basic salaries, bonus, contributions to provident fund and medical benefits.

FINAL DIVIDEND

The Board does not recommend the payment of any final dividend for the year ended 31 December 2024 (2023: nil).

INTRODUCTION TO THE REPORT

This Environmental, Social and Governance Report (the "**Report**") provides an overview of the initiatives, plans and performance of Sky Blue 11 Company Limited (the "**Company**", "**Sky Blue 11**", the "**Group**" or "**We**", together with its subsidiaries) in Environmental, Social and Governance ("**ESG**") and demonstrates its commitment to sustainable development.

REPORTING PERIOD

This Report describes the ESG activities, challenges and measures taken by the Group during the year ended 31 December 2024 (the "**Reporting Period**", "**Year**", "**2024**", "**FY2024**").

REPORTING SCOPE

The Group's head office is in Hong Kong, and it has operation subsidiaries in the People's Republic of China (the "**PRC**"). The Group's formwork business principally includes (i) integrated circuit and semiconductor components design and sales; ii) executive jet management services; (iii) manufacturing and sales of yachts and other yacht-related businesses; and (iv) property investment.

During the Year, the environmental data includes only the PRC office but not the Hong Kong office. Due to the Hong Kong office has been relocated twice in 2024, the electricity and water bills have been included in the property management and administrative fees and such data cannot be obtained.

REPORTING FRAMEWORK

This ESG Report has been prepared in accordance with the ESG Reporting Guide as set out in Appendix C2 to the Rules Governing the Listing of Securities on Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

REPORTING PRINCIPLES

During the preparation of this ESG Report, the Group has applied the Reporting principles stipulated in the ESG Reporting Guide as follows:

- *"Materiality"* – A materiality assessment was conducted to identify material issues during the Reporting Period, thereby adopting the confirmed material issues as the focus for preparing this ESG Report. The materiality of issues was reviewed and confirmed by the Board. Please refer to the sections headed "Engaging Stakeholders" for further details.

- *"Quantitative"* – Supplementary notes are added along with quantitative data disclosed in this ESG Report to explain any standards, methodologies, and sources of conversion factors used to calculate environmental key performance indicators ("**KPIs**").

- *"Balance"* – This Report aims to provide a holistic and fair view of the sustainability performance of the Group and has not omitted any information related to material ESG topics.

- *"Consistency"* – The approach adopted for preparing this ESG Report was substantially consistent with the previous year, and explanations were provided regarding data with changes in the scope of disclosure and calculation methodologies.

FORWARD-LOOKING STATEMENTS

This ESG Report contains forward-looking statements which are based on the current expectations, estimations, projections, beliefs, and assumptions of the Group about the business and the markets in which it operates. These forward-looking statements are not guarantees of future performance and are subject to market risks, uncertainties, and factors beyond the control of the Group. Therefore, actual outcomes may differ from the assumptions made and the statements contained in this ESG Report.

CONFIRMATION AND APPROVAL

This ESG Report was endorsed by the ESG Working Group and approved by the Board in March 2025.

CONTACT US

Your feedback is valuable to our continuous improvement, and we welcome any comments and suggestions you may have on this ESG Report or our future ESG strategy in general. Please share any comments or suggestions regarding the Group's ESG performance by email to us at admin@skyblue11.com.

ESG GOVERNANCE STRUCTURE

The Board – Decision-making Level

- Evaluate ESG-related risks and opportunities
- Formulate ESG management approaches, strategies, priorities and goals
- Regularly review ESG-related targets
- Review the disclosures in the ESG Report
- Oversee all ESG issues

ESG Working Group

- Collect and analyse ESG data and evaluate the effectiveness of policies and procedures
- Ensure the implementation of plans to achieve ESG targets
- Ensure compliance with relevant ESG laws and regulations
- Support the preparation of the annual ESG Report
- Report to the Board on all ESG-related issues

THE BOARD STATEMENT

The Board, being ultimately responsible for monitoring the Group's ESG issues, including ESG management approach, strategy, and policies, holds a crucial role in ensuring effective oversight. To comprehensively manage the Group's ESG performance and proactively identify potential risks, the Board conducts materiality assessments, when necessary, with the assistance of the ESG committee. These assessments evaluate and prioritise material ESG-related issues, considering the opinions of stakeholders. Additionally, the Board reviews the progress made against ESG-related goals and targets, establishing a direct connection between these goals and targets and their relevance to the issuer's businesses.

The ESG Working Group ("Working Group")

The ESG Working Group was established with key members from various departments, approved by the Board, to help assess risks and implement policies effectively. Its main tasks include collecting and analysing ESG data for reporting, monitoring performance, and ensuring compliance with regulations.

The Working Group discusses important ESG topics and incorporates these concerns into strategy development for managing risks and seizing opportunities. By analysing information, it sets ESG goals as part of sustainable development, turning challenges into opportunities through effective policies. Additionally, the Working Group reports to the Board regularly to help assess ESG risks and opportunities, evaluate internal controls, and track progress toward goals.

STAKEHOLDER ENGAGEMENT

The Group is dedicated to fostering a sustainable approach within its ESG strategies to enhance performance in environmental protection and social responsibility. Valuing the input from stakeholders, the Group actively seeks to understand, respond to, and address the primary concerns of various stakeholders through close communication. To facilitate effective communication and incorporate stakeholder feedback into sustainable management and ESG strategy development, a wide array of communication channels has been established.

When formulating operational and ESG strategies, the Group considers stakeholders' expectations through diverse engagement methods and communication channels. These methods and channels are outlined below:

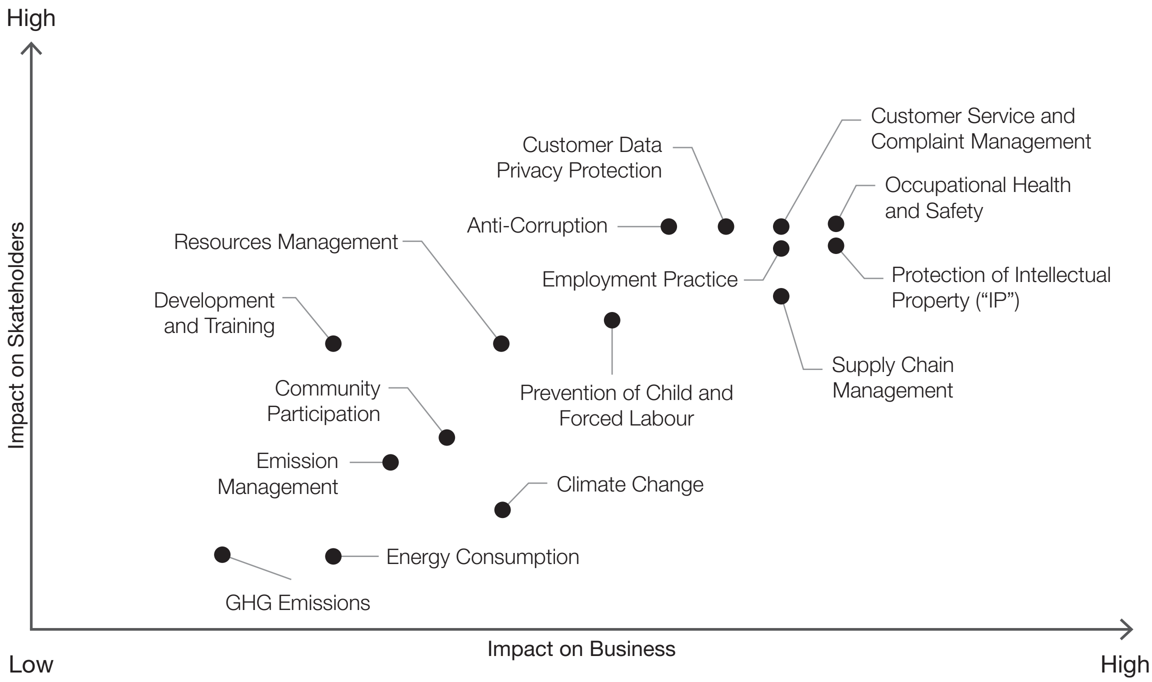
Stakeholders	Communication channels	Expectations
Employees	• Employee Activities • Professional Training • Performance Appraisal • On-site meetings and discussions	• Health and Safety • Equal Opportunities • Compensation and Benefits • Career Development • Legal rights and interests
Customers	• Customer Satisfaction Surveys • Customer Service Center • Complains Review Meeting • Hotline • Emails and Website	• Quality Services • Personal Safety • Compliant Operation • Privacy Protection • Seamless Communication
Suppliers	• Supplier Meetings and Events	• Contract Performance • Business Ethics
Investors and Shareholders	• Annual General Meeting • Special Report • Financial Reporting • Announcements and Circulars	• Compliant Operation • Information Disclosure • Financial Performance • Corporate Governance • Involvement in the decision-making process
Government and Regulators	• Written or electronic correspondences	• Compliance with Regulations • Security Operations
Community, NGOs, and Media	• Public and Community Events • Community Investment Programs • ESG Reports	• Transparent information disclosure

MATERIALITY ASSESSMENT

In addition to referencing its business development strategy and industry practices, the Group also identified a list of ESG issues and prepared a questionnaire based on the results of the material assessments in the previous year. Thanks to the questionnaire, the Group's relevant stakeholders and management and staff of major functions can assist in reviewing the operations and identifying relevant ESG issues and assessing the importance of such issues to the Group's business and its stakeholders.

Material issues in this Report refer to what may have a significant impact on the Group's business operations or have an actual impact on stakeholders. The Group has analysed and presented the results of the survey as a materiality matrix. The materiality assessment results are ultimately reviewed by the Board and senior management to ensure that they are consistent with the Group's business nature and broadly represented. It will be used as an important reference for future strategies, targets, and information disclosure. The following matrix is a summary of the Group's material ESG issues during the Reporting Period:

MATERIALITY MATRIX OF THE GROUP



ENVIRONMENTAL

We recognise the significance of minimising the environmental footprint of our operations and strive to implement sustainable practices at every level. Our dedication to environmental management drives us to continually refine and optimise our existing measures. We proactively develop and implement relevant systems that adhere to stringent environmental standards. By enhancing our energy efficiency and adopting innovative technologies, we actively reduce pollution emissions.

Environmental Targets – Our Progress

In order to support global efforts to address climate change, accelerate the pace of transition to a green and low-carbon economy, resolutely achieve the "2050 carbon neutrality" goals, and assess the effectiveness of the Group's strategies and measures to mitigate the impact of climate change, we had set environmental targets of the Group, using 2024 as baseline and keeping our figures as the same as or lower than the baseline, as below.

Environmental Aspects	Units	FY2024
GHG Emissions Intensity	tCO2e per employee	0.56
Energy Consumption Intensity	MWh per employee	1.13
Waste Generation Intensity	Tonnes per employee	2.86

Setting these objectives, it provides guidance for the Group's business strategy. The steps taken to achieve these goals are detailed below.

A1. EMISSIONS

The Group has procedures in place to manage our emissions effectively. Our efforts are focused on reducing our environmental impact and ensuring compliance with emissions standards.

During the Reporting Period, the Group was not aware of any material non-compliance with environmental-related laws and regulations in relation to exhaust gas and greenhouse gases ("**GHGs**"), emissions, water and land discharge, and the generation of hazardous and non-hazardous waste that would have a significant impact on the Group. Such laws and regulations include but not limited to the Environmental Protection Law of the People's Republic of China, the Water Pollution Prevention and Control Law of the People's Republic of China, the Air Pollution Prevention and Control Law of the People's Republic of China, the Law of the People's Republic of China on Environmental Prevention and Control of Solid Waste Pollution and the Water Pollution Control Ordinance and the Waste Disposal Ordinance of Hong Kong.

Air Emissions

To align the global development of the low-carbon economy, the Group pays attention to its air emissions arise from the daily operations. The Group consistently maintains and services the company's vehicle fleet to ensure efficient operation and prevent excess fuel consumption and air pollution. We also enforce a no-idling policy to further reduce vehicle emissions, with the primary goal of minimising air pollutants to the greatest extent possible.

The principles sources of air emissions are the combustion of diesel for company vehicles.

Type of Air Pollutants	Unit	FY2024	FY2023
Nitrogen oxides (NOx)	kg	9.31	3.87
Sulphur oxides (SOx)	kg	0.02	0.10
Particulate matter ("PM")	kg	0.87	0.29

Greenhouse Gas ("GHG") Emissions

The major sources of Sky Blue 11's GHG emissions are direct GHG emissions (Scope 1) from petrol combustion of company-owned vehicles and indirect GHG emissions (Scope 2) from purchased electricity. To reduce the carbon emissions produced by daily office vehicles, the Group advocates remote communication options like telephone or video conferencing to replace non-essential international travel. Employees are encouraged to use public transportation to promote eco-friendly commuting and decrease GHG emissions during their daily journeys. Since the Group's Hong Kong office has relocated twice during the Reporting Period, it has been challenging to collect the electricity data.

Types of GHG Emissions[1]	Units	FY2024	FY2023
Direct GHG emissions (Scope 1)	tCO2e	2.92	17.41
• Petrol			
Indirect GHG emissions (Scope 2)	tCO2e	17.11	35.34
• Purchased electricity			
Other Indirect GHG emissions (Scope 3)	tCO2e	0.22	0.84
• Waste paper			
Total GHG emissions	tCO2e	20.26	53.58
Intensity[2]	tCO2e/employee	0.56	1.67

Notes:

1. GHG emissions data is presented in terms of carbon dioxide equivalent and are based on, including but not limited to, "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, the latest national emission factors released by the Ministry of Ecology and Environment of People's Republic of China on 2024 December.

2. As at 31 December 2024, the total number of full time employees in the Reporting Scope of the Group was approximately 36 (FY2023: 42). This data is also used for calculating other intensity data.

Sewage Discharge

Given the nature of its operations, the Group's business activities do not generate any substantial discharge. Instead, the Group ensures that all wastewater generated is appropriately channeled to local sewage treatment plants for thorough treatment via the municipal sewage network.

Waste Management

The Group actively advocates the importance of environmental management, strictly controls the generation of waste, continuously optimises management and monitoring, meeting the requirements of national and local environmental standards. Additionally, the Group ensures that the generated waste will be collected, source-separated, and recycled as much as possible before proper disposal.

Hazardous Waste

Due to the nature of its business, Sky Blue 11 generated a small amount of hazardous waste, such as used batteries; however, it did not record the quantity as it was deemed negligible.

Non-hazardous waste

The non-hazardous waste generated by the Group's business activities are office paper and general waste. Sky Blue 11 is actively increasing employees' awareness regarding the significance of waste reduction. In pursuit of improved environmental performance, the Group has implemented the following environmentally friendly initiatives for waste management:

- To implement a recycling program by designating specialised bins for the collection of recyclable materials like plastics and paper;
- To maximise the reuse of single-sided wastepaper and office supplies, such as folders, envelopes, and plastic files;
- To choose recyclable products and rechargeable batteries instead of disposable alternatives, prioritising sustainability and waste reduction;
- To enact proper recycling protocols for office paper and electronic equipment after their life cycle; and
- Not to print electronic correspondences only when necessary.

The Group's performance of non-hazardous wastes is summarised below:

Types of Wastes	Unit	FY2024
Office Paper	tonnes	103.13
Total Non-hazardous Waste Disposed	tonnes	103.13
Intensity	tonnes/employee	2.86

A2. USE OF RESOURCES

The Group has implemented policies and measures to efficiently manage resource utilisation, aiming to enhance energy efficiency and minimise the consumption of non-essential materials. Our resource management policies and procedures ensure effective control over resource usage. Additionally, we prioritise the management of high-energy-consuming equipment, regulating their operational processes to maximise energy efficiency.

Energy Management

In its daily operations, the Group's main source of energy consumption is electricity, primarily used in the office. Given that electricity accounts for the majority of our energy use, we prioritise energy conservation and emission reduction in our business operations. We have established an energy-saving performance management system and are focused on improving energy efficiency through effective personnel management and upgrades to our equipment. The specific measures we are implementing include:

- In feasible situations establish applicable targets to monitor energy consumption.
- Ensure power off electrical appliances when they are not in use.
- Turn off lighting, computers, and air conditioning systems before leaving at the end of the working day.
- Place energy-saving reminder labels next to switches.
- Regular clean office equipment, such as refrigerators and air conditioning units, to maintain optimal efficiency.
- Set the air conditioning temperature to 25°C.

In addition, the Group conducts sustainability education and training from time to time, promotes practical suggestions on eco-friendly lifestyles, and raises employees' awareness of energy conservation.

Indicators	Unit	FY2024	FY2023
Direct Energy			
• Petrol	MWh	10.66	63.61
Indirect Energy			
• Purchased Electricity	MWh	30.00	50.11
Total Energy Consumption	MWh	40.66	113.72
Intensity	MWh/employee	1.13	3.55

Water Management

The Group's water usage is mainly used for domestic cleaning in offices and facilities. Since water consumption is managed by the property management services, direct data on water usage is unavailable. Nonetheless, acknowledging global water scarcity, we actively undertake strategies to combat this issue. Encouraging a culture of water conservation among employees, we have introduced various measures to reduce water usage. The following are some of the water conservation initiatives we have established:

- Enhance inspection and maintenance of faucets, promptly repairing any leaking faucets to prevent water wastage.

- Promote water conservation by prominently displaying "Save Water" posters to encourage and raise awareness about the importance of reducing water usage.

- Implement water-saving devices to reduce water consumption.

Use of Packaging Materials

Given the nature of our business, we do not consume a significant amount of packaging material. However, we have encouraged our suppliers to engage in green packaging and reduce excessive packaging.

A3. THE ENVIRONMENT AND NATURAL RESOURCES

The Group prioritises minimising the environmental impact of its business operations and actively implements best practices for environmental protection. In addition to complying with environmental laws and international standards to safeguard the natural environment, the Group integrates principles of environmental and natural resource conservation into its internal management and daily operational activities. The Group continually enhances its environmental monitoring and early warning system and has established an emergency response system to effectively address environmental emergencies.

A4. CLIMATE CHANGE

Frequency of extreme weather conditions is on the rise, with their devastating effects impacting a growing number of people worldwide. The interconnectedness and complexity of the modern world mean that climate disasters have far-reaching consequences, affecting lives across the globe. These profound climate impacts necessitate immediate action towards decarbonisation. Necessary steps have been taken to identify and assess the potential climate risks and opportunities, to maximise the positive impacts and minimise the negative impacts.

Climate risks and opportunities		Potential impacts	Mitigation Strategy
Physical Risks	Increased frequency and severity of extreme weather events such as strong typhoons rainfalls, and extreme temperatures	• Decreased revenue due to extreme weather events that reduce customer traffic and delay projects. • Increased capital expenditures for the implementation of mitigation measures required. • Increased operational costs due to health and safety incidents. • Reduced asset value due to the exposure of continuous climate risks.	• Undertake precautionary measures for all employees and workers during typhoon and rainstorm season, such as developing operation continuity plans and conducting emergency drills. • State working instructions to give directions on preventive measures and operational procedures. • Carry out climate risk assessment and incorporate climate-resilient designs in new projects. • Promote the use of energy-efficient systems.

Climate risks and opportunities		Potential impacts	Mitigation Strategy
Transition Risks	Tightened requirements and regulations on energy efficiency and green standards	• Increased capital expenditures for the procurement of energy-efficient equipment. • Increased risks of non-compliance with the requirements of green standards.	• Commit to Government's schemes to impose energy-saving measures and procure energy-efficient equipment.
	Increased implementation and application of technology	• Increased capital expenditures for the procurement of new technologies and R&D. • Long-term opportunities to embrace technology to improve efficiency and branding.	• Source and introduce technological applications.
	Increased expectation from stakeholders (including banks, investors, among others)	• Potential negative impacts on share price and investor demands due to lack of climate risk governance and disclosure. • Possible lowered cost of capital through green finance.	• Include climate risks and opportunities disclosure in sustainability reports. • Actively engage stakeholders including government authorities, NGOs, and professional institutes to understand their expectations in key sustainability areas including climate change.

SOCIAL

B1. EMPLOYMENT

The Group values its relationship with all of its stakeholders. Creating a shared value for stakeholders provides a competitive edge for sustaining the Group's long-term prosperity. The Group prioritises the health and safety of its employees through comprehensive health and safety guidelines. To effect positive impact on the communities in which the business operates, the Group supports impactful social initiatives to address the needs of the underprivileged.

The Group was not aware of any material non-compliance that would have a significant impact on the Group, with reference to employment-related laws and regulations including but not limited to the Labor Law of the People's Republic of China, the Labor Contract Law of the People's Republic of China and the Employment Ordinance.

	FY2024	**FY2023**
Total number of employees	36	42
Gender		
Male	19	21
Female	17	21
Age Group		
Below 30 years old	–	–
30-50 years old	26	26
Over 50 years old	10	16
Geographical Region		
Hong Kong	7	9
PRC	29	33
Employment Type		
Full-Time	36	32
Part-Time	–	10

During FY2024, the Group recorded an overall turnover rate of 17%[3]. The breakdown is as follows:

	FY2024
Gender	
Male	11%
Female	24%
Age Group	
Below 30 years old	0%
30-50 years old	0%
Over 50 years old	60%
Geographical Region	
Hong Kong	29%
PRC	14%

Note:

3. Employee turnover rate = Total number of employees left/Total number of employees at the end of the Year x 100%

Recruitment, Promotion and Dismissal

Promotions and dismissals within the organisation are carried out on a fair and equal opportunity basis. Employee promotions are reviewed annually, considering objective performance indicators. Supervisors engage in effective two-way communication with employees, discussing their performance and facilitating advancement. Regular performance appraisals are conducted to evaluate employees' work performance, capabilities, and potential for progress, laying the foundation for future promotions and training. The Group encourages internal promotion to provide employees with additional opportunities for personal and professional development. The organisation strictly prohibits unreasonable dismissals under any circumstances. If necessary, dismissals are based on reasonable and lawful grounds, aligned with the Group's internal policies.

Compensation and Benefit

Equitable remuneration and benefits contribute to employee satisfaction, team morale and overall performance. The Group offers an extensive and competitive package of remuneration and benefits, and it reviews its package in a timely manner in response to market changes. In PRC, the Group offers its employees Insurance and Housing Fund「五險一金」as a mandatory benefit, while in Hong Kong, the Group provides contributions to the Mandatory Provident Fund ("**MPF**") for its employees. It offers non-statutory benefits as additional welfare to employees, such as maternity and parental pay, and educational support. Outstanding employee awards, and long-term service awards are also offered.

Equal Opportunity, Diversity and Anti-Discrimination

The Group is committed to strict compliance with all national and local governmental laws and regulations. We uphold a fair, equitable, and transparent recruitment process, establishing policies that prevent discrimination in recruitment. Our aim is to ensure that no individual experiences discrimination based on race, social status, religion, nationality, disability, age, marital status, gender, pregnancy, sexual orientation, trade union membership, or political association. We strive to provide equal and fair treatment to all employees, encompassing areas such as recruitment, remuneration, training, promotion, dismissal, retirement, and other aspects of employment.

If an employee faces intimidation, humiliation, bullying, or harassment, including sexual harassment, they are encouraged to report the matter to their designated employee representative or directly to the general manager. The Group takes such complaints seriously and will employ appropriate measures to address and resolve these issues promptly upon receipt of the complaint.

Employee Communication Channels

The Group engages in proactive dialogue with its employees using various management mechanisms and communication channels, including internal mail systems, employee satisfaction questionnaires, and meetings.

To ensure a fair and transparent process, the Group has established guidelines in the Employee Handbook. It stipulates that employees should report any irregularities or concerns to their supervisors or the Human Resources Department. All reported cases will be thoroughly investigated, and appropriate actions will be taken to address them. We guarantee that the investigation and resolution process will be conducted with strict confidentiality, protecting the privacy and well-being of all parties involved.

B2. HEALTH AND SAFETY

The Group has intensified its dedication to maintaining a secure and healthy workplace for its staff members. An occupational health and safety policy has been established to protect employee well-being. As part of the induction process, employees will receive detailed explanations and/or documentation of relevant policies and procedures to prevent accidents. These policies are subject to annual review or prompt reassessment following any incidents to ensure their ongoing relevance and effectiveness in safeguarding employees.

During FY2024, the Group was not aware of any material non-compliance that would have a significant impact on the Group, with reference to health and safety related laws and regulations, including but not limited to the Production Safety Law of the People's Republic of China and the Law of the People's Republic of China on Prevention and Control of Occupational Diseases, as well as the statutory requirements in Hong Kong, including the Occupational Safety and Health Ordinance.

No work-related fatalities happened during the past 3 consecutive years:

Fiscal Year	Unit	FY2024	FY2023	FY2022
Fatalities due to work	Cases	–	–	–

Fiscal Year	Unit	FY2024
Lost days due to work injury	Days	–
Work injury rate[4]	%	–

Note:

4. Work injury rate is calculated by number of work-related injury Lost days/(number of Employee x 22 x 12 (working days)) x 100%. The Group has subscribed to employees' compensation insurance for all employees, and it has covered the compensation required due to work-related injury.

Occupational Health and Safety

The Group recognises that employees are its most valuable assets, therefore the Group is keen on providing a safe and pleasant working environment to retain talents and ensure that their well-being is taken care of. Relevant health and safety policies are indicated in the Employee Handbook, said policies are regularly reviewed and/or reviewed upon trigger events to ensure that the provisions continue to provide protection to its employees.

Safety Training and Inspections

The Group utilises safety training and inspections to emphasise the significance of adherence to safety protocols among employees. Each employee receives induction training on pertinent health and safety policies tailored to their role at the outset of their employment, aiming to reduce the occurrence of workplace accidents or injuries. All personnel, whether directly or indirectly affiliated with the Group, are obligated to comply with all relevant laws, regulations, and safety standards mandated by the pertinent government authorities. Regular occupational health and safety meetings are convened to promptly address concerns and explore potential solutions.

B3. DEVELOPMENT AND TRAINING

Investing in future leaders is essential for ensuring the Group's long-term success and resilience. The Group intends to nurture its talent pipeline to retain high-performers and be equipped with leaders for tomorrow. In view of this, the Group provides them with the right tools and an environment in which they can grow professionally. Employees are continuously motivated to improve and contribute their knowledge and experiences towards shaping the future.

Structured skills development programs are in place across the Group for all employees, who play an integral role in operations.

The Group's tailored learning initiatives are designed to cater to the skills development needs of each core business area and align with employees' career growth aspirations. Continuously evolving, the content and structure of its learning programs are regularly updated to remain current with market trends and digitalisation demands. Additionally, the Company offers a range of public training courses, including language and office automation training, to enhance employees' skill sets. To support career advancement, the Group conducts routine performance evaluations to acknowledge and reward employees for their hard work and skills, identifying exceptional talent and providing avenues for promotion. Prioritising internal promotion opportunities over external recruitment ensures our employees have abundant space for professional growth and development.

During the Reporting Period, the Group provided around 30 hours of training, with an average training hour of approximately 0.83 hour per trained employee. The breakdown of the employees trained by gender and employment category is as follows:

	Percentage of Employees Trained (%)[5]	**Average Training Hours[6]**
Gender		
Male	84.21%	0.84
Female	82.35%	0.82
Employee Category		
Senior Management	100.00%	1.00
Middle Management	100.00%	1.00
General Employees	70.00%	0.70

Note:

5. Percentage of employees trained in a category = Number of employees trained/Number of employees in that category at the end of the Year x 100%

6. Average Training Hours = Number of training hours in that category/Number of employees in that category at the end of the Year x 100%

Prevention of Child and Forced Labour

The Group has zero tolerance and strictly prohibits the use of child labour, forced labour and hiring of illegal immigrants in our operations. The following measures have been taken to avoid these illegal employment practices.

Prevention of child labour	During the recruitment process, the human resources department will verify the applicant's identity documents and ensure that they have reached the minimum age for employment.
Prohibition of forced labour	The Group specifies overtime compensation provisions in the Employee Handbook. The Group carefully monitors the employee working time and working schedule to ensure they work voluntarily and freely.

In case of any illegal labour practice is discovered, the Group will stop their employments immediately. An investigation will be carried out subsequently and report the case to the relevant authorities.

During the Reporting Period, the Group was not aware of any material non-compliance with child and forced labour-related laws and regulations, that would have a significant impact on the Group.

B5. SUPPLY CHAIN MANAGEMENT

The Group has established a comprehensive Supplier Management Policy aimed at governing supplier relationships and enhancing operational standards. In the process of selecting new suppliers, the Group meticulously evaluates a minimum of three companies based on criteria such as product quality, delivery reliability, pricing, and adherence to compliance standards. Emphasising the significance of suppliers' legal compliance records and commitment to ethical practices over mere cost considerations, the Group places paramount importance on fostering a culture of loyalty within supplier operations.

With a steadfast commitment to environmental sustainability, the Group favors collaborating with sustainable suppliers and prioritises those holding certifications such as ISO 50001 for energy management, ISO 14001 for environmental management, and endorsements for low-carbon products. Suppliers are required to sign an Environmental Protection Undertaking Letter, affirming compliance with relevant environmental protection laws and regulations in the materials they supply. Socially, the Group favors suppliers with robust supply chain management systems adhering to international standards like ISO 26000 for social risk management.

Regular assessment and mitigation of environmental and social risks in the supply chain are crucial. Suppliers must promptly address evaluation outcomes and implement corrective actions within set time frames. The Group can terminate collaborations with non-compliant providers. Green purchasing strategies are promoted, favoring products with minimal environmental impact. Purchased items should have high recycling efficiency, reduced packaging, extended shelf life, or enhanced energy efficiency. Circuit components must emit few hazardous substances. We preferred local suppliers and all of our major suppliers are local suppliers.

Location	No. of Suppliers
PRC	9

B6. PRODUCT RESPONSIBILITY

The Group takes a proactive stance in understanding and addressing customer requirements by actively involving them to gather crucial insights into their preferences and issues. Diverse methods are utilised to assess customer contentment and track feedback, such as periodic satisfaction surveys and service evaluations. As part of its commitment to excellence, the Group has implemented a quality management system for integrated circuit design and sales operations. This system is certified under ISO9001, ensuring stringent oversight of product quality and adherence to customer service standards.

The Group establishes precise acceptance criteria for product inspection and testing, aligning with industry standards, laws, and regulatory mandates. Rigorous quality control measures are implemented across various stages, including the examination of incoming goods, initial article assessments, ongoing in-process inspections, and conclusive final checks. Only after successfully clearing the final inspection are products dispatched to customers. Each approved product is marked with a unique identification number to enable traceability and facilitate comprehensive quality monitoring throughout its lifecycle. If quality problems occur after delivery, we will assess unqualified products, propose disposal plans and take immediate preventive and corrective measures to ensure that the products meet the quality requirements.

During the Reporting Period, the Group was not aware of any incidents of non-compliance with related laws and regulations concerning health and safety, advertising, labelling, and privacy matters relating to products and services provided and methods of redress that would have a significant impact on the Group.

Customer Information Protection

The Group is committed to providing the highest quality of service to its customers, not only because it is crucial to the health and safety of its customers and clients, but also for the purpose of attracting future business opportunities. The Group was not aware of any material non-compliance with laws and regulations that would have a significant impact on the Group, including but not limited to the Law of the People's Republic of China on Protection of Consumer Rights and Interests and the Personal Data (Privacy) Ordinance of Hong Kong.

Protection of Intellectual Property Rights

Ensuring the safeguarding of intellectual property rights remains a cornerstone of the Group's operational ethos. From interactions with customers and suppliers to internal practices, a stringent framework is in place to uphold these rights. As a proactive measure, contractual agreements meticulously embed clauses that fortify intellectual property protections. The Group's legal division diligently scrutinises operational contracts, assuring equitable terms that preserve the intellectual property rights of all parties involved. Moreover, technical experts are bound by stringent confidentiality agreements, expressly prohibiting the divulgence of proprietary information encompassing business strategies, production blueprints, patented designs, procedural manuals, quality metrics, and sensitive data. Notably, former employees are unequivocally barred from utilising the Group's technical knowledge post-departure. Emphasising ethical conduct, the Group mandates the utilisation of legitimate software, with a prerequisite for employees to seek approval before installing any software to preclude inadvertent infringement on external intellectual property rights.

Advertising and Labelling

The Group places a strong emphasis on adhering to relevant regulations and guidelines concerning media advertising, recognising the significance of responsible and compliant advertising practices. The Group has established internal guidelines to ensure the provision of accurate product labels and marketing materials in compliance with the Consumer Protection (Trade Descriptions and Safety Requirements) Act (Chapter 53) and industry standards. The Group strictly prohibits the exaggeration of product claims in marketing materials. Any deviation from the Group's internal guidelines will result in immediate corrective measures being taken.

B7. ANTI-CORRUPTION

The Board sets a tone of zero tolerance towards fraud and corruption. The Group's Employee Handbook states guidelines that require employees to comply with all applicable rules on conflicts of interest, insider dealing, anti-competition and anti-corruption. It demands strict adherence from every employee to applicable laws, rules, and regulations in the jurisdictions in which the Group operates.

The Anti-corruption Policy provides guidance for employees on recognising and avoiding unethical behaviour in a range of business contexts, including procurement of goods and services, accepting and offering corporate gifts or hospitality, and making political or charitable contributions. Any solicitation or acceptance of an advantage, any form of bribery, extortion, fraud, or money laundering are strictly prohibited.

During the Reporting Period, the Group was not aware of any material non-compliance with related laws and regulations of bribery, extortion, fraud and money laundering that would have a significant impact on the Group. No concluded legal cases regarding corrupt practices have been brought against the Group or its employees during the Year.

Anti-Corruption Training

The Group provides training for employees in the field of business ethics, corporate governance and anti-corruption. New joiners receive these training as part of their induction programs. During the Reporting Period, the directors and employees were provided with anti-corruption training for a total of 7 hours.

Whistleblowing

The Group invites employees and other stakeholders, including customers and suppliers, to express any concerns regarding suspected improprieties, misconduct, or malpractice. A confidential reporting channel is available for all to use. In line with our internal guidelines, we handle every reported incident with the highest level of confidentiality and provide protection for whistleblowers against unfair dismissal, victimisation, or unwarranted disciplinary measures. All incidents related to fraud and corruption will be investigated thoroughly.

B8. COMMUNITY INVESTMENT

Sky Blue 11 is dedicated to helping its community and actively participates in community activities. The Group promotes a culture of social responsibility and has set clear guidelines for community involvement, focusing on meeting societal needs.

Employees are encouraged to take part in various charitable efforts, which include community service and social responsibility. This involves volunteering for events like outdoor activities for people with disabilities and organising communities' activities drives. The Board will regularly review these community engagement programs and encourage higher level of participation.

CONTENT INDEX OF THE STOCK EXCHANGE ESG REPORTING GUIDE

Mandatory Disclosure Requirements	Chapter/Statement
Governance Structure	ESG Governance Structure
Reporting Principles	Reporting Principles
Reporting Boundary	Reporting Scope

Subject Areas, Aspects, General Disclosures and KPIs

Indicators	Description		Section and Remarks
A. Environmental			
Aspect A.1: Emissions	General Disclosure Information on: (a) The policies; and (b) Compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste. *Note:* Air emissions include NOx, SOx, and other pollutants regulated under national laws and regulations. Greenhouse gases include carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride. Hazardous wastes are those defined by national regulations.		Emissions
	KPI A1.1	The types of emissions and respective emissions data.	Emissions – Air Emissions
	KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Emissions – GHG Emissions
	KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Emissions – Waste Management

Subject Areas, Aspects, General Disclosures and KPIs

Indicators	Description		Section and Remarks
	KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Emissions – Waste Management
	KPI A1.5	Description of emission target(s) set and steps taken to achieve them.	Environmental Targets – Our Progress
	KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Emissions – Waste Management
Aspect A2: Use of Resources	General Disclosure Policies on the efficient use of resources, including energy, waste and other raw materials. *Note:* Resources may be used in production, in storage, transportation, in buildings, electronic equipment, etc.		Use of Resources
	KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Use of Resources – Energy Management
	KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Use of Resources – Water Management
	KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Use of Resources – Energy Management
	KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Use of Resources – Water Management
	KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Use of Packaging Materials

Subject Areas, Aspects, General Disclosures and KPIs

Indicators	Description		Section and Remarks
Aspect A3: The Environment and Natural Resources	General Disclosure Policies on minimising the issuer's significant impacts on the environment and natural resources.		The Environment and Natural Resources
	KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	The Environment and Natural Resources
Aspect A4: Climate Change	General Disclosure Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.		Climate Change
	KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Climate Change – Physical Risks, Transition Risks
B. Social			
Employment and Labour Practices			
Aspect B1: Employment	General Disclosure Information on: (a) The policies; and (b) Compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.		Employment
	KPI B1.1	Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	Employment
	KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Employment

Subject Areas, Aspects, General Disclosures and KPIs

Indicators	Description		Section and Remarks
Aspect B2: Health and Safety	General Disclosure Information on: (a) The policies; and (b) Compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.		Health and Safety
	KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the Reporting Period.	Health and Safety
	KPI B2.2	Lost days due to work injury.	Health and Safety
	KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Health and Safety – Occupational Health and Safety
Aspect B3: Development and Training	General Disclosure Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities. *Note:* Training refers to vocational training. It may include internal and external courses paid by the employer.		Development and Training
	KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Development and Training
	KPI B3.2	The average training hours completed per employee by gender and employee category.	Development and Training

Subject Areas, Aspects, General Disclosures and KPIs

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

Subject Areas, Aspects, General Disclosures and KPIs

Indicators	Description		Section and Remarks
Aspect B6: Product Responsibility	General Disclosure Information on: (a) The policies; and (b) Compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provides and methods of redress.		Product Responsibility
	KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Product Responsibility
	KPI B6.2	Number of products and service related complaints received and how they are dealt with.	Product Responsibility
	KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Product Responsibility – Protection of Intellectual Property Rights
	KPI B6.4	Description of quality assurance process and recall procedures.	Product Responsibility
	KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Product Responsibility – Customer Information Protection

Subject Areas, Aspects, General Disclosures and KPIs

Indicators	**Description**		**Section and Remarks**
Aspect B7: Anti-corruption	General Disclosure Information on: (a) The policies; and (b) Compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.		Anti-corruption
	KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the Reporting Period and the outcomes of the cases.	Anti-corruption
	KPI B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	Whistleblowing
	KPI B7.3	Description of anti-corruption training provided to directors and staff.	Anti-corruption Training
Community			
Aspect B8: Community Investment	General Disclosure Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities interests.		Community Investment
	KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Community Investment
	KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Community Investment

REPORT OF THE DIRECTORS

The Board of Sky Blue 11 Company Limited submits their report together with the audited consolidated financial statements of the Group for the year ended 31 December 2024.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investments holding. For the year ended 31 December 2024, the Group was principally engaged in (i) design and sales of integrated circuits and semi-conductor parts; (ii) executive jet management; and (iii) manufacturing and sales of yachts and other yacht related businesses.

COMPLIANCE WITH THE LAWS AND REGULATIONS

The Group recognises the importance of compliance with regulatory requirements and the risks of non-compliance with the applicable laws and regulations.

Non-compliance with Rules 3.10(1) and 3.21 of the Listing Rules

On 8 November 2024, Mr. Mak Tin Sang tendered his resignation as an independent non-executive Director of the Company and a member of the audit committee of the Company (the "**Audit Committee**") in order to devote more time to pursue his personal matters with effect from 8 November 2024.

Following such resignation of Mr. Mak Tin Sang, the Company only had (i) two independent non-executive directors, which was below the minimum requirement under Rule 3.10(1) of the Listing Rules; and (ii) two Audit Committee members, which was below the minimum requirement under 3.21 of the Listing Rules. During this period, the Company had taken practicable steps to identify suitable candidates to act as independent non-executive director for the purpose of complying with the abovementioned Listing Rules requirements including but not limited to identifying candidates in accordance with the Company's director nomination policy and would have appropriate expertise to serve as one of its independent non-executive Directors. Due to the Christmas and Chinese New Year Holidays and the Company's heavy administrative work between November 2024 to February 2025, the process of making relevant arrangement to consider the potential candidates had been slowed down. As such, additional time was required for the Company to select appropriate candidate and go through, among others, the internal procedures including due diligence checks and to complete the selection, recruitment and nomination procedures.

As a result and pursuant to Rule 3.11 of the Listing Rules, the Company applied to the Stock Exchange for, and the Stock Exchange had granted to the Company, a waiver from strict compliance with 3.10(1) and 3.21 of the Listing Rules up to 28 February 2025.

On 26 February 2025, Mr. Wong Xiang Hong was appointed an independent non-executive director and a member of Audit Committee, the Company has re-complied with Rules 3.10 (1) and 3.21 of the Listing Rules since. For details, please refer to the Company's announcements dated 8 November 2024, 24 February 2025 and 26 February 2025.

For the year ended 31 December 2024, (i) the Group complied in material aspects with the relevant laws and regulations that have a significant impact on the business and operation of the Group; and (ii) there was no material breach or non-compliance with the applicable laws and regulations by the Group.

BUSINESS REVIEW

Discussion and analysis of business review as required by Schedule 5 to the Hong Kong Companies Ordinance, including a discussion of the principal risks and uncertainties facing the Group, particulars of important events affecting the Group that have occurred since the end of the financial year and an indication of likely future developments in the Group's business, can be found in the "Management Discussion and Analysis" of this Annual Report and the notes to the Consolidated Financial Statements of this Annual Report. Discussions on the Group's environmental policies, relationships with its key stakeholders, and compliance with relevant laws and regulations which have a significant impact on the Group are contained in the "Environmental, Social and Governance Report" of this Annual Report. The above discussions form part of the Report of the Directors.

MAJOR CUSTOMERS AND SUPPLIERS

The percentages of purchases and sales for the year ended 31 December 2024 attributable to the Group's major suppliers and customers are as follows:

	Percentage of the total purchases/sales accounted for
Purchases	
– the largest supplier	86%
– five largest suppliers combined	99%
Sales	
– the largest customer	33%
– five largest customers combined	68%

None of the Directors, or any of their close associates, or any shareholders (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) had an interest in any of the major customers and suppliers noted above.

EMOLUMENT POLICY OF THE GROUP

The emolument policy of the employees of the Group is reviewed regularly by the Board. Remuneration packages are structured to take into account the merit, qualifications and competence of individual employees as well as the general market conditions.

FINANCIAL ASSISTANCE AND GUARANTEES TO AFFILIATED COMPANIES

There was no advance, which is of non-trading nature, to any of the affiliated companies as at 31 December 2024 as defined under Chapter 13 of the Rules Governing the Listing of Securities (the "**Listing Rules**") on the Stock Exchange.

FINANCIAL RESULTS

Details of the Group's results for the year ended 31 December 2024 are set out in the "Consolidated Statement of Profit or Loss" and the "Consolidated Statement of Profit or Loss and Other Comprehensive Income" of this Annual Report.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group for the year ended 31 December 2024 are set out in note 16 to the Consolidated Financial Statements of this Annual Report.

TAX RELIEF

The Company is not aware of any relief from taxation available to shareholders by reason of their holding of the Company's listed securities.

RESERVES

Details of the movements in reserves of the Group and the Company for the year ended 31 December 2024 are set out in the "Consolidated Statement of Changes in Equity", together with relevant notes to the Consolidated Financial Statements of this Annual Report.

DISTRIBUTABLE RESERVES

As at 31 December 2024, no reserves were available for distribution to shareholders by the Company as calculated in accordance with the Companies Act 1981 of Bermuda.

SHARE CAPITAL

As at 31 December 2024, the Company had an authorised share capital of HK$100,000,000, divided into 1,000,000,000 shares of HK$0.1 each, and an issued share capital of 444,294,170 shares of HK$0.1 each.

As at 31 December 2024, the Company did not have any preference shares, options, convertible bonds or equity-related instruments.

ISSUE OF NEW SHARES OR DEBENTURES

On 17 January 2024, the Company issued 74,049,028 shares of HK$0.1 each as a result of completion of placement. Save as disclosed and for the year ended 31 December 2024, there was no new share or debenture of the Company issued.

EQUITY-LINKED AGREEMENTS

For the year ended 31 December 2024, the Group did not enter into any equity-linked agreement.

PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY, INCLUDING SALE OF TREASURY SHARES

Save as disclosed, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities (including sale of treasury shares (as defined in the Listing Rules)) for the year ended 31 December 2024.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's bye-laws (the "**Bye-laws**") or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders of the Company.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the published results and of the assets and liabilities of the Group for the last five financial years is set out on page 6 of this Annual Report.

DIVIDEND

The Board does not recommend the payment of dividend for the year ended 31 December 2024.

DIRECTORS

The Directors who held office from 1 January 2024 and up to the date of this Annual Report are as follows:

BOARD OF DIRECTORS

Executive Directors

Ms. Li Weina
Dr. Zhang Yu
Mr. Phen Chun Shing Vincent *Note 1*
Mr. Zhang Fumin *Note 2*

Independent Non-executive Directors

Ms. Ching Ching
Dr. Song Donglin
Mr. Mak Tin Sang *Note 3*
Dr. Zhang Shengdong *Note 2*
Mr. Wong Xiang Hong *Note 4*

BOARD COMMITTEES

Audit Committee

Ms. Ching Ching *(Chairlady)*
Dr. Song Donglin
Mr. Mak Tin Sang *Note 3*
Dr. Zhang Shengdong *Note 2*
Mr. Wong Xiang Hong *Note 4*

Nomination Committee

Dr. Song Donglin *(Chairman)*
Ms. Ching Ching
Mr. Mak Tin Sang *Note 3*
Dr. Zhang Shengdong *Note 2*
Mr. Wong Xiang Hong *Note 4*

Remuneration Committee

Dr. Song Donglin *(Chairman)*
Ms. Ching Ching
Mr. Mak Tin Sang *Note 3*
Dr. Zhang Shengdong *Note 2*
Mr. Wong Xiang Hong *Note 4*

Notes:

1 Appointed on 12 November 2024
2 Retired on 6 June 2024
3 Appointed on 20 September 2024 and resigned on 8 November 2024
4 Appointed on 26 February 2025

CHANGE OF DIRECTORS

A summary of change of Directors of the Company from 1 January 2024 to the date of this Annual Report is set out below:

(i) Mr. Zhang Fumin and Dr. Zhang Shengdong retired on 6 June 2024;

(ii) Mr. Mak Tin Sang was appointed on 20 September 2024 and resigned on 8 November 2024;

(iii) Mr. Phen Chun Shing Vincent was appointed on 12 November 2024; and

(iv) Mr. Wong Xiang Hong was appointed on 26 February 2025.

PERMITTED INDEMNITY PROVISION

A permitted indemnity provision for the benefit of the directors of the Company is currently in force and was in force throughout the financial year. The Company has taken out and maintained directors and officers liability insurance which provides appropriate cover for, among others, the directors of the Company.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year ended 31 December 2024 was the Company or any of its associated corporations a party to any arrangement 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 or their spouses or children under 18 years of age was granted any right to subscribe for any shares in, or debentures of, the Company or any of its associated corporations.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

None of the Directors or an entity connected with any of them is or was materially interested, either directly or indirectly, in any transactions, arrangements and contract of significance subsisting during or at the year ended 31 December 2024.

COMPETING BUSINESS

For the year ended 31 December 2024, none of the Directors is interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

REASONS RELATED TO THE COMPANY'S AFFAIRS GIVEN BY A DIRECTOR FOR RESIGNATION OR NOT SEEKING RE-APPOINTMENT

For the year ended 31 December 2024, all directors who resigned or did not seek re-appointment confirmed that there was no reason related to the Company's affairs.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT OF THE COMPANY

Latest biographical details of the Directors and senior management of the Company are set out in "Director and Senior Management Biographies" of this Annual Report.

DISCLOSURE OF CHANGE IN INFORMATION OF DIRECTORS AND CHIEF EXECUTIVES

Save as disclosed in the section headed "Directors and Senior Management Biographies", there was no change in information of the Directors and chief executives of the Company up to the date of this Annual Report which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

MANAGEMENT CONTRACTS

No contracts, other than a contract of service with any Director or any person engaged in the full-time employment of the Company, concerning the management and administration of the whole or any substantial part of any business of the Company were entered into or existed for the year ended 31 December 2024.

DIRECTORS' SERVICE CONTRACTS

For the year ended 31 December 2024, none of the directors of the Company had 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' AND SENIOR MANAGEMENT'S EMOLUMENTS

The emoluments of the Directors and senior management are recommended by the remuneration committee of the Company and determined by taking into consideration of their duties and responsibilities with the Company, the market rate and their time, effort and expertise to be input into the Group's affairs and the Company's performance.

Details of the emoluments of the Directors and senior management of the Company are set out in note 11 to the Consolidated Financial Statements of this Annual Report.

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

As at 31 December 2024, none of the Directors and chief executives has the interests or short positions of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (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 for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix C3 to the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code to regulate the Directors' securities transactions. The Company had made specific enquiry of all Directors regarding any non-compliance with the Model Code for the period under review, and they all have confirmed their respective full compliance with the required standard set out in the Model Code for the year ended 31 December 2024.

ANNUAL CONFIRMATION OF INDEPENDENCE

The Company has received, from each independent non-executive Director, an annual confirmation of his/her independence pursuant to 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 Rule 3.13 of the Listing Rules.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2024, the interest and short positions in the shares and underlying shares of the Company (within the meaning of Part XV of the SFO) of the substantial shareholders (other than the Directors and chief executives of the Company) as recorded in the register required to be kept under Section 336 of Part XV of the SFO, or as otherwise notified to the Company and the Stock Exchange, were set out below:

Name of substantial shareholders	Capacity/nature	Number of shares/ underlying shares held/interested in	Long/short position	Percentage of shareholding *(Note 1)*
Arrab Chalid *(Note 2)*	Interested in controlled corporation(s)	68,500,000	Long	15.42%
LLOYDS INVESTMENT GROUP FZCO *(Note 2)*	Beneficial Owner	68,500,000	Long	15.42%
Duan Hongtao *(Note 3)*	Interested in controlled corporation(s)	52,321,012	Long	11.78%
Zhongying Int'l Holding Group Limited 中盈國際控股集團有限公司 *(Note 3)*	Beneficial	52,321,012	Long	11.78%
CHANG JUNG YU *(Note 4)*	Interested in controlled corporation(s)	32,270,000	Long	7.26%
Global Kingnature Limited *(Note 4)*	Beneficial Owner	32,270,000	Long	7.26%

Notes

1. Based on 444,294,170 shares of the Company in issue as at 31 December 2024.

2. According to public information, as at 31 December 2024, Arrab Chalid directly held 100% control of LLOYDS INVESTMENT GROUP FZCO, which beneficially held 68,500,000 shares of the Company.

3. According to public information, as at 31 December 2024, Mr. Duan Hongtao indirectly held 99% control of of Zhongying Int'l Holding Group Limited, which beneficially held 52,321,012 shares of the Company.

4. According to public information, as at 31 December 2024, CHANG JUNG YU directly held 100% control of Global Kingnature Limited, which beneficially held 32,270,000 shares of the Company.

As at 31 December 2024 and save as disclosed, there was no interest and short position in the shares and underlying shares of the Company (within the meaning of Part XV of the SFO) of the substantial shareholders (other than the Directors and chief executives of the Company) as recorded in the register required to be kept under Section 336 of Part XV of the SFO, or as otherwise notified to the Company and the Stock Exchange.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained a sufficient public float as required under the Listing Rules during the year ended 31 December 2024.

CORPORATE GOVERNANCE PRACTICES

Details of the Group's corporate governance practices for the year ended 31 December 2024 are set out in the "Corporate Governance Report" of this Annual Report.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE PRACTICES

Details of the Group's environmental, social and governance practices for the year ended 31 December 2024 are set out in the "Environmental, Social and Governance Report" of this Annual Report.

CONTRACTS OF SIGNIFICANCE AND RELATED PARTY TRANSACTIONS

No contract of significance had been entered between the Company or any of its subsidiaries, and the controlling shareholders of the Company (as defined in the Listing Rules) or any of its subsidiaries. No contract of significance for the provision of services to the Company or any of its subsidiaries by the controlling shareholders of the Company (as defined in the Listing Rules) or any of its subsidiaries.

Details of the related party transactions undertaken in the usual course of business are set out in note 36 to the Consolidated Financial Statements of this Annual Report. None of these related party transactions constitute "connected transactions" or "continuing connected transactions" as defined under Chapter 14A of the Listing Rules and therefore there is no disclosure requirement in accordance with Chapter 14A of the Listing Rules.

AUDIT COMMITTEE

The Audit Committee of the Company comprises solely independent non-executive Directors, namely Ms. Ching Ching (chairlady), Dr. Song Donglin and Mr. Wong Xiang Hong. The Group's annual results for the year ended 31 December 2024 have been reviewed by the Audit Committee of the Company.

AUDITOR

Zenith CPA Limited resigned as the auditor of the Company with effect from 29 January 2024 and Prism Hong Kong Limited was appointed as the auditor of the Company following the resignation of Zenith CPA Limited.

The audited financial statements of the Group for the year ended 31 December 2024 have been audited by Prism Hong Kong Limited, who retires and a resolution for its reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting of the Company.

On behalf of the Board
Sky Blue 11 Company Limited

Li Weina
Executive Director

Hong Kong, 28 March 2025

CORPORATE GOVERNANCE REPORT

The Group recognises the value and importance to achieving high corporate governance standards to enhance corporate performance and accountability. The Board is committed to maintain sound corporate governance standard and procedures to ensure integrity, transparency, and quality of disclosure in order to enhance the shareholders' value.

CORPORATE GOVERNANCE PRACTICES

For the year ended 31 December 2024, the Company complied with the code provisions as set out in Part 2 of the Corporate Governance Code ("**CG Code**") contained in Appendix C1 to the Listing Rules except for the following deviation.

Code B.2.2 of the CG Code

Code B.2.2 of CG Code stipulates the non-executive director should be appointed for a specific term and subject to re-election. The executive directors and independent non-executive directors were not appointed for specific terms. They are subject to retirement by rotation at least once every three years and re-election at the Company's annual general meeting in accordance with the Bye-laws. At every annual general meeting of the Company, one-third of the Directors for the time being or, if their number is not three or a multiple of three, then the nearest but no less than one-third shall retire from office by rotation. Every director should be subject to retirement by rotation at least once every three years.

The Company regularly reviews its corporate governance practices to ensure they comply with the CG Code and align with the latest development.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting the required standard set out in the Model Code. The Company has made specific enquiry of all directors regarding any non-compliance with the Model Code for the year ended 31 December 2024, all directors confirmed their respective full compliance with the required standard as set out in the Model Code for the year ended 31 December 2024.

THE BOARD COMPOSITION

As at the date of this Annual Report, the Board comprises six Directors, including three executive directors and three independent non-executive directors. Further, one of the independent non-executive directors possesses appropriate professional accounting qualifications and/or financial management expertise.

Following the retirement of Mr. Zhang Shengdong, an independent non-executive director, with effect from 6 June 2024, the Company had two independent Directors only and the Audit Committee only comprised of two members, and was therefore not in compliance with the requirements of Rules 3.10(1) and 3.21 of the Listing Rules. Following the appointment of Mr. Mak Tin Sang as an independent non-executive Director and member of the Audit Committee with effect from 20 September 2024, the Company had complied with Rule 3.10(1) and 3.21 of the Listing Rules until Mr. Mak Tin Sang's resignation as an independent non-executive Director and member of the Audit Committee on 8 November 2024.

Following the appointment of Mr. Wong Xiang Hong as an independent non-executive director and member of each of the Audit Committee, Remuneration Committee and Nomination Committee on 26 February 2025, the Company is now in compliance with Rule 3.10(1) and 3.21 of the Listing Rules.

Mr. Phen Chun Shing Vincent was appointed as executive Director during the accounting period covered by this Annual Report. He has confirmed that he received legal advice on 11 November 2024 according to Rule 3.09D of the Listing Rules and that he understood his obligations as a director of a listed issuer.

Mr. Wong Xiang Hong was appointed as independent non-executive Director after the accounting period covered by this Annual Report. He has confirmed that he received legal advice on 26 February 2025 according to Rule 3.09D of the Listing Rules and that he understood his obligations as a director of a listed issuer.

As of the date of this Annual Report, the members of the Board are as follows:

Executive Directors

Ms. Li Weina
Dr. Zhang Yu
Mr. Phen Chun Shing Vincent

Independent Non-Executive Directors

Ms. Ching Ching
Dr. Song Donglin
Mr. Wong Xiang Hong

The biographical details of the Directors are contained in the section headed "Directors and Senior Management Biographies" of this Annual Report.

There is no fixed term or proposed length of service for each of the directors (including the independent non-executive Directors) except that the appointment is subject to the requirements under the Listing Rules, the Bye-laws and any other applicable laws and regulations, and the appointment can be terminated by either party by giving the other party one months' written notice in advance.

When the Board considers any material proposal or transaction in which a director has a conflict of interest, the Director who has interests declares his/her interest and is required to abstain from voting and is not counted in the quorum.

The Company has received, from each of the independent non-executive directors, an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all the independent non-executive Directors are independent.

THE BOARD FUNCTIONS

Other than the regulatory and statutory responsibilities of the Board, the key functions of the Board are to formulate strategy and to monitor and control operating and financial performance in pursuit of the Group's strategic objective. The Board, led by the Chairman, retains full responsibility for setting objective and business development plans. All directors (including executive directors and independent non-executive directors) have been consulted on major and material matters of the Company and have made active contribution to the affairs of the Board. The Board is committed to make decisions in the best interest of the Group. The main responsibilities of the Management is to manage, operate and co-ordinate the business of the Company, execute the strategies formulated by the Board and make decisions in respect of daily matters.

There is no relationship (including financial, business, family or other material/relevant relationship(s)) between board members and the senior management of the Group. For the year ended 31 December 2024, 6 board meetings were convened by the Company. The attendance of the directors at the Board meetings and general meeting of the Company for the year ended 31 December 2024 is summarised below.

	Number of Board meetings Attended/Held	Number of General meetings Attended/Held
Executive Director		
Ms. Li Weina	6/6	2/2
Dr. Zhang Yu	0/6	0/2
Mr. Phen Chun Shing Vincent[1]	1/1	–
Mr. Zhang Fumin[2]	1/1	1/1
Independent Non-Executive Director		
Ms. Ching Ching	6/6	1/2
Dr. Song Donglin	6/6	2/2
Mr. Mak Tin Sang[3]	–	–
Dr. Zhang Shengdong[2]	1/1	1/2
Mr. Wong Xiang Hong[4]	–	–

Notes:

1 Appointed on 12 November 2024.
2 Retired on 6 June 2024.
3 Appointed on 20 September 2024 and resigned on 8 November 2024.
4 Appointed on 26 February 2025.

Board meetings are held regularly at approximately quarterly intervals to review the financial and operating performance of the Group and held on an ad hoc basis as required by business needs.

Reasonable notice has been given to board members for all board meetings in order to allow sufficient time for directors to review the documents and all directors are given an opportunity to include matters for discussion in the agenda and give opinion. All businesses transacted at the board meetings were well-documented.

Directors are entitled to have access to board papers and related materials and access to the advice and services of company secretary of the Company. Directors have the liberty to seek independent professional advice, if so required, at the Company's expenses as arranged by company secretary of the Company and they are at liberty to propose appropriate matters for inclusion in board agendas.

For ensuring that board procedures are followed and activities of the Board are efficient and effective, the company secretary of the Company will assist to prepare agendas for Board meetings and ensure the Board papers are disseminated to the Directors and Board Committees in a timely and comprehensive manner.

For the Group's compliance with the continuing obligations of the Listing Rules, The Codes on Takeovers and Mergers and Share Buy-backs, the SFO and the Companies Ordinance, including publication and dissemination of reports and financial statements and interim reports within the periods laid down in the Listing Rules, timely dissemination of announcements and information relating to the Group to the market and ensuring that proper notification is made of Director's dealings in securities of the Group, the Board engages the professional parties' input from time to time. In addition, all Directors are encouraged to attend the general meetings of the Company.

Directors are aware of their obligations for disclosure of interests in securities, connected transactions and inside information and ensure that the standards and disclosures required by the Listing Rules and the SFO are observed.

The Company has maintained liability insurance for the directors of the Company and senior management officers with appropriate coverage for certain legal liabilities which may arise in the course of performing their duties.

DIRECTORS' TRAINING

The Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Company would provide each newly appointed director a comprehensive induction package covering the summary of the responsibilities and liabilities of a director of a Hong Kong listed company, the Group's business and the Company's constitutional documents and guides on directors' duties to ensure that he/she is sufficiently aware of his/her responsibilities and obligations under the Listing Rules and other applicable regulatory requirements.

From time to time, relevant reading materials are provided to Directors with regard to regulatory and governance developments as well as organizing in-house training programme to refresh their knowledge and skills on the roles, functions and duties of a director of a listed company. The Company has devised a training record to assist the directors of the Company to record the training they have undertaken.

All directors of the Company are encouraged to participate in continuous professional development activities by ways of attending training and/or reading materials relevant to the Company's business or to the Directors' duties and responsibilities. A summary of professional training received by Directors for the year ended 31 December 2024 according to the records provided by the Directors is as follows:

	Attending seminar(s)/ programme(s)/ conference(s) and/or reading materials relevant to the business or directors' duties
Executive Director	
Ms. Li Weina	✓
Dr. Zhang Yu	✓
Mr. Phen Chun Shing Vincent[1]	–
Mr. Zhang Fumin[2]	–
Independent Non-Executive Director	
Ms. Ching Ching	✓
Dr. Song Donglin	✓
Mr. Mak Tin Sang[3]	–
Dr. Zhang Shengdong[2]	–
Mr. Wong Xiang Hong[4]	–

Notes:

1 Appointed on 12 November 2024 and received training on 12 November 2024.
2 Retired on 6 June 2024.
3 Appointed on 20 September 2024 and resigned on 8 November 2024.
4 Appointed on 26 February 2025 and received training on 26 February 2025.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge that they are primarily responsible for the preparation of the financial statements for the year ended 31 December 2024 which give a true and fair view and that appropriate accounting policies are selected and applied consistently.

The Directors are aware that the Group recorded a loss of approximately HK$165,113,000 for the year ended 31 December 2024, and, as of that date, the Group's net current liabilities and net liabilities amounted to approximately HK$162,763,000 and HK$127,985,000, respectively. This condition, along with other matters as set forth in "Note 2 to the Consolidated Financial Statements" of this Annual Report, indicates the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

For the year ended 31 December 2024, the position of Chairman remained vacant and its roles and functions were performed by all the executive directors collectively. Upon Mr. Lam Fuk Tak's termination as Chief Executive Officer on 14 May 2024, the position of Chief Executive Officer became vacant and its roles and functions were performed by all the executive directors collectively.

The Chairman takes primary responsibility for the work of the Board, by ensuring its effective function, while the Chief Executive Officer bears executive responsibilities for the Company's businesses and the management of the day-to-day operations of the Company.

BOARD COMMITTEES

The Board has established three Board Committees, namely, the Audit Committee, the remuneration committee (the "**Remuneration Committee**") and the nomination committee (the "**Nomination Committee**"), to assist the Board in discharging its duties and to oversee particular aspects of the Group's affairs. All the Board Committees have clear written terms of reference and have to report on their decisions and recommendation to the Board. These written terms of reference are available for access at the principal place of business of the Company in Hong Kong and each of the committee members was furnished with a copy of the respective terms of reference.

The written terms of reference of the Board Committees are also available on the websites of the Company (www.skyblue11.com) and the Stock Exchange.

All business dealt with by the Board Committees were well-documented. Draft and final versions of the Board Committees' minutes are sent to all the respective Board Committees' members for comments and records within reasonable time.

1. Audit Committee

The Audit Committee comprises solely independent non-executive Directors. As at 31 December 2024, the Audit Committee consisted of two independent non-executive Directors, namely Ms. Ching Ching (chairlady) and Dr. Song Donglin. As at the date of this Annual Report, the Audit Committee consists of three independent non-executive Directors, namely, Ms. Ching Ching (chairlady), Dr. Song Donglin and Mr. Wong Xiang Hong.

The Audit Committee is responsible for the following:

- reviewing and supervising the Company's financial reporting process, risk management and internal control systems;
- reviewing the accounting principles and practices adopted by the Group and other financial reporting matters and ensure the completeness, accuracy and fairness of the financial statements;
- making recommendations as to the effectiveness of internal control and risk management;
- monitoring the compliance with statutory and listing requirements and to oversee the relationship with the external auditor; and

— reviewing arrangements to enable employees of the Company to raise concerns about improprieties in financial reporting, internal control or other matters of the Company. The Audit Committee meets the external auditor and the senior management twice a year to discuss any areas of concern during the audits.

For the year ended 31 December 2024, the Audit Committee has reviewed (i) the annual report of the Group for the year ended 31 December 2023, (ii) the interim report of the Group for the 6 months ended 30 June 2024, (iii) the external auditor's engagement letter with recommendation to the Board for approval, (iv) the determination and reporting of key audit matters, and (v) the effectiveness of the risk management and internal control systems and internal audit function.

For the year ended 31 December 2024, 2 meetings were held with the Management and/or the external auditor. Members of the Audit Committee and their respective attendance at committee meetings were held during their term of office are listed below:

	Number of Audit Committee Meetings attended/held
Committee members	
Ms. Ching Ching	2/2
Dr. Song Donglin	2/2
Mr. Wong Xiang Hong	–

Note: Mr. Wong Xiang Hong was appointed after the accounting period covered by this Annual Report.

2. Remuneration Committee

The Remuneration Committee comprises solely independent non-executive Directors. As at 31 December 2024, the Remuneration Committee consisted of two independent non-executive Directors, namely Dr. Song Donglin (chairman) and Ms. Ching Ching. As at the date of this Annual Report, the Remuneration Committee consists of three independent non-executive Directors, namely, Dr. Song Donglin (chairman), Ms. Ching Ching and Mr. Wong Xiang Hong.

Its primary responsibilities include recommending, reviewing and determining the remuneration policy and packages of Directors and senior management. Directors do not participate in the determination of their own remuneration.

For the year ended 31 December 2024, the Remuneration Committee has reviewed and recommended to the Board for the Directors' remuneration. In making recommendations to the Board on the Directors' remuneration, the Remuneration Committee considered a number of factors including time commitment, responsibilities, qualification and the prevailing market rate. The remuneration of the Directors will be determined by the Board after obtaining authorisation at the general meetings of the Company.

For the year ended 31 December 2024, the Remuneration Committee held 3 meetings. Members of the Remuneration Committee and their respective attendance at the committee meetings during their term of office are listed below:

	Number of Remuneration Committee Meetings attended/held
Committee members	
Dr. Song Donglin	3/3
Ms. Ching Ching	3/3
Mr. Wong Xiang Hong	–

Note: Mr. Wong Xiang Hong was appointed after the accounting period covered by this Annual Report.

Details of the emoluments of the Directors and senior management of the Company are set out in note 11 and note 12 to the Consolidated Financial Statements of this Annual Report.

The remuneration of members of the senior management (excluding Directors) by band for the year ended 31 December 2024 is set out below:

	Number of individuals 2024
HK$1,000,001-HK$1,500,000	–
HK$1,500,001-HK$2,000,000	1
HK$2,000,001-HK$2,500,000	3
HK$3,000,001-HK$3,500,000	1
HK$3,500,001-HK$4,000,000	–
	5

3. Nomination Committee

The Nomination Committee comprises solely independent non-executive Directors. As at 31 December 2024, the Nomination Committee consisted of two independent non-executive Directors, namely Dr. Song Donglin (chairman) and Ms. Ching Ching. As at the date of this Annual Report, the Nomination Committee consists of three independent non-executive Directors, namely, Dr. Song Donglin (chairman), Ms. Ching Ching and Mr. Wong Xiang Hong.

Its primary responsibilities are to assist the Board to review the structure of the Board and make recommendations to the Board on the appointment or re-appointment of directors to the Board. It also reviews the Company's adopted board diversity policy, as appropriate, to ensure its continued effectiveness and make recommendations to the Board for consideration and approval.

Board Diversity Policy

Pursuant to the CG Code, the Board adopted a board diversity policy (the "**Board Diversity Policy**") in November 2013. Such policy aims to set out the approach to achieve diversity for the Board. The Company recognises the benefits of a Board that possesses a balance of skills, experience, expertise and diversity of perspectives appropriate to the requirements of the businesses of the Company.

All Board appointments shall be based on merits and candidates shall be considered against objective criteria, having due regard for the benefits of diversity on the Board. Selection of candidates for Board members shall be based on a range of diversity perspectives including, but not limited to, gender, age, race, experience, cultural and educational background, skills and other qualities considered relevant and applicable. The ultimate decision shall be based on merit and contribution that the selected candidates shall bring to the Board.

The Nomination Committee monitors the implementation of the Board Diversity Policy and reviews the Board Diversity Policy annually. The Nomination Committee also ensure the continued effectiveness of the policy. The Nomination Committee shall discuss any revisions that may be required and recommend any such revisions to the Board for consideration and approval.

As at 31 December 2024,

- one Director was within the age range of 30-39, three Directors were within the age range of 40-49, and one Director was within the age range of 60-69;
- Three Directors were male and two Directors were female; and
- One Director served the Board for less than one year, one Director served the Board for over one year but less than three years and three Directors served the Board for over three years.

As at the date of this Annual Report,

- one Director was within the age range of 30-39, three Directors were within the age range of 40-49, one Director was within the age range of 50-59, and one Director was within the age range of 60-69;
- Four Directors were male and two Directors were female; and
- Two Directors served the Board for less than one year, one director served the Board for over one year but less than three years and three Directors served the Board for over three years.

As at 31 December 2024 and the date of this Annual Report,

- one Director possessed appropriate professional qualifications in finance and accounting and meets the requirements of the Listing Rules;
- three Directors, were independent in accordance with the Listing Rules;
- all Directors contributed to the business of the Company with their own knowledge and experience.

In addition, as at 31 December 2024, the ratio of male and female employees of the Group was 1.11.

Nomination Policy

The Company adopted a nomination policy (the "**Nomination Policy**") in compliance with CG Code. The Nomination Committee and/or the Board shall consider the following criteria in evaluating and selecting candidates for directorships:

— Character and integrity;

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

— Willingness to devote adequate time to discharges duties as a Board member and other directorships and significant commitments;

— Requirement for the Board to have independent directors in accordance with the Listing Rules (as amended from time to time) and whether the candidates would be considered independent with reference to the independence guidelines set out in the Listing Rules; and

— Such other perspectives appropriate to the Group's business.

These factors are for reference only, and not meant to be exhaustive and decisive. The Nomination Committee has the discretion to nominate any person, as it considers appropriate.

For the year ended 31 December 2024, the Nomination Committee has reviewed the structure, size and composition of the Board and the independence of the independent non-executive Directors.

For the year ended 31 December 2024, the Nomination Committee held 3 meetings with the Management. Members of the Nomination Committee and their respective attendance at the committee meetings during their term of office are listed below:

	Number of Nomination Committee Meetings attended/held
Committee members	
Dr. Song Donglin	3/3
Ms. Ching Ching	3/3
Mr. Wong Xiang Hong	–

Note: Mr. Wong Xiang Hong was appointed after the accounting period covered by this Annual Report.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for determining the policy for the corporate governance of the Company. For the year ended 31 December 2024, the Board has discharged the following corporate governance duties:

- To develop and review the Company's policies and practices on corporate governance and make recommendations on changes and updating;

- To review and monitor the training and continuous professional development of Directors and senior management;

- To review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

- To develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors;

- To review the Company's compliance with the CG Code and disclosure in the "Corporate Governance Report" of this Annual Report; and

- To implement such other corporate governance duties and functions set out in the CG Code (as amended from time to time) for which the Board are responsible.

AUDITOR'S REMUNERATION

The statement of the external auditor of the Company about their reporting responsibility on the Company's consolidated financial statements for the year ended 31 December 2024 is set out in the section headed "Independent Auditor's Report" of this Annual Report.

For the year ended 31 December 2024, auditor's remuneration for audit services and non-audit services were approximately HK$800,000 and HK$160,000 respectively.

COMPANY SECRETARY

Mr. Ngai Tsz Hin Michael, from Khoo & Co., an external service provider, has been engaged by our Company as our Company Secretary to support the Board by ensuring good information flow within the Board and that the Board policy and procedures are followed. The primary corporate contact person at the Company is Ms. Li Weina, Director. Information in relation to the performance, financial position and other major developments and affairs of the Group are speedily delivered to Mr. Ngai through the contact person assigned. Hence, all directors are still considered to have access to the advice and services of the Company Secretary in light of the above arrangement in accordance with code provision C.6.4 of the Code. Having in place a mechanism that Mr. Ngai will get hold of the Group's development promptly without material delay and with his expertise and experience, the Board is confident that having Mr. Ngai as the Company Secretary is beneficial to the Group's compliance with the relevant board procedures, applicable laws, rules and regulations. For the year ended 31 December 2024, Mr. Ngai has duly complied with the relevant professional training requirement under Rule 3.29 of the Listing Rules.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness. Such systems and internal controls are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems.

The Audit Committee assists the Board in leading the management and overseeing their design, implementation and monitoring of the risk management and internal control systems.

The Company has established risk management manual to formulate the risk management process. The staff in all levels within the Group are also required to take the relevant responsibility on the risk management process. With reference to enterprise risk management – integrated framework issued by the Committee of Sponsoring Organisations of the Treadway Commission and the Company's enterprise risk management processes is summarised as follows:

1. Project initiation
2. Risk identification
3. Risk analysis
4. Risk treatment
5. Risk monitoring
6. Risk reporting

The risk management and internal control systems are reviewed at least annually to identify risks that potentially impact the business of the Group and various aspects including key operational and financial processes, regulatory compliance and information security to ensure appropriateness and effectiveness.

The Management, in coordination with division/department heads, assessed the likelihood of risk occurrence, provided treatment plans, and monitored the risk management progress, and reported to the Audit Committee and the Board on all findings and the effectiveness of the systems.

The Management has confirmed to the Board and the Audit Committee on the effectiveness of the risk management and internal control systems for the year ended 31 December 2024.

The heads of each core business segment monitor compliance with policies and procedures and the effectiveness of internal control systems in respect of their responsible business segments. The Company also engaged an independent external consulting firm to review and assess the effectiveness of the risk management and internal control systems of the Group during the year ended 31 December 2024. The assessment covers all material controls including financial, operational and compliance controls, as well as risk management functions for the year ended 31 December 2024. It was also reported that there were no material change in nature and extent of significant risks (including ESG risks) as compared with that of last year and the Company can respond to the market changes in its business and external environment.

The Audit Committee has reviewed the assessment report with the Management, and noted that no significant areas of improvement are brought to its attention. The Company also conducted a review on the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function for the year ended 31 December 2024. Accordingly, the Board was satisfied that the prevailing risk management and internal control systems of the Group are effective and adequate.

The Board, as supported by the Audit Committee as well as the Management, reviewed the effectiveness of risk management and internal control systems, including the financial, operational and compliance controls, for the year ended 31 December 2024, and considered that such systems are effective and adequate. The annual review also covered the financial reporting and staff qualifications, experiences and relevant resources. Based on the above, the Board formed the view that the Company has established effective and adequate risk management and internal control systems.

The Company has developed its disclosure policy which provides a general guide to the Company's directors, officers, senior management and relevant employees in handling confidential information, monitoring information disclosure and responding to enquiries.

Control procedures have been implemented to ensure that unauthorised access and use of inside information are strictly prohibited.

COMMUNICATION WITH SHAREHOLDERS

The Board considers that effective communication with shareholders is essential for enhancing investor relations and understanding of the Group's business, performance and strategies. The Board also recognises the importance of timely disclosure of information, which will enable shareholders and investors to make informed investment decisions.

The various channels via which the Company communicates with shareholders of the Company (the "**Shareholders**") include interim and annual reports, information on the websites of the Stock Exchange and the Company, annual general meeting and other general meetings that may be convened. In developing and formulating business strategy of the Company, the Board considers such key issues raised and takes shareholder feedback into account and conclude that the current communication policy with shareholders and investors are effective for the year ended 31 December 2024.

RIGHTS OF SHAREHOLDERS

(i) The right to attend the annual general meeting and to receive information

The annual general meeting of the Company provides opportunity for Shareholders to communicate directly with the directors. The chairman and the chairman of the Board committees will attend the annual general meeting to answer Shareholders' questions. In their absence, he/she should invite another member of the committee or his/her duly appointed delegate, to attend. These persons should be available to answer questions at the annual general meeting. The chairman of the independent board committee (if any) should also be available to answer questions at any general meeting to approve a connected transaction or any other transaction that requires independent Shareholders' approval. The external auditor of the Company will also attend the annual general meeting to answer questions about the conduct of the audit, the preparation and contents of the auditor's report, the accounting policies and auditor's independence.

Copies of the reporting documents, including financial statements, the Directors' report and the auditor's report must be sent to members at least 21 clear days before the annual general meeting of the Company.

(ii) The right to convene an extraordinary general meeting

Any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the company secretary, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within 2 months after the deposit of such requisition.

If within 21 days of such deposit the Board fails to proceed to convene such meeting the requisitionists themselves may do so in the same manner, and all reasonable expenses incurred by the requisitionists as a result of the failure of the Board shall be reimbursed to the requisitionists by the Company.

(iii) The voting powers at the shareholders' meetings

Every shareholder has the right to vote at the Shareholders meetings subject to provisions of the Bye-laws.

(iv) The power to elect and re-elect Directors and auditors

The Shareholders could hold individual director (or the Board as a whole) to account for their actions by voting against their re-election. The Bye-laws provides 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 at an annual general meeting at least once every three years.

For the directors to retire by rotation, and if they wish, they may submit themselves for re-election at the annual general meeting. The retiring Directors are eligible for reappointment to the office. Without the prescribed approval of the Shareholders, the Company shall not agree to any provision under which a director's term of employment exceeds or may exceed three years.

The Shareholders also have the right to approve (or reject) the appointment of the auditors each year. The Company may by an ordinary resolution passed at a general meeting to remove a person from the office of auditor despite any agreement between the person and the Company or anything in the Bye-laws.

(v) The right to receive information of the Company

The Company shall keep Shareholders informed of certain developments and to obtain shareholder approval for certain transactions in accordance with the Listing Rules. In these cases, the Company must communicate with the Shareholders and seek their support.

(vi) The right to communicate with the Company

The chairman or the executive directors should ensure that the views of the Shareholders are communicated to the Board as a whole and the chairman or the executive Directors should discuss strategy and governance with the major Shareholders.

Non-executive Directors should be given the opportunity to attend general meetings with major Shareholders, and should be expected to attend general meetings if requested by major Shareholders.

CONSTRUCTIVE USE OF GENERAL MEETINGS

(i) Effectiveness of general meetings

Shareholders should be given the opportunity to send in written questions before the meeting. There should be a circulation of a brief summary of points raised at the annual general meeting to all Shareholders after the event. The Board should despatch a circular accompanying the annual general meeting notice, which contains comprehensive information on the business to be transacted at the meeting, together with summary procedure governing voting at the annual general meeting and frequently asked questions regarding voting procedures.

The Company should arrange for the notice of the annual general meeting and the related papers to be sent to the Shareholders at least 21 clear days before the meeting. For other general meetings this should be at least 14 clear days in advance.

(ii) Giving shareholders an opportunity to ask questions

The chairman should attend the annual general meeting. He/she should also invite the chairmen of the Audit Committee, Nomination Committee and Remuneration Committee and any other committees (as appropriate) to be available to answer questions at the annual general meeting. In addition, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of Shareholders.

(iii) Voting procedure

At any general meeting, the Company proposes a separate resolution on each substantially separate issue and in particular proposes a resolution at the annual general meeting relating to the report and accounts. For each resolution, proxy appointment forms should provide Shareholders with the option to direct their proxy to vote either for or against the resolution or to withhold their vote.

At any general meeting there should also be a separate resolution to each substantially separate issue. The Company should avoid “bundling” resolutions unless they are interdependent and linked forming one significant proposal. Where the resolutions are “bundled”, the Company should explain the reasons and material implications in the notice of meeting.

In the context of voting by proxy and poll results, the Company should ensure that all valid proxy appointments received are properly recorded and counted. For each resolution, after a vote has been taken, except where taken on a poll, the Company should ensure that the following information is given at the meeting and made available as soon as reasonably practicable on a website which is maintained by or on behalf of the company.

The Company should announce the poll results as soon as possible and at least 30 minutes before the commencement of the Stock Exchange’s morning session or any pre-opening session on the business day following the general meeting. The poll results announcement must include: the number of shares entitling the holder to attend and vote at the general meeting; shares entitling the holder to attend and abstain from voting in favour; shares of holders that are required under the Listing Rules to abstain from voting; shares actually voted for a resolution and shares actually voted against a resolution.

SHAREHOLDERS’ ENQUIRIES

Shareholders should direct their questions about their shareholdings to the company’s registrar, Tricor Investor Services Limited at 17/F., Far East Finance Centre, 16 Harcourt Road, Hong Kong.

Shareholders and the investment community may at any time make a request for the company’s publicly available information. The designated contacts and addresses to enable them to make query in respect of the Company are:

Contact: The Board of Directors
Fax: 3421-1582
Address: Suite 3902, 39/F., Central Plaza, 18 Harbour Road, Wanchai, Hong Kong

CORPORATE WEBSITE

The Company's website is www.skyblue11.com.

Information submitted by the Company to the Stock Exchange is also posted as soon as practicable on the Company's website. Such information includes financial statements, results announcements, circulars and notices of general meetings and associated explanatory documents. All presentation materials provided in relation to the Company's annual general meeting and results announcement each year should be made available on the Company's website as soon as practicable after their release.

DIVIDEND POLICY

The Company adopted a policy on payment of dividends (the "**Dividend Policy**") in compliance with the CG Code, which establishes an appropriate procedure on declaring and recommending the dividend payment of the Company.

The Company may declare and pay dividends to the Shareholders by way of cash or by other means that the Board of the Company considers appropriate. It is the policy of the Board, in recommending dividends, to allow the Shareholders to participate in the Company's profits, and at the same time, to ensure the Company to retain adequate reserves for future growth.

Factors to consider

The Company's decision to declare or to pay any dividends in the future, and the amount of such dividends will depend upon, among other things, the current and future operations, financial condition, liquidity position and capital requirements of the Group, as well as dividends received from the Company's subsidiaries and associates, which in turn will depend on the ability of those subsidiaries and associates to pay a dividend. In addition, any final dividends for a financial year will be subject to the approval of the Shareholders.

General Principle

The declaration and payment of dividends by the Company is also subject to any restrictions under the laws of Bermuda, the laws of Hong Kong, the Bye-laws and any applicable laws, rules and regulations.

Review of the Dividend Policy

Whilst this Dividend Policy reflects the Board's current views on the financial and cash-flow position of the Group, the Board will continue to review this Dividend Policy from time to time and the Board may exercise its sole and absolute discretion to update, amend and/or modify this Dividend Policy at any time as it deems fit and necessary. There is no assurance that dividends will be declared or paid in any particular amount for any given period. The Dividend Policy shall in no way constitute a legally binding commitment by the Company that any dividend will be paid in any particular amount and/or in no way obligate the Company to declare a dividend at any time or from time to time.

CHANGE OF ADDRESS OF PRINCIPAL PLACE OF BUSINESS IN HONG KONG

On 1 August 2024, the address of the principal place of business in Hong Kong of the Company was changed from Suite 6504, 65/F., Central Plaza, 18 Harbour Road, Wanchai, Hong Kong to Unit 1802, 18/F, Ruttonjee House, Ruttonjee Centre, 11 Duddell Street, Central, Hong Kong.

With effect from 21 November 2024, the address of the principal place of business in Hong Kong of the Company has been changed to Suite 3902, 39/F., Central Plaza, 18 Harbour Road, Wanchai, Hong Kong.

CHANGE OF COMPANY NAME AND STOCK SHORT NAME

On 11 January 2024, a special resolution approving the proposed change of the company name by the shareholders of the Company was passed at the special general meeting of the Company. The Certificate of Change of Name and the Certificate of Secondary Name were issued by the Registrar of Companies in Bermuda certifying that the name of the Company has been changed from "Balk 1798 Group Limited" to "Sky Blue 11 Company Limited" and the secondary name of the Company has been changed from "巴克1798集團有限公司" to "天璽曜11有限公司", respectively, with effect from 17 January 2024. The Certificate of Registration of Alteration of Name of Registered Non-Hong Kong Company was issued by the Registrar of Companies in Hong Kong on 21 February 2024 confirming the registration of the Company's new English name of "Sky Blue 11 Company Limited" and new Chinese name of "天璽曜11有限公司" in Hong Kong under Part 16 of the Companies Ordinance (Cap. 622 of the Laws of Hong Kong) with effect from that date.

Following the change of company name, the stock short name of the Company for trading in the shares of the Company on the Stock Exchange will be changed from "BALK 1798 GP" to "SKY BLUE 11" in English and from "巴克1798集團" to "天璽曜11" in Chinese simultaneously with effect from 5 April 2024. For more details, please refer to the announcements of the Company dated 1 November 2023, 11 January 2024 and 27 March 2024 and the circular of the Company dated 21 December 2023.

CHANGE IN COMPANY SECRETARY

Upon the termination of Mr. Lam Wai Kei as the Company Secretary, the authorised representative of the Company under Rule 3.05 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and the authorised representative of the Company for accepting service of process and notices on behalf of the Company in Hong Kong as required under Part 16 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (collectively, the "Authorised Representative") with effect from 4 June 2024, Ms. Li Yuen Shan was appointed as the Company Secretary and the Authorised Representative with effect from 4 June 2024.

Ms. Li Yuen Shan resigned as the Company Secretary and the Authorised Representative with effect from 6 November 2024 and Mr. Ngai Tsz Hin Michael was appointed as the Company Secretary and the Authorised Representative, with effect from 6 November 2024.

For further information, please refer to the announcements of the Company dated 4 June 2024 and 6 November 2024.

CHANGE IN BERMUDA SHARE REGISTRAR

With effect from 11 January 2025, The Company's Bermuda principal share registrar and transfer agent has been changed to:

Appleby Global Corporate Services (Bermuda) Limited
Canon's Court, 22 Victoria Street, PO Box HM 1179, Hamilton HM EX, Bermuda

For further information, please refer to the announcement of the Company dated 13 January 2025.

CHANGE IN HONG KONG SHARE REGISTRAR

With effect from 11 April 2025, the Company's branch share registrar and transfer office in Hong Kong will be changed to:

TRICOR INVESTOR SERVICES LIMITED
17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong

For further information, please refer to the announcement of the Company dated 14 March 2025.

To the Shareholders of Sky Blue 11 Company Limited
(Incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Sky Blue 11 Company Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") set out on pages 81 to 178, which comprise the consolidated statement of financial position as at 31 December 2024, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with HKFRS Accounting Standards 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 THE GOING CONCERN

We draw attention to Note 2 to the consolidated financial statements, which indicates that the Group recorded a loss of approximately HK$165,113,000 for the year ended 31 December 2024, and, as of that date, the Group's net current liabilities and net liabilities amounted to approximately HK$162,763,000 and HK$127,985,000, respectively. This condition, along with other matters as set forth in Note 2 to the consolidated financial statements, indicates the existence of a material uncertainty which 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.

To the Shareholders of Sky Blue 11 Company Limited
(Incorporated in Bermuda with limited liability)

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.

The key audit matter	How the matter was addressed in our audit
Refer to Note 4 and Note 24 to the consolidated financial statements	
Provision for expected credit loss on trade and bill receivables	
The carrying value of the Group's trade and bills receivables as at 31 December 2024 amounted to HK$30,519,000, representing 13.4% of the Group's total assets as at 31 December 2024. The loss allowance charged to the statement of profit or loss for the year was HK$67,516,000, and the cumulative loss allowance for the trade and bills receivables carried as at 31 December 2024 was HK$73,334,000. The loss allowance for the impairment of trade and bills receivables was maintained to reduce the Group's trade and bills receivables to their estimated recoverable amounts.	1. We have assessed the appropriateness of evaluating the judgements and assumptions used for the impairment; 2. We have understood, evaluated and tested the key controls over the approval, recording and monitoring of trade and bills receivables; 3. We have tested, on a sample basis, the trade and bills receivables ageing analysis by checking the underlying invoices, contracts and bank remittance documents; 4. We have assessed the management's assessment on credit risk of trade and bills receivables to consider grouping of receivables; 5. We have assessed the probability of default of trade and bills receivables to reflect increase in credit risk or default and consider multiple forward-looking information should be incorporated to reflect the change in credit risk of receivables;

To the Shareholders of Sky Blue 11 Company Limited
(Incorporated in Bermuda with limited liability)

KEY AUDIT MATTERS *(Continued)*

The key audit matter	How the matter was addressed in our audit
Refer to Note 4 and Note 24 to the consolidated financial statements *(Continued)*	
Provision for expected credit loss on trade and bill receivables *(Continued)*	
Management evaluated the estimated loss allowance based on historical repayment behavior of debtors, ageing profile, specific information on individual customers as well as experience with collection trends, and current economic and business conditions. The management's continued refinement of the impairment of trade and bills receivables based on known customer information could provide a significant change in estimate between periods. We focused the impairment assessment of the trade and bills receivables as a key audit matter because of the material amounts involved, the significant judgement estimation and assumptions by management involved in the determination of loss allowance under the expected credit losses model.	6. We have tested the information used to determine the expected impairment loss by considering subsequent cash collection performance; 7. We have sent audit confirmations to those customers with significant balances to verify their existence; 8. We have discussed the approach and other credit exposures since initial recognition with measurement and external valuer in respect of the expected credit losses of the trade and bills receivables.

To the Shareholders of Sky Blue 11 Company Limited
(Incorporated in Bermuda with limited liability)

KEY AUDIT MATTERS *(Continued)*

The key audit matter	How the matter was addressed in our audit

Refer to Note 4 and Note 23 to the consolidated financial statements

Valuation for Inventory

As at 31 December 2024, the Group's held inventories amounted to HK$84,392,000 (net of provision for impairment of inventories amounted to HK$74,862,000), representing 37.1% of the Group's total assets as at 31 December 2024.

Inventories are carried at the lower of cost and net realisable value ("**NRV**") and an allowance is made by the Group, where necessary, for obsolete and slow moving inventories. For impairment assessment purposes, the management of the Group determined the NRV of inventories based on the valuation performed by the independent and qualified professional valuer (the "**Valuer**"). The valuation is dependent on certain significant inputs, including inventories' nature, ageing profile, expiry dates and sales expectations using historical trends and other qualitative factors. The estimations are also subject to uncertainty as a result of future charges of market trends, customer demands and technology development.

1. We have understood, evaluated and tested the key controls on management's assessment on allowance for inventories;

2. We have evaluated the Group's procedures on identifying damaged or obsoleted inventory, and observe management's inventory count, on sample basis;

3. We have tested, on sample basis, the accuracy of ageing profile of individual inventory items by checking the underlying delivery documents and purchase invoices;

4. We have compared the valuation performed by the Valuer to the range provided by the independent valuation specialist. We further assessed the correctness of the related data used as inputs for the valuation;

5. We have assessed the appropriateness of the NRV of the inventories, on a sample basis, estimated by the management by comparing the actual selling price subsequent to year end or estimated market price that derive the NRV to the market prices achieved in the comparable inventories, based on our knowledge of the Group's business;

6. For the inventory items with no subsequent sales after the year end, we have discussed with management as to their net realisable value assessment and collaborate their explanations with sales orders on hand, current market price of similar products, historical margins and historical product life cycle of relevant inventory items, as appropriate.

To the Shareholders of Sky Blue 11 Company Limited
(Incorporated in Bermuda with limited liability)

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 HKFRS Accounting Standards 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.

Audit Committee are responsible for overseeing the Group’s financial reporting process.

To the Shareholders of Sky Blue 11 Company Limited
(Incorporated in Bermuda with limited liability)

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion, solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance and 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.

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

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

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors 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.

To the Shareholders of Sky Blue 11 Company Limited
(Incorporated in Bermuda with limited liability)

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

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

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the Group. We are responsible for the direction, supervision and review of the audit work performed for purpose of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with 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 Fan Chi Hang Stephen.

Prism Hong Kong Limited
Certified Public Accountants
Fan Chi Hang Stephen
Practising Certificate Number: P06144
Hong Kong

28 March 2025

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2024

	Notes	2024 HK$'000	2023 HK$'000 (Represented)
REVENUE	7	**36,034**	113,970
Cost of sales		**(14,408)**	(67,882)
Gross profit		**21,626**	46,088
Other income and losses, net	8	**(1,386)**	(850)
Selling and distribution costs		**–**	(7,053)
General and administrative expenses		**(39,449)**	(61,510)
Finance costs	9	**(16,024)**	(410)
Impairment of financial assets, net		**(69,616)**	(5,990)
Impairment of non-financial assets, net		**(59,716)**	(14,529)
LOSS BEFORE TAX	10	**(164,565)**	(44,254)
Income tax expense	13	**(548)**	(2,193)
LOSS FOR THE YEAR		**(165,113)**	(46,447)
ATTRIBUTABLE TO:			
Owners of the Company		**(165,113)**	(46,447)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	15	**HK cents**	HK cents
– Basic and diluted		**(37.45)**	(12.54)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2024

	2024 HK$'000	2023 HK$'000
LOSS FOR THE YEAR	**(165,113)**	(46,447)
OTHER COMPREHENSIVE (LOSS)/INCOME		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(1,226)**	(4,157)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Changes in fair value of equity investments designated at fair value through other comprehensive income	**1,110**	460
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	**(116)**	(3,697)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(165,229)**	(50,144)
Attributable to:		
Owners of the Company	**(165,229)**	(50,144)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 31 DECEMBER 2024

	Notes	2024 HK$'000	2023 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	16	**926**	1,918
Investment properties	17	**27,169**	28,901
Right-of-use assets	18(a)	**1,201**	4,888
Equity investment designated at fair value through other comprehensive income	20	**5,470**	4,360
Deferred tax assets	21	**451**	354
Long-term deposits	25	**216**	1,052
Total non-current assets		**35,433**	41,473
CURRENT ASSETS			
Finance lease receivables	22	**–**	–
Inventories	23	**84,392**	149,428
Trade and bills receivables	24	**30,519**	93,852
Prepayments, other receivables and other assets	25	**48,748**	7,600
Loans receivables	26	**–**	–
Financial assets at fair value through profit or loss	27	**–**	67
Tax recoverables		**–**	152
Cash and cash equivalents	28	**28,499**	69,107
Total current assets		**192,158**	320,206
CURRENT LIABILITIES			
Trade payables	29	**99,947**	101,089
Other payables and accruals	30	**27,141**	12,134
Borrowings	31	**124,715**	–
Lease liabilities	18(b)	**564**	3,495
Amount due to a shareholder	32	**92,790**	237,530
Tax payables		**9,764**	8,420
Total current liabilities		**354,921**	362,668
NET CURRENT LIABILITIES		**(162,763)**	(42,462)
TOTAL ASSETS LESS CURRENT LIABILITIES		**(127,330)**	(989)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 31 DECEMBER 2024

	Notes	2024 HK$'000	2023 HK$'000
NON-CURRENT LIABILITIES			
Lease liabilities	18(b)	**655**	1,990
NET LIABILITIES		**(127,985)**	(2,979)
EQUITY			
Equity attributable to owners of the Company			
Share capital	33	**44,429**	37,025
Other reserves	34	**135,558**	102,855
Accumulated losses		**(307,972)**	(142,859)
Capital deficiency		**(127,985)**	(2,979)

The consolidated financial statements on pages 81 to 178 were approved and authorised for issue by the Directors on 28 March 2025 and are signed on its behalf by:

Li Weina
Director

Phen Chun Shing Vincent
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2024

	Share capital HK$'000 (Note 33)	Other reserves HK$'000 (Note 34)	Accumulated losses HK$'000	Total HK$'000
At 1 January 2023	37,025	106,552	(96,412)	47,165
Loss for the year	–	–	(46,447)	(46,447)
Other comprehensive income/(loss) for the year:				
Change in fair value of equity investment designated at fair value through other comprehensive income	–	460	–	460
Exchange differences on translation of foreign operations	–	(4,157)	–	(4,157)
Total comprehensive loss for the year	–	(3,697)	(46,447)	(50,144)
At 31 December 2023 and 1 January 2024	**37,025**	**102,855**	**(142,859)**	**(2,979)**
Loss for the year	**–**	**–**	**(165,113)**	**(165,113)**
Other comprehensive income/(loss) for the year:				
Change in fair value of equity investments designated at fair value through other comprehensive income	**–**	**1,110**	**–**	**1,110**
Exchange differences on translation of foreign operations	**–**	**(1,226)**	**–**	**(1,226)**
Total comprehensive loss for the year	**–**	**(116)**	**(165,113)**	**(165,229)**
Placing of new shares (note a)	**7,404**	**34,063**	**–**	**41,467**
Transaction costs attributable to placing of new shares (note a)	**–**	**(1,244)**	**–**	**(1,244)**
At 31 December 2024	**44,429**	**135,558**	**(307,972)**	**(127,985)**

Note:

(a) On 22 December 2023, the Company and a placing agent entered into a placing agreement pursuant to which the Company has conditionally agreed to place of a maximum of 74,049,028 placing shares to independent investors at a price of HK$0.56 per share. The placing was completed on 17 January 2024 pursuant to which the Company has allotted and issued 74,049,028 placing shares. The net proceeds derived from the placing amounted to approximately HK$40,223,000 and resulted in an increase in share capital of approximately HK$7,404,000 and share premium of approximately HK$34,063,000, net of transaction costs of approximately HK$1,244,000.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2024

	Notes	2024 HK$'000	2023 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(164,565)**	(44,254)
Adjustments for:			
Interest income	8	**(134)**	(140)
Interest on other loans	9	**15,802**	–
Depreciation of right-of-use assets	10	**1,681**	1,826
Depreciation of property, plant and equipment	10	**171**	509
Losses on disposal of property, plant and equipment	8	**146**	–
Fair value losses on investment properties	8	**1,732**	1,427
Losses on disposal of financial assets measured at fair value through profit or loss	8	**67**	–
Gain on early termination of a leasing contract	8	**(330)**	–
Impairment of trade and bills receivables, net	10	**67,516**	5,758
Provision of impairment for prepayments	10	**1,059**	–
Impairment of other receivables and other assets, net	10	**2,100**	232
Losses on deregistration of subsidiaries	8	**3**	–
Provision of impairment for inventories, net	10	**58,657**	14,529
Interest on lease liabilities	9	**222**	410
		(15,873)	(19,703)
Decrease in inventories		**6,070**	5,008
(Increase)/decrease in trade and bills receivables		**(4,183)**	41,782
Increase in prepayments, other receivables and other assets		**(49,873)**	(5,575)
(Decrease)/increase in trade payables		**(1,142)**	34,692
Increase/(decrease) in other payables and accruals		**14,946**	(93,518)
(Decrease)/increase in amount due to a shareholder		**(81,603)**	4,886
Cash used in operations		**(131,658)**	(32,428)
Income tax paid, net		**–**	(193)
Net cash flows used in operating activities		**(131,658)**	(32,621)

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2024

	Note	2024 HK$'000	2023 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**–**	(5)
Proceeds from disposal of property, plant and equipment		**269**	–
Interest received		**134**	140
Net cash flows generated from investing activities		**403**	135
CASH FLOWS FROM FINANCING ACTIVITIES			
Drawn down of loans from other financial institutes		**53,150**	–
Interest paid		**(478)**	–
Capital element of lease rentals paid		**(1,375)**	(1,596)
Interest element of lease rentals paid		**(222)**	(410)
Proceeds from placing of new shares		**41,467**	–
Transaction costs attributable to placing of new shares		**(1,244)**	–
Net cash flows generated from/(used in) financing activities		**91,298**	(2,006)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(39,957)**	(34,492)
Cash and cash equivalents at the beginning of the year	28	**69,107**	104,326
Effect of foreign exchange rate changes, net		**(651)**	(727)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	28	**28,499**	69,107

1 CORPORATE AND GROUP INFORMATION

Sky Blue 11 Company Limited (the "**Company**") was incorporated in Bermuda as an investment holding company with limited liability under the Companies Act 1981 of Bermuda and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The address of its principal place of business in Hong Kong is Suite 3902, 39/F., Central Plaza, 18 Harbour Road, Wanchai, Hong Kong, effective from 21 November 2024.

Pursuant to the special resolution by the shareholders passed on 11 January 2024, the Certificate of Change of Name and the Certificate of Secondary Name were issued by the Registrar of Companies in Bermuda on 17 January 2024. Hence, the English name of the Company has been changed from "Balk 1798 Group Limited" to "Sky Blue 11 Company Limited" and the Chinese name "天璽曜11有限公司" has been adopted in place of "巴克1798集團有限公司" with effect from 17 January 2024.

During the year, the principal activities of the Company and its subsidiaries (hereinafter collectively referred to as the "**Group**") are (i) the design and sales of integrated circuits and semi-conductor parts, (ii) executive jet management services, and (iii) manufacturing and sales of yachts and other yacht related businesses.

The consolidated financial statements are presented in Hong Kong dollars ("**HK$**"), which is also the functional currency of the Company.

Information about subsidiaries

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

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Able Summit Investment Limited	British Virgin Islands	US$1	100%	–	Investment holding
Antigua & Barbuda Investments (HK) Limited	Hong Kong	HK$1	–	100%	Provision of management services to the Group
Balk Yacht (Hainan) Limited* (巴克遊艇(海南)有限公司)# ("Balk Hainan")	The People's Republic of China (the "PRC")	RMB110,000,000	–	100%	Manufacturing and refitting of yacht
Ideal Best Limited	British Virgin Islands	US$1	100%	–	Investment holding
International Business Aviation (Hong Kong) Limited	Hong Kong	HK$2	50%	50%	Executive jet management
PacRay Corporate Services Group Limited	Samoa	US$1	100%	–	Investment holding

1 CORPORATE AND GROUP INFORMATION *(Continued)*

Information about subsidiaries *(Continued)*

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
PacRay Tourism Development (Hong Kong) Limited	Hong Kong	HK$10,000	100%	–	Yacht businesses
Shanghai SyncMOS Semiconductor Company Limited* (上海新茂半導體有限公司)#	The PRC	US$7,000,000	–	100%	Design, distribution and trading of integrated circuit products and provision of related agency services in the PRC
SynMos Technologies Inc.	British Virgin Islands	US$1	100%	–	Investment holding
Win Win Property Investments Limited	British Virgin Islands	US$1	100%	–	Investment holding and sales of yachts

* For identification purposes only.

\# The entity is registered as a wholly-foreign-owned enterprise under laws of the PRC.

The above table lists the principal subsidiaries of the Company as at 31 December 2024 which, in the opinion of the directors of the Company, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

2 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been prepared in accordance with HKFRS Accounting Standards (which include all Hong Kong Financial Reporting Standards ("**HKFRSs**"), Hong Kong Accounting Standards ("**HKASs**") and interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of and by the Hong Kong Companies Ordinance.

Material Uncertainty Related to Going Concern

The Group recorded a loss of approximately HK$165,113,000 for the year ended 31 December 2024, and, as of that date, the Group's net current liabilities and net liabilities amounted to approximately HK$162,763,000 and HK$127,985,000, respectively. Further, as at 31 December 2024, the Group's cash in frozen bank account amounted to approximately RMB5,633,000, equivalent to approximately HK$6,083,000. The Group's current liabilities were mainly borrowings from third parties and amount due to a shareholder amounting to HK$124,715,000 and HK$92,790,000, respectively. The condition indicates the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern.

Notwithstanding this fact, the board of directors (the "**Directors**") consider it is appropriate to prepare the consolidated financial statements on a going concern basis as the Group is expected to have sufficient financial resources to meet its obligations as they fall due for at least the next fifteen months based on its projected cash flow forecasts. The directors of the Company have reviewed the financial position of the Group as at 31 December 2024, including its working capital and bank and cash balances, together with the projected cash flow forecasts for the next fifteen months and the directors of the Company consider that the Group is financial viable to continue as a going concern.

In addition, the Group can also improve its financial position, immediate liquidity and cash flows, by adopting the following measures:

1. the Group will carefully monitor and control administrative costs and future capital expenditures;

2. the Group has been able to roll over the borrowings from existing credit for most of its short-term interest-bearing borrowings upon their maturity historically, the Group will continue to do so for the foreseeable future;

3. a shareholder of the Group has agreed to provide financial support for the continuing operations of the Company so as to enable it to meet its liabilities when they fall due for the foreseeable future and not call for any repayment of amount due to a shareholder until the Group is in a financial position to do so; and

4. the directors of the Company have carried out a detail review of the working capital forecast of the Group for not less than fifteen months from the year end date, which took into account the projected future working capital of the Group.

3 APPLICATION OF AMENDMENTS TO HKFRS ACCOUNTING STANDARDS AND CHANGES IN OTHER ACCOUNTING POLICIES

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

In the current year, the Group has applied, for the first time, the following amendments to HKFRS Accounting Standards issued by the HKICPA which are effective for the Group's financial year beginning on 1 January 2024:

Amendments to HKFRS 16	*Lease Liability in a Sale and Leaseback*
Amendments to HKAS 1	*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	*Non-current Liabilities with Covenants*
Amendments to HKAS 7 and HKFRS 7	*Supplier Finance Arrangements*

Impact on application of Amendments to HKFRS 16 Lease Liability in a Sale and Leaseback

The amendments add subsequent measurement requirements for sale and leaseback transactions that satisfy the requirements of HKFRS 15 *Revenue from Contracts with Customers* to be accounted for as a sale. The amendments require a seller-lessee to determine "lease payments" or "revised lease payments" such that the seller-lessee would not recognise a gain or loss that relates to the right of use retained by the seller-lessee.

The application of the amendments had no material impact on the consolidated financial statements of the Group.

3 APPLICATION OF AMENDMENTS TO HKFRS ACCOUNTING STANDARDS AND CHANGES IN OTHER ACCOUNTING POLICIES

(Continued)

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

Impact on application of Amendments to HKAS 1 Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) (the "2020 Amendments"); and Amendments to HKAS 1 –Non-current Liabilities with Covenants (the "2022 Amendments")

The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period.

Upon adoption of the amendments, the Group has reassessed the terms and conditions of its loan arrangements. The application of the amendments has no material impact on the classification of the Group's liabilities.

The application of the amendments to HKFRS Accounting Standards in the current year has had no material impact on the consolidated financial statements of the Group.

Impact on application of Amendments to HKAS 7 and HKFRS 7 Supplier Finance Arrangements

The amendments clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.

The application of the amendments has no material impact on the consolidated financial statements of the Group.

3 APPLICATION OF AMENDMENTS TO HKFRS ACCOUNTING STANDARDS AND CHANGES IN OTHER ACCOUNTING POLICIES

(Continued)

New and amendments to HKFRS Accounting Standards issued but not yet effective

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

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

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

The directors of the Company anticipate that the application of the new and amendments to HKFRS Accounting Standards will have no material impact on the results and the financial position of the Group.

4 MATERIAL ACCOUNTING POLICY INFORMATION

Historical cost basis

The consolidated financial statements have been prepared on the historical cost basis, except for certain properties and financial instruments that are measured at fair values at the end of each reporting period.

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

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, regardless of whether that price is directly observable or estimated using another valuation technique. Details of fair value measurement are explained in the accounting policies set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. If a subsidiary prepares its financial statements using accounting policies other than those adopted in the consolidated financial statements for like transactions and events in similar circumstances, appropriate adjustments are made to that subsidiary's financial statements in preparing the consolidated financial statements to ensure conformity with the Group's accounting policies.

Control is achieved where the Group has: (i) the power over the investee; (ii) exposure, or rights, to variable returns from its involvement with the investee; and (iii) the ability to use its power over the investee to affect the amount of the Group's returns.

The Group reassess whether it controls an investee if facts and circumstances indicate that there are changes to one or more of these elements of control stated above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

Income and expenses of subsidiaries are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

4 MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Basis of consolidation *(Continued)*

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

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

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs incurred to effect a business combination are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities and assets or liabilities related to the acquiree's employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits*, respectively;

- liabilities or equity instruments related to share-based payment arrangement of the acquiree or the replacement of the acquiree's share-based payment transactions with the share-based payment transactions of the Group are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date (see the accounting policy below);

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard; and

- lease liabilities are recognised and measured at the present value of the remaining lease payments as if the acquired lease was a new lease at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at an amount equal to the lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

4 MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Business combinations *(Continued)*

Goodwill is measured as the excess of the aggregate of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the Group's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the aggregate of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests, unless as required by another standards, are measured at acquisition date fair value except for non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are initially measured either at fair value or at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets.

When the consideration transferred by the Group in a business combination 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. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. 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.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss or other comprehensive income, as appropriate. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income and measured under HKFRS 9 *Financial Instruments* ("**HKFRS 9**") would be accounted for on the same basis as would be required if the Group had disposed directly of the previously held equity interest.

4 MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Business combinations *(Continued)*

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. The provisional amounts recognised at the acquisition date are adjusted retrospectively during the measurement period (see above), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Investments in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method. Under the equity method, investments in associates are initially recognised at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associates. If the Group's share of losses of an associate equals or exceeds its interest in the associate, which includes any long-term interests that, in substance, form part of the Group's net investment in the associate, the Group discontinues recognising its share of further losses. Additional losses are provided for, and a liability is recognised, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

If an associate uses accounting policies other than those of the Group for like transactions and events in similar circumstances, adjustments are made to make the associate's accounting policies conform to those of the Group when the associate's financial statements are used by the Group in applying the equity method.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment, any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets and liabilities of the associate is recognised as goodwill and is included in the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognised in profit or loss in the period in which the investment is acquired.

4 MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Investments in associates *(Continued)*

The requirements of HKAS 36 *Impairment of Assets* ("**HKAS 36**") are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised to the extent that the recoverable amount of the net investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture. When the Group retains an interest in the former associate and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with HKFRS 9. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or a joint venture is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the associate is disposed of.

Revenue from contracts with customers

Revenue is recognised to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Group uses a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

4 MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Revenue from contracts with customers *(Continued)*

The Group recognised revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to customers.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

- The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

- The Group' performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct goods or service.

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer, excludes amounts collected on behalf of third parties, discounts and sales related taxes.

(a) Revenue from the sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of goods.

(b) Executive jet and super yacht management service fees are recognised when such services are rendered.

4 MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Revenue from contracts with customers *(Continued)*

Variable consideration

For contracts that contain variable considerations, the Group estimates the amount of consideration to which the Group will be entitled in exchange for transferring the promised goods or services to a customer.

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.

At the end of each reporting period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

Existence of significant financing component

In determining the transaction price, the Group adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed (either explicitly or implicitly) provides the customer or the Group with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. A significant financing component may exists regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed to by the parties to the contract.

For contracts where the period between payments and transfer of the associated goods or services is less than one year, the Group applies the practical expedient of not adjusting the transaction price for any significant financing component.

For advance payments received from customers before the transfer of the associated goods or services in which the Group adjusts for the promised amount of consideration for a significant financing component, the Group applies a discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. The relevant interest expenses during the period between the advance payments received and the transfer of the associated goods and services, are accounted for on the same basis as other borrowing costs.

For contracts where the Group transferred the associated goods or services before payments from customers in which the Group adjusts for the promised amount of consideration for significant financing components, the Group applies a discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. The Group recognises interest income during the period between the payment from customers and the transfer of the associated goods or services.

4 MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Revenue from contracts with customers *(Continued)*

Revenue from other sources

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

Contract liabilities

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

Leasing

Definition of a leasee

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

The Group as lessee

For contracts entered into or modified on or after the date of initial application of HKFRS 16 *Leases* ("**HKFRS 16**") or arising from business combinations, the Group assesses whether a contract is or contains a lease, at inception of the contract or modification date or acquisition date, as appropriate. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less from the commencement date and do not contain a purchase option) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

4 MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Leasing *(Continued)*

The Group as lessee *(Continued)*

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:

- fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options if the lessee is reasonably certain to exercise the options; and
- 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.

4 MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Leasing *(Continued)*

The Group as lessee *(Continued)*

Lease liabilities (Continued)

Lease liability is remeasured (and with a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using revised discount rate;

- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used); and

- A lease contracts modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Right-of-use assets

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date and any initial direct costs, less lease incentives received Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under HKAS 37 *Provision, Contingent Liabilities and Contingent Assets*. The costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. They are depreciated over the shorter period of lease term and useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

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

The Group applies HKAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss.

4 MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Leasing *(Continued)*

The Group as lessee *(Continued)*

Right-of-use assets (Continued)

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in "General and administrative expenses" in the consolidated statement of profit or loss and other comprehensive income.

When the Group obtains ownership of the underlying leased assets at the end of the lease term upon exercising purchase options, the cost of the relevant right-of-use assets and the related accumulated depreciation and impairment loss are transferred to property, plant and equipment.

Allocation of consideration to components of a contract

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

As a practical expedient, HKFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement.

4 MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Leasing *(Continued)*

The Group as lessee *(Continued)*

Lease modification

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the lease increases by an amount commensurate with the stand alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group as lessor

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When a contract includes both lease and non-lease components, the Group applies HKFRS 15 *Revenue from Contracts with Customers* ("**HKFRS 15**") to allocate the consideration under the contract to each component.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Lease modification

For operating lease

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

4 MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Foreign currencies

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

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences arising on a monetary item that forms part of the net investment in a foreign operation, in which case, such exchange differences are recognised in other comprehensive income and accumulated in equity and will be reclassified from equity to profit or loss on disposal of the foreign operation.

Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

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

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

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint arrangement that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

4 MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants related to income that are 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.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

4 MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Retirement benefits costs and termination benefits

Payments to the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term and other long-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

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

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from 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.

4 MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Taxation *(Continued)*

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

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

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

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

4 MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Property, plant and equipment

Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment less their residual values over their estimated useful lives, using the straight-line method as follows:

Leasehold improvements	4-5 years or shorter of the lease term
Furniture, fixtures and equipment	5 years
Motor vehicles	5 years

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

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

Investment properties

Investment properties are interest in land and buildings held to earn rental income and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

If an item of property, plant and equipment becomes an investment property when there is a change in use, as supported by observable evidence, any difference between the carrying amount and the fair value of that item at the date of transfer is recognised in other comprehensive income and accumulated in properties revaluation reserve. The properties revaluation reserve in respect of that item will be transferred directly to retained earnings when it is derecognised.

4 MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Investment properties *(Continued)*

If a property held for sale becomes an investment property when there is a change in use, as supported by observable evidence, any difference between the carrying amount and the fair value of that property at the date of transfer is recognised in profit or loss.

If an investment property becomes an owner-occupied property when there is a change in use, as supported by observable evidence, the fair value of that property at the date of transfer is the deemed cost for subsequent accounting for that property as an item of property, plant and equipment.

If an investment property becomes an property under development for sale in the ordinary course of business when there is a change in use, as supported by observable evidence, the fair value of that property at the date of transfer is the deemed cost for subsequent accounting for that property as an property under development.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are calculated using the weighted average method. Net realisable value of inventories represents the estimated selling price less the estimated costs of completion and costs necessary to make the sale.

Cash and cash equivalents

In the consolidated statement of financial position, cash and bank balances comprise cash (i.e. cash on hand and demand deposits) and cash equivalents. Cash equivalents are short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather for investment or other purposes.

Bank balances for which use by the Group is subject to third party contractual restrictions are included as part of cash unless the restrictions result in a bank balance no longer meeting the definition of cash. Contractual restrictions affecting use of bank balances are disclosed in note 28.

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

Investments in subsidiaries

Investments in subsidiaries are stated on the statement of financial position of the Company at cost less accumulated impairment loss.

4 MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Financial instruments

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

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

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 subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets. Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income ("**FVTOCI**") and fair value through profit or loss ("**FVTPL**").

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them.

4 MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Financial assets at amortised cost (debt instruments)

The Group measures financial assets subsequently at amortised cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and;

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment.

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

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

4 MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Financial assets at FVTOCI (debt instruments)

The Group's debt instruments are classified and measured subsequently at FVTOCI Financial assets at amortised cost (debt instruments) if both of the following conditions are met:

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

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments are initially measured at fair value plus transaction costs. Subsequently, changes in the carrying amount of debt instruments as a result of foreign exchange gains and losses, impairment gains or losses, and interest income calculated using the effective interest method are recognised in profit or loss. The amounts that are recognised in profit or loss are the same as the amounts that would have been recognised in profit or loss if these debt instruments had been measured at amortised cost. All other changes in the carrying amount of these debts instruments are recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve. Impairment allowances are recognised in profit or loss with corresponding adjustment to other comprehensive income without reducing the carrying amounts of these debt instruments. When these debt instruments are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

Equity instruments designated as at FVTOCI

On initial recognition, the Group may make an irrevocable election (on an instrument-by instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investment revaluation reserve. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, instead, they will be transferred to retained earnings.

Dividends from investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the 'Other income and losses, net' line item in profit or loss.

4 MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Financial assets at FVTPL

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

- Investments in equity instruments are classified as at FVTPL, unless the Group designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition;

- Debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria are classified as at FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The Group has not designated any debt instruments as at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the 'Other income and losses, net' line item. Fair value is determined in the manner described in note 38.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or

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

- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

4 MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses ("**ECL**"**s**) on investments in debt instruments that are measured at amortised cost and finance lease receivables. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for certain trade receivables and finance lease receivables. The ECLs 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 measures the loss allowance equal to 12-month ECL, unless there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increase in the likelihood or risk of a default occurring since initial recognition.

4 MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

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

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

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular debtor, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- 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; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk 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.

4 MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Significant increase in credit risk (Continued)

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, and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there is no past due amounts.

For financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a financial guarantee contract, the Group considers the changes in the risk that the specified debtor will default on the contract.

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 debtor; 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 30 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

4 MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Credit-impaired financial assets

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

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

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, e.g. when the counterparty 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.

4 MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Measurement and recognition of expected credit losses

The measurement of ECLs 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. For a lease receivable, the cash flows used for determining the expected credit losses is consistent with the cash flows used in measuring the lease receivable in accordance with HKFRS 16.

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

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

4 MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Derecognition of financial assets

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

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

Modification of financial assets

A modification of a financial asset occurs if the contractual cash flows are renegotiated or otherwise modified.

When the contractual terms of a financial asset are modified, the Group assesses whether the revised terms result in a substantial modification from original terms taking into account all relevant facts and circumstances including qualitative factors. If qualitative assessment is not conclusive, the Group considers the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received, and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial asset.

For non-substantial modifications of financial assets that do not result in derecognition, the carrying amount of the relevant financial assets will be calculated at the present value of the modified contractual cash flows discounted at the financial assets' original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial assets and are amortised over the remaining term. Any adjustment to the carrying amount of the financial asset is recognised in profit or loss at the date of modification

4 MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, and financial guarantee contracts issued by the Group, are measured in accordance with the specific accounting policies set out below.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is 1) contingent consideration of an acquirer in a business combination to which HKFRS 3 *Business Combinations* applies, 2) held for trading, or 3) it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

4 MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments *(Continued)*

Financial liabilities at FVTPL (Continued)

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKFRS 9 permits the entire combined contract to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value with any gains or losses arising on changes in fair value recognised in profit or loss to the extent that they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liabilities and is included in the 'Other income and losses, net' line item in profit or loss.

For financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognised in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

Gains or losses on financial guarantee contracts issued by the Group that are designated by the Group as at fair value through profit or loss are recognised in profit or loss.

4 MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments *(Continued)*

Financial liabilities subsequently measured at amortised cost

Financial liabilities that are not 1) contingent consideration of an acquirer in a business combination, 2) held for-trading, or 3) designated as at FVTPL, are subsequently measured at amortised cost using the effective interest method.

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

Derecognition of financial liabilities

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

Modification of financial liabilities

A substantial modification of the terms of an existing financial liability or a part of it (whether or not attributable to the financial difficulty of the Group) is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The Group considers that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. Accordingly, such exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment.

The exchange or modification is considered as non-substantial modification when such difference is less than 10 per cent.

4 MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments *(Continued)*

Non-substantial modifications of financial liabilities

For non-substantial modifications of financial liabilities that do not result in derecognition, the carrying amount of the relevant financial liabilities will be calculated at the present value of the modified contractual cash flows discounted at the financial liabilities' original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial liabilities and are amortised over the remaining term. Any adjustment to the carrying amount of the financial liability is recognised in profit or loss at the date of modification.

Offsetting financial instruments

Financial assets and liabilities of the Group are offset and the net amount presented in the consolidated statement of financial position when, and only when, there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

Provisions

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

Provisions, including those arising from the contractual obligation specified in the service concession arrangement to maintain or restore the infrastructure before it is handed over to the grantor, are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material). When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

4 MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

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

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

The recoverable amount of property, plant and equipment, and right-of-use assets are estimated individually. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating unit, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under that standard.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or the cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or the cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that standard.

4 MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Fair value measurement

When measuring fair value except for the Group's share-based payment transactions, leasing transactions, net realisable value of inventories for the purpose of impairment assessment, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

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

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Specifically, the Group categorised the fair value measurements into three levels, based on the characteristics of inputs, as follow:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

At the end of the reporting period, the Group determines whether transfer occur between levels of the fair value hierarchy for assets and liabilities which are measured at fair value on recurring basis by reviewing their respective fair value measurement.

Related parties

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

1. A person, or a close member of that person's family, is related to the Group if that person:

   (i) has control or joint control over the Group;

   (ii) has significant influence over the Group; or

   (iii) is a member of the key management personnel of the Group or of a parent of the Group.

4 MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Related parties *(Continued)*

2. An entity is related to the Group if any of the following condition applies:

   (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

   (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

   (iii) The entity and the Group are joint ventures of the same third party.

   (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

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

   (vi) The entity is controlled or jointly controlled by a person identified in (1).

   (vii) A person identified in (1)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's chief operating decision maker for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

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

5 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, the directors of the Company are required to make judgements, estimates and assumptions about the amounts of assets, liabilities, revenue and expenses reported and disclosures made in the consolidated financial statements. 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 on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

Valuation for Inventories

Inventories are carried at the lower of cost and net realisable value. The cost of inventories is written down to net realisable value when there is objective evidence that the cost of inventories may not be recoverable. The cost of inventories may not be recoverable if those inventories are aged and damaged, if they have become wholly or partially obsolete, or if their selling prices have declined. The cost of inventories may also not be recoverable if the estimated costs to be incurred to make the sales have increased.

The amount written off to the statement of profit or loss is the difference between the carrying value and net realisable value of the inventories. In determining whether the inventories can be recoverable, significant judgement is required. In making this judgement, the Group evaluates, among other factors, the duration and extent by all means to which the amount will be recovered.

Provision for expected credit loss on trade and bill receivable

The Group uses a provision matrix to calculate ECL for trade and bill receivables. The provision rates are based on day past due for grouping of various customers' segments that have similar loss patterns. The provision matrix is mainly based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust historical credit loss experience with forward-looking information. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of correlation among historical observed rates, forecast economic conditions and ECLs is a significant estimate. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade and bill receivables and is disclosed in note 24 to the consolidated financial statements.

5 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Key sources of estimation uncertainty *(Continued)*

Estimation of fair value of investment properties

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

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

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

The carrying amount of investment properties at 31 December 2024 was HK$27,169,000, details of which are set out in note 17 to the consolidated financial statements.

Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

6 OPERATING SEGMENT INFORMATION

For management's purpose, the Group is organised into business units based on their products and services and has five reportable operating segments as follows:

(i) design and sales of integrated circuits and semi-conductor parts used in industrial and household measuring tools and display products;

(ii) executive jet management services;

(iii) manufacturing and sales of yachts and other yacht related businesses ("**Yacht businesses**");

(iv) property investment; and

(v) the "Headquarter and others" segment comprises principally the Group's corporate administrative and investment functions performed by the headquarter and provision of finance lease services.

6 OPERATING SEGMENT INFORMATION *(Continued)*

These main operations are the basis on which the management identifies the primary segment information.

The management regularly reviews the basis in order to make decisions about resources to be allocated to the segment and assess its performance.

	Design and sales of integrated circuits HK$'000	Executive jet management HK$'000	Yacht businesses HK$'000	Property investment HK$'000	Headquarter and others HK$'000	Total HK$'000
Year ended 31 December 2024						
Revenue from external customers	31,034	–	5,000	–	–	36,034
Operating (loss)/profit	(176)	4,747	(139,882)	(1,762)	(27,626)	(164,699)
Interest income	36	–	68	–	30	134
(Loss)/profit before income tax	(140)	4,747	(139,814)	(1,762)	(27,596)	(164,565)
Other segment information:						
Depreciation of property, plant and equipment	(85)	–	–	–	(86)	(171)
Depreciation of right-of-use assets	(590)	–	(205)	–	(886)	(1,681)
Provision for impairment of inventories	(1,119)	–	(57,538)	–	–	(58,657)
Provision for impairment of prepayments	–	–	(1,059)	–	–	(1,059)
Reversal of/(provision for) impairment of financial assets, net	85	4,784	(72,935)	–	(1,550)	(69,616)
Finance costs	(22)	–	–	–	(16,002)	(16,024)
Capital expenditure*	1,152	–	–	–	–	1,152
Segment assets	35,321	21,616	128,546	27,169	14,939	227,591
Segment liabilities	6,331	2,520	122,430	–	224,295	355,576

6 OPERATING SEGMENT INFORMATION *(Continued)*

	Design and sales of integrated circuits HK$'000	Executive jet management HK$'000	Yacht businesses HK$'000	Property investment HK$'000	Headquarter and others HK$'000	Total HK$'000
Year ended 31 December 2023						
Revenue from external customers	25,198	–	88,772	–	–	113,970
Operating loss	(567)	(5,435)	(7,523)	(1,453)	(29,416)	(44,394)
Interest income	1	–	110	–	29	140
Loss before income tax	(566)	(5,435)	(7,413)	(1,453)	(29,387)	(44,254)
Other segment information:						
Depreciation of property, plant and equipment	(301)	–	–	–	(208)	(509)
Depreciation of right-of-use assets	(596)	–	(169)	–	(1,061)	(1,826)
Reversal of /(provision for) impairment of inventories, net	970	–	(15,499)	–	–	(14,529)
Impairment of financial assets	(111)	(5,370)	(48)	–	(461)	(5,990)
Finance costs	(70)	–	(62)	–	(278)	(410)
Capital expenditure*	5	–	702	–	4,779	5,486
Segment assets	34,281	17,190	267,228	28,901	14,079	361,679
Segment liabilities	4,728	2,520	98,590	–	258,820	364,658

* Capital expenditure consists of additions to property, plant and equipment and right-of-use assets.

6 OPERATING SEGMENT INFORMATION *(Continued)*

Geographical information

(a) Revenue from external customers

	2024 HK$'000	2023 HK$'000
Hong Kong	–	88,772
The PRC	36,034	25,198
	36,034	113,970

The revenue information above is based on the locations of the operations of the relevant business units.

(b) Non-current assets

	2024 HK$'000	2023 HK$'000
Hong Kong	–	6,005
The PRC	2,343	1,853
The Island of Saipan	27,169	28,901
	29,512	36,759

The non-current assets information above is based on the locations of the assets and excludes deferred tax assets and equity investments designated at FVTOCI.

6 OPERATING SEGMENT INFORMATION *(Continued)*

Information about major customers

During both years ended 31 December 2024 and 2023, revenue from customers of the corresponding years contributing over 10% of the Group's total revenue are as follows:

	2024 **HK$'000**	2023 HK$'000
Customer A[1]	**11,993**	12,644
Customer B[2]	**5,000**	–
Customer C[2]	**–**	88,772

1 The revenue was derived from the design and sales of integrated circuits.
2 The revenue was derived from the yacht businesses.

7 REVENUE

	2024 **HK$'000**	2023 HK$'000
Revenue from contracts with customers		
Sales of integrated circuits	**31,034**	25,198
Sales of yacht	**–**	88,772
Sales of semi-finished yachts	**5,000**	–
	36,034	113,970

7 REVENUE *(Continued)*

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 31 December 2024

Segments	Design and sales of integrated circuits HK$'000	Yacht businesses HK$'000	Total HK$'000
Type of goods or services			
Sales of goods	31,034	5,000	36,034
Total revenue from contracts with customers	31,034	5,000	36,034
Geographical market			
The PRC	31,034	5,000	36,034
Total revenue from contracts with customers	31,034	5,000	36,034
Timing of revenue recognition			
Goods transferred at a point in time	31,034	5,000	36,034
Total revenue from contracts with customers	31,034	5,000	36,034

7 REVENUE *(Continued)*

Revenue from contracts with customers *(Continued)*

(i) Disaggregated revenue information *(Continued)*

For the year ended 31 December 2023

Segments	Design and sales of integrated circuits HK$'000	Yacht businesses HK$'000	Total HK$'000
Type of goods or services			
Sales of goods	25,198	88,772	113,970
Total revenue from contracts with customers	25,198	88,772	113,970
Geographical markets			
Hong Kong	–	88,772	88,772
The PRC	25,198	–	25,198
Total revenue from contracts with customers	25,198	88,772	113,970
Timing of revenue recognition			
Goods transferred at a point in time	25,198	88,772	113,970
Total revenue from contracts with customers	25,198	88,772	113,970

7 REVENUE *(Continued)*

Revenue from contracts with customers *(Continued)*

(i) Disaggregated revenue information *(Continued)*

The following table shows the movements in contract liabilities:

	Sales of goods	
	2024	2023
	HK$'000	HK$'000
Balance at 1 January	**846**	92,028
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	**(846)**	(91,631)
Increase in contract liabilities as a result of cash received	**777**	449
Balance at 31 December	**777**	846

(ii) Performance obligations

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

Sales of goods

The performance obligation is satisfied upon delivery of the goods and payment is generally due within 30 to 90 days from delivery for sales of integrated circuities and 365 days from delivery for sales of yachts, respectively.

8 OTHER INCOME AND LOSSES, NET

	2024 HK$'000	2023 HK$'000
Losses on disposal of financial assets measured at FVTPL	**(67)**	–
Fair value losses on investment properties	**(1,732)**	(1,427)
Gain on early termination of a leasing contract	**330**	–
Government grants (note a)	**31**	–
Interest income	**134**	140
Losses on deregistration of subsidiaries	**(3)**	–
Losses on disposal of property, plant and equipment	**(146)**	–
Repair and maintenance income	**–**	122
Research and development income	**–**	198
Sundry income	**67**	117
	(1,386)	(850)

Note:

(a) The amount mainly represented the unconditional subsidies received from the local governments where the Group entities were located for encouragement of business development activities in the local areas.

9 FINANCE COSTS

	2024 HK$'000	2023 HK$'000
Interests on:		
Lease liabilities (note 18(b))	**222**	410
Other loans	**15,802**	–
	16,024	410

10 LOSS BEFORE TAX

The Group's loss before tax was arrived at after charging:

	Notes	2024 HK$'000	2023 HK$'000
Cost of inventories sold		**14,240**	66,913
Depreciation expense on property, plant and equipment	16	**171**	509
Depreciation expense on right-of-use assets	18(a)	**1,681**	1,826
Auditor's remuneration		**800**	1,000
Directors' remuneration	11	**917**	1,197
Employee benefits expenses (excluding directors' remuneration (note 11)):			
Salaries, allowances and benefits in kind		**25,920**	27,193
Pension scheme contributions		**921**	1,872
		26,841	29,065
Foreign exchange difference, net		**215**	8
Impairment of trade and bills receivables, net#	24	**67,516**	5,758
Impairment of other receivables and other assets#	25	**2,100**	232
Provision for impairment of inventories, net*	23	**58,657**	14,529
Provision for impairment of prepayments*	25	**1,059**	–

Included in "Impairment of financial assets, net" in the consolidated statement of profit or loss.

* Included in "Impairment of non-financial assets, net" in the consolidated statement of profit or loss.

11 DIRECTORS' REMUNERATION

Directors' remuneration for the years ended 31 December 2024 and 2023, disclosed pursuant to the Rules Governing the Listing of Securities on the Stock Exchange, Section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies Regulation (Disclosure of Information about Benefits of Directors), is as follows:

Name of director	Fees HK$'000	Salaries, allowances and other benefits shares HK$'000	Discretionary bonuses premium HK$'000	Employer's contribution to retirement benefit contribution HK$'000	Total HK$'000
2024					
Executive directors:					
Ms. Li Weina	390	–	–	18	408
Dr. Zhang Yu	–	–	–	–	–
Mr. Phen Chun Shing Vincent *(note i)*	29	–	–	–	29
Mr. Zhang Fumin *(note ii)*	52	–	–	–	52
	471	–	–	18	489
Independent non-executive directors:					
Ms. Ching Ching	120	–	–	–	120
Dr. Song Donglin	240	–	–	–	240
Mr. Mak Tin Sang *(note iii)*	16	–	–	–	16
Dr. Zhang Shengdong *(note ii)*	52	–	–	–	52
	428	–	–	–	428
	899	–	–	18	917

11 DIRECTORS' REMUNERATION *(Continued)*

Name of director	Fees HK$'000	Salaries, allowances and other benefits shares HK$'000	Discretionary bonuses premium HK$'000	Employer's contribution to retirement benefit contribution HK$'000	Total HK$'000
2023					
Executive directors:					
Mr. Wang Yi *(note iv)*	186	–	–	3	189
Ms. Li Weina	390	–	–	18	408
Mr. Zhang Fumin *(note ii)*	120	–	–	–	120
Dr. Zhang Yu	–	–	–	–	–
	696	–	–	21	717
Independent non-executive directors:					
Dr. Song Donglin	240	–	–	–	240
Dr. Zhang Shengdong *(note ii)*	120	–	–	–	120
Ms. Ching Ching	120	–	–	–	120
	480	–	–	–	480
	1,176	–	–	21	1,197

There was no arrangement under which a director waived or agreed to waive any remuneration during both years ended 31 December 2024 and 2023.

Notes:

i Appointed on 12 November 2024.
ii Retired on 6 June 2024.
iii Appointed on 20 September 2024 and resigned on 8 November 2024.
iv Resigned on 6 April 2023.

12 FIVE HIGHEST PAID EMPLOYEES

None of the five highest paid employees served as the directors of the Company during the year (2023: nil) whose emoluments are reflected in note 11. Details of the remuneration for the year of the remaining five (2023: five) highest paid employees were as follows:

	2024 HK$'000	2023 HK$'000
Salaries, allowances and benefits in kind	12,311	11,013
Pension scheme contribution	9	20
	12,320	11,033

The number of non-director highest paid employees whose remuneration fell within the following bands was as follows:

	Number of individuals	
	2024	2023
HK$1,000,001-HK$1,500,000	–	1
HK$1,500,001-HK$2,000,000	1	2
HK$2,000,001-HK$2,500,000	3	1
HK$3,000,001-HK$3,500,000	1	–
HK$3,500,001-HK$4,000,000	–	1
	5	5

During both years ended 31 December 2024 and 2023, no emolument was paid by the Group to the directors of the Company or the five highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office.

13 INCOME TAX EXPENSE

The Company is exempted from taxation in Bermuda. Hong Kong profits tax has been provided at the rate of 8.25% on the first HK$2,000,000 estimated assessable profits arising in Hong Kong and 16.5% on such profits above HK$2,000,000 during the year. Taxes on assessable profits for the PRC subsidiaries are provided at the Enterprise Income Tax rate of 25% and Special Enterprise Income Tax rate of 15%.

	2024 **HK$'000**	2023 HK$'000
Current tax:		
– Hong Kong	**–**	2,019
– PRC Enterprise Income Tax	**500**	–
	500	2,019
Under/(over)-provision in prior years – PRC Enterprise Income Tax	**150**	(68)
Current tax	**650**	1,951
Deferred tax (note 21)	**(102)**	242
Total tax charge for the year	**548**	2,193

The tax on the Group's loss before income tax differs from the theoretical amount that would arise using domestic tax rates applicable to loss in the respective countries as follows:

	2024 **HK$'000**	2023 HK$'000
Loss before tax	**(164,565)**	(44,254)
Tax calculated at domestic tax rates applicable to profit in the respective countries	**(32,751)**	(8,551)
Income not subject to tax	**(5)**	(190)
Expenses not deductible for tax	**2,737**	7,679
Under/(over)-provision in prior years	**150**	(68)
Tax losses not recognised	**5,513**	3,081
Temporary differences not recognised	**24,904**	242
Income tax expense	**548**	2,193

14 DIVIDEND

No dividend was paid or proposed during the year ended 31 December 2024 (2023: nil) nor has any dividend been proposed since the end of the reporting period (2023: nil).

15 LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic and diluted loss per share attributable to the owners of the company is based on the following data:

	2024	2023
	HK$'000	HK$'000
Loss attributable to owners of the Company	**(165,113)**	(46,447)

	Number of shares	
	2024	2023
	'000	'000
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share (note a)	**440,855**	370,245

Note:

(a) The weighted average number of ordinary shares for the purpose of basic and diluted loss per share has been adjusted for the share placing on 17 January 2024.

(b) The Group has not issued any potentially dilutive ordinary shares during both years ended 31 December 2024 and 2023.

16 PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor Vehicle HK$'000	Total HK$'000
Cost				
At 1 January 2023	103	9,048	2,405	11,556
Additions	–	5	–	5
Exchange realignment	–	(266)	(8)	(274)
At 31 December 2023 and 1 January 2024	**103**	**8,787**	**2,397**	**11,287**
Disposals	**(38)**	**(539)**	**(1,439)**	**(2,016)**
Exchange realignment	**–**	**(93)**	**(3)**	**(96)**
At 31 December 2024	**65**	**8,155**	**955**	**9,175**
Accumulated depreciation				
At 1 January 2023	(95)	(7,664)	(1,337)	(9,096)
Provided for the year (note 10)	(4)	(300)	(205)	(509)
Exchange realignment	–	228	8	236
At 31 December 2023 and 1 January 2024	**(99)**	**(7,736)**	**(1,534)**	**(9,369)**
Provided for the year (note 10)	**(2)**	**(97)**	**(72)**	**(171)**
Disposals	**36**	**522**	**648**	**1,206**
Exchange realignment	**–**	**57**	**28**	**85**
At 31 December 2024	**(65)**	**(7,254)**	**(930)**	**(8,249)**
Net carrying amount				
At 31 December 2024	**–**	**901**	**25**	**926**
At 31 December 2023	4	1,051	863	1,918

17 INVESTMENT PROPERTIES

	Completed Investment Properties HK$'000
FAIR VALUE	
At 1 January 2023	30,328
Decrease in fair value recognised in profit or loss	(1,427)
At 31 December 2023 and 1 January 2024	**28,901**
Decrease in fair value recognised in profit or loss	**(1,732)**
At 31 December 2024	**27,169**

The Group's investment properties comprise a leasehold land with certain apartment buildings in the Island of Saipan. The directors of the Company have determined that the Group's investment properties are solely the leasehold land, based on the nature, characteristics and risk of each property.

The fair value of the Group's investment properties was based on the valuation performed by Graval Consulting Limited, an independent professional qualified valuer, which was valued at approximately HK$27,169,000 (2023: HK$28,901,000). Each year, the management decides the appointment of the external valuer to be responsible for the valuation of the Group's investment properties. The selection criteria include market knowledge, reputation, independence and their professional standards. The management has discussions with the valuer on the valuation assumptions and valuation results when the valuation is performed for financial reporting purpose.

There has been no change from the valuation technique used in the prior year. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

Particular of the Group's investment properties is as follows:

Location	**Use**	**Tenure**	**Attributable interest of the Group**
Tract Number 21942-6 located in Capitol Hill, the Island of Saipan	Residential	Medium term lease	100%

17 INVESTMENT PROPERTIES *(Continued)*

Fair value hierarchy

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

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
2024				
Recurring fair value measurement for:				
Leasehold land	**–**	**–**	**27,169**	**27,169**
2023				
Recurring fair value measurement for:				
Leasehold land	–	–	28,091	28,091

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

Below is a summary of the valuation techniques used and the key inputs to the valuation of investment properties:

Investment properties held by the Group	Valuation technique	Significant unobservable input	Range	Relationship of input to fair value
Tract Number 21942-6 located in Capitol Hill, the Island of Saipan	Sales comparison method	Estimated market price per square feet (US$)	128-198 (2023: 162-199)	The higher the estimated market price, the higher the fair value

17 INVESTMENT PROPERTIES *(Continued)*

Fair value hierarchy *(Continued)*

Fair value of the Group's investment properties is generally derived using sales comparison method based on market comparables of similar properties.

The sales comparison method is adopted by making reference to comparable market transactions in the assessment of the fair value of the investment properties. The method rests on the wide acceptance of the market transactions as the best indicator and pre-supposes that evidence of relevant transactions in the market place can be extrapolated to similar properties, subject to allowance for variable factors, including the transaction date, level of floor, environmental atmosphere, size of apartment and the like.

18 LEASES

(a) Right-of-use assets

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

	Office premises
	HK$'000
As at 1 January 2023	1,266
Additions	5,481
Depreciation expense (note 10)	(1,826)
Exchange realignment	(33)
As at 31 December 2023 and 1 January 2024	**4,888**
Additions	**1,152**
Depreciation expense (note 10)	**(1,681)**
Termination	**(3,159)**
Exchange realignment	**1**
As at 31 December 2024	**1,201**

The Group has leased office premises for its daily operations. The lease term is 3 years (2023: 3 years), with an option to renew the lease, at which time all terms are renegotiated. Lease payments are usually increased when lease term ends to reflect current market rentals.

18 LEASES *(Continued)*

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during both years ended 31 December 2024 and 2023 are as follows:

	2024 HK$'000	2023 HK$'000
Carrying amount at 1 January	**5,485**	1,645
Additions (note a)	**1,152**	5,481
Payments	**(1,597)**	(2,006)
Accretion of interest recognised during the year (note 9)	**222**	410
Termination (note b)	**(4,045)**	–
Exchange realignment	**2**	(45)
Carrying amount at 31 December	**1,219**	5,485
Analysed into:		
Current	**564**	3,495
Non-current	**655**	1,990
	1,219	5,485
Amounts payable under lease liabilities		
Within 1 year	**564**	3,495
After 1 year but within 2 years	**599**	1,349
After 2 years but within 5 years	**56**	641
	1,219	5,485

Notes:

(a) During the year ended 31 December 2024, additions to lease liabilities of HK$1,152,000 represent a renewal of a lease agreement with a term of 3 years for office premise.

(b) During the year ended 31 December 2024, the Group terminated a lease agreement in respect of renting office premises and derecognised a right-of-use asset and lease liabilities amounting to HK$3,159,000 and HK$4,045,000, respectively, resulting a gain on early termination of a leasing contract of approximately HK$330,000, net of termination expense of approximately HK$556,000.

18 LEASES *(Continued)*

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

	2024 HK$'000	2023 HK$'000
Interest expense on lease liabilities (note 9)	**222**	410
Depreciation expense on right-of-use assets (note 18(a))	**1,681**	1,826
Expense relating to short-term leases rental paid under operating lease	**173**	643
Gain on early termination of a leasing contract	**(330)**	–
Total amounts recognised in profit or loss	**1,746**	2,879

(d) Others

During the year ended 31 December 2024, total cash outflows for leases amounted to HK$1,770,000 (2023: HK$2,649,000).

19 INVESTMENT IN AN ASSOCIATE

	2024 **HK$'000**	2023 HK$'000
Share of net assets	**–**	7,592
Goodwill on acquisition	**–**	12,723
Impairment of investment in an associate	**–**	(20,315)
	–	–

Particulars of the associate are as follows:

Company name	**Particulars of issued shares held**	**Place of incorporation and business**	**Percentage of ownership interest attributable to the Group**	**Principal activities**
Red Power Developments Limited ("**Red Power**")	Ordinary shares	British Virgin Islands/ the PRC	– (2023: 20.2%)	Development, sales, lease and maintenance of equipment involving aviation technology and provision of air transportation services

The Group's shareholdings in the associate comprises equity shares held by the Company.

In prior years, the Company acquired 20.2% of the equity interest in Red Power and its subsidiaries (the "**Red Power Group**") by issuing 33,658,000 ordinary shares of the Company. The directors of the Company considered that the Group could only exercise significant influence over the Red Power Group based on its board composition and current shareholding, and accordingly, it was classified as an associate of the Group. Red Power Group is accounted for using equity method in the consolidated financial statement.

Red Power was an investment holding company and its subsidiaries, Liaoning Meridian Aviation Co., Ltd. (遼寧子午線航空有限公司) and Meridian Aviation Technology (Tianjin) Co., Ltd. (子午線航空技術(天津)有限公司), were engaged in the provision of air transportation services, development, sales, lease and maintenance of equipment involving the application of aviation technology in the PRC.

Since 2021, the COVID-19 pandemic and the resultant travel restrictions and quarantine requirements had dreadfully impacted the worldwide aviation industry. The Red Power Group were also victimised by these epidemic control measures, which in turn, severely affected the businesses and cash flow forecast of Red Power Group. Accordingly, the Group assessed a full impairment of the investment in an associate due to non-performance of the Red Power Group in prior years.

On 2 May 2024, Red Power is deregistered. The directors of the Company have assessed the recoverability of the investment in Red Power and it is expected to be uncollectable, the investment is fully written-off during the year ended 31 December 2024.

20 EQUITY INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2024 **HK$'000**	2023 HK$'000
Equity investment designated as at FVTOCI		
Unlisted investment, at fair value		
Cornerstone Securities Limited	**5,470**	4,360

The above equity investment is not held for trading. Instead, it is held for medium-to-long-term strategic purposes. Accordingly, the directors of the Company have elected to designate these investments in equity instruments as at FVTOCI as they believe that recognising short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for strategic long-term purposes and realising their performance potential in the long run. Details of fair value measurement are set out in note 37.

21 DEFERRED TAX ASSETS

	Provision of impairment for inventories HK$'000
At 1 January 2023	613
Charge to profit or loss	(242)
Exchange realignment	(17)
At 31 December 2023 and at 1 January 2024	**354**
Credit to profit or loss	**102**
Exchange realignment	**(5)**
At 31 December 2024	**451**

The Group had tax losses arising in Hong Kong of HK$132,898,000 (2023: HK$132,525,000) available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. The Group also had tax losses arising in the PRC of HK$1,679,000 (2023: HK$1,577,000) that can be carried forward for five years to offset future taxable profits and the period was extended to ten year for a subsidiary that is qualified as a High New Technology Enterprise. Deferred tax assets have not been recognised in respect of these tax losses as the directors of the Company did not consider it is probable that taxable profits will be available against which the tax losses can be utilitsed.

22 FINANCE LEASE RECEIVABLES

	Minimum lease payments		Present value of minimum lease payments	
	2024	2023	**2024**	2023
	HK$'000	HK$'000	**HK$'000**	HK$'000
Finance lease receivables comprise:				
Within one year	**5,725**	5,725	**5,671**	5,671
Gross investment in lease	**5,725**	5,725	**5,671**	5,671
Less: Unearned finance income	**(54)**	(54)	**–**	–
Present value of minimum lease payments	**5,671**	5,671	**5,671**	5,671
Less: Impairment	**(5,671)**	(5,671)	**(5,671)**	(5,671)
	–	–	**–**	–

The movement in the loss allowance for impairment of finance lease receivables is as follows:

	2024	2023
	HK$'000	HK$'000
At the beginning and the end of the year	**5,671**	5,671

The Group applies the HKFRS 9 general approach to measure expected credit losses which uses a 12-month ECL for finance lease receivables. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Group determines the provision for ECL by exercising significant judgements to evaluate the collectability from individual finance lease receivable after taking into account their creditworthiness, whether they have financial difficulties, experience of default or delinquency in interest payment, ageing analysis and forecast of future events and economic conditions which may impact the recoverability of finance lease receivables.

23 INVENTORIES

	2024 HK$'000	2023 HK$'000
Raw materials	**1,226**	2,087
Work in progress	**78,950**	141,532
Finished goods	**4,216**	5,809
Inventories, net of provision for impairment	**84,392**	149,428

The movements in the provision for impairment of inventories are as follows:

	2024 HK$'000	2023 HK$'000
At the beginning of the year	**17,243**	2,977
Provision for impairment of inventories	**58,657**	15,499
Reversal of impairment of inventories	**–**	(970)
Exchange realignment	**(1,038)**	(263)
At the end of the year	**74,862**	17,243

During the year, the Group made a provision for impairment on yachts of approximately HK$57,537,000 (2023: approximately HK$15,499,000) to their net realisable value which is the estimated selling price in the ordinary course of business less the estimated costs of completion and costs necessary to make the sale. Management engaged an independent professional qualified valuer, Graval Consulting Limited in determining the estimated selling price of the yachts in using sales comparison method based on market comparables of similar assets.

The sales comparison method is adopted by making reference to comparable market transactions in the assessment of the fair value of yachts. The method rests on the wide acceptance of the market transactions as the best indicator and pre-supposes that evidence of relevant transactions in the market place can be extrapolated to similar assets, subject to allowance for variable factors, including the transaction date, condition, size of yacht and the like.

23 INVENTORIES *(Continued)*

Below is a summary of the valuation techniques used and the key inputs to the valuation of yachts:

	Valuation technique	Significant unobservable input	Weighted average	Relationship of input to fair value
Yachts	Sales comparison method	Estimated market price per yacht	2024: HK$32,000,000 (2023: HK$63,359,000)	The higher the estimated market price, the higher the fair value

There was no change in the valuation techniques and significant assumptions made during the year.

In 2023, the reversal of impairment of inventories made in prior years arose due to the increase in the estimated net realisable value of certain integrated circuits as a result of change in customer preferences.

24 TRADE AND BILLS RECEIVABLES

	2024 HK$'000	2023 HK$'000
Trade receivables	**99,749**	96,052
Loss allowance	**(73,227)**	(5,723)
	26,522	90,329
Bills receivables	**4,104**	3,618
Loss allowance	**(107)**	(95)
	3,997	3,523
Trade and bills receivables	**30,519**	93,852

24 TRADE AND BILLS RECEIVABLES *(Continued)*

(a) Trade receivables

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally one to three months, extending up to ten months for major customers. Each customer has a maximum credit limit. The Group seeks to maintain a strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables related to a number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivables balance. Trade receivables are non-interest bearing.

The ageing analysis of trade receivables as at the end of the reporting period, based on invoice or delivery dates and net of loss allowance, is as follows:

	2024 **HK$'000**	2023 HK$'000
Within 1 month	**4,947**	81
More than 1 month but less than 3 months	**–**	34
More than 3 months	**21,575**	90,214
	26,522	90,329

The movement in the loss allowance for impairment of trade receivables is as follows:

	2024 **HK$'000**	2023 HK$'000
At the beginning of the year	**5,723**	60
Impairment loss for the year (note a)	**72,956**	5,663
Reversal of impairment loss for the year	**(5,452)**	–
At the end of the year	**73,227**	5,723

Note:

(a) The directors of the Company consider that a receivable from prior year yacht sales amounted to approximately HK$72,945,000 is credit-impaired as the amount is past due for more than one year and no settlement has been collected during the year. Impairment of approximately HK$72,904,000 (2023: approximately HK$41,000) is provided during the year ended 31 December 2024.

24 TRADE AND BILLS RECEIVABLES *(Continued)*

(a) Trade receivables *(Continued)*

An impairment analysis is performed at each reporting date using a provision matrix to measure ECLs. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e. by geographical region, product type, customer type and rating). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity.

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

			Past due					
	Current		1 to 3 months		Over 3 months		Total	
	2024	2023	**2024**	2023	**2024**	2023	**2024**	2023
Expected credit loss rate	**1.06%**	0.06%	**–**	0.07%	**77.23%**	17.75%	**73.41%**	5.96%
Gross carrying amount (HK$'000)	**5,000**	28,333	**–**	35,715	**94,749**	32,004	**99,749**	96,052
Expected credit losses (HK$'000)	**53**	17	**–**	25	**73,174**	5,681	**73,227**	5,723

(b) Bills receivables

The ageing analysis of bills receivables as at the end of the reporting period, based on issuance dates and net of loss allowance, is as follows:

	2024 **HK$'000**	2023 HK$'000
Within 1 month	**526**	546
More than 1 month but less than 3 months	**1,473**	1,567
More than 3 months but less than 6 months	**736**	1,410
More than 6 months but within 1 year	**1,262**	–
	3,997	3,523

The movement in the loss allowance for impairment of bills receivables is as follows:

	2024 **HK$'000**	2023 HK$'000
At the beginning of the year	**95**	–
Impairment loss for the year	**12**	95
At the end of the year	**107**	95

25 PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2024 HK$'000	2023 HK$'000
Prepayments (note a)	**41,982**	4,421
Deposits and other receivables (note b)	**11,815**	5,905
Loss allowance	**(4,833)**	(1,674)
	48,964	8,652
Less: non-current portion	**216**	1,052
Current portion	**48,748**	7,600

Note:

(a) Included in prepayments are mainly represents the payments to Liaoning Jinlong Mega Yacht Manufacturing Co. Limited ("Jinlong"), one of the suppliers of the Group, in relation to three semi-finished yachts. In April 2022, Balk Hainan and Jinlong entered into three contracts to purchase three semi-finished yachts at a total consideration of RMB73,390,000 (equivalent to approximately HK$90,082,000) of which the Company paid RMB35,500,000 (equivalent to approximately HK$42,130,000) in May 2022. On 3 September 2024, the remaining balance of the consideration of RMB37,890,000 (equivalent to approximately HK$40,917,000) was withdrawn by Intermediate People's Court of Huludao Municipality, Liaoning Province. As the three semi-finished yachts supplied by Jinlong failed to pass the quality control tests conducted by Balk Hainan, RMB37,890,000 was not yet settled. The Group is still entitled to claim the prepayments from Jinlong before Jinlong passes the quality control tests. An impairment analysis is performed in prepayments at each reporting date and impairment losses are estimated by a loss rate of 3% (2023: nil) with reference to the historical loss record of the Group.

The movement in the provision for the impairment of prepayments is as follows:

	2024 HK$'000	2023 HK$'000
At the beginning of the year	**–**	–
Impairment loss for the year (note 10)	**1,059**	–
At the end of the year	**1,059**	–

25 PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

(Continued)

Note: *(Continued)*

(b) Deposits and other receivables mainly represent rental deposits and other receivables. An impairment analysis is performed in deposits and other receivables at each reporting date by considering the probability of default of comparable companies with published credit ratings. In the situation where no comparable companies with credit rating can be identified, expected credit losses are estimated by a loss rate of 32% (2023: 28%) with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forward-looking information, as appropriate.

The movement in the loss allowance for the impairment of deposits and other receivables is as follows:

	2024 **HK$'000**	2023 HK$'000
At the beginning of the year	**1,674**	1,442
Impairment loss for the year (note 10)	**2,100**	232
At the end of the year	**3,774**	1,674

26 LOANS RECEIVABLES

	2024 HK$'000	2023 HK$'000
Loans receivables, unsecured	**8,718**	8,718
Loss allowance	**(8,718)**	(8,718)
	–	–

The Group's loans receivables were stated at amortised cost with fixed interest rates at 5% and 10%. The credit terms of these loans receivables ranged from one to two years.

The movement in the loss allowance for the impairment of loans receivables is as follows:

	2024 HK$'000	2023 HK$'000
At the beginning and end of the year	**8,718**	8,718

The Group applies general approach to measure expected credit losses which uses a 12-month ECL for loans receivables. The Group determines the provision for ECL by exercising significant judgements to evaluate the collectability from individual loans receivable after taking into account their creditworthiness, whether they have financial difficulties, experience of default or delinquency in interest or principal payments, ageing analysis and forecast of future events and economic conditions which may impact the recoverability of loans receivables.

During the year ended 31 December 2024, the management has revisited the recoverability of the loan receivables. In assessing the recoverability, the management has taken into account the fact that loan receivables were long past due and no settlement were made during the years ended 31 December 2024 and 2023, and the loans receivables were fully impaired. Actions have also been outlined by the management to be taken to recover impaired or long-aged balances.

27 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2024 HK$'000	2023 HK$'000
Listed equity investments, at fair value	**–**	67

The above equity investments were classified as financial assets at FVTPL as they were held for trading.

28 CASH AND CASH EQUIVALENTS

	2024 HK$'000	2023 HK$'000
Cash and cash equivalents	**22,416**	21,657
Cash in frozen bank account	**6,083**	47,450
	28,499	69,107

As at 31 December 2024, the cash and bank balances of the Group's subsidiary in the PRC denominated in Renminbi ("**RMB**") amounted to HK$28,065,000 (2023: HK$68,532,000). The RMB is not freely convertible into other currencies, however, under the PRC Foreign Exchange Control Regulations and Administration of Settlement, and Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB to other currencies through banks authorised to conduct foreign exchange business.

Save as disclosed in note 25, on 3 September 2024, RMB37,890,000 (equivalent to approximately HK$40,917,000) was withdrawn by Intermediate People's Court of Huludao Municipality, Liaoning Province and frozen cash deposits were reduced to RMB5,633,000 (equivalent to approximately HK$6,083,000) from RMB43,437,000 (equivalent to approximately HK$47,450,000) as at 31 December 2024. These bank deposits were frozen as a result of a ruling in respect of preservation of frozen accounts receivable issued by The People's Court of Longgang District, Huludao City in the PRC on 11 April 2023 (the "**Ruling**"). Such Ruling was against Jinlong, for its failure to repay a loan borrowed from a bank in the PRC. As of the date of this report, the Group's legal adviser is still dealing with the above-mentioned matter, and there is no new progress for the time being.

Cash at banks and time deposits earn interest at floating rate based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

29 TRADE PAYABLES

An aging analysis of trade payables at the end of the reporting years, based on invoice date is as follows:

	2024 HK$'000	2023 HK$'000
More than 3 months	**99,947**	101,089

The trade payables are non-interest bearing and are normally settled within 30 to 90 days.

30 OTHER PAYABLES AND ACCRUALS

	2024 HK$'000	2023 HK$'000
Accruals	**10,328**	5,809
Contract liabilities (note a)	**777**	846
Other payables (note b)	**16,036**	5,479
	27,141	12,134

Notes:

(a) Details of contract liabilities are as follows:

	2024 HK$'000	2023 HK$'000
Short-term advances received from customers		
Sales of integrated circuits	**777**	846

The following table shows the amount of revenue recognised relates to sales of yachts, and sales of integrated circuits and the amount relates to performance obligations that were satisfied in both years ended 31 December 2024 and 2023.

For the year ended 31 December 2024	**Sales of yachts HK$'000**	**Sales of integrated circuits HK$'000**	**Total HK$'000**
Revenue recognised that was included in the contract liability balance at the beginning of the year	**–**	**846**	**846**

For the year ended 31 December 2023	Sales of yachts HK$'000	Sales of integrated circuits HK$'000	Total HK$'000
Revenue recognised that was included in the contract liability balance at the beginning of the year	89,120	2,511	91,631

(b) The other payables are unsecured, interest-free and have an average term of one month.

31 BORROWINGS

	2024	2023
	HK$'000	HK$'000
Other loans		
On demand and unsecured	**124,715**	–

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings are as follows:

	2024	2023
Effective interest rates:		
Fixed-rate borrowings	**8% to 18%**	–

32 AMOUNT DUE TO A SHAREHOLDER

The amount due to a shareholder is unsecured, interest-free and repayable on demand.

33 SHARE CAPITAL

	Number of shares	**Ordinary shares**
	'000	HK$'000
Ordinary shares of HK$0.1 each		
Authorised:		
At 1 January 2023, 31 December 2023, 1 January 2024 and 31 December 2024	1,000,000	100,000
Issued and fully paid:		
At 1 January 2023, 31 December 2023 and 1 January 2024	370,245	37,025
Placing of new shares (note a)	74,049	7,404
At 31 December 2024	444,294	44,429

Note:

(a) On 22 December 2023, the Company and a placing agent entered into a placing agreement pursuant to which the Company has conditionally agreed to place of a maximum of 74,049,028 placing shares to independent investors at a price of HK$0.56 per share. The placing was completed on 17 January 2024 pursuant to which the Company has allotted and issued 74,049,028 placing shares. The net proceeds derived from the placing amounted to approximately HK$40,223,000 and resulted in an increase in share capital of approximately HK$7,404,000 and share premium of approximately HK$34,063,000, net of transaction costs of approximately HK$1,244,000.

34 OTHER RESERVES

	Share premium HK$'000	Exchange reserve HK$'000	Fair value reserve HK$'000	Capital reserve HK$'000	Total HK$'000
At 1 January 2023	122,468	(10,683)	(19,100)	13,867	106,552
Other comprehensive income/ (loss) for the year:					
Changes in fair value of equity investments designated at FVTOCI	–	–	460	–	460
Exchange differences on translation of foreign operations	–	(4,157)	–	–	(4,157)
Total comprehensive (loss)/ income for the year	–	(4,157)	460	–	(3,697)
At 31 December 2023 and 1 January 2024	**122,468**	**(14,840)**	**(18,640)**	**13,867**	**102,855**
Other comprehensive income/ (loss) for the year:					
Changes in fair value of equity investments designated at FVTOCI	**–**	**–**	**1,110**	**–**	**1,110**
Exchange differences on translation of foreign operations	**–**	**(1,226)**	**–**	**–**	**(1,226)**
Total comprehensive (loss)/ income for the year	**–**	**(1,226)**	**1,110**	**–**	**(116)**
Placing of new shares	**34,063**	**–**	**–**	**–**	**34,063**
Transaction costs attributable to placing of new shares	**(1,244)**	**–**	**–**	**–**	**(1,244)**
At 31 December 2024	**155,287**	**(16,066)**	**(17,530)**	**13,867**	**135,558**

35 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

For the year ended 31 December 2024, the Group had non-cash additions to right-of-use assets and lease liabilities of HK$1,152,000 (2023: HK$5,481,000) and HK$1,152,000 (2023: HK$5,481,000), respectively as a result of renewal of a lease agreement for office premise.

35 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(Continued)

(b) Reconciliation of liabilities arising from financing activities

	Borrowings HK$'000 (Note 31)	Lease liabilities HK$'000 (Note 18b)	Total HK$'000
At 1 January 2023	–	1,645	1,645
Changes from financing cash flows:			
Capital element of lease rentals paid	–	(1,596)	(1,596)
Interest element of lease rentals paid	–	(410)	(410)
Total changes from financing cash flows	–	(2,006)	(2,006)
Other changes:			
Foreign exchange movement	–	(45)	(45)
New lease entered (note 35 (a))	–	5,481	5,481
Interest expense (note 9)	–	410	410
Total other changes	–	5,846	5,846
At 31 December 2023 and 1 January 2024	**–**	**5,485**	**5,485**
Changes from financing cash flows:			
Drawn down of loan from other financial institutions	**53,150**	**–**	**53,150**
Interest paid	**(478)**	**–**	**(478)**
Capital element of lease rentals paid	**–**	**(1,375)**	**(1,375)**
Interest element of lease rentals paid	**–**	**(222)**	**(222)**
Total changes from financing cash flows	**52,672**	**(1,597)**	**51,075**
Other changes:			
Decrease in lease liabilities from termination of a leasing contract	**–**	**(4,045)**	**(4,045)**
Interest expense (note 9)	**15,802**	**222**	**16,024**
Increase in lease liabilities from extension of lease term (note 35 (a))	**–**	**1,152**	**1,152**
Foreign exchange movement	**–**	**2**	**2**
Other non-cash transaction	**56,241**	**–**	**56,241**
Total other changes	**72,043**	**(2,669)**	**69,374**
At 31 December 2024	**124,715**	**1,219**	**125,934**

36 RELATED PARTY TRANSACTIONS

In addition to the transactions detailed elsewhere in these consolidated financial statements, the Group entered into the following material transactions with related parties during both years ended 31 December 2024 and 2023.

(a) Outstanding balances with related parties

Balances with related parties are set out in note 32 to the consolidated financial statements.

(b) Key management compensation

Key management includes directors (executive and non-executive) and a senior management. The compensation paid or payable to key management for employee services is shown as below:

	2024 **HK$'000**	2023 HK$'000
Salaries, allowances and benefits in kind	**3,609**	5,144

37 FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Other than the equity investments designated at FVTOCI and financial assets at FVTPL, all financial assets and liabilities of the Group as at 31 December 2024 and 2023 were financial assets at amortised cost and financial liabilities at amortised cost, respectively.

Management has assessed that the fair values of equity investments designated at FVTOCI, financial assets included in finance lease receivables, trade and bills receivables, other receivables and other assets, loans receivables, financial assets at FVTPL, cash and cash equivalents, trade and other payables, borrowings, lease liabilities, amount due to a shareholder approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The Group's finance department is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance department reports directly to the directors of the Company and the Audit Committee. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the directors of the Company. The valuation process and results are discussed with the Audit Committee twice a year for interim and annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of listed equity investments are based on quoted market prices.

The fair values of unlisted equity investments designated at FVTOCI have been estimated using a market-based valuation technique based on assumptions that are not supported by observable market prices or rates. The valuation requires the management to determine comparable public companies (peers) based on industry and size and to calculate an appropriate market multiple, i.e. price-to-earning ratio of 7.83 (2023: price-to-earning ratio of 7.93) for each comparable company identified. The multiple is calculated by dividing the market capitalisation of the comparable company by earnings (2023: earnings). The change in selected market multiple is due to change in the financial performance of the investee and for which the management's specialist considered appropriate to best reflect the fair value of the investment. The market multiple is then discounted for considerations such as illiquidity of 11.40% (2023: 11.40%) and size differences of 0% (2023: 0%) between the comparable companies based on company-specific facts and circumstances. The directors of the Company believe that the estimated fair values resulting from the valuation techniques, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in other comprehensive income, are reasonable, and that they were the most appropriate values at the end of the reporting period. The management has estimated the potential effect of using reasonably possible alternatives as inputs to the valuation model, the higher the market multiple and lower discounted multiples will result in higher fair value of the investments.

37 FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Continued)*

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 31 December 2024

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	**Significant observable inputs (Level 2) HK$'000**	**Significant unobservable inputs (Level 3) HK$'000**	**Total HK$'000**
Equity investments designated at FVTOCI	**–**	**–**	**5,470**	**5,470**

As at 31 December 2023

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Equity investments designated at FVTOCI	–	–	4,360	4,360
Financial assets at FVTPL	67	–	–	67
	67	–	4,360	4,427

During both years ended 31 December 2024 and 2023, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

37 FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Continued)*

Fair value hierarchy *(Continued)*

The movement in fair value measurements within Level 3 during the years are as follows:

	2024 HK$'000	2023 HK$'000
Equity investments designated at FVTOCI		
As at 1 January	**4,360**	3,900
Changes in fair value recognised in other comprehensive income	**1,110**	460
As at 31 December	**5,470**	4,360

The Group did not have any financial liabilities measured at fair value as at 31 December 2024 and 2023.

38 FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

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

Financial assets

2024

	Financial assets at amortised cost HK$'000	Financial assets at FVTPL HK$'000	Financial assets at FVTOCI HK$'000	Total HK$'000
Equity investments designated at FVTOCI	–	–	5,470	5,470
Trade and bills receivables	30,519	–	–	30,519
Other receivables and other assets	8,041	–	–	8,041
Cash and cash equivalents	28,499	–	–	28,499
	67,059	–	5,470	72,529

38 FINANCIAL INSTRUMENTS *(Continued)*

(a) Categories of financial instruments *(Continued)*

Financial assets *(Continued)*

2023

	Financial assets at amortised cost HK$'000	Financial assets at FVTPL HK$'000	Financial assets at FVTOCI HK$'000	Total HK$'000
Equity investments designated at FVTOCI	–	–	4,360	4,360
Trade and bills receivables	93,852	–	–	93,852
Other receivables and other assets	4,231	–	–	4,231
Financial assets at FVTPL	–	67	–	67
Cash and cash equivalents	69,107	–	–	69,107
	167,190	67	4,360	171,617

Financial liabilities

	Financial liabilities at amortised cost	
	2024 HK$'000	2023 HK$'000
Lease liabilities	**1,219**	5,485
Trade payables	**99,947**	101,089
Other payables and accruals	**26,364**	11,288
Borrowings	**124,715**	–
Amount due to a shareholder	**92,790**	237,530
	345,035	355,392

38 FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and polices

Financial risk factors

The Group's principal financial instruments are used to raise financing for the Group's operations and investments. The Group has various other financial assets and liabilities such as equity investments designated at FVTOCI, finance lease receivables, trade and bills receivables, other receivables and other assets, loans receivables, financial assets at FVTPL, cash and cash equivalents, borrowings, trade and other payables, lease liabilities, amount due to a shareholder which arise directly from its operations. Details of the financial instruments are disclosed in respective notes. The main risks arising from the Group's financial instruments are foreign currency risk, interest rate risk, equity price risk, credit risk and liquidity risk. The directors of the Company review and agree policies for managing each of these risks and they are summarised below.

Foreign currency risk

The Group operates in the PRC and Hong Kong. Most of the transactions for the PRC reporting entity is denominated in RMB, whereas that for Hong Kong reporting entities are denominated in HK$. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. The management is responsible for managing the net position in each foreign currency. The Group currently does not have a foreign currency hedging policy. As the assets and liabilities of the PRC reporting entity is mainly denominated in RMB, its functional currency, the directors of the Company are of the opinion that the volatility of their profits against changes in exchange rates of foreign currencies would not be significant. Accordingly, no sensitivity analysis is performed.

Moreover, as the assets and liabilities of the HK reporting entities are mainly denominated in HK$, its functional currency, the directors of the Company are of the opinion that the Group does not have significant foreign exchange risk. Accordingly, no sensitivity analysis is performed.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's interest-bearing financial assets and interest-bearing financial liabilities. Interest-bearing financial assets are the interests on loans receivables and deposits with banks. Interests on deposits with banks based on deposit rates offered by bank while interests on loans receivables are based on fixed rates. Interest-bearing financial liabilities are lease liabilities and borrowings of which the interest are based on fixed rates. As at 31 December 2024 and 2023, the Group had no significant interest rate risk as the Group had no significant interest-bearing assets or liabilities at variable rates.

38 FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and polices *(Continued)*

Financial risk factors *(Continued)*

Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group was exposed to equity price risk arising from financial assets at FVTPL as at 31 December 2023. The Group's listed investments were listed on the Stock Exchange and were valued at quoted market prices as at 31 December 2023.

The following table demonstrates the sensitivity to every 10% change in the fair values of the listed equity investments as at 31 December 2023, with all other variables held constant and before any impact on tax, based on their carrying amounts at the end of the reporting period.

	Carrying amount of equity investment	**Decrease/ (increase) in (loss)/profit before tax**
	HK$'000	HK$'000
2023		
Investment listed in:		
Hong Kong – financial assets at FVTPL	67	7

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position. The Group's credit risk is primarily attributable to the finance lease receivables, loans receivables and trade and bills receivables. In order to minimise the credit risk, the Group has established policies and systems for monitoring and control of credit risk. The management has delegated different divisions responsible for determination of credit limits, credit approvals and other monitoring processes to ensure that follow up action is taken to recover overdue debts. In addition, the management reviews the recoverable amounts of finance lease receivables, loans receivables and trade and bills receivables individually or collectively at each reporting date to ensure that adequate impairment losses are made for irrecoverable amounts.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, other receivables and other assets, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of those instruments.

38 FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and polices *(Continued)*

Financial risk factors *(Continued)*

Credit risk (Continued)

The credit risk for cash and cash equivalents is considered minimal as such amounts are placed with banks with high credit ratings.

At the end of the reporting period, the Group had concentrations of credit risk as 96% (2023: 99%) of the Group's trade receivables were due from the Group's top five largest customers. The Group mitigates its concentration risk from its major customers by doing businesses with a number of customers for the same or similar products and the Group actively monitors the credit quality of its customers and adjusts the credit limits granted to the customers should their credit quality deteriorate or when there are signs of slow payment of outstanding receivables. Further quantitative data in respect of the Group's exposure to credit risk arising from these receivables are set out in notes 22, 24, 25 and 26 to the consolidated financial statements.

Maximum exposure and year-end staging

The tables below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December. The amounts presented are gross carrying amounts for financial assets.

As at 31 December 2024

	12-month ECLs	Lifetime ECLs			
	Stage 1 HK$'000	Stage 2 HK$'000	Stage 3 HK$'000	Simplified approach HK$'000	Total HK$'000
Finance lease receivables	–	–	5,671	–	5,671
Trade and bills receivables*	4,104	–	–	99,749	103,853
Financial assets included in other receivables and other assets					
– Normal**	8,254	–	–	–	8,254
– Doubtful**	–	–	3,561	–	3,561
Cash and cash equivalents	28,499	–	–	–	28,499
Loans receivables	–	–	8,718	–	8,718
	40,857	–	17,950	99,749	158,556

38 FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and polices *(Continued)*

Financial risk factors *(Continued)*

Credit risk (Continued)

Maximum exposure and year-end staging *(Continued)*

As at 31 December 2023

	12-month ECLs	Lifetime ECLs			
	Stage 1 HK$'000	Stage 2 HK$'000	Stage 3 HK$'000	Simplified approach HK$'000	Total HK$'000
Finance lease receivables	–	–	5,671	–	5,671
Trade and bills receivables*	3,618	–	–	96,052	99,670
Financial assets included in other receivables and other assets					
– Normal**	4,231	–	–	–	4,231
– Doubtful**	–	232	1,442	–	1,674
Cash and cash equivalents	69,107	–	–	–	69,107
Loans receivables	–	–	8,718	–	8,718
	76,956	232	15,831	96,052	189,071

* For trade and bills receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 24 to the consolidated financial statements.

** The credit quality of other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets have a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

Further quantitative data in respect of the Group's exposure to credit risk arising from trade and bills receivables are disclosed in note 24 to the consolidated financial statements.

Liquidity risk

Internally generated cash flows and the loans from other financial institutions and substantial shareholders are the general sources of funds to finance the operations of the Group. The Group regularly reviews its major funding positions to ensure it has adequate financial resources in meeting its financial obligations. The Group aims to maintain sufficient bank deposits to meet its short-term cash requirements. The Group's liquidity risk management includes diversifying the funding sources.

38 FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and polices *(Continued)*

Financial risk factors *(Continued)*

Liquidity risk (Continued)

The maturity profile of the Group's financial liabilities at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

As at 31 December 2024	**On demand or within one year HK$'000**	**1 to 5 years HK$'000**	**Total HK$'000**
Trade payables	**99,947**	**–**	**99,947**
Other payables and accruals	**26,364**	**–**	**26,364**
Borrowings	**124,715**	**–**	**124,715**
Lease liabilities	**569**	**725**	**1,294**
Amount due to a shareholder	**92,790**	**–**	**92,790**
	344,385	**725**	**345,110**

As at 31 December 2023	On demand or within one year HK$'000	1 to 5 years HK$'000	Total HK$'000
Trade payables	101,089	–	101,089
Other payables and accruals	11,288	–	11,288
Lease liabilities	3,495	1,990	5,485
Amount due to a shareholder	237,530	–	237,530
	353,402	1,990	355,392

Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total interest-bearing liabilities expressed as a percentage of the total equity and liabilities. As at 31 December 2024, the gearing ratio was approximately 54.8% (2023: nil). Management considers a ratio of not more than 30% as optimal.

39 STATEMENT OF FINANCIAL POSITION

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2024 HK$'000	2023 HK$'000
NON-CURRENT ASSETS		
Property, plant and equipment	–	896
Interests in subsidiaries	34,427	210,787
Total non-current assets	34,427	211,683
CURRENT ASSETS		
Trade and bills receivables	4,947	–
Prepayments, other receivables and other assets	3,957	2,689
Cash and cash equivalents	126	242
Total current assets	9,030	2,931
CURRENT LIABILITIES		
Other payables and accruals	13,444	2,844
Borrowings	124,715	–
Amount due to a shareholder	104,325	214,975
Total current liabilities	242,484	217,819
NET CURRENT LIABILITIES	(233,454)	(214,888)
NET LIABILITIES	(199,027)	(3,205)
CAPITAL AND RESERVES		
Share capital	44,429	37,025
Other reserves (note)	327,520	294,701
Accumulated losses (note)	(570,976)	(334,931)
Capital deficiency	(199,027)	(3,205)

Approved and authorised for issue by the Directors on 28 March 2025 and are signed on its behalf by:

Li Weina
Director

Phen Chun Shing Vincent
Director

39 STATEMENT OF FINANCIAL POSITION *(Continued)*

Note: Reserve movement of the Company

		Other reserves			
	Accumulated losses HK$'000	Share premium HK$'000	Contributed surplus HK$'000	Capital reserve HK$'000	Total HK$'000
At 1 January 2023	(303,465)	122,468	137,800	34,433	294,701
Loss for the year	(31,466)	–	–	–	–
As at 31 December 2023 and 1 January 2024	(334,931)	122,468	137,800	34,433	294,701
Loss for the year	**(236,045)**	**–**	**–**	**–**	**–**
Placing of new shares	**–**	**34,063**	**–**	**–**	**34,063**
Transaction costs attributable to placing of new shares	**–**	**(1,244)**	**–**	**–**	**(1,244)**
As at 31 December 2024	**(570,976)**	**155,287**	**137,800**	**34,433**	**327,520**

40 COMPARATIVE INFORMATION

Certain comparative figures have been represented to conform with current year's presentation.

41 APPROVAL OF THE FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Directors on 28 March 2025.