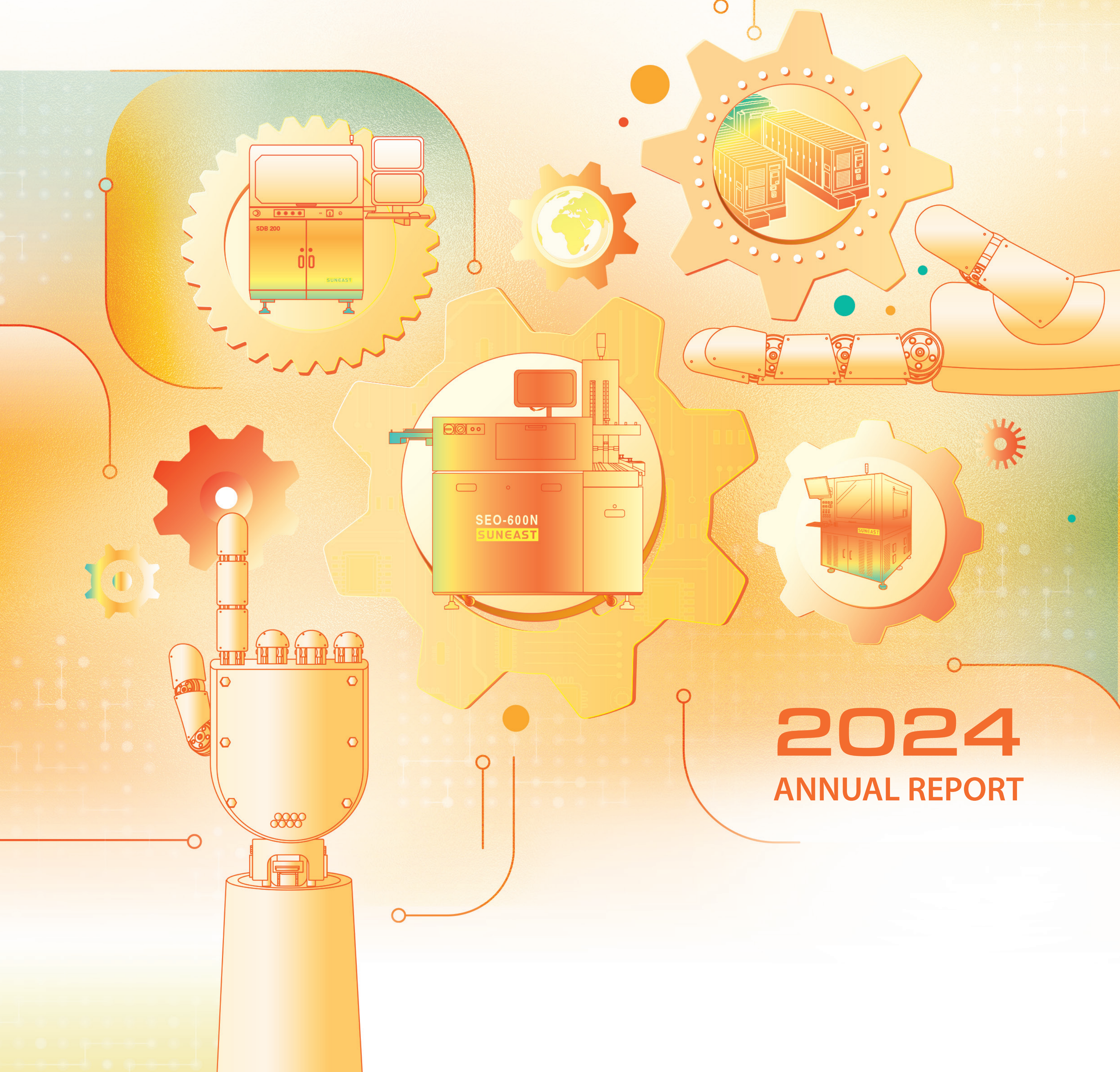
芯成科技
-SINO ICT-

SINO ICT HOLDINGS LIMITED
芯成科技控股有限公司

(Incorporated in Bermuda with limited liability)
Stock Code: 00365.HK



2024 ANNUAL REPORT

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CORPORATE INFORMATION

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. YUAN I-Pei *(Chairman)*
Mr. XIA Yuan *(Chief Executive Officer)*

NON-EXECUTIVE DIRECTORS

Mr. MENG Deqing (appointed on 20 August 2024)
Ms. BAI Yu (appointed on 11 December 2024)
Mr. LI Yongjun (resigned on 24 April 2024)
Mr. LI Jinxian (resigned on 11 December 2024)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. WANG Yanxin
Mr. CUI Yuzhi
Mr. BAO Yi
Mr. PING Fan

AUDIT COMMITTEE

Mr. CUI Yuzhi *(Chairman)*
Ms. BAI Yu (appointed on 11 December 2024)
Mr. BAO Yi
Mr. LI Jinxian (resigned on 11 December 2024)

REMUNERATION COMMITTEE

Mr. BAO Yi *(Chairman)*
Mr. YUAN I-Pei
Mr. PING Fan

NOMINATION COMMITTEE

Mr. YUAN I-Pei *(Chairman)*
Mr. CUI Yuzhi
Mr. PING Fan

COMPANY SECRETARY

Mr. LIU Wei

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

PRINCIPAL PALCE OF BUSINESS

Suite 1101&1112
The Gateway Tower 1
25 Canton Road
Tsim Sha Tsui, Kowloon
Hong Kong

PRINCIPAL BANKER

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

AUDITOR

Grant Thornton Hong Kong Limited
Certified Public Accountants
11th Floor, Lee Garden Two
28 Yun Ping Road, Causeway Bay
Hong Kong SAR

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Corporate Services (Bermuda) Limited
Clarendon House
2 Church Street
Hamilton HM11
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

Dear Shareholders,

On behalf of the board of directors (the "Board") of Sino ICT Holdings Limited (the "Company" or "Sino ICT"), I would like to present the audited financial report of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2024 (the "Reporting Period").

Overview

There are many uncertainties in the global economy in 2024. Financial market fluctuations, economic growth slowdown, and supply chain stability are impacted by geopolitical conflicts. The rise of trade protectionism and anti-globalization movement has triggered international trade frictions and dragged down economic and trade growth. Faced with a severe external environment, the Chinese economy has demonstrated strong resilience, with its GDP reaching RMB 134.9 trillion in 2024, a year-on-year increase of 5%. The three major industries grew steadily and collaboratively, with the added value of industrial enterprises above designated size increasing by 5.8% year-on-year and that value of equipment manufacturing industries above designated size rising by 7.7% year-on-year, and the overall scale of the manufacturing industry has remained the world's largest for 15 consecutive years. With the implementation of many macroeconomic control policies, the economic focus has been continuously shifted to the field of new quality productive forces. Innovative technology and the green economy have developed rapidly, driving the integration of advanced technologies such as big data, cloud computing, and artificial intelligence with industry, injecting momentum into macroeconomic growth and bringing opportunities for the long-term development of the Company.

During the Reporting Period, the Company was mainly involved in the surface mount technology ("SMT") and semiconductor equipment manufacturing businesses, and an energy business which mainly involved participation in electricity spot market transactions and provision of electricity ancillary services. Looking at the overall business performance, the revenue of the SMT and semiconductor equipment manufacturing business division increased by approximately 11.98% compared with the same period last year, with significant marketing results; the revenue of the energy business segment was approximately HK$17,264,000, an increase of approximately HK$10,654,000 year-on-year. However, due to the high initial investment, the segment needs long-term stable operation to achieve a balance between income and expenditure. Last year, the Company advanced the disposal of assets related to its radar business and achieved certain progress. Since some assets are measured using specific accounting methods and are affected by factors such as market price fluctuations and asset depreciation during the disposal process, asset impairment occurs in the financial books in the short term.

Overview (Continued)

In summary, the Company's overall business faced certain pressures in 2024, but the development prospects are positive. The Company will continue to increase revenue and reduce expenditure, reduce costs and increase efficiency, take stability and progress as the keynote, focus on technology research and development, process optimization, market expansion, strategic collaboration and other work, promote the sustainable development of the enterprise with the long-term development of stakeholders as the guide, keenly grasp opportunities, strive to achieve high-value returns, and gather new momentum for economic growth.

Business Review

SMT and semiconductor equipment manufacturing-related businesses

During the Reporting Period, the Company's SMT and semiconductor equipment manufacturing related business segment revenue was approximately HK$229,776,000 and gross profit was approximately HK$95,215,000, both of which were higher than the same period last year, mainly due to the increase in market demand and the Company's achievements in product research and development, market expansion.

The Company's wholly-owned subsidiary, Suneast Technology (Shenzhen) Co., Ltd* ("Suneast Technology"), has been deeply involved in the field for decades. It has a complete industrial chain layout and rich experience, providing customers with semiconductor and SMT complete line equipment solutions. In 2024, Suneast Technology made concerted efforts in product innovation, market expansion, brand building and other aspects and achieved remarkable results.

In 2024, Suneast Technology successively participated in many industry exhibitions, such as the CSEAC 2024 Semiconductor Equipment Exhibition* and NEPCON ASIA Electronic Equipment Exhibition*, exhibiting its two major product lines of semiconductor packaging equipment and welding equipment, actively seizing market opportunities, sharing technological achievements, effectively promoting product sales and driving revenue growth. It is worth noting that the Company launched a new e-commerce platform, "Suneast Technology Mall*" in 2024, taking a key step in digital transformation. In the semiconductor field, it launched new packaging equipment, pre-sintering bonding machines and fast curing ovens to further improve the product layout and innovatively upgraded a variety of welding equipment to enhance industry competitiveness.

* *For identification purposes only.*

Business Review (Continued)

SMT and semiconductor equipment manufacturing-related businesses (Continued)

In terms of brand building, the Company participated in the Greater Bay Area Semiconductor Industry Investment Strategy Development Forum* (大灣區半導體產業投資戰略發展論壇), and discussed the investment strategies and development trends of China's semiconductor industry with industry elites; sponsored running groups from industry-university-research cooperation units to participate in activities such as the Shenzhen Marathon, actively fulfilling social responsibilities and conveying healthy and positive life values. With its outstanding services, Suneast Technology was awarded the "Sincere Cooperation, High-Quality Service* (真誠合作,優質服務)" medal by its customers Shenzhen Colorful Optoelectronic Technology Co.Ltd and Foxconn, further consolidating its brand reputation. In the future, the Company will continue to lay the foundation for sustainable development and integrate into the global industrial chain through innovative research and development and optimized integration of resources.

Energy Business

In 2022, the Company's subsidiary, Sino New Energy Utilisation (Hengqin) Technology Co., Ltd. (中鑫電聯(珠海橫琴)能源科技有限公司)*, invested in the construction of an energy storage power station ("Herong Power Station") in Xinrong District, Datong City, Shanxi Province. This is the first new type of grid-side shared energy storage power station in China that uses electrochemical energy storage technology for full spot trading and ancillary services. The first phase of the project was successfully connected to the grid and put into operation in 2023, facilitating the consumption of new energy. In 2024, the Company continued to improve the electricity fire and fire safety systems of the Herong Power Station and actively promoted the implementation of the frequency regulation business policy in the power auxiliary market. Specifically, this includes optimizing the dynamic reactive power compensation device system ("SVG system") and battery system management according to actual conditions, reducing the system output loss of the SVG system and the power consumption of auxiliary equipment, improving the power supply reliability of the SVG system, optimizing the battery liquid cooling system and improving the battery thermal management system, etc. to improve the overall operating efficiency. At the same time, the Company actively cooperated with all parties to build a secondary frequency modulation platform and participated in the secondary frequency modulation simulation operation from August to October last year, obtaining valuable test data. So far, the secondary and primary frequency regulation businesses of Herong Power Station have been respectively launched in January and March 2025.

* *For identification purposes only.*

Business Review (Continued)

Energy Business (Continued)

As an independent market player, Herong Power Station participates in spot transactions in the electricity market. It enhances the stability and reliability of the local power grid by peak load shifting, increases the proportion of renewable energy power generation in the system, and achieves mutually beneficial outcomes in economic and social benefits through market-oriented operations. In terms of ancillary services, according to the unified deployment of the National Energy Administration and its Shanxi Regulatory Office, the long-term settlement mechanism for secondary and primary frequency regulation business in Shanxi Province's power ancillary services market will be launched within this year. By then, Herong Power Station is expected to achieve a diversified and complex profit model with spot trading and frequency regulation assistance, thereby driving performance growth.

In the future, the Company will seek opportunities to explore the energy storage capacity leasing market for renewable energy power generation based on market demand and gradually develop other auxiliary services. We believe that as supporting policies and market mechanisms related to the energy industry gradually improve, our energy business will develop in a positive direction in the medium and long term, realizing shared benefits for both the Company and investors.

Industry Trends

SMT and semiconductor equipment manufacturing industry

The core business of the Group is SMT and semiconductor equipment manufacturing. As consumer electronic devices develop towards miniaturization and high performance, semiconductor surface mount technology is constantly updated. Advanced SMT, with its high precision, high density and automation advantages, can meet the mounting needs of components of 01005 (0.4 mm × 0.2 mm) and below. The EU has launched a five-year plan to completely ban lead-containing processes, which enhances the future of advanced SMT equipment, as it offers more market advantages over lead-containing processes due to its environmentally friendly and green characteristics; the development of emerging industries such as artificial intelligence has promoted the popularization of SMT and intelligent detection technologies. Plus, the combination of smart factories and SMT has achieved fast and accurate defect detection through artificial intelligence big models and big data analysis, promoting the refined development of SMT and semiconductor equipment manufacturing industries. In addition, the growing demand for printed circuit boards for 5G base stations and servers has also driven the expansion of the global SMT equipment market. Research and Markets, a well-known American market research organization, predicts that the global SMT equipment market will grow to US$15.16 billion in five years.

Industry Trends (Continued)

Electronic equipment applications

In the field of consumer electronics, the development of foldable screen mobile phones has promoted the innovation of the SMT process of flexible printed circuit boards, which requires solving the problem of solder joint reliability under multiple bending. Apple Vision Pro uses a micro-OLED display driver, which requires SMT mounting accuracy to reach ±15 microns. In the field of industrial and communication equipment, 5G millimeter wave base stations use antenna packaging technology, which requires SMT to achieve low-loss welding of high-frequency materials. SMT can ensure reliable connection of electronic components in communication equipment and improves equipment stability and anti-interference capabilities. The authoritative organization, International Data Corporation, predicts that global shipments of wearable devices will be close to 800 million units this year. With the popularization of 5G communications and Internet of Things devices, the market demand for high-performance SMT equipment will continue to grow.

Automobile industry applications

In the automotive field, SMT is also the key to promoting the development of electrification and intelligence. SMT solder joints need to withstand more than 100,000 vibration and temperature cycling tests to ensure the stable operation of the car under complex working conditions. This has prompted SMT to improve mounting accuracy and speed to meet the performance requirements of new energy vehicles under harsh conditions. The SMT and silver sintering processes enable automotive-grade silicon carbide power modules to remain stable and reliable in high-temperature environments above 200° C. Therefore, they are widely used in automotive electronic control systems, safety systems, and in-vehicle entertainment and navigation systems, providing important support for the intelligence and safety of automobiles.

In the long run, SMT will be deeply integrated and innovated with advanced packaging technology, and the application of green manufacturing and environmentally friendly materials will become the key development direction of SMT. The popularization of emerging technologies such as 5G communications, the Internet of Things, new energy vehicles, and smart wearable devices will continue to inject growth momentum into the industry and bring stable returns on investment to the Company.

Industry Trends (Continued)

Energy industry

Energy storage is a technology that stores and utilizes energy through specific devices or media. In the application of power systems, it can maintain a dynamic balance in power generation, distribution, transmission and consumption, and use peak load and frequency regulation to solve the fluctuation problem of new energy power grids, acting as an important support for emerging energy development models.

In recent years, energy structure adjustment and sustainable development have received high attention. In 2024, in order to promote energy transformation and build an emerging energy system, the government has introduced a series of policies to support the construction of supporting facilities, including issuing the "Notice on Promoting the Grid Connection and Dispatching of New Energy Storage" to standardize grid access management and dispatching operation mechanisms. Data from the China Chemical and Physical Power Sources Industry Association shows that China's new energy storage installed capacity increased by 42.46GW/109.58GWh in 2024, with a cumulative installed capacity of 74.66GW/176.45GWh, surpassing pumped storage for the first time. We believe that favorable policies and the rapid growth of new energy installed capacity have strong development momentum to the domestic energy storage industry.

At present, the energy storage industry faces both challenges and opportunities in China. First, battery technology innovation will increase profit margins. With the innovative application of new materials and technologies, battery energy density continues to increase, and the battery degradation rate slows down. Research shows that if an independent shared energy storage system can achieve a cycle life of 10,000 to 15,000 times and combine it with shallow charge and discharge, it can effectively reduce the average cost per kilowatt-hour and significantly improve economic benefits. Second, safety control is the cornerstone. In 2024, more than 100 energy storage safety accidents were tracked worldwide, prompting the industry to attach great importance to the research and development of safety technologies. The widespread application of a new generation of active safety management systems for energy storage power stations driven by artificial intelligence models and mechanism models is comprehensively improving the digitalization level of energy storage power station operation and maintenance, effectively ensuring the safe operation of energy storage power stations throughout their life cycle. Third, the technical standard system needs to be improved. At present, the system standards for battery management, energy management, and the grid-connected acceptance process requirements vary across the country. Unified standards will help industry integration and standardized development. Fourth, the market mechanism is constantly being optimized. The current electricity market has problems such as a low proportion of renewable energy electricity, narrow price difference, and limited profit space of energy storage, which are driving us to fully promote the construction of a unified electricity market and pricing mechanism. Fifth, there is great potential for cost control. The higher construction costs have prompted companies to explore new business models for cost reduction, efficiency improvement and technological research and development.

Industry Trends (Continued)

Energy industry (Continued)

To summarise, while the development of the energy industry continues to face hurdles, policy support has yielded periodic results. New policies and established market mechanisms would increase the chances for rapid development in China's new energy storage industry.

Development and Prospects

Looking ahead to 2025, appropriate adjustments to domestic fiscal and monetary policies will create a favourable macroeconomic environment, while industry transformation and upgrading will support the economy's further improvement. However, intensified market competition, fluctuations in raw material prices and demand may push up operating costs, and external uncertainties may also bring risks. In the face of challenges, the Company will adhere to prudent operations, bolster its technological advantages, promote innovation, and improve operational resilience by enhancing risk warning and response capabilities; at the same time, seize policy and market opportunities to optimize the business structure, achieve sustainable development, create rich value for shareholders, and contribute to the progress of the industry.

I would like to take this opportunity, on behalf of the entire Board, to express my sincere gratitude to the management and employees of Sino ICT, as well as the partners and shareholders of the Group!

President
Yuan I-Pei

Hong Kong
31 March 2025

MANAGEMENT DISCUSSION AND ANALYSIS

Looking back on 2024, the global GDP growth rate was approximately 3.2%, indicating a stable recovery trend. The U.S. experienced robust domestic demand, achieving a GDP growth of 2.8%, while China achieved 5% GDP growth through interest rate cuts and fiscal stimulus policies. As inflationary pressures eased, many countries shifted from tightening to easing policies. However, despite gradual stabilisation of the global economy, structural issues such as rising unemployment rates and geopolitical uncertainties persist, with growing trade protectionism also affecting global supply chains. Under such economic conditions, the Group adopted a stable development policy to stabilise the operation of its SMT and semiconductor equipment manufacturing and related businesses, while continuing to develop its energy business.

For the year ended 31 December 2024, the Group recorded a total revenue of approximately HK$247,040,000, an increase of about HK$35,245,000 or 16.64% compared to the same period in 2023. This increase was mainly due to the growth in revenue from the SMT and semiconductor equipment manufacturing and related business and the energy business. Among them, the revenue from the SMT and semiconductor equipment manufacturing and related business segment was approximately HK$229,776,000, representing a year-on-year increase of approximately HK$24,591,000. The energy business revenue was approximately HK$17,264,000, marking a year-on-year increase of HK$10,654,000.

SMT and Semiconductor Equipment and Related Businesses

SMT and semiconductor equipment manufacturing and related businesses is the core business of the Group and the main source of revenue for the Group. In 2024, the performance of the SMT and semiconductor equipment manufacturing and related businesses remained stable. For the year ended 31 December 2024, revenue from SMT and semiconductor equipment manufacturing and related businesses reached approximately HK$229,776,000, an increase of approximately 11.98% year-on-year compared to approximately HK$205,185,000 in 2023. Segment gross profit was approximately HK$95,215,000, an increase of approximately 14.51% year-on-year compared to approximately HK$83,151,000 in 2023, with a gross profit margin of 41.44%, up by 0.92 percentage points year-on-year.

In 2024, the Purchasing Managers' Index (PMI) for manufacturing industries stabilised, with an average value of 49.8%, surpassing the 50% expansion threshold for three consecutive months in the fourth quarter. Corporate production accelerated, and economic prosperity continued to recover, achieving overall growth levels surpassing those in 2023. SMT is an electronic assembly technology that does not require the drilling of holes in the pads, but rather directly affixes and welds surface-mounted components onto the pad surface of the printed circuit boards, and then electrically connects them to the conductor graphics. The technology is suitable for high-density, highly integrated micro-device welding assembly process. Its upstream is mechanical parts, temperature control modules, precision screw visual system, motors, guide rails, computers, sensors and other industries, and its downstream consumer electronics, automotive electronics and integrated circuit industry including colour TVs, notebooks and mobile phones.

In 2024, the total shipment of smartphones in the domestic market reached approximately 286 million units, reflecting a year-on-year growth of 5.6%. Looking ahead to 2025, driven by nationwide government consumption subsidy policies, the market is expected to maintain its growth trajectory. According to data from the well-known industry research institution CINNO Research, during the first three quarters of 2024, the penetration rate of Mini LED TVs in the Mainland market surpassed 10%, with sales increasing 4.4 times year-on-year. It is projected that in 2025, the sales of Mini LED TVs in the Mainland market will continue to grow rapidly, with the penetration rate potentially exceeding 20%. Furthermore, according to the recent report by the tech industry analysis agency TrendForce (集邦諮詢), the production value of Micro LED chips is expected to grow rapidly to RMB3.559 billion by 2028, primarily benefiting from the maturity of full-color AR glasses solutions and the concretisation of demand for automotive displays. Additionally, from 2024 to 2026, the Chinese PCB market is expected to rebound and grow, with the market size surpassing RMB400 billion by 2026, reflecting a growth rate exceeding 5%.

In 2024, the production and sales of automobiles in mainland China reached a cumulative total of 31.282 million and 31.436 million units, respectively, reflecting year-on-year growth of 3.7% and 4.5%, setting new records. During the year, the sales of new energy vehicles in mainland China increased by 39.7% year-on-year, while exports grew by 6.7%. The number of public charging stations also continued to grow. According to data released by the China Association of Automobile Manufacturers, the average monthly addition of public charging stations reached approximately 71,000 units during the year. Additionally, data from the China Charging Alliance shows that in December 2024, the total national charging volume reached approximately 5.91 billion kWh, representing a year-on-year growth of 55.2% and a month-on-month growth of 13.8%.

The total number of 5G base stations also showed year-on-year growth. By the end of 2024, the total number of mobile phone base stations nationwide reached 12.65 million, market share increased to 33.6%. Mobile IoT (Internet of Things) users also developed rapidly, with a total of 2.656 billion users in 2024, accounting for 59.7% of mobile network terminal connections, demonstrating the widespread adoption and rapid development of IoT applications. Globally, the size of the industrial IoT market reached US$425.5 billion, and it is projected to grow at a rapid compound annual growth rate of 24.3% over the next five years. The Asia-Pacific region is a major contributor to the market, with manufacturing as the core industry driving its development.

The global semiconductor industry also demonstrated strong growth momentum in 2024, with sales reaching historic highs. According to data from the Semiconductor Industry Association, global semiconductor sales grew by 19.1% in 2024. Data from Gartner indicated that global semiconductor revenue grew by 18.1%. It is anticipated that the industry will continue to achieve double-digit growth in 2025, with memory and AI semiconductors being the primary growth drivers. In 2024, the localisation rate of China's semiconductor equipment reached 13.6%, with equipment production value exceeding US$5 billion. The localisation rate of semiconductor equipment in China continues to climb, and the market size is steadily expanding.

Under the current environment of accelerated evolution of cloud technology, 5G network development, automotive electronics, big data, artificial intelligence, the sharing economy, Industry 4.0, and IoT, the PCB industry, as the "mother of electronic products," serves as a foundational force within the electronics industry chain. SMT technology, as a means to improve the efficiency and density of PCB assembly, enables electronic products to become smaller, lighter, and more powerful. It is poised to play an increasingly important role in the future of electronics manufacturing. In 2023, China's SMT placement machine industry produced 43,437 units, a year-on-year increase of 6.9%. In 2024, industry production reached 46,569 units, representing a year-on-year increase of 7.2%. Between 2017 and 2023, the market size of China's SMT placement machine industry grew from RMB17.717 billion to RMB32.81 billion. In 2024, the industry's market size reached approximately RMB36.642 billion. The Group remains optimistic about the future prospects of the SMT industry.

In line with the market development, the Group has been committed to the independent R&D of SMT and semiconductor equipment. Our products adopt humanised design with features of low-cost operation, energy saving and environmental protection. Therefore, our new equipment has always been widely recognised by the market and praised by the industry. In 2024, the Group launched nitrogen wave soldering, rapid curing oven, selective wave soldering module (SUNFLOW 3/450II), MINI wave soldering, eutectic bonding machine, IC bonding machine (CBD2200 EVO) and pre-sintering bonding machine. As of December 31, 2024, the Group owned a total of 61 design patents.

In terms of marketing, the Group has always adhered to the "Go Global" strategy, actively participated in large exhibitions at home and abroad to introduce the performance and features of its major products to customers by experienced senior technological engineers. In 2024, the Company participated in some major industry exhibitions including the 2024 Productronica China, CICD 2024 and NEPCON China 2024. Such movements have further deepened our influence in the industry.

Energy Business

In July 2021, the National Energy Administration (NEA) and the Development and Reform Commission (DRC) issued the "Guiding Opinions on Accelerating the Development of New Type of Energy Storage"* (《關於加快推動新型儲能發展的指導意見》), which set out China's energy storage scale development target - 30 million kilowatts (kW) anchored in 2025 as the basic scale target, with a view to realising a fullscale marketisation in 2030; emphasised the co-ordination of comprehensive development of energy storage on the power side, the grid side and the user side, and made the development of new energy storage an important measure for the construction of a new power system, as well as a key support for carbon peaking and carbon neutralisation. The development of new energy storage is regarded as an important measure for the construction of a new power system and a key support for carbon peaking and carbon neutrality. Since then, the central and local governments have issued a number of policies to encourage the construction and development of energy storage. By 2024, "Developing New Energy Storage" was included in the "Government Work Report" for the first time, demonstrating the country's strong emphasis on energy storage technology. In May 2024, the State Council issued the "2024-2025 Energy Conservation and Carbon Reduction Action Plan," (《2024-2025年節能降碳行動方案》) raising the "14th Five-Year" new energy storage development target from the previous 30GW to 40GW, reflecting the nation's expectation for the future growth of the energy storage sector. In November 2024, the "Energy Law of the People's Republic of China" was released and will come into effect on 1 January 2025. Regarding energy storage, the law stipulates that the nation will rationally allocate and actively and orderly develop pumped storage power stations while promoting the high-quality development of new energy storage and optimising its role in adjusting the power system.

* *For identification purposes only*

Additionally, eight government departments, including the Ministry of Industry and Information Technology, jointly issued the "Action Plan for High-Quality Development of New Energy Storage Manufacturing" (《新型儲能製造業高質量發展行動方案》)* aiming to enhance storage technology innovation capabilities, expand application scenarios, and strengthen industrial chain collaboration. Local governments, including Guangdong, Zhejiang, and Henan provinces, actively responded by clearly mandating that new energy installations be equipped with storage facilities and increasing storage duration requirements to promote efficient use of new energy. These local governments also introduced various subsidy policies, including financial support, electricity price discounts, and tax incentives, to encourage the development and application of energy storage technology. By 2024, China's energy storage industry demonstrated rapid growth and technological innovation. The cumulative installed capacity of new energy storage projects in China reached 73.76 million kW by the end of 2024, a 20-fold increase compared to the end of the "13th Five-Year Plan" period. The application of storage technology is gradually achieving comprehensive coverage from the grid side to the user side and playing a significant role in new energy generation, power peak-shaving, and grid stabilisation.

The Company also established a joint venture company, Sino New Energy Utilisation (Hengqin) Technology Co., Ltd. (中鑫電聯(珠海橫琴)能源科技有限公司)("Sino New Energy") and seized market opportunity by tapping in the grid-side energy storage market, built and operated large scale independent energy storage power stations with dual regulation functions such as frequency regulation and peak regulation to explore new sources of profitability for the Group. In March 2023, the He Rong Power Station in Datong City, Shanxi Province, which was designed, invested, constructed and operated by Sino New Energy, was successfully completed. It was successfully connected to the grid in May of the same year and was included in the unified dispatch management of the Shanxi Provincial Power Grid. With a planned total capacity of 500MW/1,000MWh, the He Rong Power Station can participate in spot electricity trading as an independent market entity. By the end of 2023, the power station had been put into commercial operation, however, due to the longer cycle of the energy storage business and the higher cost of investment in equipment infrastructure and other costs, the business is still at the stage of development and growth and has yet to break even at the present time. For the year ended 31 December 2024, the Group's energy business revenue reached approximately HK$17,264,000, an increase of approximately HK$10,654,000 year-on-year.

* *For identification purposes only*

FINANCIAL REVIEW

Revenue

In 2024, the Group recorded a total revenue of approximately HK$247,040,000. An analysis of the revenue by business segments is as follows:

	Year ended 31 December 2024 HK$'000	Year ended 31 December 2023 HK$'000
SMT equipment manufacturing and related business	229,776	205,185
Energy Business	17,264	6,610
Total	247,040	211,795

Other income

During the year, the Group recorded other income of approximately HK$35,322,000, an increase of HK$12,046,000 year-on-year. This was mainly due to the increase in property rental income.

Distribution costs

During the year, the Group recorded distribution costs of approximately HK$39,386,000, an increase of 12.76% over the same period last year, mainly due to the increase of promotion fee, shipping and commission costs that increased with revenue.

Administrative expenses

During the year, administrative expenses amounted to approximately HK$90,973,000, a decrease of 6.51% as compared to the same period last year, mainly because of the termination of Radar Business which reduced labour cost and depreciation.

FINANCIAL REVIEW (Continued)

Finance costs, net

During the year, net finance expenses amounted to approximately HK$25,926,000, an increase of HK$4,077,000 as compared to the same period last year, mainly due to the increase in interest expenses.

Loss for the year

Based on the above, the loss attributable to owners of the Company for the year was approximately HK$34,417,000, a decrease of HK$28,092,000 compared to the same period last year.

Earnings/(Loss) before interest, tax, depreciation and amortisation

The following table illustrates the Group's earnings before interest, tax, depreciation and amortisation for the respective years. The Group's earnings before interest, tax, depreciation and amortisation ratio this year was approximately 18.47%.

	Year ended 31 December 2024 HK$'000	Year ended 31 December 2023 HK$'000
Loss for the year attributable to owners of the Company	(34,417)	(62,509)
Finance costs, net	25,926	21,849
Income tax expense	186	231
Depreciation and amortisation	53,921	54,098
Earnings before interest, tax, depreciation and amortisation	45,616	13,669

Liquidity, financial resources and gearing ratio

The Group has maintained sufficient operating capital. As at 31 December 2024, the current assets of the Group amounted to approximately HK$422,449,000, and the liquidity ratio was maintained at about 108.7%, which was sufficient to fulfill the day-to-day operation of the Group.

FINANCIAL REVIEW (Continued)

Operating capital management

As at 31 December 2024, the Group held approximately HK$205,301,000 in cash and cash equivalents. This represents an increase of HK$22,132,000 compared to approximately HK$183,169,000 at the beginning of the year. The Group's average inventory turnover days were approximately 44 days, a decrease of 13 days year-on-year (31 December 2023: 57 days); the average accounts receivable turnover days were approximately 95 days, a decrease of 13 day year-on-year (31 December 2023: 108 days); the average accounts payable turnover days were approximately 72 days, an increase of 23 days year-on-year (31 December 2023: 49 days).

Capital expenditure on property, plant and equipment

During the year, the Group's total capital expenditure amounted to approximately HK$5,543,000. Of the capital expenditure, approximately HK$45,000 was spent on the purchase of machinery and equipment, approximately HK$3,549,000 was spent on the furniture, fixtures and property decoration, approximately HK$1,552,000 was spent on the purchase of properties, and approximately HK$397,000 was spent on construction in progress.

Charges on the Group's assets

As at 31 December 2024, the Group's banking facilities (including its import/export loan, letter of credit, documentary credit, trust receipt and bank borrowings) were secured by:

A first legal charge on certain of the Group's land and properties, which had an aggregate net carrying value at the balance sheet date of approximately HK$78,674,000.

Equity and liabilities

As at 31 December 2024, the net assets of the owners of the Company amounted to approximately HK$226,126,000. This represents a decrease of approximately 13.61% as compared with that as of 31 December 2023, mainly attributed to loss for the year.

PRINCIPAL RISKS AND UNCERTAINTIES

Operational risk

The Group is exposed to operational risk in relation to each business segment. To manage operational risk, the management of each business segment is responsible for monitoring the operation and assessing operational risk of their respective business segments. They are responsible for implementing the Group's risk management policies and procedures, and shall report any irregularities in connection with the operation of the projects to the Directors for guidance.

The Group emphasises on ethical value and prevention of fraud and bribery, and has established a whistleblower program, including communication with other departments, business segments and units to report any irregularities. In this regard, the Directors consider that the Group's operational risk is effectively mitigated.

Financial risk

The Group is exposed to credit risk, liquidity risk and foreign exchange risk.

Credit risk

In order to minimise credit risk, the Directors closely monitor the overall level of credit exposure and the management is responsible for the determination of credit approvals and monitoring the implementation of the collection procedure to ensure that follow-up actions are taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses have been made for irrecoverable amounts. In this regard, the Directors consider that the Group's credit risk has been significantly reduced.

Liquidity risk

The Directors have built an appropriate liquidity risk management framework to meet the Group's short, medium and long-term funding and liquidity management requirements. In the management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In this regard, the Directors consider that the Group's liquidity risk has been effectively managed.

PRINCIPAL RISKS AND UNCERTAINTIES (Continued)

Foreign exchange risk

The Group is exposed to foreign exchange risk arising from various currency risks as its certain business, assets and liabilities are denominated in Renminbi, Hong Kong dollars and United States dollars. During the year, the Group did not utilise any financial instruments for hedging purposes, and the Group will continue to closely monitor its foreign exchange risk associated to the currencies, and will take appropriate hedging measures when necessary.

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

The Company or any of its subsidiaries had not purchased, redeemed or sold any of the Company's listed securities during the year.

DIVIDENDS

The Board did not recommend a final dividend for the year ended 31 December 2024 (2023: nil).

HUMAN RESOURCES

As at 31 December 2024, the Group employed approximately 314 full-time employees and workers in Mainland China, and employed approximately 23 employees in Hong Kong. The Group continues to maintain and enhance the capability of its employees by providing sufficient regular training to them. The Group remunerates its employees based on the industry's practice. In Mainland China, the Group provides employee benefits and bonuses to its employees in accordance with the prevailing labour law. In Hong Kong, the Group provides staff benefits including retirement scheme and performance related bonuses.

Corporate Governance Practices

The Company acknowledges the importance of good corporate governance practices and procedures and regards a pre-eminent board of directors, sound internal controls, and accountability to all shareholders as the core elements of its corporate governance principles. The Company endeavours to ensure that its businesses follow relevant rules, regulations, and applicable codes and standards. The Board reviews the corporate governance practices of the Company regularly and has adopted various policies to ensure compliance with the code provisions of the Corporate Governance Code ("CG Code") under Appendix C1 of the Listing Rules.

During the year, the Company has fully complied with all the code provisions of the CG Code as set out in the CG Code.

Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix C3 of the Listing Rules as the required standard regarding securities transactions by Directors of the Company. Having made specific enquiries of all Directors, the Company confirmed that they had complied with the required standard set out in the Model Code and its code of conduct regarding directors' securities transactions for the year 2024.

Board of Directors

The Board, headed by the Chairman, is responsible for the oversight of the management of the business and the achievement of the Company's objectives of enhancing shareholder value of the Company. The Board is responsible for the formulation and approval of the Group's development and business strategies and policies, approval of annual budgets and business plans, recommendation of dividends, and providing oversight of the management in accordance with the governing rules. Whereas the management team of the Company, headed by the Chief Executive Officer, is responsible for the day-to-day operations of the Group.

The Company has always complied with the requirements for Board composition and director qualification set out in the Listing Rules 3.10(1) and (2), and 3.10A. As at the date of this report, the Board of the Company comprises a total of eight Directors, with two executive Directors, two non-executive Directors and four independent non-executive Directors. More than one-third of the Board members are independent nonexecutive Directors and not less than one of them has appropriate professional qualifications in accounting or related financial management expertise. The composition of the Board is shown on page 27 under the section "Attendance Record at Meetings" in this report. Biographies of the Directors are set out on pages 35 to 38 under the section "Directors Profile" in this annual report. Relevant information can also be viewed on the website of HKEX and the Company's website (www.sino-ict.com).

Board of Directors (Continued)

For the year ended 31 December 2024, the non-executive Directors of the Company were Mr. Meng Deqing (appointed on 20 August 2024) and Ms. Bai Yu (appointed on 11 December 2024). Mr. Li Yongjun and Mr. Li Jinxian were resigned on 24 April 2024 and 11 December 2024 respectively. The Company has entered into a service agreement with Mr. Meng Deqing and Ms. Bai Yu for a term of three years respectively, which may be terminated by either party giving not less than three months' prior notice in writing to the other party and is subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provisions of the Articles of Association of the Company and the Listing Rules.

During the Reporting Period, each independent non-executive director has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Board has assessed their independence and concluded that all the independent non-executive Directors are independent in accordance with the Listing Rules.

Directors are provided with complete adequate explanations and information to enable them to make an informed decision or assessment of the Company's performance, position and prospects and to discharge their duties and responsibilities on a timely basis. To properly discharge their duties, the Directors are given access to independent professional advisers, when necessary, at the expense of the Company.

The Board regularly holds meetings to review and approve Group's financial statements and the Group's operating performance, review company policies and strategies, and participate in decision-making on major company issues. Throughout this year, the Company held 10 board meetings (approximately 2-3 a quarter) and ensured that all Directors have the opportunity to raise matters for discussion and put them on the meeting agenda. The Chairman, the Chief Executive Officer and other Directors do not have any financial, business, family or other material/relevant relationships with each other.

Directors' Induction and Continuous Development

Newly appointed directors would receive a comprehensive induction on appointment to ensure that they have a proper understanding of the Company's operations and business and are fully aware of their responsibilities under statute and common law, the Listing Rules, and other regulatory requirements and the issuer's business and governance policies. Mr. Meng Deqing and Ms. Bai Yu had obtained the legal advice referred to in Rule 3.09D of the Listing Rules on 2 August 2024 and 2 December 2024 respectively.

Corporate Governance Functions

The Board is responsible for performing the corporate governance functions following the code provisions set out in Code A.2.

Board of Directors (Continued)

Corporate Governance Functions (Continued)

The Board has reviewed the Company's corporate governance policies and practices, training and continuing professional development of Directors and the senior management personnel, the Company's policies and practices on compliance with legal and regulatory requirements, and the Company's compliance with the Code and disclosure in this report.

In response to the continuous updating of compliance requirements and new market trends, the Company continues to provide various training materials to its Directors and encourages non-executive Directors and independent non-executive Directors in particular, to actively participate in various professional training activities in their areas at work to refresh their knowledge and skills and enhance the standard of governance of the Board. For the year ended 31 December 2024, the Directors have undergone satisfactory training and provided the training record to the Company, which are set out as below:

Directors	Corporate Governance/update on laws, rules and regulations Reading	Attend Seminars, briefings and conferences
Executive Directors		
Mr. YUAN I-Pei *(Chairman)*	✓	✓
Mr. XIA Yuan *(Chief Executive Officer)*	✓	✓
Non-executive Directors		
Mr. MENG Deqing (appointed on 20 August 2024)	✓	✓
Ms. BAI Yu (appointed on 11 December 2024)	✓	✓
Mr. LI Yongjun (resigned on 24 April 2024)	✓	✓
Mr. LI Jinxian (resigned on 11 December 2024)	✓	✓
Non-executive Directors		
Mr. WANG Yanxin	✓	✓
Mr. CUI Yuzhi	✓	✓
Mr. BAO Yi	✓	✓
Mr. PING Fan	✓	✓

Board of Directors (Continued)

Directors' and Officers' Insurance

The Company has arranged appropriate insurance cover in respect of potential legal actions against its Directors and officers.

Chairman and Chief Executive Officer

The Company has complied with Code Provision C.2.1 for the year ended 31 December 2024. The role of Chairman of the Group was served by executive director Mr. Yuan I-Pei, and the role of Chief Executive Officer of the Group was served by executive director Mr. Xia Yuan.

Audit Committee

The Audit Committee comprises three members, namely independent non-executive directors, Mr. Cui Yuzhi (the committee chairman) and Mr. Bao Yi, and non-executive director, Ms. Bai Yu (appointed on 11 December 2024).

The main responsibilities of the Audit Committee include reviewing the financial reporting system, risk management and internal control system of the Group and reporting to the Board; reviewing the financial information of the Group, which includes a review of the completeness of the financial statements, annual reports and accounts, interim reports of the Company, as well as the review of the significant advice related to financial reporting as set out in the statements and reports; making recommendations to the Board on the appointment, re-appointment and removal of the external auditor as well as the remuneration and the employment terms of the external auditors; reviewing the Group's annual audit plan; monitoring the work procedures and the independence of the external auditors; reviewing the Company's compliance with the requirements of laws and the Listing Rules, and engaging independent legal or other advisers as it determines necessary.

For the year ended 31 December 2024, the Audit Committee met three times, and the attendance records of each member are set out in the section "Attendance Record at Meetings" in this report. The Audit Committee has considered and provided the Board with the following proposals:

(a) Review the draft annual and interim financial statements and the draft results announcements during the year;

(b) Review the remuneration of the external auditors and make recommendations to the Board;

Board of Directors (Continued)

Audit Committee (Continued)

(c) Making recommendations to the Board on the appointment, reappointment and removal of the external auditor; and

(d) Review the audit plan proposed by the external auditors and make recommendations to the Board.

Remuneration Committee

The Company has established a Remuneration Committee in accordance with the requirements of the Code to review the remuneration policy and structure of the Directors and senior management and determine the remuneration packages of all Directors and senior management. The Remuneration Committee comprises three members, independent non-executive directors, Mr. Bao Yi (committee chairman) and Mr. Ping Fan, and executive director, Mr. Yuan I-Pei.

For the year ended 31 December 2024, the Remuneration Committee members met three times, the attendance records of each member are set out in the section "Attendance Record at Meetings" in this report. The Remuneration Committee has considered and provided Board with the following proposals:

(a) Recommendations to the Board on the Company policy and structure for all directors' and senior management remuneration, and on the establishment of a formal and transparent procedure for developing remuneration policy;

(b) Review and approval of the senior management's remuneration proposals with reference to the Board's corporate goals and objectives;

(c) Recommendations on the remuneration of new and existing Directors and senior management to the Board; and

(d) Review and approve the annual performance bonus schemes and the granting of performance bonuses to both management and other employees of the Company on a discretionary basis.

Board of Directors (Continued)

Remuneration Committee (Continued)

The Remuneration Committee is to determine, with responsibility delegated by the Board, the remuneration packages of individual executive Directors. Further details of the Directors' remuneration and the five top-paid employees as required to be disclosed pursuant to Appendix D2 of the Listing Rules are set out in Notes 16 and 17 to the consolidated financial statements, respectively.

Nomination Committee

The Company has established a Nomination Committee in accordance with the requirements of the Code to review the structure, size and composition of the Board on an annual basis to ensure that the skills and experience of individual board members meet its diversity requirements and that the members could provide a multi-dimensional view of corporate development and are commensurate with the necessary corporate governance needs; to critically assess the independence of the independent non-executive Directors in accordance with the requirements of the Listing Rules; to make recommendations to the Board on the appointment or re-appointment of Directors; and to regularly review the effectiveness and transparency of the director nomination policy. The Nomination Committee currently comprises three members, executive director Mr. Yuan I-Pei (the committee chairman) and independent non-executive directors, Mr. Cui Yuzhi and Mr. Ping Fan.

For the year ended 31 December 2024, the Nomination Committee met four times, and the attendance records of each member are set out in the section "Attendance Record at Meetings" in this report. The Nomination Committee has considered and provided the Board with the following proposals:

(a) Review the structure, size and composition of the Board, to make sure the Board membership is diverse and aligned with current corporate governance needs, and make recommendations on any proposed changes to the Board to complement the corporate strategy;

(b) Identify individuals suitably qualified to become Board members and make recommendations to the Board;

(c) Assess the independence of independent non-executive Directors; and

(d) Recommend the Board on the appointment or reappointment or succession of proposed and current Directors (especially the Chairperson and Executive Officer).

Board of Directors (Continued)

Nomination Committee (Continued)

The Board has developed and implemented the Board Diversity Policy and the Nomination Policy since 2018 to meet the requirements of the Code which came into effect in 2019. For the year 2024, the Nomination Committee has reviewed the Board Diversity Policy and the Nomination Policy and confirmed that the policies were appropriate and effective. Summaries of the policies are set out below and details of the policies are available on the investor relations section of the Company's website (www.sino-ict.com).

Board Diversity Policy

The Company understands and believes that the diversity of the Board is beneficial to the quality of its performance. Therefore, the Company achieves board diversity from a wide range of aspects when setting the composition of the Board including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge, length of service and any other factors that the Board may consider relevant and applicable from time to time.

The Company supports gender equality and has appointed Ms. Bai Yu as a non-executive director of the Company. The Company will continue to emphasize gender equality throughout company operations. In 2024, the male to female ratio of employees of the Company is around 13 : 3.

High emphasis is placed on ensuring a balanced composition of skills and experience across all levels of the Company to provide diverse viewpoints and perspectives, insights and challenges that enable the Board to discharge its duties and responsibilities effectively, support good decision-making in view of the core businesses and strategy of the Group, and support succession planning and development of the Board.

Nomination Policy

The Nomination Committee advises the Board on the appointment of Directors and the succession plan for the Directors. In assessing the candidates, the committee would refer to the candidate's reputation, achievements and experience in the industry, the time available and the interests of the relevant sectors, diversity in all aspects of the Board and so on. The appointment of any proposed candidate to the Board or reappointment of any existing member(s) of the Board would be made in accordance with the Company's Byelaws and other applicable rules and regulations.

The Nomination Committee reviews the Board Diversity Policy and the Nomination Policy on an annual basis and makes recommendations to the Board for approval regarding any revisions as necessary.

Board of Directors (Continued)

Nomination Committee (Continued)

Nomination Policy (Continued)

Independent directors improve the effectiveness and decision-making of the Board through objective judgment and constructive questions to the management. Independent non-executive directors are subject to an independent assessment in their appointment and reassessment on an annual basis and in any other circumstances requiring reconsideration thereafter. The Nomination Committee has assessed the annual confirmation of independence given by each independent non-executive Director pursuant to Rule 3.13 of the Listing Rules.

Other Mechanisms

The Company has implemented a number of mechanisms to ensure that independent views and opinions are available to the Board:

1. A majority of non-executive directors: During the year ended 31 December 2024, the Board complied with Rules 3.10 and 3.10A of the Listing Rules at all times. Among the 8 members of the Board, 6 are non-executive directors, of which 4 are independent non-executive directors, which is beneficial for the Board to widely accept information from multiple channels;

2. Diversification of Directors: The Directors come from different industries, have rich management experience and professional knowledge, and can provide professional insights and unique perspectives for the decision-making of the Board;

3. Non-executive directors are subject to an independent assessment at the time of their appointment and thereafter on an annual basis and in any other circumstances requiring reconsideration. The nomination committee has reviewed and confirmed the annual confirmation of independence given by each independent non-executive director in accordance with the criteria set out in Rule 3.13 of the Listing Rules;

4. Decision making: If a substantial shareholder or a Director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter should be dealt with by a physical board meeting rather than a written resolution. Independent non-executive directors who, and whose close associates, have no material interest in the transaction shall present at that meeting; and

Board of Directors (Continued)

Nomination Committee (Continued)

Other Mechanisms (Continued)

5. Communication between Chairman and the Independent non-executive Directors: The Chairman of the Board holds meetings with the Independent non-executive Directors at least once a year without the presence of other Directors.

The Company has reviewed the implementation and effectiveness of the above mechanisms and believes that these mechanisms have been properly and effectively implemented for the year ended 31 December 2024.

Attendance Record at Meetings

The attendance records of each Director at the Board meetings, Audit Committee meetings, Remuneration Committee meetings, Nomination Committee meetings and general meetings during the year ended 31 December 2024 are set out in the following table:

Directors	Board Meetings	Audit Committee Meetings	Remuneration Committee Meeting	Nomination Committee Meeting	Annual General Meeting
Number of the meeting held	10	3	3	4	1
Executive Directors					
Mr. YUAN I-Pei *(Chairman)*	10/10	N/A	3/3	4/4	1/1
Mr. XIA Yuan *(Chief Executive Officer)*	10/10	N/A	N/A	N/A	1/1
Non-executive Directors					
Mr. MENG Deqing (appointed on 20 August 2024)	4/4	N/A	N/A	N/A	N/A
Ms. BAI Yu (appointed on 11 December 2024)	1/1	N/A	N/A	N/A	N/A
Mr. LI Yongjun (resigned on 24 April 2024)	1/2	N/A	N/A	N/A	N/A
Mr. LI Jinxian (resigned on 11 December 2024)	9/9	3/3	N/A	N/A	1/1
Independent Non-executive Directors					
Mr. WANG Yanxin	10/10	N/A	N/A	N/A	1/1
Mr. CUI Yuizhi	10/10	3/3	N/A	4/4	1/1
Mr. BAO Yi	10/10	3/3	3/3	N/A	1/1
Mr. PING Fan	10/10	N/A	3/3	4/4	1/1

Auditors' Remuneration

For the year ended 31 December 2024, the remuneration paid or payable to the Company's auditor, Grant Thornton Hong Kong Limited, and its affiliated firm is set out as follows:

Services rendered	Fee paid/ payable HK$'000
Audit services	1,708
Non-audit services*	103
	1,811

* Performed by Grant Thornton Hong Kong Limited's affiliated firm.

Company Secretary

The Company Secretary, Mr. Liu Wei, is an employee of the Company who knows the Company's daily operations and businesses. For the year ended 31 December 2024, the Company Secretary attended not less than fifteen hours of relevant professional training to update his skills and knowledge.

Directors' Responsibility Statement

The Directors acknowledge their responsibility for preparing financial statements for each fiscal year which give a true and fair view of the state of affairs of the Company and the Group's results, its financial performance and its cash flows.

The Directors consider that the Group has adequate resources to continue in operational existence for the near future and it is appropriate to adopt the going concern basis in preparing the financial statements.

Auditor's responsibility Statement

The auditor's responsibilities for the audit of the consolidated financial statements of the Group are set out in the Independent Auditor's Report on pages 66 to 71.

Risk Management and Internal Control

The Board is responsible for ensuring that the Group has appropriate risk management and internal control system in place and reviewing the effectiveness of the system on an annual basis, including ensuring adequate resources for accounting, internal audit, financial reporting functions, and Environmental, Social and Governance performance, as well as the qualifications and experience of staff and the adequacy of training programmes received by staff. The Group has put in place corresponding risk management and internal control systems for different business segments and management divisions, and finished the effectiveness review of risk management and internal control system for the year, and identified there were no significant risks. Such systems and management practices are designed to manage rather than eliminate the risk of failure to achieve business objectives due to the uncertainty of risks. Therefore, the Board can only give reasonable but not absolute assurance that there will be no material misrepresentation or loss.

The Group continuously improves its risk management system and continuously enhancing its risk management capability through the established risk management system and risk management procedures to ensure the long-term growth and sustainable development of the Group's business. In terms of ongoing monitoring and management of significant risks, the Group adopts a three-level risk management approach to identify, assess, reduce and deal with risks, from which a top-down and group-wide risk management system is derived. Under the level-1 risk management, the subsidiaries shall identify, assess and monitor risks related to their own businesses or transactions; under the level-2 risk management, the management of the Group shall define the risk management rules, and provide technical and resource support; and under level-3 risk management, the internal audit department shall ensure existence and effectiveness of level-1 and level-2 risk management through continuous inspection and monitoring.

In respect of the internal control and auditing, the Group has developed an internal control system with reference to COSO reporting principles, which involves five elements: internal environment, risk assessment, monitoring activities, information and communication, and internal supervision, to ensure that the Group's operations are in compliance with the laws and regulations of the region, that the Group's assets are safe, and that the financial reports and related information are true and complete so that the Group can carry out its business operations safely and effectively. In respect of the effectiveness of the system, the management of the Group formulated a self-assessment questionnaire for internal control in accordance with the COSO framework and instructed the management of each subsidiary to follow and finish the self-assessment for collection and analysis. Based on the self-assessment, further targeted improvements were made. The results of controls and audits, as well as subsequent improvements, are reported to the Board at least quarterly to enable the Board to more effectively assess the effectiveness of controls and risk management.

Risk Management and Internal Control (Continued)

During the year, on the premise of maintaining safe operation, the Group focused its internal control on the system and process design of the energy business, and continued to pay attention to the impact of the adjustment and landing of the frequency modulation policy on the stability of the Company's revenue, and proactively enhanced its ability to respond to changes in the policy and updates in the external environment. Specifically, the focus of the Company's internal control department is the technology department, and key measures include the technology department's research and continuous follow-up of the policies of the industries to which it belongs; adjustment of equipment configuration and trading strategies in accordance with the actual situation of the policies; and set up an independent internal control system in respect of specific types of trades, which includes comparison and interpretation of the policies before and after the policies, refinement of the trading strategies, analysis of the results of the trades and assessment of the continuous learning ability and wastage of the key technical personnel.

During the year, the Group adopted a series of control measures in respect of the regulatory risks, market competition and innovation risks as well as social responsibility risks that may be involved in the production and operation of the SMT business, and effectively ensured that the risks faced were within the controllable level, and that there was no occurrence of any significant or discloseable risk events.

The Group also has a dedicated team responsible for handling and disseminating inside information and keeping in view the corresponding internal control measures. The team, comprising Directors, the Company Secretary and other senior management, actively seeks external legal advice on a case-by-case basis to ensure that it complies with the relevant laws and regulations such as the Securities and Futures Ordinance and the Listing Rules.

The Group has also formulated a whistle-blowing policy to allow employees and other stakeholders to raise their concerns about any possible improprieties of the Company to the Audit Committee in confidence and anonymity. The Group has also formulated policies and systems to promote and support anticorruption laws and regulations. Related contents and details of the controls and governance structure of the Group in relation to the risks of environmental, social and governance matters are set out in the Environmental, Social and Governance Report on pages 47 to 65.

Shareholders' Rights

Communication with shareholders

The chairman of the Board attends the annual general meeting every year and the chairmen of committees (wherever applicable) will be invited to attend. The senior management of the Company will ensure that the external auditors attend the annual general meeting to answer questions on audit work, preparation of auditor's report, accounting policies and auditors' independence.

Procedures for Shareholders to convene an Extraordinary General Meeting ("EGM")

Pursuant to the Company's bye-laws and the Companies Act 1981 of Bermuda ("Company Act"), registered Shareholders holding not less than one-tenth (10%) of the paid-up capital of the Company carrying the right of voting at general meetings of the Company ("EGM Requisitionists") can deposit a written request to convene an EGM at the registered office of the Company ("Registered Office"), which is presently situated at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The EGM Requisitionists must state in their request(s) the purposes of the EGM, and such request(s) must be signed by all the EGM Requisitionists and may consist of several documents in like form, each signed by one or more of the EGM Requisitionists.

The Share Registrars will verify the EGM Requisitionists' particulars in the EGM Requisitionists' requests. Promptly after confirmation from the Share Registrars that the EGM Requisitionists' request is in order, the Company Secretary will arrange with the Board to convene an EGM by serving sufficient notice to all the registered Shareholders in accordance with all the relevant statutory and regulatory requirements. On the contrary, if the EGM Requisitionists' request is verified as not in order, the EGM Requisitionists will be advised of the outcome and accordingly, an EGM will not be convened as requested.

The EGM Requisitionists, or any of them requesting more than one-half of the total voting rights of all of them, may themselves convene an EGM if within twenty-one days of the deposit of the EGM Requisitionists' request, the Board does not proceed duly to convene an EGM provided that any EGM so convened is held within three months from the date of the original EGM Requisitionists' request. An EGM so convened by the EGM Requisitionists shall be convened in the same manner, as nearly as possible, as that in which meetings are to be convened by the Company.

Shareholders' Rights (Continued)

Procedures for shareholders to put forward proposals at a general meeting

Pursuant to the Companies Act, either any number of the registered Shareholders holding not less than one-twentieth (5%) of the paid-up capital of the Company carrying the right of voting at general meetings of the Company ("Requisitionists"), or not less than 100 of such registered Shareholders, can request the Company in writing to (a) give to Shareholders entitled to receive notice of the next general meeting notice of any resolution which may properly be moved and is intended to be moved at that meeting; and (b) circulate to Shareholders entitled to have notice of any general meeting any statement of not more than 1,000 words with respect to the matter referred to in any proposed resolution or the business to be dealt with at that meeting.

The requisition signed by all the Requisitionists may consist of several documents in like form, each signed by one or more of the Requisitionists; and it must be deposited at the Registered Office with a sum reasonably sufficient to meet the Company's relevant expenses, not less than six weeks before the meeting in case of a requisition requiring notice of a resolution or not less than one week before the meeting in case of other requisition. Provided that if an AGM is called for a date six weeks or less after the requisition has been deposited, the requisition though not deposited within the time required shall be deemed to have been properly deposited for the purposes thereof.

Procedures for shareholders to propose a person for election as a Director

As regards the procedures for proposing a person for election as a Director, please refer to the session of Investor/Shareholder Enquiry under the column of Investor Relations of the Company's website (www.sino-ict.com).

Shareholders' Rights (Continued)

Procedures for directing shareholders' inquiries to the Board

Shareholders may at any time send their inquiries and concerns to the Board in writing through the Company Secretary whose contact details are as follows:

The Company Secretary
Mr. Liu Wei
Suite 1101&1112,
The Gateway Tower 1,
25 Canton Road,
Tsim Sha Tsui,
Kowloon, Hong Kong

Fax: (852) 2343 3120
Email: enquiry@sino-ict.com

Shareholders may also make inquiries with the Board at the general meetings of the Company.

Investor Relations

The Memorandum and Articles of the Association of the Company have been posted on the session of Byelaws under the column of Investor Relations of the Company's website (www.sino-ict.com) for investors' review. For the year ended 31 December 2024, there were no significant changes in the bye-laws of the Company.

Channels that the Company disclose important information to the Shareholders to communicate their views include the Company's financial reports (interim and annual reports), circulars, annual general meeting(s) and other general meetings that may be convened as well as regulatory disclosures as may be required or necessary through the website of HKEx and the Company's website.

The Company has reviewed the implementation of shareholders' communication channels and confirmed that its communication with the Shareholders was effective.

FIVE YEAR FINANCIAL SUMMARY

A Summary of the results and of the assets and liabilities of the Group for the past five years as extracted from the published audited consolidated financial statements and restated/reclassified as appropriate, is set out below. Meanwhile, due to the change in accounting policy for Long Service Payment and the discontinued operation of the Radar Business, the Group has made retrospective adjustments and restatement on the comparative amounts for the 2022 annual reporting periods.

	Year ended 31 December				
	2024 HK$'000	2023 HK$'000	2022 HK$'000 (Restated)	2021 HK$'000	2020 HK$'000
RESULTS					
Revenue	**247,040**	211,795	231,140	322,981	270,560
(Loss)/Profit before income tax	**(61,064)**	(70,750)	(24,563)	46,416	25,249
Income tax (expense)/credit	**(186)**	(231)	549	(8,134)	(5,599)
(Loss)/Profit for the year	**(68,062)**	(106,812)	(33,329)	38,282	19,650

	As at 31 December				
	2024 HK$'000	2023 HK$'000	2022 HK$'000 (Restated)	2021 HK$'000	2020 HK$'000
ASSETS AND LIABILITIES					
Total assets	**923,846**	960,502	1,157,741	759,615	753,206
Total liabilities	**(738,925)**	(706,925)	(804,461)	(411,026)	(443,992)
	184,921	253,577	353,280	348,589	309,214

Executive Directors

Mr. Yuan I-Pei, aged 53, serves as Executive Director, Chairman of the Board, Chairman of the Nomination Committee, and a member of the Remuneration Committee of the Company. Mr. Yuan is currently the Director of Shanghai Semiconductor Equipment and Materials Industry Investment Management Co., Ltd. (上海半導體裝備材料產業投資管理有限公司), Chairman, Legal Representative, Director and Executive Vice President of UNIC Capital Management Co., Ltd. (中青芯鑫(蘇州工業園區)資產管理有限責任公司), and concurrently serves as the Executive Director of Sino Xin Ding Limited, the direct controlling shareholder of the Company. Besides, Mr. Yuan also serves as the Chairman of Analogix (Suzhou) Semiconductor Co., Ltd. (硅谷數模(蘇州)半導體股份有限公司) and the Director of Semiconductor Global Solutions (Shanghai) Co., Limited (盛吉盛 (上海) 半導體科技有限公司). Mr. Yuan began his career in 1996 and worked for various international banks, such as Citibank, CTBC Bank (中國信託銀行) and Barclays Capital. Mr. Yuan was previously Vice President of Temasek's Fullerton Financial Holdings Pte. Ltd. (淡馬錫富登金融控股私人有限公司), Director at Australia and New Zealand Banking Group, and Vice President of Bank of Tianjin (天津銀行). Mr. Yuan holds a bachelor's degree in Economics from Tsinghua University in Taiwan (台灣清華大學), China, and an MBA degree from the University of Wisconsin-Madison in the US.

Mr. Xia Yuan, aged 44, serves as Executive Director and Chief Executive Officer of the Company. Mr. Xia Yuan holds a doctoral degree in Communication Studies from Zhejiang University (浙江大學), an EMBA from the PBC School of Finance at Tsinghua University (清華大學五道口金融學院) and a master's degree in Marketing Communication from Bournemouth University. Mr. Xia Yuan is currently the Director and President of Sino Xin Ding Limited, the direct controlling shareholder of the Company. Mr. Xia Yuan served as the Assistant General Manager of Beijing Tong Ren Tang Health Pharmaceutical Co. Ltd. (北京同仁堂健康藥業股份有限公司), the Vice President of China Great Wall Computer (H. K.) Holdings Limited (中國長城計算機(香港)控股有限公司), Sales Engineer and Sales Manager at Huawei Technologies Co. Ltd. (華為技術有限公司). Mr. Xia Yuan has over 10 years of experiences in strategic planning, marketing and capital operations.

Non-executive Directors

Mr. Meng Deqing, aged 48, serves as Non-executive Director of the Company. Mr. Meng Deqing currently serves as a director of Shanghai Wanye Enterprise Co., Ltd. * (上海萬業企業股份有限公司), the president of Shanghai Semiconductor Equipment and Materials Industry Investment Management Co., Ltd. * (上海半導體裝備材料產業投資管理有限公司), and a director of PhiChem Corporation* (上海飛凱材料科技股份有限公司). Prior to these positions, Mr. Meng Deqing was the executive deputy director (legal representative) of Shanghai Pudong Academician Activity Center of the Chinese Academy of Sciences* (中科院上海浦東院士活動中心), the executive deputy director of Shanghai Pudong Institute of Industrial Economics* (上海浦東產業經濟研究院) and the director of the research department of Shanghai Pudong Science and Technology Commission* (上海浦東科學技術委員會研究室), the director of the business development of Shanghai Pudong Science and Technology Investment Co., Ltd. * (上海浦東科技投資有限公司), a director of Shanghai Xinmei Real Estate Co., Ltd. * (上海新梅置業股份有限公司), and the secretary general of Shanghai Pudong Venture Capital Association* (上海浦東創業投資協會). Mr. Meng Deqing holds a master's degree in Industrial Economics from the School of Economics and Management of Shanghai University.

Ms. Bai Yu, 35 years old, serves as Non-executive Director and member of the Audit Committee of the Company. Ms. Bai Yu is currently working as a senior executive and employee supervisor at Sino IC Leasing Co., Ltd. Prior to this role, Ms. Bai Yu was employed by Fosun International Limited, China Urban Construction Design & Research Institute Fund* (中國城建院基金) and Tsinghua Unigroup Co., Ltd. She holds an MPhil degree in the Department of Applied Mathematics from the Hong Kong Polytechnic University.

* *for identification purposes only*

Independent Non-executive Directors

Mr. Wang Yanxin, aged 67, serves as Independent Non-executive Director of the Company. He held key positions in various organisations in the PRC, including the Chairman of the supervisory board of China Integrated Circuit Industry Investment Fund Co. Ltd. (國家集成電路產業投資基金股份有限公司), Chairman of the supervisory board of Yangtze Memory Technology Co., Ltd. (長江存儲科技有限公司) (National Storage Base), etc. Mr. Wang Yanxin holds a bachelor's degree in Accounting from Renmin University of China in the PRC and a master's degree in political economy from the Department of Economics of Renmin University of China in the PRC, and is qualified as a senior economist in the PRC.

Mr. Cui Yuzhi, aged 59, serves as Independent Non-executive Director, Chairman of the Audit Committee and member of the Nomination Committee of the Company. Mr. Cui Yuzhi is a seasoned independent investment advisor. He holds a Bachelor of Science degree in Applied Physics from the University of Notre Dame (graduated with highest honour), and an MBA from the University of Chicago Booth School of Business. Mr. Cui Yuzhi has more than 20 years' experience in finance with deep expertise in the international capital market and enterprise operations. Mr. Cui Yuzhi held senior positions at various organisations, including the Executive President of Tendcare Medical Group, the Portfolio Manager at Atlantis Investment Hong Kong, the General Manager of investment and operations at Renhe Commercial (stock code: 1387.HK), the CFO of Zhong An Real Estate (stock code: 672.HK), the CFO of Excellence Group, the CFO of Treasury Holdings China Limited and the Vice President of Shanghai Forte Group. Mr. Cui Yuzhi is currently the Chairman of the Board and Executive Director of Forgame Holdings Limited (stock code: 484.HK).

Mr. Bao Yi, aged 49, serves as Independent Non-executive Director, Chairman of the Remuneration Committee and member of the Audit Committee of the Company. Mr. Bao Yi is currently the Chairman of Cedarlake Capital, a cross-border platform of equity investments, and is committed to drive the value creation of synergy among global major industries, economies, and capital markets. Prior to the establishment of Cedarlake Capital, Mr. Bao Yi was an important investment banker and the Managing Director of Morgan Stanley, and served as the Chief Executive Officer of Morgan Stanley Securities (China) Co., Ltd. Mr. Bao Yi also served as the Chairman of Granday Financial Leasing Co., Ltd. Mr. Bao Yi holds an MBA degree from the Wharton School of the University of Pennsylvania. He is granted a financial expert of the Hundred Talents Program of Pudong District, Shanghai.

Independent Non-executive Directors (Continued)

Mr. Ping Fan, aged 46, serves as Independent Non-executive Director and member of the Remuneration Committee and Nomination Committee of the Company. He holds a bachelor's degree in Management from the Business School of the University of Manchester, and an EMBA from the School of Economics and Management of Tsinghua University. Mr. Ping is currently the Chairman and CEO of Lang Sheng Investment Group Co. Ltd., a Commissioner of the All-China Youth Federation, a member of CPPCC of Shanghai Huangpu District, the President of Huangpu New Social Stratum Association, and the Chairman of the Shanghai Concord Bilingual School.

The Board hereby presents their report and the audited consolidated financial statements of the Group for the year ended 31 December 2024.

Principal Activities

During the year, the principal activity of the Company is investment holding, and the principal activities of its respective subsidiaries cover the business of (i) surface mount technology (SMT) equipment manufacturing; and (ii) sales of electricity and provision of electricity spot market transaction and auxiliary services.

Results and Dividends

The Group's loss for the year ended 31 December 2024 and the state of affairs of the Group at that date are set out in the consolidated financial statements on pages 72 to 198.

The Board does not recommend the payment of a dividend for the year.

Summary of Financial Information

The published results and a summary of assets and liabilities of the Group for the last five financial years are set out on page 34 of this annual report.

Property, Plant and Equipment

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

Share Capital

Details of movements in the Company's share capital during the year are set out in Note 29 to the consolidated financial statements.

Reserves

Details of movements in the reserves of the Company and the Group during the year are set out in Note 30 to the consolidated financial statements and in the consolidated statements of changes in equity, respectively.

Distributable Reserves

As at 31 December 2024, the Company did not have any reserves available for distribution. However, the Company's share premium account, in the amount of approximately HK$95,240,000, may be distributed in the form of fully paid bonus shares.

Bank and Other Borrowings

Details of bank and other borrowings of the Group during the year are set out in Note 33 to the consolidated financial statements.

Major Customers and Suppliers

During the year, aggregate sales attributable to the Group's five largest customers were approximately 16% of the total sales for the year and sales attributable to the largest customer included therein were approximately 7%. Purchases from the Group's five largest suppliers accounted for approximately 23% of total purchases during this year and purchases from the largest supplier included therein amounted to approximately 6%.

None of the Directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in any of the Group's five largest suppliers during the year.

Directors

The Directors of the Company are as follows:

Executive Directors

Mr. YUAN I-Pei (*Chairman*)
Mr. XIA Yuan (*Chief Executive Officer*)

Non-executive Directors

Mr. MENG Deqing (appointed on 20 August 2024)
Ms. BAI Yu (appointed on 11 December 2024)
Mr. LI Yongjun (resigned on 24 April 2024)
Mr. LI Jinxian (resigned on 11 December 2024)

Directors (Continued)

Independent Non-executive Directors

Mr. WANG Yanxin
Mr. CUI Yuzhi
Mr. BAO Yi
Mr. PING Fan

In accordance with clause 87 and 88 of the Company's bye-laws, Mr. Meng Deqing, Ms. Bai Yu and Mr. Wang Yanxin will retire by rotation and, being eligible, offer themselves for re-election at the Annual General Meeting of 2025, as informed to the Board.

In accordance with the Company's bye-laws, the Directors of the Company, including the Independent Non-executive Directors, are subject to retirement by rotation and re-election at the annual general meeting. Every director is subject to retirement at least once every three years.

The Company has received annual confirmations of independence from all Independent Non-executive Directors and as the date of this report still considers them to be independent.

Directors' Biographies

Biographies details of the Directors of the Company are set out on pages 35 to 38 of this annual report.

Directors' Service Contracts

No Director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not terminable by the Group within one year without payment of compensation, other than statutory compensation.

Directors' Interests in Contracts

No Director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year ended 31 December 2024.

Related Party Transactions

During the year ended 31 December 2024, the Group had not entered into any non-exempted connected transaction under the Listing Rules. Related party transactions entered into by the Group during the year ended 31 December 2024, which do not constitute non-exempted connected transactions under the Listing Rules, are disclosed in Note 39 to the consolidated financial statements.

Competing Interest

During the year ended 31 December 2024, none of the Directors, the controlling shareholders, and their respective close associates (as defined under the Listing Rules) was interest in any business which competes or may compete with the business of the Group.

Contract of Significance

There was no contract of significance between the Company or any of its subsidiaries, and the controlling shareholders or any of its subsidiaries as at 31 December 2024.

Directors' Interests in Shares and Underlying Shares

As at 31 December 2024, none of the Directors had any interest or short position in the share capital of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), that was required to be recorded in the register pursuant to 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.

Directors' Rights to Acquire Shares or Debentures

At no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or minor children by the Company, or were any such rights exercised by them; or was the Company, or any of its subsidiaries as a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

Substantial Shareholders' Interest in Shares and Underlying Shares

At 31 December 2024, according to the register required to be kept by the Company under section 336 of the SFO, the following persons (other than the Directors or Chief Executive of the Company) had an interest or short position in the shares and underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Long position in the Shares

Name of Shareholder	Nature of Interest	Number of the Ordinary Share Held	Approximate Percentage of total Shareholding %
Sino Xin Ding Limited *(note 1)*	Beneficial owner	987,176,230	67.85
Chen Ping	Beneficial owner	100,000,000	6.87
Reach General *(note 2)*	Beneficial owner	84,270,000	5.79

Notes:

1. Sino Xin Ding Limited is wholly owned by Shanghai Qingxin Enterprise Management Consulting Co., Ltd. ("Shanghai Qingxin") (上海青芯企業管理諮詢有限公司), which in turn, is owned as to 50.1% by UNIC Capital Management Co., Ltd. (中青芯鑫(蘇州工業園區)資產管理有限責任公司), 28% owned to Shanghai Semiconductor Equipment and Materials Industry Investment Fund Partnership (Limited Partnership) (上海半導體裝備材料產業投資基金合夥企業(有限合夥)), and 21.9% owned by Henan Zhanxing Industrial Investment Fund (Limited Partnership) (河南戰興產業投資基金(有限合夥)).

2. Reach General International Limited ("Reach General") is 100% beneficially owned by Mr. Wu Xin.

Save for the interests disclosed above, the Company had not been notified of any person (other than the Directors or Chief Executive Officer of the Company) who had interests (whether direct or indirect) or short positions in the shares or underlying shares of the Company that were required to be recorded in the register kept by the Company under Section 336 of the SFO as of 31 December 2024.

Purchase, Redemption or Sales of Listed Securities of the Company

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

Pre-emptive Rights

There are no provisions for pre-emptive rights under the Company's bye-laws or the laws of Bermuda, being the jurisdiction in which the Company is incorporated, which would oblige the Company to offer new shares preferentially on a pro-rata basis to existing shareholders.

Management Contracts

Other than the service contracts of the Directors, the Company has not entered into any contract with any individual, firm or body corporate to manage or administer the whole or any substantial part of any business of the Company during the year.

Tax Relief

The Company is not aware of any relief from taxation available to the shareholders of the Company by reason of their holding of the shares of the Company.

Retirement Schemes

The Group operates a defined contribution Mandatory Provident Fund Scheme for employees in Hong Kong. The Group's employees in the PRC, participate in a defined contribution central pension scheme operated by the local municipal government, particulars of these schemes are set out in note 2.23 to the consolidated financial statements.

Permitted Compensation Provision

The by-laws of the Company provides that each Director or other Officers of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he or she may sustain or incur in the execution of the duties of his or her office or otherwise in relation thereto. In addition, the Company has maintained appropriate Directors' and Officers' liability insurance in respect of relevant legal actions against the Directors.

Subsequent Event after the Reporting Period

The Group does not have any material subsequent events after the reporting period and up to the date of this annual report.

Segment Information

Details of segment information are set out in Note 6 to the consolidated financial statements.

Environmental Policies Performance

The Group is committed to the maintenance of the long-term sustainability of the environment and communities in which it operates. As a responsible corporation, to the best knowledge of the Directors, the Group has complied with the relevant laws and regulations regarding environmental protection during the year ended 31 December 2024.

Compliance with the Relevant Laws and Regulations

As far as the Board and management of the Company are aware, the Group has complied in all material respects with the relevant laws and regulations that have a significant impact on the businesses and operations of the Group. During the year, there was no material breach of or non-compliance with the applicable laws and regulations by the Group.

Relationship with Suppliers, Customers and Other Stakeholders

The Group understands fully the success of the Group's business depends on the inextricably-linked support from its key stakeholders, including employees, customers, suppliers, banks, regulators, and shareholders. The Group will continue to ensure effective communication and maintain good relationship with each of its key stakeholders.

Equity-linked Agreement

Save as disclosed in this annual report, the Group has not entered into any equity-linked agreement during the year.

Directors' Remuneration

The Directors' fees are subject to shareholders' approval at general meetings. Other emoluments are determined by the Board with reference to directors' duties, responsibilities and performance and the results of the Group.

Sufficiency of Public Float

Based on the public information that is available to the Company and within the knowledge of the Directors, the Directors confirmed that at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

Auditors

The consolidated financial statements of the Company for the year ended 31 December 2024 was audited by the Company's auditor, Grant Thornton Hong Kong Limited ("Grant Thornton Hong Kong").

Grant Thornton Hong Kong has retired and has been reappointed at the 2024 Annual General Meeting of the Company with its terms of office until the conclusion of the forthcoming annual general meeting of the Company. It will be eligible and offer itself for re-appointment at that meeting.

Grant Thornton Hong Kong was appointed as auditor of the Company with effect from 28 July 2021, prior to which date the Company's auditor was PricewaterhouseCoopers.

On behalf of the Board
Yuan I-Pei
Chairman

Hong Kong
31 March 2025

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Dear shareholders, investors, and stakeholders:

On behalf of the directors (the "Board") of Sino ICT Holdings Limited (the "Company" or " Sino ICT"), I would like to present the Environmental, Social and Governance Report (the "Report") of the Company and its subsidiaries (colllectively, the "Group") for the year ended December 31, 2024 (the "Reporting Period"), to review and explain the Group's management policies in various aspects of environmental, social and governance ("ESG"), Strategies, measures, objectives and results.

Governance Policies

The Group fully understands that an enterprise, as a member of society, should actively take the corresponding social responsibilities to promote the common development and benefits of the enterprise, the natural environment and social stakeholders. During the Reporting Period, the Group demonstrated its commitment to sustainable development by strictly implementing various laws and regulations on environmental protection and in-company policies on environmentally friendly operations, and proactively researching and promoting environment-friendly products, minimize the impact of different types of operations had on the natural environment. In terms of social responsibilities, the Group continued to provide a safe and good working and living environment and constantly broadened the development platform for its employees to facilitate the common development of the enterprise and its employees. In addition, the Group also actively maintained positive relationships with its stakeholders and invested in the community to undertake corporate social responsibilities.

The specific ESG policies and measures applied and adopted by the Group are disclosed in specific sections of the Report.

Governance Structure

In response to the Stock Exchange's updates to the Environmental, Social and Governance Reporting Guide and relevant provisions of the Listing Rules, the Group has focused on standardizing the governance responsibilities of the Board for ESG matters, including (i) oversight of ESG matters; (ii) formulation of ESG assessment, prioritization and risk management policies and strategies; and (iii) review of progress against ESG-related targets and their impact on the business. The Group has established an ESG task force to clearly institutionalize the Board's effective governance of ESG matters. Members of the ESG task force include the Company's executive directors, senior management and specific persons in charge, covering the board office, finance department, administration department, human resources department, marketing department and other relevant departments. It is mainly responsible for: (i) assessing the ESG issues that have a significant impact on the operation and development of the Group based on communication with stakeholders and the Group's business characteristics and prioritizing such ESG issues by materiality to determine the reporting scope and focuses. The aforementioned assessment process and results should be reviewed and reported to the Board on a regular basis; (ii) conducting continuous monitoring of the Group's ESG performance, collecting and collating all the data and information about ESG as required for the Report, and making reports and suggestions to the Board regarding the management of the ESG issues based on the assessment results; and (iii) drafting the Report for the Board's review.

In summary, the Board will be constantly concerned about the ESG-related governance policies and governance structure, review the effectiveness of the Board's governance over ESG issues in due course, and adjust when necessary based on the results of all measures adopted, the future business development and the market situation. The Group will make constant efforts to improve its governance and performance in ESG fields for greater contributions to the sustainable development of society.

YUAN I-Pei
Chairman of the Board

Reporting Standards and Scope

This Report is prepared in accordance with the requirements set out in Appendix C2 of the ESG Guide. This Report covers the ESG information and activities of the Group during the period from 1 January 2024 to 31 December 2024 (the "Reporting Period"). The environmental and social data in the Report mainly cover the Group's production area in Shenzhen, Guangdong Province, Mainland China (the "Site"), which is the operating area of the Group's SMT and Semiconductor equipment manufacturing business, and bears the Group's major production activities. Therefore, the Management believes the ESG data and information of the Site can adequately reflect the Group's ESG performance, and such data were mainly derived from internal records and estimates.

The Report is prepared in accordance with the reporting principles of materiality, quantitative and consistency. The Group records and discloses all environmental and social data based on the fixed quantitative standards and approaches it always adopts and keeps the consistency of the statistical standards for all key performance indicators. For the materiality assessment, the ESG task force has teased out the stakeholders that have a significant impact on the operation and development of the Group and has assessed the materiality of all ESG issues. During the Reporting Period, the participation of the stakeholders and the materiality assessment results of ESG related issues are presented as follows.

Participation of Stakeholders

The Group fully understands that the long-term stable development of an enterprise relies on positive interactions with all major stakeholders. We communicate with our major stakeholders, including the shareholders, employees, suppliers, customers, governments and communities via multiple communication channels to collect their opinions and suggestions on the ESG issues of the Group and to make improvements to enhance our governance level.

Reporting Standards and Scope (Continued)

Participation of Stakeholders (Continued)

The Group communicates with major stakeholders through the following methods:

Major stakeholders	Communication channels
Shareholders and investors	Annual general meetings and other general meetings (if any), Interim reports, annual reports, announcements and other published information Company website Circulars
Employees	Regular performance appraisal Job training, team building activities and cultural activities Face-to-face talks
Suppliers	Business meetings and face-to-face talks Invitations for bids and bidding Supplier meetings
Customers	Customer support hotline and e-mail box Exhibitions of products
Governments and Communities	Volunteer activities Interviews (if any) Field tests and inspections Charity activities and social investments

Reporting Standards and Scope (Continued)

Materiality Assessment of ESG-related Issues

The Group has considered the practical conditions such as its business characteristics, geographical location and business operations in identifying the ESG issues and assessing their impacts on the Group and its major stakeholders (including the shareholders, employees, customers, suppliers, governments and communities), and ranked the ESG issues by materiality, about the feedback from the relevant stakeholders collected through various communication channels.

The relevant material issues and the subject areas they belong to in the ESG Guide are set out below:

ESG Index	Material ESG issues	Materiality
A. Environmental		
A1. Emissions	Greenhouse gas emission	Medium
	Waste management	Medium
A2. Use of Resources	Energy consumption	Medium
	Water consumption	Medium
	Packing material consumption	Medium
A3. The Environment and Natural Resources	Impact of operating activities on the environment and natural resources	Medium
A4. Climate Change	Impact of extreme weather (such as typhoons and high temperatures) on production and operating activities	Medium

Reporting Standards and Scope (Continued)

ESG Index	Material ESG issues	Materiality
B. Social		
B1. Employment	Recruitment, promotion and dismissal	Medium
	Remuneration and benefits	Medium
	Equal opportunity	Medium
B2. Health and Safety	Workplace safety supporting facilities and management system	High
	Safety supporting facilities and management system for employees' living area	High
B3. Development and Training	On-the-job training and diversified development for employees	Medium
B4. Labour Standards	Prevention of child labour and forced labour	High
B5. Supply Chain Management	Fair and clear procurement rules	Medium
	Stable business relationship	Medium
B6. Product Responsibility	Intellectual property	High
	After-sales services	Medium
	Privacy protection	High
B7. Anti-corruption	Anti-corruption and anti-bribery policies and reporting mechanism	Medium
	Anti-corruption training	Medium
B8. Community Investment	Community participation	Medium
	Charity activities	Low

Reporting Standards and Scope (Continued)

A. Environmental

A.1 Emissions

During the Reporting Period, the Group strictly complied with relevant laws and regulations, including the Law of the People's Republic of China for Environmental Protection, the Law of the People's Republic of China on Appraising of Environment Impacts, the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste and the Administrative Measures for the Classification, the Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution, and Water Pollution Prevention and Control Law of the People's Republic of China.

During the Reporting Period, the Group was principally engaged in SMT equipment manufacturing and semiconductor-related business. Different from the production process of general industrial enterprises, it does not emit a significant amount of highly polluting exhaust, wastewater, or solid waste during our production process. The Group has outsourced its basic processing procedure, therefore did not generate hazardous waste such as sewage and sludge as defined by national regulations.

The emissions generated in the operation and production processes of the Site are mainly from logistics and transportation. During the Reporting Period, the Group generated 3.60kg of nitrogen oxides (NO_x), representing a year-on-year increase of 18.21%; 0.09kg of oxysulfide (SO_x), almost the same as last year; and 0.27kg of particulate matters (PM), representing an increase of 18.21% as compared with 0.22kg last year.

As none of the fossil fuel, oil and liquefied petroleum gas was directly purchased as the energy source for the production and operation of the Site, the direct emissions of greenhouse gases are mainly due to the consumption of gasoline and diesel by vehicles, and the greenhouse gases emitted indirectly were mainly produced by the purchased electricity on which the daily operation of the Site relies. During the Reporting Period, approximately 16.15 tons of greenhouse gases directly generated from the Site were emitted, representing an increase of about 3.09% as compared with 15.67 tons last year. Among which, approximately 14.62 tons of carbon dioxide (CO_2) were emitted, representing a 3.39% increase compared with 14.14 tons last year; approximately 0.04 tons of methane (CH_4) was emitted, and approximately 1.49 ton of nitrous oxide (N_2O) was emitted, almost the same as last year. The total amount of greenhouse gases indirectly produced by the Site was approximately 976.65 tons, representing a slight increase of 3.65% as compared with last year.

Reporting Standards and Scope (Continued)

A. Environmental (Continued)

A.1 Emissions (Continued)

During the Reporting Period, the Site's emissions of various gases were under controllable scales. The Group has set the emissions reduction target to further reduce gas emissions where practicable and to maximize the reduction of the adverse impact of its production and operation on the environment. For the purpose of vehicles management, the Group has formulated well-developed rules on vehicles management and assigned special personnel to record and monitor the use of vehicles and its reasonableness for the avoidance of unnecessary energy consumption.

When it comes to indirect greenhouse gas emissions, the Group carries out detailed inspection and maintenance for all vehicles on a regular basis to ensure that the vehicles are in good working condition and the emissions meet the legal and regulatory requirements. Moreover, diesel was used to further reduce the Site's emissions of greenhouse gases for its low greenhouse gas emission coefficient together with lead-free gasoline.

No hazardous waste was generated during our production and operation processes of the Site as described above. During the Reporting Period, the Site generated 10 tons of non-hazardous domestic waste, less 3 tons than that of last year. The Group has targeted to further reduce the wastes generated where practicable and to maximize the effect of waste recycling. To be more specific, the Group will continue to promote a corporate culture of waste reduction and environmental protection, constantly encourage all employees to reduce the amount of waste generated and enhance the recycling efficiency of domestic waste. The Group has framed a detailed regulation on waste recycling and management and implemented it accordingly to ensure effective recycling and disposal of all kinds of wastes. For example, a specialized garbage collection station has been set up on the Site to sort the wastes from the production workshops, warehouses, offices, dormitories, and other areas of the Site into recyclables, non-recyclables and production tailings. External cleaning companies are also engaged to carry out the collection of harmless treatment of the sorted wastes.

Reporting Standards and Scope (Continued)

A. Environmental (Continued)

A.2 Use of Resources

The Site uses electricity and water in its production and operation areas as well as its employees' living areas. During the Reporting Period, the total electricity consumption of the Site was 1,214,439 kWh, representing a slight increase of 3.65% comparing to last year; water consumption was 38,702 cubic meters, representing a year-on-year increase of 12%. During the Reporting Period, the Group has appropriate access to water sources, and all production and living areas have stable water supply to meet daily operational needs. With reference to the Law of the People's Republic of China for Energy Saving, the Group has formulated internal management policies and relevant instructions on the use of electricity and water. It has set the target to further reduce unnecessary resources consumption where practicable while trying its best to improve resource utilization efficiency and maintain the current resources consumption level. In terms of the use of electricity, the principles are safety and conservation. The Group's engineering and maintenance department is responsible for the regular inspection and maintenance of production, office and living equipment to ensure that all are in the best working condition to reduce unnecessary electricity consumption. At the same time, the Group requires the employees to conserve electricity whenever possible, including switching off or plugging off appliances and devices from the power source after use to reduce standby power consumption, making good use of indoor lighting, etc. In respect of water use, the Group has established clear regulations to manage water consumption by conducting monthly analyses and reviews on the Site's water consumption. The Group also encourages the employees to save water.

The Group mainly uses wooden boards, cardboard and stretch films to pack its products for shipment. During the Reporting Period, the total consumption of such materials was 208.51 tons, representing an increase of 32.25% as compared with last year. The consumption of wooden boards, our most-used packaging material, took up 97.32% of the total usage. The Group has always adhered to the principle of environmental protection and conservation when selecting packaging materials, and has given priority to purchasing simple recyclable and reusable materials to minimize the damage to the environment during the packaging process.

Reporting Standards and Scope (Continued)

A. Environmental (Continued)

A.3 The Environment and Natural Resources

The Group's operation has no significant impact on the environment and natural resources. The Group has adhered to the concept of "going green and low-carbon" and strived to implement the concept in every business segment. The Group strives to minimize its impact on the environment by formulating environmental-related policies and procedures and adopting various actions for energy conservation and emission reduction to achieve higher energy efficiency. The measures in detail are illustrated in the "Emissions" and "Resource Use" sections.

A.4 Climate Change

The Site is located in Shenzhen City, Guangdong Province, the Group's major customers and suppliers are located in South China. After reviewing the business characteristics and scope of the Group and by taking the geographical environment of the Group's supply chain locations into account, the senior management believes that there is a low likelihood that all kinds of extreme weather may have significant impacts on the Group's production and operating activities and supply chain. However, the Group has formulated countermeasures against the emergency risks which may be caused by extreme weather, so to minimize impacts.

Affected area(s)	Extreme weather	Countermeasures
Production and operation	Typhoon	Pay close attention to the early warning signals sent by the government and meteorological agencies, and stop outdoor operations when necessary to ensure that employees stay in indoor safe places.
	High temperature	Avoid outdoor operations under high temperatures set by the local labour laws, and provide drinks to employees when necessary for relieving summer heat and reducing the chance of sunstroke.

Reporting Standards and Scope (Continued)

B. Social

B.1 Employment

Employees are one of the most important sources of enterprise competitiveness. Adhering to the "people oriented" management philosophy, the Group values the personal development of its employees, safeguards their rights and interests, protects their health and safety, and cares about their life while highlighting the corporate values of "creating, sharing, undertaking and conveying". We believe that the Group can keep making progress in a diversified and harmonious environment. In strict compliance with relevant labour laws and regulations, including but not limited to the Labour Law of the People's Republic of China, the Work Safety Law of the People's Republic of China, the Labour Contract Law of the People's Republic of China, the Social Insurance Law of the People's Republic of China, the Hong Kong Employment Ordinance, the Group regularly track and identify updates of relevant laws and regulations, enhances the rights and interests of the employees regarding their remuneration, benefits, rest time and other aspects by continuously improving its systems and mechanisms, and strives to create the best internal environment for the development of all employees.

The Group treats all the candidates equal when dealing with dismissal, recruitment and promotion of its employees, and provides an equal and diversified platform for all employees. During the recruitment, the Group ensures that there is no discrimination in terms of gender, age, sexual orientation, religion, race, etc., and strictly abides by the approval process and system. The Group implements a flexible remuneration system, in which factors such as employee qualifications, personal capabilities, market wage levels and corporate profits are considered. The Group treats all employees equally while values the individuality of each. The Group cares about the employees in difficulties and offers assistance through different working policies to safeguard their legal rights and interests. Moreover, the Group provides the employees with various welfare benefits, including festivals benefits, birthday benefits, occupational health check and physical examinations, as well as subsidies on meals, transportation, telephone charges, etc. In addition, the Group attributes its success to its employees and offers bonuses as incentives to the individuals and teams who have made prominent contributions to the development of the Company.

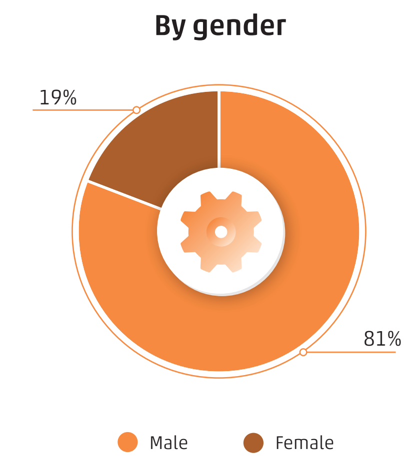
The Group strictly complies with relevant laws and regulations, and standardizes the management of working hours, rest time and leaves through system requirements and contract terms, with a view to protecting the legal rights and interests of the employees in respect of labour remuneration, working hours, rest time and leaves, etc. During the Reporting Period, the Group did not violate any local governmental policies on employees' salaries, nor had any material violations of laws, regulations and professional ethics, such as forced or compulsory labor.

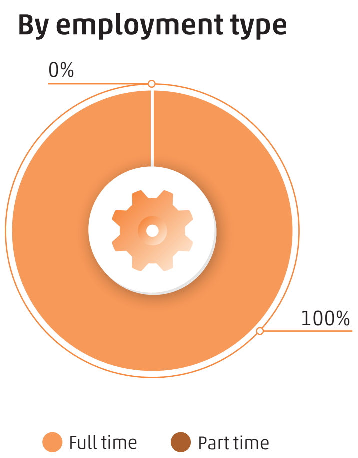
Reporting Standards and Scope (Continued)

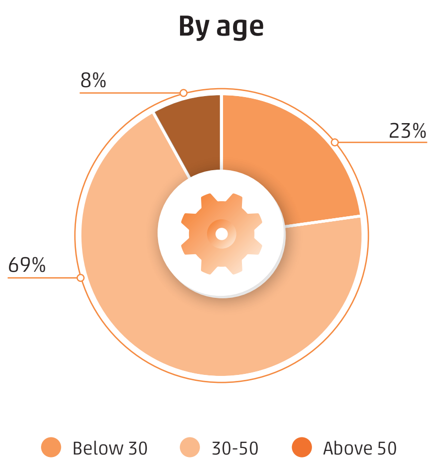
B. Social (Continued)

B.1 Employment (Continued)

As of December 2024, the total number of employees in the Site was 303, and the following breakdown was made by gender, age and employment type:







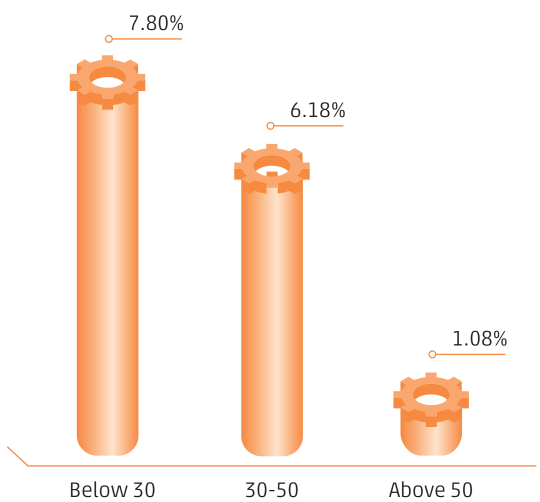
Reporting Standards and Scope (Continued)

B. Social (Continued)

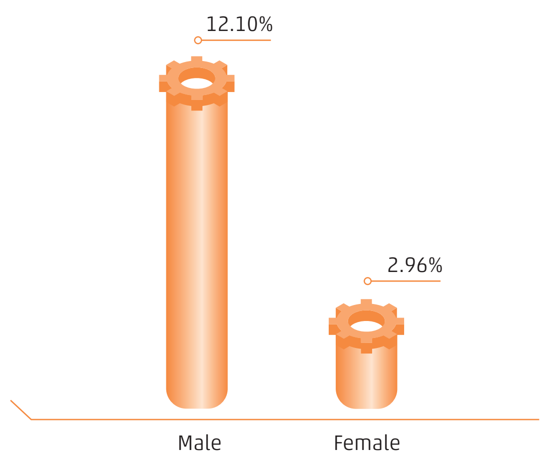
B.1 Employment (Continued)

A stable working environment helps to lower the employee turnover rate, which is of some importance to the stable development of an enterprise and the maintenance and improvement of its productivity. The Group offers competitive remuneration and benefits to its employees. Meanwhile, it also provides sufficient on-the-job training to its employees, focuses on the communication with employees, like soliciting opinions on the relevant policies or jobs from its employees on a regular basis, to provide them with better growth and development opportunities to further lower the employee turnover rate. During the Reporting Period, the Group's employee turnover rates are as follows:

By age



By gender



Since the Report covers only the Group's production site in Shenzhen where all employee turnovers occurred, the employee turnover rate was not grouped by geographical region.

Reporting Standards and Scope (Continued)

B. Social (Continued)

B.2 Health and Safety

The Group strictly abides by the Labor Law of the People's Republic of China and the Production Safety Law of the People's Republic of China, cares for the physical and mental health of its employees, actively provides employees with a safe and comfortable working environment, and encourages employees to have a balance between life and work. The Group has formulated a "Safety Management System" and a "Comprehensive Emergency Plan" to conduct systematic management of production safety. At the same time, it has set up "Safety Operating Procedures" based on the characteristics of each job position to clearly set the safety requirements for each link of production. The Group also has "Equipment Maintenance and Maintenance Specifications", and employees are required to conduct daily inspections of equipment in accordance with relevant specifications. The Group has a canteen in its factory and strictly conducts regular inspections on the food hygiene and safety of contractors to create a good dining environment and quality for employees. For the employee dormitories in the factory, the Group regularly conducts assessments on the hygiene and safety of the dormitories and regularly repairs and replaces indoor supplies to provide employees with a clean and safe living environment.

The Group adheres to the principle of safety first and prevention first in production process management, systematically implements various safety management systems, and strives to reduce the risk of accidents in production and operations with a rigorous attitude. During the Reporting Period, there were no work-related fatalities, and the number of workdays lost due to work-related injuries was 125. The Group has promptly handled the aftermath and completed relevant investigations and rectifications. It will continue to strengthen its safety management system to protect employee health and production safety.

Reporting Standards and Scope (Continued)

B. Social (Continued)

B.3 Development and Training

The Group is committed to continuously improving the quality of its employees and building a learning-oriented enterprise. The Group provides internal and external training for employees, covering mid- and senior-level management and practical courses such as supply chain management, quality control, R&D innovation, cost reduction and efficiency improvement, performance management, warehouse practice, etc., strengthens on-the-job training for front-line positions, enhances departmental job skills improvement and cross-departmental knowledge sharing, so as to enhance all employees' understanding of the Group's culture, strategy, management system, patented technology, etc., regards "training" as the greatest benefit for employees, and gradually transforms the awareness of "continuous learning and improvement" into the work and life habits of all employees.

During the Reporting Period, all employees of the Group received at least one job training, with the employee training rate being 100%. In terms of training hours, the total training hours for the Group's employees was 1,525.5 hours, which was basically the same as the previous year. The average training hours completed by each employee by gender and employee category are as follows:

Gender	Total number of training hours	Number of employees	The average number of training hours
Male	1156.5	246	4.70
Female	369	57	6.47

Employment type	Total number of training hours	Number of employees	The average number of training hours
Senior management	26	5	5.20
Manager	210.5	33	6.38
Technical and operational staff	848	198	4.28
Other	441	67	6.58

Reporting Standards and Scope (Continued)

B. Social (Continued)

B.4 Labour Standards

The use of child labour and forced labour violates basic human rights and international labour conventions and poses a severe threat to sustainable social and economic development. The Group prohibits the use of child labour and forced labour in any workplace and has developed relevant internal human resources policies and guidelines. During the Reporting Period, the Group strictly complied with the Law of the People's Republic of China on the Protection of Minors and did not employ any child labourers. The employment and dismissal of the Group's employees are handled in accordance with the procedures stipulated by the Human Resources Department, any changes in the working hours and positions of employees during their employment are subject to the consent of the employees. The Group also has an internal monitoring mechanism and accepts reports on irregularities and violations and will deal with any irregularities in real-time once they are found out. During the Reporting Period, the Group did not use any forced labour.

B.5 Supply Chain Management

The Group enhances the quality of its products and operations through strict supply chain management. The Group has developed a sound management mechanism to engage suppliers, including establishing specific and target-oriented procurement selection standards, and pays attention to the supplier's reputation, product quality, price, and the environmental and social risks along its supply chain. The Group also takes a reference to their past working experience in the use of environmentally preferable products and services when selecting suppliers, and conducts the procurement fairly and openly during selecting, evaluating, and accessing processes. Supplier assessment of the Group covers the capability to deliver products and services, the technical standards of supplied materials, quality assurance capability and the trial of material samples. In terms of some particular materials, we also require suppliers to sign an environmental guarantee agreement to ensure that the materials fulfil the relevant environmental management requirements for substances and the labelling requirements and do not contain any hazardous chemical substances specified by the Group. We implement this practice as a way to identify whether the suppliers have awareness of environmental protection and social risk prevention.

The Group also continuously conducts regular assessments on existing suppliers by comparing their supply prices, delivery conditions, quality of materials, percentage of environmentally friendly products used and services with the prevailing market levels, to ensure the continuous supply of quality products and services at reasonable prices. Many of the Group's departments, including procurement, research and development, quality control and production, are involved in the assessment of relevant suppliers to ensure that the procedures are carried out in an equal, reasonable and transparent manner.

Reporting Standards and Scope (Continued)

B. Social (Continued)

B.5 Supply Chain Management (Continued)

The number of suppliers of the Group by region is as follows:

Region	Number of suppliers
South China	131
North China	2
East China	20
Central China	3
Overseas	2

B.6 Product Responsibility

Adhering to the quality-first philosophy and emphasizing customer experience, the Group is committed to providing customers with a good service experience and high-quality products. In order to ensure product quality and service level, the Group has formulated a series of internal management regulations based on the characteristics of major products, covering such procedures as product design, incoming inspection, product production, finished product inspection, product packaging, shipment, installation, and aftersales service, to meet customer requirements and ensure compliance with relevant local and international standards as well as relevant laws and regulations. The Group has detailed product inspection and control procedures to ensure that the materials and semi-finished and finished products in the production process meet the required quality requirements. The inspection process includes the first piece of inspection, that is: (i) in the case of the first mass production of new products, (ii) the start of production of each batch; and (iii) when there are technical changes in the product structure, the R&D Department or the Production Department will provide the first piece of the product for inspection purposes. In addition, there are also procedures for self-inspection, mutual inspection, and roving inspection among departments, and if any quality problems are found, they will be handled in real-time according to the Unqualified Products Control Procedures. For some items that cannot be inspected by the quality department, the quality department will notify the purchasing department in a timely manner and ask the supplier to attach relevant quality assurance-related certificates with the products. If the sold products are proved to have quality problems, the Group will also arrange for a recall timely. During the Reporting Period, none of the shipped or sold products by the Group was subject to recall for safety or health reasons.

Reporting Standards and Scope (Continued)

B. Social (Continued)

B.6 Product Responsibility (Continued)

During the Reporting Period, the Group did not receive any complaints about its products and services. The Group's after-sales service team is dedicated to responding to customer inquiries, feedback and complaints. All complaints will be recorded in detail in the internal system so that the status and progress of handling the complaints can be monitored at any time.

The Group has an intellectual property management policy and uses various knowledge databases and patent databases to store information, and has built a list of related structures with corresponding user rights. The intellectual assets of the Group, such as intellectual property and goodwill, are collected, organized, and maintained by the Public Relations Officer. The Group has also formulated stipulations on confidentiality, under which the customer information obtained in the course of business is kept strictly confidential and used in accordance with relevant laws and regulations, and confidentiality clauses are included in customer contracts to prevent the leakage of confidential or private information. All employees of the Group who have access to customer data are subject to the confidentiality agreement.

B.7 Anti-corruption

The Group highly values professional conduct and integrity, and all businesses comply with the Prevention of Bribery Ordinance in Hong Kong and relevant laws and regulations related to the prevention of corruption, bribery, extortion, fraud, money laundering, and fraud in Chinese Mainland, such as the Rules on Integrity of Executives of State-Owned Enterprises, the Regulations on the Executives of State-owned Enterprises for Performing Management Duties with Integrity, the Anti-Money Laundering Law of the People's Republic of China and the Anti-Unfair Competition Law of the People's Republic of China. The Group also provides annual anti-corruption training to its directors and employees regularly to enhance their awareness of anti-corruption. Employees must report any instances of corruption, bribery, extortion, or money laundering to the Board who will investigate the matter in conjunction with the relevant authorities, depending on the specific incident.

The Group believes that the above measures are necessary for the long-term sustainable development of the Company, and hence can win the trust of the employees, customers, suppliers and shareholders under open standards. During the Reporting Period, there were no corruption lawsuits filed and concluded against the Company or its employees.

Reporting Standards and Scope (Continued)

B. Social (Continued)

B.8 Community Investment

The Group attaches great importance to corporate social responsibility, actively participates in community building, proactively understands the needs of the regions where it operates and considers community interests from time to time in its daily business activities and lives in harmony with the community. During the Reporting Period, the Group insisted on working together with all sectors of society and helping each other, and donated a total of approximately RMB112,567.49 in charitable donations. Looking ahead, the Group will continue to help improve community welfare, encourage employees to participate in public welfare activities, and achieve common progress between the enterprise and community public welfare.

Grant Thornton
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To the members of Sino ICT Holdings Limited
(incorporated in Bermuda with limited liability)

Opinion

We have audited the consolidated financial statements of Sino ICT Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 72 to 198, which comprise the consolidated statement of financial position as at 31 December 2024, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

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

Basis for Opinion

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

Key Audit Matter

Key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. This matter was 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 this matter.

Key Audit Matter (Continued)

Key audit matter	How the matter was addressed in our audit
Expected credit losses ("ECL") assessmentof trade and bills receivables	
We identified the ECL assessment of trade and bills receivables as a key audit matter due to the significance of the balance to the consolidated financial statements, combined with the significant judgment and management's estimates in evaluating the ECL allowance of the Group's trade and bills receivables at the end of the reporting period. As disclosed in notes 2.14 and 4.1(b) to the consolidated financial statements, the Group recognised an ECL allowance of trade and bills receivables based on lifetime ECL in the current year. In calculating the ECL allowance, the Group has established a provision matrix that is based on its historical credit loss experience and external indicators, adjusted for forward-looking factors specific to the debtors and the economic environment. As disclosed in note 26 to the consolidated financial statements, the carrying amount of the Group's trade and bills receivables was HK$71,367,000, net of ECL allowance of HK$769,000, as at 31 December 2024. The Group recognised a provision of ECL allowance of HK$36,000 on trade and bills receivables for the current year.	Our audit procedures in relation to the ECL assessment of trade and bills receivables included the followings: • obtained an understanding of the Group's process and control over credit risk assessment and how management estimates the ECL allowance of trade and bills receivables; • assessed the appropriateness of ECL model used by management in calculating the ECL allowance of trade and bills receivables with the assistance from the auditor's expert; • obtained and tested the ageing of trade and bills receivables which is assessed based on provision matrix, reviewed their history of repayment and management's assessment on the financial capability of the debtors and forward-looking information used; • assessed the appropriateness of classification in the provision matrix on a sample basis and the reasonableness of the ECL rates, taking into consideration the historical loss rates and forward-looking information with the assistance from the auditor's expert; and • checked, on a sample basis, the accuracy of the ECL allowance of trade and bills receivables in accordance with the ECL rates applied by the Group.

Other Information

The directors are responsible for the other information. The other information comprises all the information in the 2024 annual report of the Company, 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 the Directors for the Consolidated Financial Statements

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

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

The directors assisted by the Audit Committee are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act 1981 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.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

From the matter communicated with the Audit Committee, we determine the matter that was of most significance in the audit of the consolidated financial statements of the current period and is therefore the key audit matter. We describe this matter 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.

Grant Thornton Hong Kong Limited
Certified Public Accountants
11th Floor,
Lee Garden Two
28 Yun Ping Road
Causeway Bay
Hong Kong SAR

31 March 2025

Lam Wai Ping
Practising Certificate No.: P07826

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2024

	Notes	2024 HK$'000	2023 HK$'000
Continuing operations			
Revenue	5	247,040	211,795
Cost of sales		(185,655)	(150,424)
Gross profit		61,385	61,371
Other income	7	35,322	23,276
Other gains, net	8	3,607	1,196
Distribution costs		(39,386)	(34,929)
Administrative expenses		(90,973)	(97,311)
(Provision for)/Reversal of expected credit losses ("ECL") allowance of trade and bills receivables	26	(36)	326
Operating loss		(30,081)	(46,071)
Finance income	9	1,474	2,506
Finance costs	9	(27,400)	(24,355)
Finance costs, net	9	(25,926)	(21,849)
Share of results of associates	18(b)	(5,301)	(4,033)
Share of result of a joint venture	18(c)	244	1,203
Loss before income tax		(61,064)	(70,750)
Income tax expense	10	(186)	(231)
Loss for the year from continuing operations	11	(61,250)	(70,981)
Discontinued operation			
Loss for the year from discontinued operation	12	(6,812)	(35,831)
Loss for the year		(68,062)	(106,812)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2024

	Notes	2024 HK$'000	2023 HK$'000
Other comprehensive income/(expense) arising from continuing operations			
Items that will not be reclassified subsequently to profit or loss			
Revaluation of property, plant and equipment upon transfer to investment properties	20	–	13,661
Deferred income tax on revaluation of property, plant and equipment upon transfer to investment properties	35	–	(3,415)
		–	10,246
Item that will be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		80	(2,719)
		80	7,527
Other comprehensive expense arising from discontinued operation			
Item that will be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operation		(674)	(418)
Total comprehensive expense for the year, net of tax		(68,656)	(99,703)

	Note	2024 HK$'000	2023 HK$'000
Loss for the year attributable to:			
Owners of the Company			
– Continuing operations		(29,717)	(37,786)
– Discontinued operation		(4,700)	(24,723)
		(34,417)	(62,509)
Non-controlling interests			
– Continuing operations		(31,533)	(33,195)
– Discontinued operation		(2,112)	(11,108)
		(33,645)	(44,303)
		(68,062)	(106,812)
Total comprehensive expense for the year attributable to:			
Owners of the Company		(35,619)	(54,982)
Non-controlling interests		(33,037)	(44,721)
		(68,656)	(99,703)
		HK cents	HK cents
Loss per share for loss attributable to owners of the Company			
Basic and diluted	13		
– Continuing operations		(2.04)	(2.60)
– Discontinued operation		(0.32)	(1.70)
		(2.36)	(4.30)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2024

	Notes	2024 HK$'000	2023 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	19	364,370	418,929
Investment properties	20	57,187	52,079
Right-of-use assets	21(a)	23,207	23,341
Intangible assets	22	14,452	17,309
Interests in associates	18(b)	3,394	8,363
Interest in a joint venture	18(c)	10,458	10,402
Financial assets at fair value through profit or loss ("FVTPL")	25	24,317	16,288
Deferred income tax assets	35	2,965	3,646
Other receivables	26	1,047	4,176
		501,397	554,533
Current assets			
Inventories	23	21,747	24,080
Trade and other receivables	26	188,835	185,944
Financial assets at FVTPL	25	132	111
Cash and cash equivalents	27	205,301	183,169
		416,015	393,304
Assets classified as held for sale	28	6,434	12,665
		422,449	405,969
Total assets		923,846	960,502
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	29	145,500	145,500
Share premium		95,240	95,240
Other reserves	30	32,470	33,672
Accumulated losses		(47,084)	(12,667)
Equity attributable to owners of the Company		226,126	261,745
Non-controlling interests		(41,205)	(8,168)
Total equity		184,921	253,577

	Notes	2024 HK$'000	2023 HK$'000
Non-current liabilities			
Bank and other borrowings	33	334,801	365,135
Lease liabilities	21(b)	2,792	706
Deferred income	34	454	617
Deferred income tax liabilities	35	11,922	11,409
Long service payment obligations	36	308	308
		350,277	378,175
Current liabilities			
Trade and other payables	31	177,255	234,887
Contract liabilities	32	53,568	7,563
Bank and other borrowings	33	155,695	75,212
Lease liabilities	21(b)	1,631	8,861
Income tax payables		499	2,227
		388,648	328,750
Total liabilities		738,925	706,925
Total equity and liabilities		923,846	960,502
Net current assets		33,801	77,219
Total assets less current liabilities		535,198	631,752

Yuan I-Pei
Director

Xia Yuan
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2024

	Attributable to owners of the Company						
	Share capital HK$'000 (note 29)	Share premium HK$'000	Other reserves HK$'000 (note 30)	Retained profits/ (Accumulated losses) HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
As at 1 January 2023	145,500	95,240	26,145	49,842	316,727	36,553	353,280
Loss for the year	–	–	–	(62,509)	(62,509)	(44,303)	(106,812)
Other comprehensive income/(expense) for the year:							
Revaluation of property, plant and equipment upon transfer to investment properties (note 20)	–	–	13,661	–	13,661	–	13,661
Deferred income tax on revaluation of property, plant and equipment upon transfer to investment properties (note 35)	–	–	(3,415)	–	(3,415)	–	(3,415)
Exchange differences on translation of foreign operations	–	–	(2,719)	–	(2,719)	(418)	(3,137)
Total comprehensive income/(expense) for the year	–	–	7,527	(62,509)	(54,982)	(44,721)	(99,703)
As at 31 December 2023	145,500	95,240	33,672	(12,667)	261,745	(8,168)	253,577
As at 1 January 2024	**145,500**	**95,240**	**33,672**	**(12,667)**	**261,745**	**(8,168)**	**253,577**
Loss for the year	**–**	**–**	**–**	**(34,417)**	**(34,417)**	**(33,645)**	**(68,062)**
Other comprehensive (expense)/income for the year:							
Exchange differences on translation of foreign operations	**–**	**–**	**(1,202)**	**–**	**(1,202)**	**608**	**(594)**
Total comprehensive expense for the year	**–**	**–**	**(1,202)**	**(34,417)**	**(35,619)**	**(33,037)**	**(68,656)**
As at 31 December 2024	**145,500**	**95,240**	**32,470**	**(47,084)**	**226,126**	**(41,205)**	**184,921**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2024

	Notes	2024 HK$'000	2023 HK$'000
Cash flows from operating activities			
Cash from operations	37(a)	10,787	4,972
Interest received		1,474	2,525
Interest paid		(7,489)	(4,499)
Income tax (paid)/refund		(742)	175
Net cash from operating activities		4,030	3,173
Cash flows from investing activities			
Purchase of property, plant and equipment		(5,543)	(34,772)
Purchase of leasehold land included in right-of-use assets	21(a)	(5,765)	(532)
Proceeds from disposal of property, plant and equipment		604	662
Net cash used in investing activities		(10,704)	(34,642)
Cash flows from financing activities			
New bank and other borrowings raised	37(b)	114,629	–
Repayment of bank and other borrowings	37(b)	(74,960)	(47,855)
Repayment to lease liabilities	37(b)	(8,956)	(9,570)
Net cash from/(used in) financing activities		30,713	(57,425)
Net increase/(decrease) in cash and cash equivalents		24,039	(88,894)
Cash and cash equivalents as at 1 January		183,169	273,446
Effect of foreign exchange rate changes		(1,907)	(1,383)
Cash and cash equivalents as at 31 December	27	205,301	183,169

1. GENERAL INFORMATION

Sino ICT Holdings Limited (the "Company") is a limited liability company incorporated in Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and its address of the principal place of business is Suite 1101 & 1112, The Gateway Tower 1, 25 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

In the opinion of the directors, the immediate holding company of the Company is Sino Xin Ding Limited, a company incorporated in Hong Kong, and the ultimate holding company of the Company is UNIC Capital Management Co., Ltd. (中青芯鑫(蘇州工業園區)資產管理有限責任公司) ("UNIC Capital Management"), a company established in the People's Republic of China (the "PRC").

The Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in (i) Surface Mount Technology ("SMT") equipment manufacturing; and (ii) sales of electricity and provision of electricity spot market transaction and auxiliary services ("Energy Business") in the PRC. Manufacturing and sales of advanced domestic radar hardware and development, application and integration of intelligent software ("Radar Business") was discontinued during years ended 31 December 2024 and 2023, details of which are set out in note 12. The principal activities of the Company's subsidiaries are set out in note 18(a).

These consolidated financial statements are presented in Hong Kong dollars ("HK$"), unless otherwise stated.

In these consolidated financial statements, certain English name of the companies referred herein represent management's best effort to translate the Chinese name of the companies as no English name has been registered.

The consolidated financial statements for the year ended 31 December 2024 were approved for issue by the board of directors on 31 March 2025.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES

2.1 Basis of preparation

These annual consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the accounting principles generally accepted in Hong Kong.

The consolidated financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance and include the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

The material accounting policies that have been used in the preparation of these consolidated financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated. The adoption of new and amended HKFRSs and the impacts on the Group's consolidated financial statements, if any, are disclosed in note 2.1 below.

The consolidated financial statements have been prepared on the historical cost basis except for investment properties and financial assets at FVTPL which are stated at fair values. Non-current assets and disposal group held for sale are stated the lower of carrying amount and fair value less costs to sell. The measurement bases are fully described in the accounting policies below.

It should be noted that accounting estimates and assumptions are used in preparation of the consolidated financial statements. Although these estimates are based on management's best knowledge and judgment of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 3.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

Adoption of new and amended HKFRSs

Amended HKFRSs that are effective for annual periods beginning on 1 January 2024

In the current year, the Group has applied for the first time the following amended HKFRSs issued by the HKICPA, which are relevant to the Group's operations and effective for the Group's consolidated financial statements for the annual period 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 related amendments to Hong Kong Interpretation 5 (2020)
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

The adoption of amended HKFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

Adoption of new and amended HKFRSs (Continued)

Issued but not yet effective HKFRSs

At the date of authorisation of these consolidated financial statements, certain new and amended HKFRSs have been published but are not yet effective, and have not been adopted early by the Group.

HKFRS 18	Presentation and Disclosure in Financial Statements[3]
HKFRS 19	Subsidiaries without Public Accountability: Disclosures[3]
Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments[2]
Amendments to HKFRS 9 and HKFRS 7	Contracts Referencing Nature-dependent Electricity[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKAS 21	Lack of Exchangeability[1]
Amendments to HKFRS Accounting Standards	Annual Improvements to HKFRS Accounting Standards – Volume 11[2]
Amendments to Hong Kong Interpretation 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause[3]

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 date not yet determined

The directors anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning on or after the effective date of the pronouncement. The new and amended HKFRSs are not expected to have a material impact on the Group's consolidated financial statements.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 December each year.

Subsidiaries are entities controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power over the entity, only substantive rights relating to the entity (held by the Group and others) are considered.

The Group includes the income and expenses of a subsidiary in the consolidated financial statements from the date it gains control until the date when the Group ceases to control the subsidiary.

Intra-group transactions, balances and unrealised gains and losses on transactions between group companies are eliminated in preparing the consolidated financial statements. Where unrealised losses on sales of intra-group asset are reversed on consolidation, the underlying asset is also tested for impairment from the Group's perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Non-controlling interests represent the equity on a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.2 Basis of consolidation (Continued)

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from the equity attributable to the owners of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income or expense for the year between non-controlling interests and the owners of the Company.

In the Company's statement of financial position, subsidiaries are carried at cost less any impairment loss unless the subsidiary is held for sale or included in a disposal group. Cost also includes direct attributable costs of investment.

The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the end of the reporting period. All dividends whether received out of the investee's pre or post-acquisition profits are recognised in the Company's profit or loss.

2.3 Associates and joint ventures

An associate is an entity over which the Group has significant influence, which 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.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions relating about relevant activities require the unanimous consent of the parties sharing control.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.3 Associates and joint ventures (Continued)

In consolidated financial statements, an investment in an associate or a joint venture is initially recognised at cost and subsequently accounted for using the equity method. Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate or joint venture recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. The cost of acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed and equity instruments issued by the Group, plus any costs directly attributable to the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss in the determination of the Group's share of the associate or joint venture's profit or loss in the period in which the investment is acquired.

Under the equity method, the Group's interest in the associate or joint venture is carried at cost and adjusted for the post-acquisition changes in the Group's share of the associate or joint venture's net assets less any identified impairment loss. The profit or loss for the year includes the Group's share of the post-acquisition, post-tax results of the associate or joint venture for the year, including any impairment loss on the investment in associate or joint venture recognised for the year. The Group's other comprehensive income for the year includes its share of the associate or joint venture's other comprehensive income for the year.

Unrealised gains on transactions between the Group and its associate and joint venture are eliminated to the extent of the Group's interest in the associates or joint venture. Where unrealised losses on assets sales between the Group and its associate or joint venture are reversed on equity accounting, the underlying asset is also tested for impairment from the Group's perspective. Where the associate or joint venture uses accounting policies other than those of the Group for like transactions and events in similar circumstances, adjustments are made, where necessary, to conform the associate or joint venture's accounting policies to those of the Group when the associate or joint venture's financial statements are used by the Group in applying the equity method.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.3 Associates and joint ventures (Continued)

When the Group's share of losses in an associate or a joint venture equals or exceeds its interest in the associate or joint venture, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture. For this purpose, the Group's interest in the associate or joint venture is the carrying amount of the investment under the equity method together with the Group's other long-term interests that in substance form part of the Group's net investment in the associate or joint venture, after applying the ECL model to such other long-term interests where applicable.

After the application of equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associate or joint venture. At the end of each reporting period, the Group determines whether there is any objective evidence that the investment in associate or joint venture is impaired. If such indications are identified, the Group calculates the amount of impairment as being the difference between the recoverable amount (i.e. higher of value in use and fair value less costs of disposal) of the associate or joint venture and its carrying amount. In determining the value in use of the investment, the Group estimates its share of the present value of the estimated future cash flows expected to be generated by the associate or joint venture, including cash flows arising from the operations of the associate or joint venture and the proceeds on ultimate disposal of the investment.

The Group discontinues the use of equity method from the date when it ceases to have significant influence over an associate or joint control over a joint venture. If the retained interest in that former associate or joint venture is a financial asset, the retained interest is measured at fair value, which is regarded as its fair value on initial recognition as a financial asset in accordance with HKFRS 9 "Financial Instruments". The difference between (i) the fair value of any retained interest and any proceeds from disposing of partial interest in the associate or joint venture; and (ii) the carrying amount of the investment at the date the equity method was discontinued, is recognised in profit or loss. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would have been required if the associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by the investee would be reclassified to profit or loss on the disposal of the related assets or liabilities, the entity reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.4 Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors, being the chief operating decision maker ("CODM"), for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the CODM are determined following the Group's major product and service lines.

The Group has identified the following reporting segments:

Continuing operations

- Production and sales of industrial products – manufacturing and sales of SMT equipment; and

- Energy Business – sales of electricity and provision of electricity spot market transaction and auxiliary services.

Discontinued operation

- Radar Business – manufacturing and sales of advanced domestic radar hardware and development, application and integration of intelligent software.

The following segment does not meet the quantitative thresholds for the reporting segment, and therefore corresponding revenue grouped under "other gains, net".

- Securities investment – investment in listed equity securities.

Each of these operating segments is managed separately as each of the product and service lines requires different resources as well as marketing approaches. All inter-segment transfers are carried out at arm's length prices.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.4 Segment reporting (Continued)

The measurement polices the Group used for reporting segment results under HKFRS 8 "Operating Segments" are the same as those used in its financial statements prepared under HKFRSs, except that the following items are not included in arriving at the operating results of the reporting segment:

- share of results of associates and a joint venture;
- income tax expense/credit; and
- corporate income and expenses which are not directly attributable to the business activities of any reporting segment.

Segment assets include all assets other than (i) certain property, plant and equipment, right-of-use assets, other receivables and cash and cash equivalents which are for administrative purpose; (ii) interests in associates; (iii) interest in a joint venture; and (iv) financial assets at FVTPL are not allocated to any reporting segment.

Segment liabilities includes all liabilities other than certain lease liabilities, income tax payables and other payables which are for administrative purpose are not allocated to any reporting segment.

No asymmetrical allocations have been applied to reportable segments.

2.5 Foreign currency translation

The consolidated financial statements are presented in HK$, which is also the functional currency of the Company.

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At the end of the reporting period, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the end of the reporting period retranslation of monetary assets and liabilities are recognised in profit or loss.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.5 Foreign currency translation (Continued)

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated (i.e. only translated using the exchange rates at the transaction date). When a fair value gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is also recognised in profit or loss. When a fair value gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is also recognised in other comprehensive income.

In the consolidated financial statements, all individual financial statements of foreign operations, originally presented in a currency different from the Group's presentation currency, have been converted into HK$. Assets and liabilities have been translated into HK$ at the closing rates at the end of the reporting period. Income and expenses have been converted into HK$ at the exchange rates ruling at the transaction dates, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this translation have been recognised in other comprehensive income and accumulated separately in the foreign currency translation reserve in equity.

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, loss of joint control over a joint venture that includes a foreign operation, or loss of significant influence over an associate that includes a foreign operation), all of the accumulated exchange differences in respect of that operation attributable to the Group are reclassified to profit or loss. Any exchange differences that have previously been attributed to non-controlling interests are derecognised, but they are not reclassified to profit or loss.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.6 Property, plant and equipment

Property, plant and equipment (other than construction in progress as described below) are initially recognised at acquisition cost and/or manufacturing cost (including any cost directly attributable to bringing the assets to the location and condition necessary for them to be capable of operating in the manner intended by the Group's management, including costs of testing whether the related assets are functioning properly). They are subsequently stated at cost less accumulated depreciation and accumulated impairment losses, if any.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of assets other than construction in progress less their residual values over their estimated useful lives, using the straight-line method, as follows:

Properties	10-50 years
Machinery and equipment	5-10 years
Furniture, fixtures and property decoration	5-10 years
Computer software	3-10 years
Motor vehicles	3-10 years

Estimates of residual value and useful life are reviewed, and adjusted if appropriate, at the end of each reporting period.

Gain or loss arising on retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

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

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.7 Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 2.10) to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

On initial recognition, investment property is measured at cost, and subsequently at fair value, unless fair value cannot be reliably determined at that time.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. Fair value is determined by external professional valuers, with sufficient experience with respect to both the location and the nature of the investment property. The carrying amounts recognised at the end of the reporting period reflect the prevailing market conditions at the end of the reporting period.

If an owner-occupied property becomes an investment property that will be carried at fair value, the Group applies HKAS 16 "Property, plant and equipment" for owned property or HKFRS 16 "Leases" for property held by a lessee as a right-of-use asset up to the date of change in use. Any difference at that date between the carrying amount of the property in accordance with HKAS 16 or HKFRS 16 and the fair value is accounted for in the same way as a revaluation in accordance with HKAS 16.

Gains or losses arising from either change in the fair value or the sale of an investment property are included in "other gains, net" in the period in which they arise.

2.8 Prepaid lease payments

Prepaid lease payments (which meet the definition of right-of-use assets and classified as right-of-use assets) represent the upfront payments for long-term land lease in which the payments can be reliably measured. It is stated at cost less accumulated depreciation and any impairment losses. Depreciation is calculated on a straight-line method to write off the upfront payments over the lease terms of fifty years.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.9 Intangible assets

Research and development costs

Costs associated with research activities are expenses in profit or loss as they incur. Costs that are directly attributable to development activities are recognised as intangible assets provided they meet all of the following recognition requirements:

(i) demonstration of technical feasibility of the prospective product for internal use or sale;

(ii) there is intention to complete the intangible asset and use or sell it;

(iii) the Group's ability to use or sell the intangible asset is demonstrated;

(iv) the intangible asset will generate probable economic benefits through internal use or sale;

(v) sufficient technical, financial and other resources are available for completion; and

(vi) the expenditure attributable to the intangible asset can be reliably measured.

Direct costs include employee costs incurred on development activities along with an appropriate portion of relevant overheads. The costs of development of internally generated software, products or knowhow that meet the above recognition criteria are recognised as intangible assets.

They are recognised initially at cost. After initial recognition, intangible assets with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on straight-line basis over their estimated useful lives. Amortisation commences when the intangible assets are available for use. The following useful lives are applied:

Development costs	10 years

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.9 Intangible assets (Continued)

Research and development costs (Continued)

All other development costs are expensed as incurred.

The assets' amortisation methods and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Intangible assets, with finite useful lives, are tested for impairment as described below in note 2.12.

2.10 Leases

Definition of a lease and the Group as a lessee

At inception of a contract, the Group considers whether a contract is, or contains a lease. A lease is defined as "a contract, or part of a contract, that conveys the right to use an identified asset (the underlying asset) for a period of time in exchange for consideration". To apply this definition, the Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and
- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assess whether it has the right to direct "how and for what purpose" the asset is used throughout the period of use.

For contracts 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 and non-lease component on the basis of their relative stand-alone prices.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.10 Leases (Continued)

Definition of a lease and the Group as a lessee (Continued)

Measurement and recognition of leases as a lessee

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the consolidated statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the underlying asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any lease incentives received).

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term unless the Group is reasonably certain to obtain ownership at the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicator exists. Those right-of-use assets meeting the definition of investment properties are subsequently measured at fair value in accordance with the Group's accounting policies.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable payments based on an index or rate, and amounts expected to be payable under a residual value guarantee. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payment of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

Subsequent to initial measurement, the liability will be reduced for lease payments made and increased for interest cost on the lease liability. It is remeasured to reflect any reassessment or lease modification, or if there are changes in in-substance fixed payments.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.10 Leases (Continued)

Definition of a lease and the Group as a lessee (Continued)

Measurement and recognition of leases as a lessee (Continued)

The Group remeasures lease liabilities whenever:

- there are changes in lease term or in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

- the lease payments changes, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

For lease modification that is not accounted for as 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 modification.

When the lease is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these leases are recognised as an expense in profit or loss on a straight-line basis over the lease term. Short-term leases are leases with a lease term of 12 months or less.

Right-of-use assets are presented as separate line item in the consolidated statement of financial position. Right-of-use assets that meet the definition of investment property are presented within "investment properties". The prepaid lease payments for leasehold land are included as "right-of-use assets".

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

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.10 Leases (Continued)

The Group as a lessor

As a lessor, the Group classifies its leases as either operating or finance leases.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset, and classified as an operating lease if it does not.

The Group subleases certain buildings included in right-of-use assets and the sublease contracts are classified as operating leases.

When the Group is an intermediate lessor, it accounts for the head lease and the sub-leases as two separate contracts. The sub-leases are classified as a finance or operating lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If the head lease is a short-term lease to which the Group applies the short-term lease exemption, then the Group classifies the sub-lease as an operating lease.

The Group sub-leases some of its properties and the sub-lease contracts are classified as operating lease.

The Group also earns rental income from operating leases of its investment properties and right-of-use assets. Rental income is recognised on a straight-line basis over the term of the lease.

Sale and leaseback transactions

The Group as a seller-lessee

For a transfer that does not satisfy requirements as a sale in accordance with HKFRS 15 "Revenue from Contracts with Customers", the transaction is in substance a financing arrangement under HKFRS 9. Therefore, the Group as a seller-lessee accounts for the proceeds received as "other borrowings" within the scope of HKFRS 9.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.11 Provisions and contingent liabilities

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

All provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

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

2.12 Impairment of non-financial assets

Financial assets

The following assets are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable:

- Property, plant and equipment;
- Right-of-use assets;
- Intangible assets; and
- The Company's investments in subsidiaries.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.12 Impairment of non-financial assets (Continued)

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of fair value, reflecting market conditions 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 assessment of time value of money and the risk specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Corporate assets are allocated to individual cash-generating units, when a reasonable and consistent basis of allocation can be identified, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Impairment losses recognised for cash-generating units is charged pro rata to the assets in the cash-generating unit, except that the carrying value of an asset will not be reduced below its individual fair value less cost of disposal, or value in use, if determinable.

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.13 Financial instruments

Recognition and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all of its risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Financial assets

Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with HKFRS 15, all financial assets are initially measured at fair value, in case of a financial asset not at FVTPL, plus transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Financial assets are classified into the following categories:

- amortised cost;
- FVTPL; or
- fair value through other comprehensive income ("FVTOCI").

The classification is determined by both:

- the entity's business model for managing the financial asset; and
- the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for the ECL of trade, bills and other receivables which is presented as a separate item in profit or loss.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.13 Financial instruments (Continued)

Financial assets (Continued)

Subsequent measurement of financial assets

Debt investments – Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and

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

After initial recognition, these are measured at amortised cost using the effective interest method. Interest income from these financial assets is included in finance income in profit or loss. Discounting is omitted where the effect of discounting is immaterial. The Group's trade, bills and other receivables and cash and cash equivalents fall into this category of financial instruments.

Equity investments

An investment in equity securities is classified as FVTPL unless the equity investment is not held for trading purposes and on initial recognition of the investment, the Group elects to designate the investment at FVTOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income and accumulated in the fair value reserve – non-recycling in equity. Such elections are made on an instrument-by-instrument basis, but only be made if the investment meets the definition of equity from the issuer's perspective.

Dividends from these 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 "other income" in profit or loss.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.13 Financial instruments (Continued)

Financial liabilities

Classification and measurement of financial liabilities

The Group's financial liabilities include trade and other payables, bank and other borrowings and leases liabilities.

Financial liabilities (other than lease liabilities) are initially measured at fair value, and, where applicable, adjusted for transaction costs.

Subsequently, financial liabilities (other than lease liabilities) are measured at amortised cost using the effective interest method.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included in finance costs or finance income.

Accounting policies of lease liabilities are set out in note 2.10.

Bank and other borrowings

Bank and other borrowings are recognised initially at fair value, net of transaction costs incurred. Bank and other borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the bank and other borrowings using the effective interest method.

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

Trade and other payables

Trade and other payables are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.14 Impairment of financial assets

HKFRS 9's impairment requirements use forward-looking information to recognise ECL – the "ECL model". Instruments within the scope included loans and other debt-type financial assets measured at amortised cost and trade and bills receivables recognised and measured under HKFRS 15.

The Group considers a broader range of information when assessing credit risk and measuring ECL, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ("Stage 1"); and

- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ("Stage 2").

"Stage 3" would cover financial assets that have objective evidence of impairment at the end of the reporting period.

"12-month ECL" are recognised for the Stage 1 category while "lifetime ECL" are recognised for the Stage 2 category.

Measurement of the ECL is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.14 Impairment of financial assets (Continued)

Trade and bills receivables

For trade and bills receivables, the Group applies a simplified approach in calculating ECL and recognises an ECL allowance based on lifetime ECL at the end of each reporting period. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial assets. In calculating the ECL, the Group has established a provision matrix that is based on its historical credit loss experience and external indicators, adjusted for forward-looking factors specific to the debtors and the economic environment.

To measure the ECL, trade and bills receivables have been grouped based on common credit risk characteristics and the days past due.

Other financial assets measured at amortised cost

The Group measures the ECL allowance for other receivables equal to 12-month ECL, unless when 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 of risk of default occurring since initial recognition.

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial assets at the end of the reporting period with the risk of default occurring on the financial assets 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.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.14 Impairment of financial assets (Continued)

Other financial assets measured at amortised cost (Continued)

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

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in regulatory, business, financial, economic conditions, or technological environment that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations; and
- an actual or expected significant deterioration in the operating results of the debtor.

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

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the end of each reporting period. A debt instrument is determined to have low credit risk if it has a low risk of default, the borrower has strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.14 Impairment of financial assets (Continued)

Other financial assets measured at amortised cost (Continued)

For internal credit risk management, the Group considers an event of default occurs when (i) 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 collateral held by the Group); or (ii) the financial asset is 90 days past due.

Detailed analysis of the ECL assessment of trade and bills receivables and other financial assets measured at amortised cost are set out in note 4.1(b).

2.15 Inventories

Inventories are stated at the lower of cost and net realisable value. The cost is calculated by using weighted average method. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour, other direct costs and related production overhead (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and applicable selling expenses.

2.16 Cash and cash equivalents

Cash and cash equivalents include cash at banks and in hand, demand deposits with banks and short term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

2.17 Contract liabilities

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

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.18 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new shares are shown in equity as a deduction, net of tax, from the proceeds.

2.19 Non-current assets, or disposal groups held for sale and discontinued operation

Non-current assets, or disposal groups held for sale

Non-current assets, or disposal groups comprising assets and liabilities, that are highly probable to be recovered principally through sale rather than through continuing use, are classified as held for sale. Immediately before classification as held for sale, the assets, or components of a disposal group, are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets, or disposal group, are measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is first allocated to goodwill, and then to remaining assets and liabilities on pro rata basis, except that no loss is allocated to inventories, financial assets, deferred income tax assets, employee benefit assets, investment properties, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains and losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Intangible assets and property, plant and equipment once classified as held for sale are not amortised or depreciated. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.19 Non-current assets, or disposal groups held for sale and discontinued operation (Continued)

Discontinued operations

A discontinued operation is a component of the Group that either has been disposed of, or is classified as held for sale. The component comprises operations and cash flows that can be clearly distinguished from the rest of the Group and represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale.

When an operation is classified as discontinued, a single amount in the consolidated statement of comprehensive income comprising the total of: (i) the post-tax profit or loss of discontinued operations and (ii) the post-tax gain or loss recognised on the measurement to fair value less costs to sell or on the disposal of the assets or disposal group(s) constituting the discontinued operation.

2.20 Revenue recognition

Revenue mainly arises from the production and sales of industrial products.

To determine whether to recognise revenue, the Group follows a 5-step process:

1. Identifying the contract with a customer

2. Identifying the performance obligations

3. Determining the transaction price

4. Allocating the transaction price to the performance obligations

5. Recognising revenue when/as performance obligation(s) are satisfied

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.20 Revenue recognition (Continued)

In all cases, the total transaction price for a contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices. The transaction price for a contract excludes any amounts collected on behalf of third parties.

Revenue is recognised either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers.

Further details of the Group's revenue and other income recognition policies are as follows:

Production and sales of industrial products and sales of radar products

The Group manufactures and sells a series of industrial products and radar products. When the control of product has been transferred, being the Group delivered the good to the customer, the Group confirms the revenue if there are no unfulfilled obligations that may affect the customer's acceptance of the product. Delivery conditions are not satisfied until the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the customer, and the customer has accepted the products in accordance with the sales contract, the acceptance provisions have expired, or the Group has objective evidence that all criteria for acceptance have been satisfied.

The Group takes advantage of the practical expedient in paragraph 63 of HKFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

Sales of electricity

Revenue from sales of electricity is recognised at a point in time when the control of goods has been transferred, being at the point when the Group transmitted the electricity to the customer.

Rental income

Accounting policies for rental income are set out in note 2.10.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.20 Revenue recognition (Continued)

Interest income

Interest income shown in "finance income" is recognised on a time proportion basis using the effective interest method. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset.

Agency fee income and income from provision of administrative services

Agency fee income and income from provision of administrative services are recognised at the date of the transfer of control of the goods or services to customer and the customer has present obligation to pay.

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.21 Government grants

Grants from the government are recognised at their fair values where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate. Government grants relating to purchase of assets are included in non-current liabilities as deferred income in the consolidated statement of financial position and are recognised in profit or loss on a straight-line basis over the expected lives of the related assets.

Government grants relating to income is presented in gross under "other income" in the consolidated statement of comprehensive income.

2.22 Borrowing costs

The borrowing costs are expensed when incurred.

2.23 Employee benefits

Retirement benefits

Retirement benefits to employees are provided through defined contribution plans. In addition, the employees employed under the Hong Kong Employment Ordinance are also entitled to long service payment ("LSP") if the eligibility criteria are met. The LSP are defined benefits plans.

(a) Defined contribution plans

The Group operates a defined contribution retirement benefit plan under the MPF Schemes Ordinance (the "MPF Scheme"), for all of its employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries.

The employees of the Group's subsidiaries which operate in the PRC are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of the payroll costs to the central pension scheme.

Contributions are recognised as an expense in profit or loss as employees render services during the year. The Group's obligations under these plans are limited to the fixed percentage contributions payable.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.23 Employee benefits (Continued)

Retirement benefits (Continued)

(b) Defined benefit plans

The amount of long service benefit that an employee will receive on cessation of employment in certain circumstances is defined by reference to the employee's length of service and corresponding salary. The legal obligations for any benefits remain with the Group.

The LSP obligations recognised in the consolidated statement of financial position is the present value of the LSP obligation at the end of the reporting period.

Management estimates the LSP obligations annually. This is based on the discount rate, the salary growth rate, turnover rate and the expected investment return on offsetable MPF accrued benefits. Discount factors are determined close to the end of each annual reporting period by reference to high quality corporate bonds that are denominated in the currency in which the benefits will be paid and have terms to maturity approximating the terms of the related defined benefit liability.

Defined benefit costs are categorised as follows:

- service cost (including current and past service cost, and gains and losses on curtailments and settlements);

- net interest expense or income; and

- remeasurement.

Service cost on the Group's defined benefit plan is included in employee benefit expenses. Employee contributions, all of which are independent of the number of years of service, are treated as a reduction of service cost.

Net interest expense on the net defined benefit liability is included in employee benefit expenses.

Gains and losses resulting from remeasurements of the net defined benefit liability, comprising actuarial gains and losses, are included in other comprehensive income and are not reclassified to profit or loss in subsequent periods.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.23 Employee benefits (Continued)

Short-term employee benefits

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

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

2.24 Accounting for income taxes

Income tax comprises current income tax and deferred income tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the end of the reporting period. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current income tax assets or liabilities are recognised as a component of tax expense in profit or loss.

Deferred income tax is calculated using the liability method on temporary differences at the end of the reporting period between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred income tax liabilities are generally recognised for all taxable temporary differences. Deferred income tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit, including existing taxable temporary differences, will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred income tax assets and liabilities are not recognised if the temporary difference arises from initial recognition of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss and does not give rise to equal taxable and deductible temporary differences.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.24 Accounting for income taxes (Continued)

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

For investment property measured using the fair value model in accordance with the accounting policy above, the measurement of the related deferred income tax liability or asset reflects the tax consequences of recovering the carrying amount of the investment property entirely through sale, unless 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.

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

Deferred income tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the end of the reporting period.

Changes in deferred income tax assets or liabilities are recognised in profit or loss, or in other comprehensive income or directly in equity if they relate to items that are charged or credited to other comprehensive income or directly in equity.

When different tax rates apply to different levels of taxable income, deferred income tax assets and liabilities are measured using the average tax rates that are expected to apply to the taxable income of the periods in which the temporary differences are expected to reverse.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.24 Accounting for income taxes (Continued)

The determination of the average tax rates requires an estimation of (i) when the existing temporary differences will reverse; and (ii) the amount of future taxable profit in those years. The estimate of future taxable profit includes:

- income or loss excluding reversals of temporary differences; and
- reversals of existing temporary differences.

Current income tax assets and current income tax liabilities are presented in net if, and only if,

(a) the Group has the legally enforceable right to set off the recognised amounts; and

(b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Group presents deferred income tax assets and deferred tax liabilities in net if, and only if,

(a) the entity has a legally enforceable right to set off current income tax assets against current income tax liabilities; and

(b) the deferred income tax assets and the deferred income tax liabilities relate to income taxes levied by the same taxation authority on either:

(i) the same taxable entity; or

(ii) different taxable entities which intend either to settle current income tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred income tax liabilities or assets are expected to be settled or recovered.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.25 Related parties

For the purposes of these consolidated financial statements, a party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and 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.

(b) the party is an entity and if any of the following conditions applies:

  (i) the entity and the Group are members of the same group.

  (ii) one entity is an associate or joint venture of the other entity (or 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 (a).

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

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

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

3.1 Estimation uncertainties

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within next financial year are addressed below.

ECL assessment of trade and bills receivables

The Group assesses ECL allowance on trade and bills receivables based on assumptions about risk of default and expected loss rates. The Group uses judgment in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward-looking estimates at the end of each reporting period as set out in note 2.14.

When the actual future cash flows are different from expected, such difference will impact the carrying amount of trade and bill receivables within the scope of ECL under HKFRS 9 and credit losses in the periods in which such estimate has been changed.

As at 31 December 2024, the carrying amount of trade and bills receivables was HK$71,367,000, net of ECL allowance of HK$769,000 (2023: HK$55,242,000, net of ECL allowance of HK$3,085,000). The Group recognised a provision of ECL allowance of HK$36,000 (2023: reversal of ECL allowance of HK$326,000) on trade and bills receivables for the current year.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

3.1 Estimation uncertainties (Continued)

Net realisable value of inventories

Net realisable value of inventories is the estimated selling price less the estimated costs to be incurred to completion and disposal. These estimates are made based on the prevailing market information and the historical experience of selling products of similar nature. It could change significantly as a result of change in market conditions. Management reassesses the estimation at the end of each reporting period to ensure inventories are stated at the lower of cost and net realisable value.

As at 31 December 2024, the carrying amount of inventories was HK$21,747,000, net of provision for inventories of HK$1,531,000 (2023: HK$24,080,000, net of provision for inventories of HK$1,099,000). Write-down of inventories of HK$1,440,000 (2023: net write-down of inventories of HK$400,000) has been recognised in profit or loss for continuing operations during the year.

Radar Business was discontinued during years ended 31 December 2023 and 2024. As at 31 December 2024, the carrying amount of inventories classified as assets held for sale was HK$3,245,000 (2023: HK$6,125,000), net of provision for inventories of HK$9,096,000 (2023: HK$6,162,000) (note 28). Write-down of inventories of HK$3,134,000 (2023: HK$6,162,000) was recognised in profit or loss for discontinued operation during the year. Details of discontinued operation are set out in note 12.

Estimation of impairment of property, plant and equipment, right-of-use assets and intangible assets

Property, plant and equipment, right-of-use assets and intangible assets are stated at costs less accumulated depreciation or amortisation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgment and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying amount of an asset can be supported by the recoverable amount (i.e. the higher of value in use and fair value less costs of disposal), in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the assets belong.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

3.1 Estimation uncertainties (Continued)

Estimation of impairment of property, plant and equipment, right-of-use assets and intangible assets (Continued)

The future cash flow is estimated based on past performance and expectation for market development. Changing the assumptions and estimates, including the discount rates or the growth rates in the cash flow projections, could materially affect the recoverable amounts.

The calculation of the fair value less costs of disposal is based on available data from market less any costs of disposal.

As at 31 December 2024, the carrying amounts of property, plant and equipment, right-of-use assets and intangible assets were HK$364,370,000 (2023: HK$418,929,000), HK$23,207,000 (2023: HK$23,341,000) and HK$14,452,000 (2023: HK$17,309,000), respectively. Loss on fair value changes in property, plant and equipment of HK$311,000 (2023: Nil) has been recognised in profit or loss for continuing operations during the year. No impairment loss of right-of-use assets and intangible assets has been recognised for continuing operations for the years ended 31 December 2024 and 2023.

Radar Business was discontinued during years ended 31 December 2024 and 2023. As at 31 December 2024, the carrying amounts of equipment and intangible assets classified as assets held for sale were HK$2,127,000 (2023: HK$4,576,000) and HK$1,062,000 (2023: HK$1,964,000), respectively (note 28). Impairment losses of HK$3,278,000 (2023: HK$8,567,000) were recognised in profit or loss for discontinued operation during the year. Details of discontinued operation are set out in note 12.

Estimated useful life of property, plant and equipment, right-of-use assets and intangible assets with finite useful life

At the end of each reporting period, management reviews the estimated useful lives of property, plant and equipment, right-of-use assets and intangible assets with finite useful life. The determination of the useful lives and residual values involve management's estimation of the expected usage of each category of property, plant and equipment, right-of-use assets and intangible assets with finite useful life and the industry practice. Management assesses the useful lives and residual values annually and if the expectation differs from original estimates, such differences may impact the depreciation or amortisation in the future year.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

3.1 Estimation uncertainties (Continued)

Estimated useful life of property, plant and equipment, right-of-use assets and intangible assets with finite useful life (Continued)

As at 31 December 2024, the carrying amounts of property, plant and equipment, right-of-use assets and intangible assets with finite useful life were HK$364,370,000 (2023: HK$418,929,000), HK$23,207,000 (2023: HK$23,341,000) and HK$14,452,000 (2023: HK$17,309,000), respectively.

There were no changes in the useful lives and residual values of the property, plant and equipment, right-of-use assets and intangible assets with finite useful life during the years ended 31 December 2024 and 2023.

Estimation of fair value of investment properties

The best evidence of fair value is current prices in an active market for similar property in the same location and condition and subject to the same lease or other contracts. In the absence of such information, the Group determines the amount within a range of reasonable fair value estimates. In making these estimates, the Group, with reference to the valuation performed by an independent qualified professional valuer, considers market information of the rental income of comparable properties.

As at 31 December 2024, the carrying amount of the Group's investment properties carried at fair value was HK$57,187,000 (2023: HK$52,079,000). Loss on fair value changes in investment properties of HK$3,615,000 (2023: gain of HK$5,908,000) was recognised in profit or loss during the year. Details of the fair value measurement of the Group's investment properties are disclosed in note 20.

Estimation of fair value of unlisted financial instruments

As at 31 December 2024, unlisted financial instruments represent equity investments with fair value of HK$24,317,000 (2023: HK$16,288,000). The fair values are determined by using valuation techniques, details of which are set out in note 4.3. This involves developing estimates and assumptions consistent with how market participants would price the instrument. The Group bases its assumptions on observable data as far as possible but this is not always available. In that case the Group uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the end of the reporting period.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

3.2 Critical accounting judgments

Development cost capitalisation

When the recognition policy in accordance with note 2.9 are met, the development costs are capitalised as intangible assets. Based on the historical experience of existing products and market prospects, management determines whether the research and development will bring future economic benefits to the Group through professional judgments. Any significant changes in market performance and technology development will affect the capitalisation of development costs.

Joint control over Huxin (Shanghai) Industrial Co., Ltd. (滬芯(上海)實業有限公司) ("Huxin Industrial")

As at 31 December 2024 and 2023, the Group holds 29.58% equity interest in Huxin Industrial. In accordance with the Articles of Association of Huxin Industrial, the board of directors comprises of four directors, in which each director is appointed by respective shareholder and unanimous consent of the directors and shareholders is required for any resolution to be passed.

Huxin Industrial is a limited liability company which provides the Group and other shareholders with rights to the net assets of Huxin Industrial. Therefore, Huxin Industrial is classified as a joint venture of the Group, and the details of which are set out in note 18(c).

Income taxes

The Group is subject to income taxes in jurisdictions in which the Group operates. There are many transactions and calculations for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

4. FINANCIAL RISK MANAGEMENT, CAPITAL MANAGEMENT AND FAIR VALUE MEASUREMENTS

4.1 Financial risk management

The Group is exposed to financial risks through its use of financial instruments in its ordinary course of operations and in its investment activities. The financial risks include market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is conducted by senior management and approved by the board of directors.

There has been no change to the types of the Group's exposure in respect of financial instruments or the manner in which it manages and measures the risks.

(a) Market risk

Foreign currency risk

Foreign currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group mainly operates in the PRC and Hong Kong, and the primary foreign currency risk arises from financial instruments denominated in currencies other than the functional currency of the Company and its respective subsidiaries. The functional currency of the Group's subsidiaries in the PRC is Renminbi ("RMB"), and the functional currency of the Company and the Group's subsidiaries in Hong Kong and other regions is HK$.

Currently, there are no hedging policies for the Group on transactions, assets and liabilities denominated in foreign currencies. The Group closely monitors and controls foreign currency risk and considers engaging in hedging activities if there is significant foreign currency risk.

4. FINANCIAL RISK MANAGEMENT, CAPITAL MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

4.1 Financial risk management (Continued)

(a) Market risk (Continued)

Foreign currency risk (Continued)

The financial assets denominated in foreign currencies, translated into HK$ at the closing rates, are as follows:

	RMB HK$'000	United States dollars ("US$") HK$'000	Others HK$'000
As at 31 December 2024			
Cash and cash equivalents	**23,240**	**7,252**	**331**
As at 31 December 2023			
Cash and cash equivalents	25,737	4,597	359

The Group is mainly exposed to the effects of fluctuation in RMB. It excludes item denominated in US$ held by the group entities with HK$ as functional currency as the directors consider that the Group's exposure to US$ for such entities is insignificant on the ground that HK$ is pegged to US$.

4. FINANCIAL RISK MANAGEMENT, CAPITAL MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

4.1 Financial risk management (Continued)

(a) Market risk (Continued)

Foreign currency risk (Continued)

The following tables illustrate the sensitivity of the Group's loss for the year and equity in regards to an appreciation in the group entities' functional currencies against RMB. These sensitivity rates are the rates used when reporting foreign currency risk internally to key management personnel and represents management's best assessment of the possible change in foreign exchange rates.

	Sensitivity rate	Increase in loss for the year HK$'000	Decrease in equity HK$'000
As at 31 December 2024			
RMB	**5%**	**1,162**	**1,162**
As at 31 December 2023			
RMB	5%	1,287	1,287

The same % depreciation in the group entities' functional currencies against RMB would have the same magnitude on the Group's loss for the year and equity but of opposite effect.

Exposures to foreign exchange rates vary during the year depending on the volume of overseas transactions. Nevertheless, the analysis above is considered to be representative of the Group's exposure to foreign currency risk.

4. FINANCIAL RISK MANAGEMENT, CAPITAL MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

4.1 Financial risk management (Continued)

(a) Market risk (Continued)

Price risk

Price risk relates to the risk that the fair values or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than changes in interest rates and foreign exchange rates). The Group is exposed to price risk because of change in market price from the listed equity securities held by the Group. To manage its price risk arising from investments in listed equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

The Group's investments in listed equity securities are stocks publicly traded in the stock market. As at 31 December 2024 and 2023, the listed equity securities of the Group consist of stocks that are traded in the Stock Exchange. Therefore, the Group's loss for the year would be affected by the change of the share price of the listed equity securities held by the Group.

The following table demonstrates the Group's sensitivity to a 5% change in the share price of the listed equity securities, with all other variables held constant, based on their carrying amounts at the end of the reporting period.

	Increase/ (Decrease) in share price	(Decrease)/ Increase in loss for the year	
		2024 HK$'000	2023 HK$'000
Financial assets at FVTPL			
– Listed equity securities	5%	**(7)**	(6)
	(5%)	**7**	6

4. FINANCIAL RISK MANAGEMENT, CAPITAL MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

4.1 Financial risk management (Continued)

(a) *Market risk (Continued)*

Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises primarily from bank and other borrowings. Bank and other borrowings bear variable rates expose the Group to cash flow interest rate risk. It is the Group's policy to keep its bank and other borrowings at variable rate of interests so as to minimise the fair value interest rate risk.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of loan prime rate ("Loan Prime Rate") published by the National Interbank Funding Centre in the PRC arising from the Group's RMB denominated bank and other borrowings.

The sensitivity analysis is prepared assuming the bank and other borrowings with variable interest rate outstanding at the end of the reporting period were outstanding for the whole year.

4. FINANCIAL RISK MANAGEMENT, CAPITAL MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

4.1 Financial risk management (Continued)

(a) Market risk (Continued)

Interest rate risk (Continued)

A 50 basis point increase/decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

The following table details the sensitivity of the Group's loss for the year and equity to a 50 basis point in the interest rates, with all other variables held constant, based on their carrying amounts at the end of the reporting period.

	2024		2023	
	Increase/ (Decrease) in loss for the year HK$'000	(Decrease)/ Increase in equity HK$'000	Increase/ (Decrease) in loss for the year HK$'000	(Decrease)/ Increase in equity HK$'000
Interest rate				
– Increase by 50 basis point	2,452	(2,452)	2,202	(2,202)
– Decrease by 50 basis point	(2,452)	2,452	(2,202)	2,202

4. FINANCIAL RISK MANAGEMENT, CAPITAL MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

4.1 Financial risk management (Continued)

(b) Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The Group's exposure to credit risk mainly arises from granting credit to customers in the ordinary course of its operations and from its investing activities.

The Group's maximum exposure to credit risk for the components of the consolidated statement of financial position as at 31 December 2024 and 2023 is the carrying amount of the financial assets as disclosed in note 24.

Trade and bills receivables

The Group's policy is to deal only with credit worthy counterparties. Credit terms are granted to new customers after a credit worthiness assessment by the Group. Payment record of customers is closely monitored. It is not the Group's policy to request collateral from its customers.

In addition, as set out in note 2.14, the Group assesses ECL allowance under HKFRS 9 on trade and bills receivables from sales of industrial products based on provision matrix, the ECL rates are based on the payment profile for sales of industrial products in the past 36 months as well as the corresponding historical credit losses during that period. The historical rates are adjusted to reflect current and forward-looking macroeconomic factors affecting the customer's ability to settle the amount outstanding. At the end of each reporting period, the historical default rates are updated and changes in the forward-looking estimates are analysed.

4. FINANCIAL RISK MANAGEMENT, CAPITAL MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

4.1 Financial risk management (Continued)

(b) Credit risk (Continued)

Trade and bills receivables (Continued)

The Group's trade receivables from sales of electricity are due generally within 1 month from the date of billing. The Group usually reaches an agreement on the term of each payment with the corporate customer by taking into account of factors such as, among other things, the credit history of the corporate customer, its liquidity position and the Group's working capital needs, which varies on a case-by-case basis that requires the judgment and experience of the management.

Given that the management has made individual assessment on the recoverability of trade receivables from sales of electricity based on historical settlement records and past experience as well as current external information, the credit risk of trade receivables from sales of electricity is considered to be low as all trade receivables are neither past due nor impaired. As at 31 December 2024, ECL allowance in respect of trade receivables from sales of electricity is considered insignificant.

Trade and bills receivables from sales of industrial products and electricity are written off (i.e. derecognised) when there is no reasonable expectation of recovery. Failure to make payments after the credit period from the invoice date and failure to engage with the Group on alternative payment arrangement amongst other is considered indicators of no reasonable expectation of recovery.

The Group's concentration of credit risk by geographical location is located in the PRC in majority as at 31 December 2024 and 2023.

The Group has significant exposure to individual customers. At the end of the reporting period, 12% (2023: 15%) and 33% (2023: 29%) of the carrying amount of trade and bills receivables were due from the Group's largest customer and top 5 customers respectively.

4. FINANCIAL RISK MANAGEMENT, CAPITAL MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

4.1 Financial risk management (Continued)

(b) *Credit risk (Continued)*

Trade and bills receivables (Continued)

On the above basis, the ECL allowance of trade and bills receivables as at 31 December 2024 and 2023 was determined as follows:

	2024			2023		
	ECL rate	Gross amount HK$'000	ECL allowance HK$'000	ECL rate	Gross amount HK$'000	ECL allowance HK$'000
Current	0.2%	45,201	90	0.5%	55,314	245
Overdue for 1 year or less	0.4%	26,259	105	17.8%	180	32
Overdue for 1 year to 2 years	42.8%	179	77	51.0%	51	26
Overdue more than 2 years	100%	497	497	100%	2,782	2,782
		72,136	769		58,327	3,085

Other receivables (including amounts due from a non-controlling shareholder and Sino IC Leasing Co., Ltd. (芯鑫融資租賃有限責任公司) ("Sino IC Leasing") and receivables from agency services)

Management is of opinion that there is no significant increase in credit risk on these other receivables (including amounts due from a non-controlling shareholder and Sino IC Leasing and receivables from agency services) since initial recognition as the risk of default is low after considering the factors as set out in note 2.14 and, thus, ECL allowance recognised is based on 12-month ECL. As at 31 December 2024 and 2023, the ECL rate applied for these balances is insignificant.

4. FINANCIAL RISK MANAGEMENT, CAPITAL MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

4.1 Financial risk management (Continued)

(b) Credit risk (Continued)

Cash and cash equivalents

The credit risks on cash and cash equivalents are considered to be insignificant because the counterparties are banks/financial institutions with high credit ratings assigned by international credit-rating agencies.

(c) Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group is exposed to liquidity risk in respect of settlement of trade payables and its financing obligations, and also in respect of its cash flow management. The Group's objective is to maintain an appropriate level of liquid assets and committed lines of funding to meet its liquidity requirements in the short and longer term.

The Group manages the liquidity risk through holding of sufficient cash and bank balances. The Group further mitigates the liquidity risk by maintaining cash reserve and utilising bank financing. The directors consider the Group is not exposed to significant liquidity risk.

4. FINANCIAL RISK MANAGEMENT, CAPITAL MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

4.1 Financial risk management (Continued)

(c) Liquidity risk (Continued)

The tables below analyse the Group's remaining contractual maturities for its financial liabilities as at 31 December 2024. When the creditor has a choice of when the liability is settled, the liability is included on the basis of the earliest date on when the Group can be required to pay. Where the settlement of the liability is in instalments, each instalment is allocated to the earliest period in which the Group is committed to pay. The contractual maturity analysis below is based on the undiscounted cash flows of the financial liabilities.

	Within 1 year or on demand HK$'000	1 to 5 years HK$'000	Total undiscounted amount HK$'000	Carrying amount HK$'000
As at 31 December 2024				
Trade and other payables	163,452	–	163,452	163,452
Bank and other borrowings	177,328	360,182	537,510	490,496
Lease liabilities	1,850	2,761	4,611	4,423
	342,630	362,943	705,573	658,371
As at 31 December 2023				
Trade and other payables	206,474	–	206,474	206,474
Bank and other borrowings	100,366	393,505	493,871	440,347
Lease liabilities	8,965	777	9,742	9,567
	315,805	394,282	710,087	656,388

4. FINANCIAL RISK MANAGEMENT, CAPITAL MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

4.2 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.

The Group actively and regularly reviews its capital structure and makes adjustments in light of changes in economic conditions. The Group monitors its capital structure on the basis of the gearing ratio. 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 gearing ratio were as follows:

	2024 HK$'000	2023 HK$'000
Total liabilities	738,925	706,925
Total assets	923,846	960,502
Gearing ratio	79.98%	73.60%

4. FINANCIAL RISK MANAGEMENT, CAPITAL MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

4.3 Fair value measurements of financial instruments

The tables below analyse the Group's financial instruments carried at fair value as at 31 December 2024 and 2023 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels are defined based on the observability and significance of inputs to the measurement:

Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and not using significant unobservable inputs

Level 3: significant unobservable inputs for the asset or liability

The level in the fair value hierarchy within which the financial asset or liability is categorised in its entirety is based on the lowest level of input that is significant to the fair value measurement.

4. FINANCIAL RISK MANAGEMENT, CAPITAL MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

4.3 Fair value measurements of financial instruments (Continued)

(a) Financial instruments measured at fair value

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
As at 31 December 2024				
Financial assets				
Financial assets at FVTPL				
– Listed equity securities	132	–	–	132
– Unlisted equity securities	–	–	24,317	24,317
	132	–	24,317	24,449
As at 31 December 2023				
Financial assets				
Financial assets at FVTPL				
– Listed equity securities	111	–	–	111
– Unlisted equity securities	–	11,835	4,453	16,288
	111	11,835	4,453	16,399

There were transfers of unlisted equity securities of HK$11,835,000 from Level 2 to Level 3 during the year ended 31 December 2024. There were no other transfer among Level 1, Level 2 and Level 3 during the years ended 31 December 2024 and 2023.

4. FINANCIAL RISK MANAGEMENT, CAPITAL MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

4.3 Fair value measurements of financial instruments (Continued)

(a) Financial instruments measured at fair value (Continued)

Unlisted equity securities (Level 3)

The fair value of unlisted equity securities categorised under Level 3 fair value hierarchy is set out below:

	2024 HK$'000	2023 HK$'000	Valuation technique	Significant unobservable input	Range (Weighted average) 2024	2023
Unlisted equity securities						
0.2134% equity interest in Sino IC Leasing (Shenzhen) Co., Ltd. (芯鑫融資租賃(深圳)有限責任公司) ("Sino IC Leasing Shenzhen")	3,437	4,453	Market approach	Price-to-book ratio	0.81 times	1.04 times
				Discount on lack of marketability	11.4%	11.4%
10% equity interest in 珠海芯試界半導體科技有限公司	20,880	11,835	Market approach	Enterprise value-to-sales ratio	11.4 times	N/A
				Discount on lack of marketability	15.7%	N/A

The most significant inputs, all of which are unobservable, are price-to-book ratio and discount on lack of marketability. The estimated fair value increases if the price-to-book ratio and enterprise value-to-sales ratio increase and the discount on lack of marketability decreases, or vice versa. The valuation is sensitive to these assumptions. Management considers the range of reasonably possible alternative assumptions is greatest for price-to-book ratio and enterprise value-to-sales ratio.

4. FINANCIAL RISK MANAGEMENT, CAPITAL MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

4.3 Fair value measurements of financial instruments (Continued)

(a) Financial instruments measured at fair value (Continued)

Unlisted equity securities (Level 3) (Continued)

The reconciliation of the carrying amount of the Group's unlisted equity securities classified under Level 3 of the fair value hierarchy is as follows:

	2024 HK$'000	2023 HK$'000
As at 1 January	4,453	5,199
Transfer from Level 2	11,835	–
Fair value gains/(losses) recognised in profit or loss, net	8,029	(746)
As at 31 December	24,317	4,453

(b) Financial instruments that are not measured at fair value on a recurring basis

As at 31 December 2024 and 2023, the carrying amounts of other financial assets and liabilities carried at amortised cost in the consolidated financial statements approximate their fair values.

5. REVENUE

The Group's principal activities are disclosed in note 1 to the consolidated financial statements. The Group's revenue from continuing operations recognised during the year is as follows:

	2024 HK$'000	2023 HK$'000
Revenue from contracts with customers		
Production and sales of industrial products	229,776	205,185
Sales of electricity	17,264	6,610
	247,040	211,795
Timing of revenue recognition		
At a point in time	247,040	211,795

6. SEGMENT INFORMATION

The CODM has identified the operating segments around differences in products and services as further described in note 2.4.

During the years ended 31 December 2024 and 2023, Radar Business was discontinued. The segment information reported below does not included any amounts for this discontinued operation, which is described in more detail in note 12.

6. SEGMENT INFORMATION (Continued)

	Production and sales of industrial products HK$'000	Energy Business HK$'000	Unallocated HK$'000	Total HK$'000
Year ended 31 December 2024				
Reportable segment revenue				
Revenue from external customers from continuing operations	229,776	17,264	–	247,040
Segment gross profit/(loss)	95,215	(33,830)	–	61,385
Other income	32,143	104	3,075	35,322
Other gains/(losses), net	5,047	–	(1,440)	3,607
Distribution costs	(39,386)	–	–	(39,386)
Administrative expenses	(68,513)	(7,773)	(14,687)	(90,973)
(Provision for)/Reversal of ECL allowance of trade and bills receivables	(39)	3	–	(36)
Finance income	726	7	741	1,474
Finance costs	(7,327)	(22,869)	2,796	(27,400)
Share of results of associates	–	–	(5,301)	(5,301)
Share of result of a joint venture	–	–	244	244
Profit/(Loss) before income tax from continuing operations	17,866	(64,358)	(14,572)	(61,064)
Reportable segment profit/results				
Depreciation and amortisation	6,030	39,335	8,556	53,921
Write-down of inventories	1,440	–	–	1,440
Government grants	(6,492)	(7)	–	(6,499)
Unrealised (gains)/losses on unlisted equity securities, net	(9,416)	–	976	(8,440)
Loss on fair value changes in investment properties	3,615	–	–	3,615
Loss on fair value changes in property, plant and equipment	311	–	–	311
Loss on disposal of property, plant and equipment	118	–	–	118
Gain on early termination of leases	–	(8)	–	(8)
Research and development expenses	21,934	–	–	21,934
Income tax expense	186	–	–	186

6. SEGMENT INFORMATION (Continued)

	Production and sales of industrial products HK$'000	Energy Business HK$'000	Unallocated HK$'000	Total HK$'000
As at 31 December 2024				
Reportable segment assets	489,207	372,476	62,163	923,846
Interests in associates	–	–	3,394	3,394
Interest in a joint venture	–	–	10,458	10,458
Additions to non-current segment assets (other than financial instruments and deferred income tax assets) during the year	11,968	7,714	5,263	24,945
Assets classified as held for sale	–	–	6,434	6,434
Reportable segment liabilities	401,673	318,097	19,155	738,925

6. SEGMENT INFORMATION (Continued)

	Production and sales of industrial products HK$'000	Energy Business HK$'000	Unallocated HK$'000	Total HK$'000
Year ended 31 December 2023				
Reportable segment revenue				
Revenue from external customers from continuing operations	205,185	6,610	–	211,795
Segment gross profit/(loss)	83,151	(21,780)	–	61,371
Other income	18,635	–	4,641	23,276
Other (losses)/gains, net	(1,074)	1	2,269	1,196
Distribution costs	(34,929)	–	–	(34,929)
Administrative expenses	(46,299)	(26,908)	(24,104)	(97,311)
Reversal of/(Provision for) ECL allowance of trade and bills receivables	329	(3)	–	326
Finance income	1,269	50	1,187	2,506
Finance costs	(4,947)	(19,105)	(303)	(24,355)
Share of results of associates	–	–	(4,033)	(4,033)
Share of result of a joint venture	–	–	1,203	1,203
Profit/(Loss) before income tax from continuing operations	16,135	(67,745)	(19,140)	(70,750)
Reportable segment profit/results				
Depreciation and amortisation	6,814	39,197	8,087	54,098
Write-down of inventories	954	–	–	954
Reversal of write-down of inventories	(554)	–	–	(554)
Government grants	(5,173)	–	–	(5,173)
Unrealised losses on unlisted equity securities, net	–	–	2,477	2,477
Gain on fair value changes in investment properties	(5,908)	–	–	(5,908)
Loss on disposal of property, plant and equipment	214	–	–	214
Gain on early termination of leases	–	–	(4)	(4)
Research and development expenses	20,312	–	–	20,312
Income tax expense	231	–	–	231

6. SEGMENT INFORMATION (Continued)

	Production and sales of industrial products HK$'000	Energy Business HK$'000	Unallocated HK$'000	Total HK$'000
As at 31 December 2023				
Reportable segment assets	496,143	405,019	59,340	960,502
Interests in associates	–	–	8,363	8,363
Interest in a joint venture	–	–	10,402	10,402
Additions to non-current segment assets (other than financial instruments and deferred income tax assets) during the year	6,210	32,428	69	38,707
Assets classified as held for sale	–	–	12,665	12,665
Reportable segment liabilities	379,971	325,320	1,634	706,925

6. SEGMENT INFORMATION (Continued)

The Group's revenue from external customers and its non-current assets (other than financial instruments and deferred income tax assets) are divided into the following geographical areas:

	Revenue from external customers		Non-current assets	
	2024 HK$'000	2023 HK$'000	**2024 HK$'000**	2023 HK$'000
The PRC, excluding Hong Kong	**238,133**	207,811	**436,663**	496,907
Hong Kong	**8,907**	3,984	**36,405**	33,516
	247,040	211,795	**473,068**	530,423

The geographical location of customers is based on the location at which the goods delivered or the services were provided. The geographical location of the non-current assets is based on the physical location of the assets.

No revenue from customers contributed over 10% of the total revenue of the Group during the years ended 31 December 2024 and 2023.

7. OTHER INCOME

	2024 HK$'000	2023 HK$'000
Continuing operations		
Rental income from		
- investment properties (note 20(a))	19,295	11,797
- motor vehicle included in property, plant and equipment	666	561
- properties included in property, plant and equipment	97	–
- right-of-use assets (note 21(a)(ii))	4,608	4,227
	24,666	16,585
Government grants (note (a))	6,499	5,173
Agency fee income	258	922
Consultancy fee income (note (b))	3,899	–
Income from provision of administrative services	–	408
Income from sales of scraps	–	152
Others	–	36
	35,322	23,276

Notes:

(a) The government grants of HK$6,499,000 (2023: HK$5,173,000) related to grants from the PRC local government authority in respect of subsidising the Group's research and development activities, which either (i) immediately recognised as other income upon fulfilment of all the relevant granting criteria; or (ii) were recognised as deferred income (note 34) and was amortised.

(b) Consultancy fee service was provided by the Group to the third parties.

8. OTHER GAINS, NET

	2024 HK$'000	2023 HK$'000
Continuing operations		
Exchange losses, net	(1,358)	(2,220)
Compensation income	201	124
Unrealised gains on listed equity securities	21	26
Unrealised gains/(losses) on unlisted equity securities, net	8,440	(2,477)
(Loss)/Gain on fair value changes in investment properties (note 20)	(3,615)	5,908
Loss on disposal of property, plant and equipment	(118)	(214)
Gain on early termination of leases (note 21(a)(iii))	8	4
Others	28	45
	3,607	1,196

9. FINANCE COSTS, NET

	2024 HK$'000	2023 HK$'000
Continuing operations		
Finance income		
Interest income from bank deposits	1,474	2,506
Finance costs		
Interest expenses on bank borrowings	5,376	4,954
Interest expenses on other borrowings	21,849	19,066
Finance charges on lease liabilities	175	327
Net interest expense on LSP obligations (note 36)	–	8
	27,400	24,355
Finance costs, net	(25,926)	(21,849)

10. INCOME TAX EXPENSE RELATING TO CONTINUING OPERATIONS

	2024 HK$'000	2023 HK$'000
Current tax		
– PRC Enterprise Income Tax ("EIT")	**848**	231
– Over-provision in respect of prior years	**(1,822)**	–
	(974)	231
Deferred income tax (note 35)	**1,160**	–
Income tax expense	**186**	231

No provision for Hong Kong Profits Tax has been made as the Group did not derive any assessable profits arising in Hong Kong during the years ended 31 December 2024 and 2023.

Under the Law of the PRC on EIT (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% (2023: 25%), except for Suneast Technology (Shenzhen) Co., Ltd. (日東智能裝備科技(深圳)有限公司) ("Suneast Technology"), which the preferential tax rate is 15% (2023: 15%) based on the relevant PRC tax laws and regulations.

According to the relevant laws and regulations promulgated by the State Administration of Taxation of the PRC, one of the Group's PRC subsidiaries engaging in research and development activities is entitled to claim 200% (2023: 200%) for the year ended 31 December 2024 of its research and development expenses so incurred as tax deductible expenses when determining its assessable profit for the year ended 31 December 2024 ("Super Deduction"). The Group has made its best estimate for the Super Deduction to be claimed for the Group's PRC subsidiary in ascertaining its assessable profit for the years ended 31 December 2024 and 2023.

10. INCOME TAX EXPENSE RELATING TO CONTINUING OPERATIONS (Continued)

The Group is not subject to income tax in other tax jurisdictions during the years ended 31 December 2024 and 2023.

Reconciliation between tax expense and accounting loss at appropriate tax rates is as follow:

	2024 HK$'000	2023 HK$'000
Loss before income tax from continuing operations	**(61,064)**	(70,750)
Tax on loss before income tax from continuing operations, calculated at the rates applicable to profit in the tax jurisdictions concerned	**(15,077)**	(17,383)
Tax effect of income not taxable for tax purposes	**(369)**	(619)
Tax effect of expense not deductible for tax purposes	**4,565**	7,574
Tax effect of share of results of associates	**1,325**	1,008
Tax effect of share of result of a joint venture	**(61)**	(301)
Tax effect of tax losses not recognised	**17,833**	13,263
Utilisation of tax losses previously not recognised	**(724)**	(65)
Super deduction on research and development expense	**(5,484)**	(3,246)
Over-provision in respect of prior years	**(1,822)**	–
Income tax expense	**186**	231

11. LOSS FOR THE YEAR FROM CONTINUING OPERATIONS

Loss for the year from continuing operations is arrived at after charging/(crediting):

	2024 HK$'000	2023 HK$'000
Auditor's remuneration	**1,708**	1,732
Amortisation of intangible assets	**2,570**	2,507
Depreciation of property, plant and equipment	**42,081**	42,962
Depreciation of right-of-use assets	**9,270**	8,629
Write-down of inventories (note 23)	**1,440**	954
Reversal of write-down of inventories (note 23)	**–**	(554)
Loss on fair value changes in property, plant and equipment (note 19)	**311**	–
Cost of inventories recognised as an expense (note (a))	**134,561**	147,614
Research and development expenses (note (b))	**21,934**	20,312
Short-term leases charges	**3,350**	2,775

Notes:

(a) Cost of inventories recognised as an expense includes amortisation and depreciation expenses of HK$74,000 (2023: HK$63,000) and staff costs of HK$11,044,000 (2023: HK$10,052,000), which amounts are also included in the respective total amounts disclosed above and in note 15 respectively.

(b) Research and development expenses include amortisation and depreciation expenses of HK$386,000 (2023: HK$368,000), short-term lease charges of HK$521,000 (2023: Nil) and staff costs of HK$18,747,000 (2023: HK$18,792,000), which amounts are also included in the respective total amounts disclosed above and in note 15 respectively.

12. DISCONTINUED OPERATION

On 13 October 2023, the board of directors of a subsidiary, Sintech Intelligent Technology (Haining) Co., Ltd. (芯泰智能科技 (海寧) 有限公司) ("Sintech Haining") passed a resolution for the closure of Radar Business on 31 October 2023. The closure is consistent with the Group's long-term strategy to focus its operating activities in the production and sales of industrial products and its Energy Business.

As at 31 December 2024, the Company continues to classify certain assets as "held for sale", the details of which are set out in note 28. These assets were initially expected to be sold within financial year 2024, however, due to a decline in market demand, prolonged negotiations, and the need for further refurbishment or separation of the assets to prepare them for sale, the planned transaction has been delayed. Management remains committed to executing the sale and is actively pursuing opportunities to complete the transaction. The sale is now anticipated to be finalised within financial year 2025.

The Group is actively seeking buyers for its assets and expects the net proceeds of sales to be less than the carrying amounts of the related assets and, accordingly, impairment losses on equipment and intangible assets of HK$3,278,000 (2023: HK$8,567,000) and write-down of inventories of HK$3,134,000 (2023: HK$6,162,000) were recognised for the year ended 31 December 2024.

12. DISCONTINUED OPERATION (Continued)

The loss for the year from discontinued operation is set out below.

	2024 HK$'000	2023 HK$'000
Revenue	–	295
Cost of sales	–	(131)
Gross profit	–	164
Other gains/(losses), net	13	(466)
Distribution costs	–	(2)
Administrative expenses	(483)	(20,613)
Reversal of ECL allowance of trade and bills receivables	70	–
Impairment losses on equipment and intangible assets	(3,278)	(8,567)
Write-down of inventories	(3,134)	(6,162)
Operating loss	(6,812)	(35,646)
Finance income	–	19
Finance costs	–	(204)
Finance costs, net	–	(185)
Loss before income tax	(6,812)	(35,831)
Income tax expense	–	–
Loss for the year from discontinued operation	(6,812)	(35,831)
Loss for the year attributable to:		
Owners of the Company	(4,700)	(24,723)
Non-controlling interests	(2,112)	(11,108)
	(6,812)	(35,831)

Loss for the year ended 31 December 2023 from discontinued operation includes depreciation expenses and amortisation expenses of HK$2,379,000 and HK$354,000, respectively.

12. DISCONTINUED OPERATION (Continued)

Cash flows from discontinued operation are analysed as follows:

	2024 HK$'000	2023 HK$'000
Net cash inflows/(outflows) from operating activities	97	(3,757)
Net cash outflows from investing activities	–	(953)
Net cash outflows from financing activities	(105)	(451)
Net cash outflows	(8)	(5,161)

13. LOSS PER SHARE

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

	2024 HK$'000	2023 HK$'000
Loss		
Loss for the purpose of basic and diluted loss per share		
– Continuing operations	29,717	37,786
– Discontinued operation	4,700	24,723
	34,417	62,509
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share (in thousands)	1,455,000	1,455,000
Loss per share for loss attributable to owners of the Company ("HK cents")		
Basic and diluted		
– Continuing operations	(2.04)	(2.60)
– Discontinued operation	(0.32)	(1.70)
	(2.36)	(4.30)

13. LOSS PER SHARE (Continued)

The diluted loss per share is equal to the basic loss per share as there were no dilutive potential ordinary shares in issue during the years ended 31 December 2024 and 2023.

14. DIVIDENDS

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

15. EMPLOYEE BENEFIT EXPENSES

	2024 HK$'000	2023 HK$'000
Continuing operations		
Salaries, wages, allowances and other benefits	91,051	83,770
Retirement scheme contributions	5,482	5,709
Expenses arising from LSP obligations (note 36)	–	71
	96,533	89,550

As at 31 December 2024, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2023: Nil).

16. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

Directors' and chief executive's emoluments, disclosed pursuant to the Listing Rules, section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Retirement scheme contributions HK$'000	Total HK$'000
Year ended 31 December 2024				
Executive directors				
Mr. Yuan I-Pei	–	–	–	–
Mr. Xia Yuan (note (e))	–	–	–	–
Non-executive directors				
Mr. Li Yongjun (note (a))	–	–	–	–
Mr. Li Jinxian (note (b))	–	–	–	–
Mr. Meng Deqing (note (c))	–	–	–	–
Ms. Bai Yu (note (d))	–	–	–	–
Independent non-executive directors				
Mr. Wang Yanxin	144	–	–	144
Mr. Cui Yuzhi	144	–	–	144
Mr. Bao Yi	144	–	–	144
Mr. Ping Fan	144	–	–	144
	576	–	–	576

16. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (Continued)

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Retirement scheme contributions HK$'000	Total HK$'000
Year ended 31 December 2023				
Executive directors				
Mr. Yuan I-Pei	–	–	–	–
Mr. Xia Yuan (note (e))	–	–	–	–
Non-executive directors				
Mr. Li Yongjun	–	–	–	–
Mr. Li Jinxian	–	–	–	–
Independent non-executive directors				
Mr. Wang Yanxin	144	–	–	144
Mr. Cui Yuzhi	144	–	–	144
Mr. Bao Yi	144	–	–	144
Mr. Ping Fan	144	–	–	144
	576	–	–	576

Notes:

(a) Mr. Li Yongjun resigned as a non-executive director of the Company on 24 April 2024.

(b) Mr. Li Jinxian resigned as a non-executive director of the Company on 11 December 2024.

(c) Mr. Meng Deqing was appointed as a non-executive director of the Company on 20 August 2024.

(d) Ms. Bai Yu was appointed as a non-executive director of the Company on 11 December 2024.

(e) Mr. Xia Yuan is also the chief executive of the Company and his emoluments disclosed above include those for services rendered by him as the chief executive.

16. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (Continued)

No emoluments were paid by the Group to any directors as an inducement to join or upon joining the Group or as compensation for loss of office during the years ended 31 December 2024 and 2023.

There were no arrangements under which a director waived or agreed to waive any remuneration during the years ended 31 December 2024 and 2023.

17. FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS

No director, whose emoluments are reflected in the analysis presented above, is the five individuals whose emoluments were the highest in the Group for the years ended 31 December 2024 and 2023. The emoluments payable to five (2023: five) highest paid individuals during the year ended 31 December 2024 are as follows:

	2024 HK$'000	2023 HK$'000
Continuing operations		
Salaries, wages, allowances and other benefits	8,520	7,801
Retirement scheme contributions	284	290
	8,804	8,091

The emoluments fell within the following bands:

	Number of individuals	
	2024	2023
Continuing operations		
Emolument bands:		
Nil - HK$1,000,000	1	2
HK$1,000,001 - HK$2,000,000	3	2
HK$2,000,001 - HK$3,000,000	1	1

18. SUBSIDIARIES, INTERESTS IN ASSOCIATES AND A JOINT VENTURE

(a) Subsidiaries

Particulars of the principal subsidiaries as at 31 December 2024 and 2023 are as follows:

Name of company	Place of incorporation/ establishment and business	Type of legal entity	Particular of issued and paid up capital	Percentage of ownership held by the Company	Principal activity
Sun East Tech Development Limited	Hong Kong	Limited liability company	HK$10,000	100% (2023: 100%)	Sales of industrial products
Sun East Electronic Equipment Company Limited	Hong Kong	Limited liability company	HK$5,000,000	100% (2023: 100%)	Sales of industrial products
Xincheng Technology (Shaoxing) Co., Ltd. (芯成科技(紹興)有限公司)	The PRC	Wholly foreign-owned enterprise	US$3,000,000	100% (2023: 100%)	Provision for agency services
Suneast Technology	The PRC	Wholly foreign-owned enterprise	HK$25,000,000	100% (2023: 100%)	Production and sales of industrial products
Sun East Electronic Development (Shenzhen) Co., Ltd. (日東電子發展(深圳)有限公司)	The PRC	Wholly foreign-owned enterprise	HK$81,000,000	100% (2023: 100%)	Production and sales of industrial products
Sintech Haining	The PRC	Limited liability company	RMB50,000,000	69% (2023: 69%)	Research & development and sales of advanced domestic radar hardware and integration of intelligent software
Sino New Energy Utilisation (Hengqin) Technology Co., Ltd. (中鑫電聯(珠海橫琴)能源科技有限公司) ("Sino New Energy")	The PRC	Limited liability company	RMB50,000,000	51% (2023: 51%)	Investment holding

18. SUBSIDIARIES, INTERESTS IN ASSOCIATES AND A JOINT VENTURE (Continued)

(a) Subsidiaries (Continued)

Particulars of the principal subsidiaries as at 31 December 2024 and 2023 are as follows: (Continued)

Name of company	Place of incorporation/ establishment and business	Type of legal entity	Particular of issued and paid up capital	Percentage of ownership held by the Company	Principal activity
Zhongxin Electric Union (Datong) Energy Technology Co., Ltd. (中鑫電聯(大同)能源科技有限公司)	The PRC	Limited liability company	RMB10,000,000	51% (2023: 51%)	Sales of electricity and provision of electricity spot market transaction and auxiliary services

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

The subsidiaries of the Company shown in the above table are all indirectly held by the Company.

18. SUBSIDIARIES, INTERESTS IN ASSOCIATES AND A JOINT VENTURE (Continued)

(a) Subsidiaries (Continued)

The Group includes two group of subsidiaries with material non-controlling interests, the details and the summarised financial information, before intragroup eliminations, are as follows:

Sintech Haining and its subsidiary

	2024 HK$'000	2023 HK$'000
Proportion of ownership interests and voting rights held by the Group	69%	69%
Current assets	7,120	14,449
Non-current assets	–	73
Current liabilities	4,216	4,132
Net assets	2,904	10,390
Carrying amount of non-controlling interests	901	3,221
Revenue	–	295
Total expenses	(6,812)	(36,126)
Loss for the year	(6,812)	(35,831)
Other comprehensive expense for the year	(674)	(831)
Total comprehensive expense for the year	(7,486)	(36,662)
Loss for the year attributable to non-controlling interests	(2,111)	(11,108)
Total comprehensive expense attributable to non-controlling interests	(2,320)	(11,365)
Net cash flows from/(used in) operating activities	97	(3,757)
Net cash flows used in investing activities	–	(953)
Net cash flows used in financing activities	(105)	(451)
Net decrease in cash and cash equivalents	(8)	(5,161)

Sintech Haining and its subsidiary were discontinued during years ended 31 December 2024 and 2023, details of which are set out in note 12.

18. SUBSIDIARIES, INTERESTS IN ASSOCIATES AND A JOINT VENTURE (Continued)

(a) Subsidiaries (Continued)

Sino New Energy and its subsidiaries

	2024 HK$'000	2023 HK$'000
Proportion of ownership interests and voting rights held by the Group	51%	51%
Current assets	48,589	46,870
Non-current assets	323,887	363,004
Current liabilities	225,238	126,723
Non-current liabilities	233,170	306,393
Net liabilities	(85,932)	(23,242)
Carrying amount of non-controlling interests	(42,106)	(11,389)
Revenue	17,264	6,610
Total expenses	(81,622)	(74,355)
Loss for the year	(64,358)	(67,745)
Other comprehensive income/(expense) for the year	1,668	(328)
Total comprehensive expense for the year	(62,690)	(68,073)
Loss for the year attributable to non-controlling interests	(31,534)	(33,195)
Total comprehensive expense attributable to non-controlling interests	(30,717)	(33,356)
Net cash flows from operating activities	20,663	38,746
Net cash flows used in investing activities	(2,481)	(37,052)
Net cash flows used in financing activities	(18,443)	(344)
Net (decrease)/increase in cash and cash equivalents	(261)	1,350

18. SUBSIDIARIES, INTERESTS IN ASSOCIATES AND A JOINT VENTURE (Continued)

(b) Interests in associates

	2024 HK$'000	2023 HK$'000
At the beginning of the year	8,363	12,735
Share of results of associates	(5,301)	(4,033)
Exchange differences	332	(339)
At the end of the year	3,394	8,363

The following list contains the particular of the associates of the Group, all of which are unlisted corporate entities whose quoted market prices are not available.

Name of associate	Type of legal entity	Place of incorporation and business	Particular of issued and paid up capital	Ownership interest held	Principal activity
Sino IC Capital Limited ("Sino IC Capital")	Limited liability company	BVI	US$76,500	33% (2023: 33%)	Investment holding
SIC Capital KK	Limited liability company	Japan	Japanese Yen ("JPY") 275,000,000	20% (2023: 20%)	Investment holding

18. SUBSIDIARIES, INTERESTS IN ASSOCIATES AND A JOINT VENTURE (Continued)

(b) Interests in associates (Continued)

Set out below are the summarised financial information of Sino IC Capital which are accounted for using the equity method.

	2024 HK$'000	2023 HK$'000
Current assets	1,757	52
Non-current assets	7,000	11,919
Current liabilities	738	92
Net assets	8,019	11,879

	2024 HK$'000	2023 HK$'000
Revenue	5,283	–
Total expenses	(9,143)	(24)
Net loss	(3,860)	(24)

A reconciliation of the above summarised financial information to the carrying amount of the interest in Sino IC Capital is set out below:

	2024 HK$'000	2023 HK$'000
Net assets	8,019	11,879
Proportion of ownership interests held by the Group	33%	33%
Carrying amount of the interest in Sino IC Capital	2,646	3,920

18. SUBSIDIARIES, INTERESTS IN ASSOCIATES AND A JOINT VENTURE (Continued)

(b) Interests in associates (Continued)

Set out below are the summarised financial information of SIC Capital KK which are accounted for using the equity method.

	2024 HK$'000	2023 HK$'000
Current assets	35,497	38,758
Non-current assets	95,430	106,246
Current liabilities	13,366	8,424
Non-current liabilities	123,476	124,020
Net (liabilities)/assets	(5,915)	12,560

	2024 HK$'000	2023 HK$'000
Revenue	–	526
Total expenses	(20,135)	(20,653)
Net loss	(20,135)	(20,127)

A reconciliation of the above summarised financial information to the carrying amount of the interest in SIC Capital KK is set out below:

	2024 HK$'000	2023 HK$'000
Net (liabilities)/assets	(5,915)	12,560
Proportion of ownership interests held by the Group	20%	20%
Share of net (liabilities)/assets of SIC Capital KK	(1,183)	2,512
Goodwill	1,931	1,931
Carrying amount of the interest in SIC Capital KK	748	4,443

The Group has not incurred any contingent liabilities or other commitments relating to its interests in associates (2023: Nil).

18. SUBSIDIARIES, INTERESTS IN ASSOCIATES AND A JOINT VENTURE (Continued)

(c) Interest in a joint venture

	2024 HK$'000	2023 HK$'000
At the beginning of the year	**10,402**	9,346
Share of result of a joint venture	**244**	1,203
Exchange differences	**(188)**	(147)
At the end of the year	**10,458**	10,402

The following list contains the particular of the joint venture of the Group, which is an unlisted corporate entity whose quoted market price is not available.

Company name	Type of legal entity	Place of establishment and business	Particular of paid up capital	Ownership interest held	Principal activity
Huxin Industrial	Limited liability company	The PRC	RMB23,665,000	29.58% (2023: 29.58%) (note)	Provision of property and management services

Note: The Group classified the interest in Huxin Industrial as joint venture because unanimous consents in the board of directors' meeting and shareholders' meeting are required in accordance with the Agreement and the Articles of Association of Huxin Industrial, and therefore, all shareholders shared the control.

18. SUBSIDIARIES, INTERESTS IN ASSOCIATES AND A JOINT VENTURE (Continued)

(c) Interest in a joint venture (Continued)

Set out below are the summarised financial information of Huxin Industrial which are accounted for using the equity method.

	2024 HK$'000	2023 HK$'000
Current assets		
– Cash and cash equivalents	22,505	20,993
– Other current assets	9,097	14,055
Non-current assets	7,695	14,652
Current liabilities		
– Financial liablilites (excluding trade payable)	994	8,703
– Other current liabilities	3,192	6,905
Non-current liabilities	831	–
Net assets	34,280	34,092

	2024 HK$'000	2023 HK$'000
Revenue	19,603	28,378
Interest income	249	258
Interest expense	(54)	(1,843)
Other expenses	(18,938)	(21,816)
Profit before income tax	860	4,977
Income tax expense	(35)	(911)
Profit for the year	825	4,066

18. SUBSIDIARIES, INTERESTS IN ASSOCIATES AND A JOINT VENTURE (Continued)

(c) Interest in a joint venture (Continued)

A reconciliation of the above summarised financial information to the carrying amount of the interest in Huxin Industrial is set out below:

	2024 HK$'000	2023 HK$'000
Net assets	34,280	34,092
Proportion of ownership interests held by the Group	29.58%	29.58%
Share of net assets of Huxin Industrial	10,140	10,084
Goodwill	318	318
Carrying amount of the interest in Huxin Industrial	10,458	10,402

The Group has not incurred any contingent liabilities or other commitments relating to its interest in a joint venture (2023: Nil).

19. PROPERTY, PLANT AND EQUIPMENT

	Properties HK$'000	Machinery and equipment HK$'000	Furniture, fixtures and property decoration HK$'000	Computer software HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
As at 1 January 2023							
Cost	85,848	394,750	40,759	1,393	6,701	10,675	540,126
Accumulated depreciation	(34,392)	(22,133)	(29,923)	(614)	(3,618)	–	(90,680)
Net book amount	51,456	372,617	10,836	779	3,083	10,675	449,446
Year ended 31 December 2023							
Opening net book amount	51,456	372,617	10,836	779	3,083	10,675	449,446
Additions	234	1,618	5,326	91	388	29,816	37,473
Disposals	–	(232)	(488)	–	(156)	–	(876)
Transfer in/(out)	40,324	–	–	–	–	(40,324)	–
Transfer to investment properties	(3,255)	–	–	–	–	–	(3,255)
Reclassified to assets held for sale	–	(12,175)	(196)	–	(1)	–	(12,372)
Depreciation	(1,610)	(39,578)	(2,172)	(216)	(562)	–	(44,138)
Exchange differences	(4,369)	(2,552)	(230)	(11)	(115)	(72)	(7,349)
Closing net book amount	82,780	319,698	13,076	643	2,637	95	418,929
As at 31 December 2023 and 1 January 2024							
Cost	118,079	380,209	44,883	1,473	6,705	95	551.444
Accumulated depreciation	(35,299)	(60,511)	(31,807)	(830)	(4,068)	–	(132,515)
Net book amount	82,780	319,698	13,076	643	2,637	95	418,929
Year ended 31 December 2024							
Opening net book amount	**82,780**	**319,698**	**13,076**	**643**	**2,637**	**95**	**418,929**
Additions	**1,552**	**45**	**3,549**	**–**	**–**	**397**	**5,543**
Disposals	**–**	**(114)**	**(8)**	**–**	**(600)**	**–**	**(722)**
Transfer in/(out)	**492**	**–**		**–**	**–**	**(492)**	**–**
Fair value loss	**(311)**	**–**	**–**	**–**	**–**	**–**	**(311)**
Transfer to investment properties	**(9,390)**	**–**	**–**	**–**	**–**	**–**	**(9,390)**
Depreciation	**(3,677)**	**(35,574)**	**(2,379)**	**(107)**	**(344)**	**–**	**(42,081)**
Exchange differences	**1,450**	**(8,067)**	**(47)**	**(25)**	**(909)**	**–**	**(7,598)**
Closing net book amount	**72,896**	**275,988**	**14,191**	**511**	**784**	**–**	**364,370**
As at 31 December 2024							
Cost	**184,561**	**354,477**	**27,741**	**1,335**	**4,430**	**–**	**572,544**
Accumulated depreciation	**(111,665)**	**(78,489)**	**(13,550)**	**(824)**	**(3,646)**	**–**	**(208,174)**
Closing net book amount	**72,896**	**275,988**	**14,191**	**511**	**784**	**–**	**364,370**

19. PROPERTY, PLANT AND EQUIPMENT (Continued)

As at 31 December 2024, the Group's bank and other borrowings were secured by the Group's properties and machinery and equipment included in property, plant and equipment with carrying amount of HK$30,847,000 (2023: HK$33,816,000) and HK$274,221,000 (2023: HK$314,834,000), respectively. Details of the secured bank and other borrowings are set out in note 33.

Notes:

(a) During the year ended 31 December 2023, the Group entered into an arrangement to lease a motor vehicle to CFIG Holdings Limited ("CFIG"). The Group could request for termination anytime upon serving notice to CFIG. The Group considered that the lease arrangement is an operating lease and the movement of the motor vehicle is detailed as below:

	Motor vehicle	
	2024	2023
	HK$'000	HK$'000
As at 1 January		
Cost	**722**	722
Accumulated depreciation	**(596)**	(466)
Net book amount	**126**	256
Year ended 31 December		
Opening net book amount	**126**	256
Depreciation	**(54)**	(130)
Closing net book amount	**72**	126
As at 31 December		
Cost	**722**	722
Accumulated depreciation	**(650)**	(596)
Closing net book amount	**72**	126

19. PROPERTY, PLANT AND EQUIPMENT (Continued)

Notes: (Continued)

(b) In 2022, the Group entered into certain sale and leaseback arrangements with Sino IC Leasing in relation to the machinery leases with an aggregate carrying amount of RMB320,638,000 (equivalent to HK$358,826,000), while the Group has the right to acquire the machinery at an aggregate nominal consideration of RMB3,000 (equivalent to HK$3,000), at the end of the lease period.

These legal transfers do not satisfy the requirements of HKFRS 15 to be accounted for as a sale of machinery and thus, in accordance with HKFRS 16, at the inception, the leased machinery with an aggregate carrying amount of RMB320,638,000 (equivalent to HK$358,826,000) has been recognised while related liabilities of RMB286,729,000 (equivalent to HK$320,878,000) has been recognised as other borrowings (note 33).

20. INVESTMENT PROPERTIES

	2024 HK$'000	2023 HK$'000
At the beginning of the year	52,079	29,768
Transfer from property, plant and equipment	9,390	16,916
(Loss) /Gain on fair value changes (note 8)	(3,615)	5,908
Exchange differences	(667)	(513)
At the end of the year	57,187	52,079

	2024 HK$'000	2023 HK$'000
Gain on revaluation of property, plant and equipment upon transfer to investment properties (included in asset revaluation reserve)	–	13,661

20. INVESTMENT PROPERTIES (Continued)

During the years ended 31 December 2024 and 2023, the Group changed the use of certain properties included in property, plant and equipment to investment properties and leased them to independent third parties for rental income. The fair value of such properties at the date of transfer was determined by an independent qualified professional valuer, RHL Appraisal Limited ("RHL"), who have recent experience in the locations and categories of properties being valued. Upon the transfer to investment properties, such properties were revalued from the carrying amount of HK$9,701,000 (2023: HK$3,255,000) with a loss on revaluation of HK$311,000 (2023: gain of HK$13,661,000). During the year ended 31 December 2023, the amount of HK$10,246,000, net of deferred income tax liabilities of HK$3,415,000, has been credited to "Asset revaluation reserve" in equity (note 30).

As at 31 December 2024, the Group's bank borrowings were secured by the Group's investment properties with carrying amount of HK$47,827,000 (2023: HK$52,079,000). Details of the secured bank and other borrowings are set out in note 33.

(a) The amount of investment properties recognised in profit or loss

	2024 HK$'000	2023 HK$'000
Rental income	19,295	11,797

No outgoing expense in respect of investment properties has been incurred during the years ended 31 December 2024 and 2023.

(b) Fair value measurement of investment properties

The investment properties are revalued on 31 December 2024 and 2023 by an independent qualified professional valuer, RHL, who have recent experience in the locations and categories of properties being valued. The Group's finance team performs valuations of the investment properties for financial reporting purposes in consultation of the independent qualified professional valuer for complex valuations. Valuation techniques are selected based on the characteristics of each property, with the overall objective of maximising the use of market-based information. The Group's finance team reports directly to the chief financial officer and to the audit committee. Valuation processes and fair value changes are discussed among the audit committee and the valuation team at the end of each reporting period.

20. INVESTMENT PROPERTIES (Continued)

(b) Fair value measurement of investment properties (Continued)

Set out below are information about the fair value of the investment properties categorised under Level 3 fair value hierarchy:

	2024 HK$'000	2023 HK$'000	Valuation technique	Significant unobservable input	Range (Weighted average) 2024	Range (Weighted average) 2023
Factory and dormitory in the PRC	**47,827**	52,079	Income approach	Rental yield	**7.00%**	6.84%
Hong Kong properties	**9,360**	N/A	Market approach	Adjustment factor on time, age, floor and size	**11.13%**	N/A

An increase/(decrease) in the estimated rental income and adjustment factor would result in the same level of increase/(decrease) in the fair value of the investment properties.

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

There were no transfers between fair value hierarchy during the years ended 31 December 2024 and 2023.

21. LEASES

(a) Right-of-use assets

	Leasehold land HK$'000 (note (i))	Buildings HK$'000	Total HK$'000
As at 1 January 2023	14,180	21,195	35,375
Additions	532	1,655	2,187
Early termination (note (iiii))	–	(4,079)	(4,079)
Depreciation	(422)	(9,410)	(9,832)
Exchange differences	(232)	(78)	(310)
As at 31 December 2023 and 1 January 2024	14,058	9,283	23,341
Additions	**5,765**	**4,247**	**10,012**
Early termination (note (iii))	**–**	**(509)**	**(509)**
Depreciation	**(517)**	**(8,753)**	**(9,270)**
Exchange differences	**(352)**	**(15)**	**(367)**
As at 31 December 2024	**18,954**	**4,253**	**23,207**

Notes:

(i) As at 31 December 2024, leasehold land under right-of-use assets of HK$18,954,000 (2023: HK$14,058,000) represents the land use rights located in the PRC.

(ii) During the year ended 31 December 2024, the Group subleased certain portion of buildings in Hong Kong for the lease period from 1 January 2024 to 31 December 2024 (2023: from 1 January 2023 to 31 December 2023). The Group classified the sublease as operating lease. During the year ended 31 December 2024, the Group recognised rental income from subleasing such right-of-use assets was HK$4,608,000 (2023: HK$4,227,000) (note 7) and was received from CFIG.

(iii) During the year ended 31 December 2024, the Group has early terminated certain leases of buildings with carrying amount of HK$509,000 (2023: HK$4,079,000). Such termination resulted into derecognition of right-of-use assets of HK$509,000 (2023: HK$4,079,000) and the lease liabilities of HK$517,000 (2023: HK$4,430,000), resulting a gain on early termination of leases recognised in "other gains, net" of HK$8,000 related to continuing operations (2023: HK$351,000, out of which amounted to HK$4,000 related to continuing operations) (note 8).

21. LEASES (Continued)

(b) Lease liabilities

The following tables show the remaining contractual maturities of the Group's lease liabilities:

	2024 HK$'000	2023 HK$'000
Total minimum lease payments:		
– Due within one year	**1,850**	8,965
– Due in second to fifth years	**2,761**	777
	4,611	9,742
Less: future finance charges on lease liabilities	**(188)**	(175)
Present value of lease liabilities	**4,423**	9,567
Present value of minimum lease payments:		
– Due within one year	**1,715**	8,861
– Due in second to fifth years	**2,708**	706
	4,423	9,567
Less: portion due within one year included under current liabilities	**(1,631)**	(8,861)
Portion due after one year included under non-current liabilities	**2,792**	706

As at 31 December 2024, lease liabilities amounted to HK$4,423,000 (2023: HK$9,567,000) are effectively secured by the related underlying assets as the rights to the leased assets would be reverted to the lessors in the event of default by repayment by the Group.

During the year ended 31 December 2024, the total cash outflows arising from the leases were HK$12,481,000 (2023: HK$12,876,000).

Details of the lease maturity analysis of the lease liabilities are set out in note 4.1(c).

21. LEASES (Continued)

(b) Lease liabilities (Continued)

Details of lease activities

As at 31 December 2024 and 2023, the Group has entered into leases for office premises, staff quarter and certain plant and machinery.

Type of right- of-use asset	Consolidated financial statements item of right-of-use asset included in	Number of lease	Range of remaining lease term	Number of lease with extension option	Number of lease with termination option
As at 31 December 2024					
Land for factory and staff quarter	**Leasehold land**	**11**	**25 – 48 years**	**–**	**–**
Office premises	**Buildings**	**3**	**1 – 3 years**	**3**	**3**
As at 31 December 2023					
Land for factory and staff quarter	Leasehold land	12	26 - 49 years	–	–
Office premises	Buildings	3	1 - 4 years	2	2
Staff quarter	Buildings	3	1 - 4 years	3	3

The Group considered no extension or termination option would be exercised at the lease commencement date.

22. INTANGIBLE ASSETS

	Development costs HK$'000
As at 1 January 2023	
Cost	33,972
Accumulated amortisation	(6,161)
Net book amount	27,811
Year ended 31 December 2023	
Opening net book amount	27,811
Reclassified to assets held for sale	(7,223)
Amortisation	(2,861)
Exchange differences	(418)
Closing net book amount	17,309
As at 31 December 2023 and 1 January 2024	
Cost	21,727
Accumulated amortisation	(4,418)
Net book amount	17,309
Year ended 31 December 2024	
Opening net book amount	**17,309**
Amortisation	**(2,570)**
Exchange differences	**(287)**
Closing net book amount	**14,452**
As at 31 December 2024	
Cost	**21,727**
Accumulated amortisation	**(7,275)**
Closing net book amount	**14,452**

23. INVENTORIES

	2024 HK$'000	2023 HK$'000
Raw materials	9,885	10,049
Work in progress	3,853	3,809
Finished goods	8,009	10,222
	21,747	24,080

The movement in provision for inventories is as follows:

	2024 HK$'000	2023 HK$'000
At the beginning of the year	1,099	710
Write-down	1,440	954
Reversal of write-down	–	(554)
Write-off	(979)	–
Exchange differences	(29)	(11)
At the end of the year	1,531	1,099

During the year ended 31 December 2024, write-down of inventories of HK$1,440,000 (2023: HK$954,000) was recognised in cost of sales for continuing operations, and which was due to the long aged unsold inventories.

During the year ended 31 December 2024, no reversal of write-down of inventories (2023: HK$554,000) was recognised upon disposal of inventories as scrap and included in "other income" for continuing operations.

As disclosed in note 12, the Group is seeking to dispose certain inventories of the Radar Business. Write-down of inventories of HK$3,134,000 (2023: HK$6,162,000) was recognised in profit or loss for discontinued operation. Details of the discontinued operation are set out in note 12.

24. FINANCIAL INSTRUMENTS BY CATEGORY

	2024 HK$'000	2023 HK$'000
Financial assets		
Financial assets at amortised cost		
– Trade and other receivables	162,214	173,687
– Cash and cash equivalents	205,301	183,169
Financial assets at FVTPL		
– Listed equity securities	132	111
– Unlisted equity securities	24,317	16,288
	391,964	373,255
Financial liabilities		
Financial liabilities at amortised cost		
– Trade and other payables	163,452	206,474
– Bank and other borrowings	490,496	440,347
– Lease liabilities	4,423	9,567
	658,371	656,388

25. FINANCIAL ASSETS AT FVTPL

	2024 HK$'000	2023 HK$'000
Current		
Listed equity securities - Hong Kong	132	111
Non-current		
Unlisted equity securities - the PRC	24,317	16,288
	24,449	16,399

The fair value of the Group's investments in listed and unlisted equity securities has been measured as described in note 4.3.

26. TRADE AND OTHER RECEIVABLES

	2024 HK$'000	2023 HK$'000
Non-current		
Deposits	1,047	4,176
Current		
Trade receivables (note (a))	61,748	53,638
Bills receivables	10,388	4,689
Trade and bills receivables, gross	72,136	58,327
Less: ECL allowance	(769)	(3,085)
Trade and bills receivables, net	71,367	55,242
Prepayments	1,329	1,661
Tax reserve certificate	1,807	1,807
Amount due from a non-controlling shareholder (note (b))	25,180	25,180
Receivables from agency services	63,718	86,474
Deposits and other receivables	902	2,615
Other tax recoverable	24,532	12,965
	188,835	185,944
	189,882	190,120

Notes:

(a) As at 31 December 2024, the Group's other borrowing was secured by the Group's trade receivables with carrying amount of HK$39,723,000 (2023: Nil). Details of the secured bank and other borrowings are set out in note 33.

(b) The amounts as at 31 December 2024 represented the un-paid capital contribution from 2 (2023: 1) non-controlling shareholders for the establishment of a non-wholly-owned subsidiary of the Group, which are unsecured, interest-free and repayable on demand.

26. TRADE AND OTHER RECEIVABLES (Continued)

The Group allows an average credit period of 30 - 90 (2023: 30 - 90) days to its customers, except for certain trade receivables are on acceptance bills or documents against payment. Based on the invoice dates (or date of revenue recognition if earlier), the ageing analysis of the trade and bills receivables is as follows:

	2024 HK$'000	2023 HK$'000
0 - 90 days	**58,476**	50,359
91 - 180 days	**11,779**	2,807
Over 180 days	**1,881**	5,161
	72,136	58,327

The movement in the Group's ECL allowance on trade and bills receivables is as follows:

	2024 HK$'000	2023 HK$'000
At the beginning of the year	**3,085**	3,579
Provision for/(Reversal of) ECL allowance	**36**	(326)
Write-off	**(2,292)**	–
Exchange differences	**(60)**	(168)
At the end of the year	**769**	3,085

27. CASH AND CASH EQUIVALENTS

	2024 HK$'000	2023 HK$'000
Cash at banks and on hand	**203,311**	181,192
Cash balances deposited in securities brokers	**1,990**	1,977
	205,301	183,169

Included in cash and cash equivalents of the Group was HK$166,210,000 (2023: HK$155,729,000) of bank balances denominated in RMB placed with banks in the PRC. RMB is not a freely convertible currency. Under the PRC's Foreign Exchange Control Regulations and Administration of Settlement and Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks that are authorised to conduct foreign exchange business.

28. ASSETS CLASSIFIED AS HELD FOR SALE

As disclosed in note 12, the Group is seeking to dispose certain assets of the Radar Business. Certain equipment, intangible assets and inventories of the Radar Business amounted to HK$2,127,000 (2023: HK$4,576,000), HK$1,062,000 (2023: HK$1,964,000) and HK$3,245,000 (2023: HK$6,125,000), respectively are classified as "Assets classified as held for sale" as at 31 December 2024 and 2023.

Fair value measurement

In 2023, the Group's finance team performs valuations of certain assets that are reclassified to assets held for sale in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations", in consultation of the independent qualified professional valuer for complex valuations on the date of reclassification. Valuation techniques are selected based on the characteristics of each asset, with the overall objective of maximising the use of market-based information. The Group's finance team reports directly to the chief financial officer and to the audit committee. Valuation processes and impairment losses are discussed among the audit committee and the valuation team at the date of reclassification.

As at 31 December 2024, the fair values of equipment, intangible assets and inventories were determined by an independent qualified professional valuer, 深圳市國資源土地房地產資產評估有限公司, who has recent experience in the locations and categories of non-financial assets being valued.

28. ASSETS CLASSIFIED AS HELD FOR SALE (Continued)

Fair value measurement (Continued)

The Group further assessed the need for change of valuation technique given the uncertain economic environment and considering whether a lack of observable information existed for factors relevant to the value of certain assets. In 2024, the Group has changed the valuation technique for equipment from market approach to cost approach since there is lack of unobservable input for market approach.

Set out below is the information about the fair values of equipment, intangible assets and inventories categorised under Level 3 fair value hierarchy:

	Fair value HK$'000	Valuation technique	Significant unobservable input	Range (Weighted average)
As at 31 December 2024				
Equipment	**2,127**	Cost approach	Replacement cost	RMB4,880,000
			Residue ratio	48% - 80%
Intangible assets	**1,062**	Cost approach	Expected useful life	10 - 50 years
Inventories	**3,245**	Cost approach	Replacement cost	RMB10,025,000
			Adjustment factor	0.3
As at 31 December 2023				
Equipment	4,576	Market approach	Transaction price	RMB3,223,000
			Useful life of equipment	9.95 years
			Physical depreciation rate	19.26%
Intangible assets	1,964	Cost approach	Salaries of research and development personnel	RMB20,000 per month
			Expected time for developing the intangible assets	2 months

28. ASSETS CLASSIFIED AS HELD FOR SALE (Continued)

Fair value measurement (Continued)

The most significant inputs, all of which are unobservable, are replacement cost and residue ratio for equipment, expected useful life for intangible assets and replacement cost and adjustment factor for inventories. The estimated fair value of equipment increases if the replacement cost and residue ratio increase, or vice versa. The estimated fair value of intangible assets increases if the expected useful life increases, or vice versa. The estimated fair value of inventories increases if the replacement cost and adjustment factor increase, or vice versa. The valuations are sensitive to these assumptions. Management considers the range of reasonably possible alternative assumptions is greatest for replacement cost for equipment and inventories.

In estimating the fair values of the equipment and intangible assets, the highest and best use of the assets is their fair value less cost of disposal.

29. SHARE CAPITAL

	Number of share	HK$'000
Authorised:		
Ordinary shares of HK$0.1 each		
As at 1 January 2023, 31 December 2023, 1 January 2024 and 31 December 2024	2,000,000,000	200,000
Issued and full paid:		
As at 1 January 2023, 31 December 2023, 1 January 2024 and 31 December 2024	1,455,000,000	145,500

The share capital of the Company comprises of fully paid ordinary shares. All fully paid ordinary shares are equally eligible to receive dividends and to the repayment of capital and represent one vote at shareholders' meetings of the Company.

30. OTHER RESERVES

	Contributed surplus HK$'000	Statutory reserve HK$'000	Asset revaluation reserve HK$'000	Foreign currency translation reserve HK$'000	Total HK$'000
As at 1 January 2023	4,800	11,829	1,938	7,578	26,145
Revaluation of property, plant and equipment upon transfer to investment properties (note 20)	–	–	13,661	–	13,661
Deferred income tax on revaluation of property, plant and equipment upon transfer to investment properties (note 35)	–	–	(3,415)	–	(3,415)
Exchange differences on translation of foreign operations	–	–	–	(2,719)	(2,719)
As at 31 December 2023 and 1 January 2024	4,800	11,829	12,184	4,859	33,672
Exchange differences on translation of foreign operations	–	–	–	(1,202)	(1,202)
As at 31 December 2024	4,800	11,829	12,184	3,657	32,470

31. TRADE AND OTHER PAYABLES

	2024 HK$'000	2023 HK$'000
Trade payables	49,634	24,850
Salaries payables	30,153	25,570
Other taxes payables	13,803	28,413
Payables to suppliers upon agency services	62,718	92,306
Payable to suppliers upon machinery leases (note)	7,913	41,258
Payables to suppliers for construction in progress	10,186	16,634
Accruals and other payables	2,848	5,856
	177,255	234,887

Note: The balance represented the unpaid portion arised from purchase of machinery under financing arrangement as at 31 December 2024 and 2023.

The Group was granted by its suppliers' credit periods ranging from 30 - 60 (2023: 30 - 60) days. Based on the invoice dates, the ageing analysis of the trade payables is as follows:

	2024 HK$'000	2023 HK$'000
0 – 90 days	43,702	24,091
91 – 120 days	253	7
Over 120 days	5,679	752
	49,634	24,850

32. CONTRACT LIABILITIES

	2024 HK$'000	2023 HK$'000
Receipts in advance from customers	53,568	7,563

Receiving a deposit of 20% (2023: 20%) before the delivery of the goods in sales of industrial products will give rise to contract liabilities at the commencement of a contract until the revenue recognised at the satisfaction of the performance obligation by the Group.

The increase of contract liabilities as at 31 December 2024 is mainly due to the increase in the deposits received as a result of more manufacturing orders received from customers near the year ended 31 December 2024.

Contract liabilities outstanding at the beginning of the year amounted to HK$7,563,000 (2023: HK$6,177,000) have been recognised as revenue during the year. The carrying amount of contract liabilities amounted to HK$53,568,000 (2023: HK$7,563,000) as at 31 December 2024 is expected to be recognised as revenue within one year.

The manufacturing contracts are for periods of one year or less or are billed based on time incurred. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

33. BANK AND OTHER BORROWINGS

	2024 HK$'000	2023 HK$'000
Non-current		
Secured bank borrowings	53,587	123,649
Secured other borrowings	281,214	241,486
	334,801	365,135
Current		
Secured bank borrowings	86,684	11,011
Secured other borrowings	69,011	64,201
	155,695	75,212
	490,496	440,347
Carrying amount repayable, based on the scheduled repayment dates set out in the loan agreements		
– Within one year	155,695	75,212
– In the second to fifth years	334,801	365,135
	490,496	440,347
Less: amount due within one year	(155,695)	(75,212)
Carrying amount shown under non-current liabilities	334,801	365,135

33. BANK AND OTHER BORROWINGS (Continued)

As at 31 December 2024, the secured bank borrowings carried interest rates ranged from 0.35%% to 0.55% (2023: 0.35% to 0.55%) over Loan Prime Rate for one-year loan, which the interest rates will be renewed at every 12 months from the drawdown of the secured bank borrowings. Such bank borrowings were secured by the Group's properties included in property, plant and equipment (note 19) and investment properties (note 20) with an aggregate carrying amount of HK$78,674,000 (2023: HK$92,295,000).

As at 31 December 2024, the secured other borrowings carried interest rate at Loan Prime Rate for one-year loan, which the interest rate will be adjusted every three months from the financing arrangement period. Such other borrowings were secured by the Group's machinery and equipment included in property, plant and equipment (note 19) with carrying amount of HK$274,221,000 (2023: HK$314,834,000).

As at 31 December 2024, the secured other borrowing carried fixed interest rate at 7% (2023: Nil) was secured by the Group's trade receivables (note 26) with carrying amount of HK$39,723,000 (2023: Nil).

34. DEFERRED INCOME

Deferred income represented the government grants received for the research and development project. The amount is amortised and transferred to other income (note 7) over the useful lives of the machinery and equipment purchased under such project.

35. DEFERRED INCOME TAX

	2024 HK$'000	2023 HK$'000
Deferred income tax assets	**2,965**	3,646
Deferred income tax liabilities	**(11,922)**	(11,409)
	(8,957)	(7,763)

The followings are the deferred income tax assets/(liabilities) recognised and movements thereon during the year:

	Tax losses HK$'000	Financial assets at FVTPL HK$'000	Properties HK$'000	Investment properties HK$'000	Total HK$'000
As at 1 January 2023	3,705	–	(4,445)	(3,549)	(4,289)
Charged to other comprehensive income	–	–	(3,415)	–	(3,415)
Exchange differences	(60)	–	(56)	57	(59)
As at 31 December 2023 and 1 January 2024	3,645	–	(7,916)	(3,492)	(7,763)
Charged to profit or loss	**(621)**	**(1,435)**	**–**	**896**	**(1,160)**
Exchange differences	**(59)**	**22**	**150**	**(147)**	**(34)**
As at 31 December 2024	**2,965**	**(1,413)**	**(7,766)**	**(2,743)**	**(8,957)**

35. DEFERRED INCOME TAX (Continued)

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through the future taxable profit is probable. As at 31 December 2024, the Group has not recognised deferred income tax assets of HK$138,665,000 (2023: HK$110,811,000) in respect of tax losses of HK$686,123,000 (2023: HK$622,834,000). Among the tax losses not recognised, tax losses of HK$549,921,000 (2023: HK$528,201,000) do not expire under current legislation. The remaining tax losses of HK$136,202,000 (2023: HK$94,633,000) will be expired in the following years:

	2024 HK$'000	2023 HK$'000
Year		
2025	–	50
2026	–	173
2027	10,620	18,148
2028	65,503	76,262
2029	60,079	–
	136,202	94,633

As at 31 December 2024, deferred income tax liabilities in respect of undistributed earnings of certain subsidiaries have not been recognised because the Company is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

36. LSP OBLIGATIONS

Pursuant to the Hong Kong Employment Ordinance, Chapter 57, Hong Kong employees that have been employed continuously for at least five years are entitled to LSP under certain circumstances (e.g. dismissal by employers or upon retirement).

The amount of LSP payable is determined with reference to the employee's last monthly salary (capped at HK$22,500) and the years of service, reduced by the amount of any accrued benefits derived from the Group's contributions to MPF scheme (see note 15), with an overall cap of HK$390,000 per employee. Currently, the Group does not have any separate funding arrangement in place to meet its LSP obligations.

In June 2022, the Hong Kong SAR Government (the "Government") gazetted the Hong Kong Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the "Amendment Ordinance"), which abolishes the use of the accrued benefits derived from employers' mandatory MPF contributions to offset the LSP. The Amendment Ordinance will take effect on the 1 May 2025 (the "Transition Date"). Separately, the Government has indicated that it would launch a subsidy scheme to assist employers after the abolition.

Among other things, once the abolition of the offsetting mechanism takes effect, an employer can no longer use any of the accrued benefits derived from its mandatory MPF contributions (irrespective of the contributions made before, on or after the Transition Date) to reduce the LSP in respect of an employee's service from the Transition Date. However, where an employee's employment commenced before the Transition Date, the employer can continue to use the above accrued benefits to reduce the LSP in respect of the employee's service up to that date. In addition, the LSP in respect of the service before the Transition Date will be calculated based on the employee's monthly salary immediately before the Transition Date and the years of service up to that date.

The benefit payment under LSP remains capped at HK$390,000 per employee. If an employee's total benefit payment exceeds HK$390,000, the amount in excess of the cap is deducted from the portion accrued from the Transition Date.

The Group has accounted for the offsetting mechanism and its abolition as disclosed in note 2.23 to the consolidated financial statements.

The Group has determined that the Amendment Ordinance primarily impacts the Group's LSP obligations with respect to Hong Kong employees.

36. LSP OBLIGATIONS (Continued)

The present value of unfunded LSP obligations and its movements are as follows:

	2024 HK$'000	2023 HK$'000
As at 1 January	308	237
Expenses recognised in profit or loss:		
– Current service cost	–	63
– Interest cost (note 9)	–	8
As at 31 December	308	308

The current service cost, past service cost and interest cost are included in employee benefit expenses. They are recognised in the following line items in the consolidated statement of comprehensive income:

	2024 HK$'000	2023 HK$'000
Finance costs (note 9)	–	8
Administrative expenses	–	63
	–	71

36. LSP OBLIGATIONS (Continued)

Estimates and assumptions

The significant actuarial assumptions for the determination of LSP obligations are as follows:

	2024 HK$'000	2023 HK$'000
Discount rate	4.1%	3.3%
Salary growth rate	1%	1%
Turnover rate	0%	0%
Expected investment return on offsetable MPF accrued benefits	1.8%	2%

These assumptions were developed by management. Discount factors are determined close to each period-end by reference to market yields of high quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related LSP obligations. Other assumptions are based on current actuarial benchmarks and management's historical experience.

The present value of the LSP obligations was measured using the projected unit credit method.

The weighted average duration of the LSP obligations is 19 years (2023: 23 years).

36. LSP OBLIGATIONS (Continued)

Estimates and assumptions (Continued)

Expected maturity analysis of undiscounted LSP obligations in the next 34 years (2023: 35 years) is disclosed as follows:

	Within 1 year HK$'000	Over 1 year but within 2 years HK$'000	Over 2 years but within 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
As at 31 December 2024					
LSP obligations	–	23	–	3,670	3,693
As at 31 December 2023					
LSP obligations	52	–	–	2,611	2,663

The LSP obligations expose the Group to actuarial risks such as interest rate risk, salary risk and the investment risk of the Group's MPF scheme's constituent funds.

36. LSP OBLIGATIONS (Continued)

Changes in the significant actuarial assumptions

The calculation of the LSP obligations is sensitive to the significant actuarial assumptions mentioned above. The following table summarises the effects of changes in these actuarial assumptions on the LSP obligations at the end of each reporting periods.

		Impact on LSP obligations	
	Changes in assumption	Increase in the assumption HK$'000	Decrease in the assumption HK$'000
As at 31 December 2024			
Discount rate	5%	(10)	10
Salary growth rate	5%	-*	-*
Turnover rate	N/A	N/A	N/A
Expected investment return on offsetable MPF accrued benefits	5%	-*	-*
As at 31 December 2023			
Discount rate	5%	(7)	8
Salary growth rate	5%	–*	–*
Turnover rate	N/A	N/A	N/A
Expected investment return on offsetable MPF accrued benefits	5%	–*	–*

* The effect represented an amount less than HK$1,000.

The sensitivity analyses presented above may not be representative of actual change in the LSP obligations as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. When calculating the sensitivity of the LSP obligation to significant actuarial assumptions, the same actuarial valuation method has been applied when calculating the LSP obligations recognised in the consolidated statement of financial position.

There were no changes in the methods and assumptions used in preparing the sensitivity analysis from prior year.

37. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation between loss before income tax and cash from operations:

	Notes	2024 HK$'000	2023 HK$'000
Loss before income tax			
– Continuing operations		(61,064)	(70,750)
– Discontinued operation	12	(6,812)	(35,831)
Adjustments for:			
Amortisation of intangible assets	22	2,545	2,861
Depreciation of property, plant and equipment	19	42,081	44,138
Depreciation of right-of-use assets	21(a)	9,270	9,832
Loss on disposal of property, plant and equipment	8	118	214
Amortisation of deferred income		(154)	(166)
Unrealised gains on listed equity securities	8	(21)	(26)
Unrealised (gains)/losses on unlisted equity securities, net	8	(8,440)	2,477
Loss/(gain) on fair value changes in investment properties	8	3,615	(5,908)
Loss on fair value changes in property, plant and equipment	19	311	–
Impairment losses on equipment and intangible assets	12	3,278	8,567
Reversal of write-down of inventories	23	–	(554)
Write-down of inventories		4,574	7,116
Provision for/(Reversal of) ECL allowance of trade and bills receivables	26	36	(326)
Gain on early termination of leases		(8)	(351)
Finance income	9	(1,474)	(2,525)
Finance costs	9	27,400	24,551
Share of results of associates	18(b)	5,301	4,033
Share of result of a joint venture	18(c)	(244)	(1,203)
Operating cash flows before working capital changes		20,312	(13,851)
Decrease/(Increase) in inventories		1,900	(9,141)
Decrease in trade and other receivables		202	80,960
Decrease in trade and other payables		(57,632)	(54,453)
Increase in contract liabilities		46,005	1,386
Increase in LSP obligations	36	–	71
Cash from operations		10,787	4,972

37. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(b) The Group's liabilities arising from financing activities can be classified as follows:

	Bank and other borrowings HK$'000	Lease liabilities HK$'000	Total HK$'000
As at 1 January 2023	470,921	22,049	492,970
Cash flows:			
– Repayment of principal	(47,855)	–	(47,855)
– Repayment of interest	(4,499)	–	(4,499)
– Capital element of lease rentals paid	–	(9,570)	(9,570)
– Interest element of lease rentals paid	–	(531)	(531)
Non-cash:			
– Interest expenses	24,020	531	24,551
– New lease arrangements (note (c))	–	1,655	1,655
– Early termination(note 21(a)(iii))	–	(4,430)	(4,430)
– Exchange differences	(2,240)	(137)	(2,377)
As at 31 December 2023 and 1 January 2024	440,347	9,567	449,914
Cash flows:			
– Addition	114,629	–	114,629
– Repayment of principal	(74,960)	–	(74,960)
– Repayment of interest	(7,314)	–	(7,314)
– Capital element of lease rentals paid	–	(8,956)	(8,956)
– Interest element of lease rentals paid	–	(175)	(175)
Non-cash:			
– Interest expenses	27,225	175	27,400
– New lease arrangements (note (c))	–	4,247	4,247
– Early termination (note 21(a)(iii))	–	(517)	(517)
– Exchange differences	(9,431)	82	(9,349)
As at 31 December 2024	490,496	4,423	494,919

(c) Non-cash transactions

During the year ended 31 December 2024, the Group entered into certain lease arrangements in which additions to right-of-use assets and lease liabilities amounted to HK$4,247,000 (2023: HK$1,655,000) (note 21(a)) was recognised at the lease commencement date.

38. LEASE COMMITMENTS

The Group as lessee

At the end of the reporting period, the lease commitments for short-term leases are as follows:

	2024 HK$'000	2023 HK$'000
Within one year	308	425
After one year but within five years	59	–
	367	425

As at 31 December 2024, the Group had committed to certain leases for buildings in which the leases are classified as short-term leases. The total future cash outflows for these leases amounted to HK$367,000 (2023: HK$425,000) in aggregate which are included in the table above.

The Group as lessor

At the end of the reporting period, the Group had future aggregate minimum lease receipts under non-cancellable operating leases in respect of the investment properties as follows:

	2024 HK$'000	2023 HK$'000
Within one year	14,534	11,031
After one year but within five years	–	10,197
	14,534	21,228

The Group leases its investment properties (note 20) under operating lease arrangements which run for an initial period of one to five years (2023: one to five years). The terms of the leases generally also require the tenants to pay security deposits.

39. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the consolidated financial statements, the Group had no other material balances and transactions with related parties during the years ended 31 December 2024 and 2023.

Key management personnel remunerations

Key management includes the executive directors, non-executive directors and company secretary of the Company and the executives of the Group. The remunerations paid or payable to key management personnel are as follows:

	2024 **HK$'000**	2023 HK$'000
Short-term employees benefits	**6,660**	6,167
Post-employment benefits	**141**	140
	6,801	6,307

40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2024 HK$'000	2023 HK$'000
ASSETS		
Non-current assets		
Property, plant and equipment	1,377	92
Right-of-use assets	3,523	7,885
Investments in subsidiaries	29,947	29,947
Deposits	1,047	4,176
	35,894	42,100
Current assets		
Amounts due from subsidiaries	168,890	157,342
Trade and other receivables	297	288
Cash and cash equivalents	21,512	39,266
	190,699	196,896
Total assets	226,593	238,996
EQUITY AND LIABILITIES		
Capital and reserves		
Share capital	145,500	145,500
Share premium	95,240	95,240
Accumulated losses (note)	(23,547)	(15,301)
Total equity	217,193	225,439

40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

	2024 HK$'000	2023 HK$'000
Non-current liabilities		
Lease liabilities	2,395	–
LSP obligations	227	227
	2,622	227
Current liabilities		
Amounts due to subsidiaries	2,238	2,270
Trade and other payables	3,204	2,843
Lease liabilities	1,336	8,217
	6,778	13,330
Total liabilities	9,400	13,557
Total equity and liabilities	226,593	238,996
Net current assets	183,920	183,566
Total assets less current liabilities	219,814	225,666

Note: The movements in the Company's accumulated losses are as follows:

	Accumulated losses HK$'000
As at 1 January 2023	(6,498)
Loss and total comprehensive expense for the year	(8,803)
As at 31 December 2023 and 1 January 2024	(15,301)
Loss and total comprehensive expense for the year	(8,246)
As at 31 December 2024	(23,547)