LEADWAY TECH
高維科技

LEADWAY TECHNOLOGY INVESTMENT GROUP LIMITED
高維科技投資集團有限公司
(incorporated in the Cayman Islands with limited liability)
Stock code: 2086

2024

ANNUAL REPORT

CONTENTS

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Mai Zhaoping *(Co-Chairman)*
Mr. Zhang Xueqin
(Co-Chairman and Chief Executive Officer)
Ms. Mai Qiqi
Mr. Chan Chun Leung
Ms. Xu Tingting

Non-executive Directors

Mr. Mai Ziye
Mr. Lam Chi Wai *(appointed on 9 February 2024)*

Independent Non-executive Directors

Dr. Lin Tat Pang
Mr. Lai Chi Leung
Mr. Zhang Dingfang
Mr. Gu Tianlong

AUTHORISED REPRESENTATIVES

Ms. Xu Tingting
Mr. Wong King Sum

COMPANY SECRETARY

Mr. Wong King Sum

AUDIT COMMITTEE

Dr. Lin Tat Pang *(Chairman)*
Mr. Lai Chi Leung
Mr. Zhang Dingfang
Mr. Gu Tianlong

REMUNERATION COMMITTEE

Dr. Lin Tat Pang *(Chairman)*
Mr. Lai Chi Leung
Mr. Zhang Dingfang
Mr. Gu Tianlong

NOMINATION COMMITTEE

Mr. Zhang Dingfang *(Chairman)*
Ms. Xu Tingting
Dr. Lin Tat Pang
Mr. Gu Tianlong

AUDITOR

McMillan Woods (Hong Kong) CPA Limited
24/F, Siu On Centre
188 Lockhart Road
Wanchai, Hong Kong

REGISTERED OFFICE

190 Elgin Avenue
George Town
Grand Cayman, KY1-9008
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Units 4108–4110, 41st Floor
Manhattan Place
23 Wang Tai Road
Kowloon Bay, Hong Kong

PRINCIPAL BANKER

DBS Bank (Hong Kong) Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Walkers Corporate Limited
190 Elgin Avenue
George Town
Grand Cayman, KY1-9008
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
17M Floor, Hopewell Centre
183 Queen's Road East, Wanchai
Hong Kong

COMPANY'S WEBSITE ADDRESS

www.leadwayinv.com

STOCK CODE

2086

CHAIRMAN'S STATEMENT

It is with great satisfaction that I present the annual results for Leadway Technology Investment Group Limited and its subsidiaries (the "Group") for the year ended 31 December 2024. This year marked a significant turnaround in our financial performance, demonstrating the resilience and effectiveness of our strategic initiatives implemented amidst persistent global challenges.

For the year ended 31 December 2024, the Group's revenue increased by 27% to HK$100.3 million from HK$79.2 million in 2023, with gross profit reaching HK$52.4 million at a robust margin of 52%. Most notably, we achieved a net profit of HK$3.7 million, successfully transitioning from a loss of HK$19.2 million in the previous year. This remarkable improvement is a testament to our disciplined cost management and strategic market diversification.

Our strategic pivot toward promising markets yielded exceptional results, particularly in the Europe region, where revenue surged to HK$57.9 million from HK$35.8 million in 2023. This geographic rebalancing, coupled with our comprehensive cost-saving measures and strategic product initiatives, has enabled us to navigate effectively through the lingering effects of geopolitical tensions and trade conflicts.

The Group continued to demonstrate its commitment to innovation with the introduction of several cutting-edge solutions, including the ACR1555U Secure Bluetooth NFC Reader, WalletMate II Mini Mobile Wallet NFC Module, and ACM1323U NFC Reader Module, all of which received positive market reception. Our innovation prowess was further recognized when our WalletMate Mobile Wallet NFC Reader received the prestigious IOTE 2024 Gold Award for "Innovative Product", underscoring our position as a technology leader in our industry.

Our visibility in the marketplace was enhanced through strategic participation in premier industry events, including Japan IT Week Spring 2024, IOTE 2024 Shenzhen, Global Security Exchange, Wireless IoT, and Trustech 2024. These platforms provided valuable opportunities to showcase our expanding product portfolio and foster new business relationships.

CHAIRMAN'S STATEMENT

Looking ahead to 2025, we remain optimistic about our growth trajectory. Our robust product development pipeline, planned participation in key tradeshows across various regions, and enhanced digital marketing initiatives position us well for continued expansion. The positive momentum in our Japan office operations and the anticipated completion of our Manila branch deregistration present further opportunities for operational efficiency and market development.

On behalf of the Board of Directors of Leadway Technology Investment Group Limited, I extend our sincere gratitude to our business partners, customers, suppliers, and shareholders for their unwavering support throughout this transformative year. Your confidence in our vision has been instrumental in our achievements. I also wish to express profound appreciation to our management and staff for their dedication and resilience. Your commitment to excellence has been the cornerstone of our successful transition to profitability, and with your continued efforts, we look forward to achieving new milestones in the coming year.

Mai Zhaoping **Zhang Xueqin**
Co-chairmen

26 March 2025

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the year ended 31 December 2024, the Group's revenue increased by 27% to HK$100.3 million (2023: HK$79.2 million); gross profit was HK$52.4 million (2023: HK$42.3 million) with a gross profit margin of 52% (2023: 53%). The year ended with a net profit of HK$3.7 million (2023: loss of HK$19.2 million). Earnings before interest, tax, depreciation, and amortisation (EBITDA) recorded a profit of HK$11.3 million (2023: loss of HK$10.4 million). Basic earnings per share for the year was HK1.168 cents (2023: losses per share of HK6.012 cents).

Revenue

The Group's revenue experienced an increment of 27%, increasing from HK$79.2 million in 2023 to HK$100.3 million in 2024. This increment of HK$21.1 million was primarily attributed to the impact of the market development in the Europe region, where revenue increased from HK$35.8 million in 2023 to HK$57.9 million in 2024. The favourable market development in the Europe region and market expansion has been instrumental in driving our revenue growth during the reporting period.

Gross Profit Margin

The Group's gross profit margin was 52% during the year (2023: 53%) with no material fluctuation noted for both years.

Operating Expenses

Total operating expenses for the Group dropped by 22% to HK$49.0 million from HK$62.7 million in 2023. The decrease is mainly attributable to the following factors:

(i) staff costs decreased by HK$10.4 million as more staff were resigned during the year as a result of the implementation of comprehensive cost-saving measures. Besides, there is decrease in capitalisation of staff salaries as development costs since more new products of the Group are in research stage during the year; and

(ii) expected credit loss on trade receivables decreased by HK$3.6 million from HK$3.7 million to HK$0.1 million due to effective debt collection mechanisms and strengthened credit evaluation processes for new and existing customers.

Statement of Financial Position

As of 31 December 2024, the Group's net assets stood at HK$61.8 million, compared to HK$58.2 million the previous year. The increment of HK$3.6 million primarily stemmed from the net profit of HK$3.7 million and movement in exchange reserve of HK$0.1 million during the year.

DIVIDEND POLICY

The Company adopted a dividend policy on 19 December 2018. According to the dividend policy, in considering any dividend payout, the Board shall take into account, inter alia, the following factors:

- the Group's actual and expected financial performance;
- retained earnings and distributable reserves of the Company and each of the members of the Group;
- the level of the Group's debts to equity ratio, return on equity, and the relevant financial covenants;
- any restrictions on the payment of dividends that may be imposed by the Group's lenders;
- the Group's expected working capital requirements and future expansion plans;
- general economic conditions, business cycle of the Group's business, and other internal or external factors that may have an impact on the business or financial performance and position of the Group; and
- any other factors that the Board deems appropriate.

Declaration, recommendation, and/or payment of dividends of the Company shall be determined at the absolute discretion of the Board and would be in the best interests of the Group and shareholders of the Company and in compliance with all applicable laws and regulations. The Board endeavors to maintain a balance between meeting the shareholders' expectations and prudent capital management with a sustainable dividend policy. The Board will continually review the dividend policy and reserves the right in its absolute discretion to update, amend, modify and/or cancel the dividend policy at any time.

BUSINESS REVIEW

In 2024, the Group continued to strengthen its position in the financial technology and smart living sectors, maintaining its commitment to delivering innovative contactless readers, smart cards, and associated devices. Throughout the year, we navigated a complex global landscape influenced by ongoing geopolitical tensions, particularly the war between Russia and Ukraine, and trade conflicts between the PRC and the US. Despite these challenges, the Group demonstrated remarkable resilience, successfully transitioning from a net loss to a net profit position, a testament to management's effective cost control measures and strategic market initiatives.

BUSINESS REVIEW *(continued)*

Our product portfolio expanded with the introduction of several cutting-edge solutions, including the ACR1555U Secure Bluetooth NFC Reader, WalletMate II Mini Mobile Wallet NFC Module, and ACM1323U NFC Reader Module, all of which received positive market feedback.

In response to the challenging global environment, particularly the European market's hesitancy due to the Russia-Ukraine conflict and EUR currency fluctuations, the Group strategically diversified its focus toward promising regions such as America, Japan, China, and Southeast Asia. This geographic rebalancing, coupled with price list revisions, product cost reductions, and new product introductions, has enabled us to mitigate adverse impacts while capturing emerging market opportunities.

PROSPECTS

As we move forward, the Group remains steadfastly focused on innovation and market expansion in the financial technology and smart living sectors. Our product development pipeline is robust, with several groundbreaking solutions slated for launch in 2025. These innovations align perfectly with our strategy to enhance existing core products, expand our product range, and develop business in new market segments and regions.

The year 2024 marked a significant milestone in industry recognition, with our WalletMate Mobile Wallet NFC Reader receiving the prestigious IOTE 2024 Gold Award for "Innovative Product". This accolade, alongside our strategic presence at premier industry events such as Japan IT Week Spring 2024, IOTE 2024 Shenzhen, Global Security Exchange, Wireless IoT, and Trustech 2024, has reinforced our reputation as a strong and reliable supplier in the industry.

Our marketing strategy continues to evolve, with planned participation in key tradeshows across different regions in 2025, we are strengthening our promotional activities through social media channels to enhance brand visibility and customer engagement.

The Group's cost optimization initiatives, including the streamlining of manpower for better efficiency and the ongoing deregistration of our Manila branch initiated in March 2024, have already yielded positive results, contributing to our improved financial performance. We anticipate further operational efficiencies and cost savings once the deregistration process is successfully completed.

PROSPECTS *(continued)*

With no immediate plans for acquisitions or restructuring, our focus remains steadfast on product innovation, market expansion, and operational excellence. The measures we have implemented to address the challenges posed by adverse global issues highlight our proactive stance on navigating the complexities of the current economic environment.

Looking ahead, we remain optimistic about our growth trajectory, driven by our innovative product lineup, strategic market positioning, and operational excellence. The positive response to our new products and the growing success of our Japan office operations present promising opportunities for sustained development.

RISK FACTORS

The Group's operations and financial performance are subject to various risks and uncertainties, potentially impacting our results of operations, financial condition, and growth prospects. These risks, while not exhaustive, represent factors that could cause our actual results to differ from expected outcomes materially.

Operation Risk

Reliance on a limited number of large customers

Sales to the top five customers accounted for 35% of the Group's revenue for the year ended 31 December 2024 (2023: 23%). The risk of relying on limited number of customers is not high. We keep maintaining a pool of customers to minimise the risks of over-reliance on few key customers. However, there is no assurance that the demand for the products of the Group from these customers can be maintained in the future. In the event that the demand from them decreases significantly and the Group is unable to find replacement customers on terms acceptable to the Group, performance of the Group may be adversely affected.

RISK FACTORS *(continued)*

Operation Risk *(continued)*

Reliance on manufacturers

The Group does not own any production facilities. We subcontract substantially all of our production activities to external manufacturers. During the year ended 31 December 2024, the Group engaged three (2023: three) manufacturers for manufacturing smart card, all of them were engaged by the Group for at least over 5 years. The Group also engaged five (2023: three) manufacturers for manufacturing smart card reader. The Group will continue sourcing suitable partners to secure the manufacturing of smart card and smart card reader.

While we have built stable relationships with the manufacturers for smart card production and expanded our base for smart card readers, any difficulties these partners face could disrupt our product delivery schedules, adversely affecting our business operations.

Ability to attract and retain talent

Our success heavily relies on our ability to attract and retain skilled professionals across all levels of the organization, not just engineers. Human capital has been identified as a critical operational risk for the Group, with middle management expressing specific concerns regarding talent management challenges. The rapid advancement of AI and automation technologies could render certain skills obsolete, requiring significant reskilling and upskilling of employees.

Shortage of integrated circuits ("IC") chips

The global shortage of IC chips presented significant challenges to our production capabilities. In 2024, we adapted by spot-buying materials in the open market and diversifying our IC chips suppliers to enhance future supply flexibility. Although the situation has stabilised, any future fluctuations could impact our ability to maintain continuous production.

RISK FACTORS *(continued)*

Business Risk

Rapid technological changes

Operating in a market characterised by swift technological evolution, our performance hinges on our ability to adapt to new industry standards, customer preferences, and enhancements in smart card technology. Our growth prospects may be jeopardised if we fail to navigate these changes successfully.

Relatively high capital expenditure on new products and services

The introduction of new products and services in response to rapid changes in technology, industry standards and customer preferences require substantial capital expenditure. During the year ended 31 December 2024, the Group recorded HK$2.6 million (2023: HK$2.9 million) on development costs of new products and services. The relative high level of capital expenditure may have an adverse impact on the financial resources of the Group. In the event that the new products and services do not achieve market acceptance or there is substantial delay in the process, the performance and growth prospects of the Group may be adversely affected.

Financial Risk

Maintain financial stability

Managing the balance between investing in new product development and maintaining financial stability is crucial, especially in light of the IC chips shortage and the need to ensure a reliable supply chain. Our strategic responses to these challenges, including increased capital outlay for spot-buying IC chips and expanding our manufacturing base, are essential for sustaining growth but carry inherent financial risks.

The outlined risks underscore the complex environment in which the Group operates. Our proactive strategies aim to mitigate these risks, ensuring resilience and the pursuit of growth opportunities despite potential adversities.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group has consistently maintained a robust liquidity position. As of 31 December 2024, our cash and cash equivalents experienced a increase to HK$25.7 million from HK$20.2 million the previous year, reflecting a cost saving strategic allocation towards operational enhancements. The Group's net assets saw a increment to HK$61.8 million from HK$58.2 million as of 31 December 2023, primarily due to our focused investment in innovation and market expansion efforts.

Throughout the year, the Group effectively utilised its equity capital alongside the cash generated from operating activities to support working capital requirements and other operational necessities. Despite facing challenging market conditions, we managed a disciplined approach to our financial management practices.

GEARING RATIO

The Group's gearing ratio, calculated by reference to the ratio of total borrowings to total equity attributable to the owners of the Company as of 31 December 2024, was 0% (2023: 0%).

DISPOSALS AND ACQUISITIONS

During the year ended 31 December 2024, the Group did not have any material disposals or investments of subsidiaries and affiliated companies.

FUTURE PLANS RELATING TO MATERIAL INVESTMENT OR CAPITAL ASSET

As of 31 December 2024, the Group did not have any capital commitment related to the acquisition of property, plant, and equipment, nor any plan authorised by the Board for other substantial investment or additions of capital assets.

EXPOSURE TO EXCHANGE RATE FLUCTUATIONS

The Group's exposure to exchange rate fluctuations remains managed through regular reviews of the Group's net foreign exchange positions. Given that the assets, liabilities, and transactions are primarily denominated in Hong Kong dollars, United States dollars, and Renminbi, and considering the Hong Kong dollar's peg to the United States dollar, exchange risk from the United States dollars continues to have a minimal financial impact on the Group. This approach ensures that the Group effectively mitigates potential adverse effects from exchange rate fluctuations.

PLEDGE OF ASSETS

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

CONTINGENT LIABILITIES

As of 31 December 2024, the Company had no significant contingent liabilities (2023: nil).

EMPLOYEES AND REMUNERATION POLICIES

As of 31 December 2024, the Group had 93 (2023: 113) full-time employees. Staff costs for the year amounted to HK$29.8 million (2023: HK$40.2 million). The Group's remuneration policies and packages continue to be tailored to the individual qualifications, performance, experience, and prevailing industry conditions. Additionally, the Group remains committed to enhancing employee capabilities and market knowledge through various training sessions.

DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Mai Zhaoping | Co-Chairman

Mr. Mai Zhaoping (麥照平), aged 58, was appointed as an executive director of the Company on 4 February 2022, and appointed as co-chairman of the Board on 26 February 2022.

Mr. Mai obtained a master's degree of management in December 2009 from the Jinan University in the mainland China. Mr. Mai has extensive experience in business development and management. He is currently the vice chairman of Guangdong Hongfa Investment Group Co., Limited* (廣東鴻發投資集團有限公司), a company based in the mainland China focusing in, inter alia, properties development, financial services, healthcare, education and public area construction in the mainland China (www.hongfagroup.net). Mr. Mai was also a former member of the Guangdong Provincial People's Political Consultative Conference during January 2008 to January 2018. Mr. Mai is the father of Ms. Mai Qiqi and Mr. Mai Ziye, an executive director of the Company and a non-executive director of the Company respectively. He is also the uncle of Mr. Chan Chun Leung, an executive director of the Company.

Mr. Mai, being the sole ultimate beneficial owner of Mars Development Limited, was interested in 74.85% of the entire issued share capital of the Company as at the date of this annual report through (i) the direct interest of Mars Development Limited in the Company; (ii) the interest of Mars Development Limited in 60% of the entire issued share capital in the immediate parent of the Group, Leadway Development Limited ("Leadway Development"); and (iii) the acting in concert arrangement with Mr. Zhang Xueqin pursuant to the Deed of Concert Parties dated 12 January 2022 (the "Deed of Concert Parties").

Mr. Mai was one of the shareholders and directors (together with another individual) of Top Treasure Engineering Limited ("Top Treasure"), a company incorporated with limited liability under the laws of Hong Kong, since April 2000 and until prior to its dissolution. Top Treasure was dissolved or put into liquidation during his directorship. Top Treasure recorded a default in payment of material sum to one of its major customers in 2001. It had then suffered from liquidity issue and unable to settle, inter alia, salary payables when became due. A creditor of Top Treasure filed a petition for its winding up in January 2005 with the High Court of Hong Kong in relation to overdue salary. Top Treasure was dissolved by compulsory winding up by the High Court of Hong Kong in May 2009. Mr. Mai confirmed that (i) there was no wrongful act on his part which led to the winding up or dissolution of Top Treasure; (ii) he is not aware of any actual or potential claim that has been made against him as a result of the winding up or dissolution of Top Treasure; and (iii) no misconduct or misfeasance on his part were involved in the winding up or dissolution of Top Treasure.

* *For identification purpose only*

DIRECTORS AND SENIOR MANAGEMENT

Mr. Zhang Xueqin | Co-Chairman and Chief Executive Officer

Mr. Zhang Xueqin (張學勤), aged 53, was appointed as an executive director of the Company on 4 February 2022, and appointed as co-chairman of the Board and chief executive officer of the Company on 26 February 2022.

Mr. Zhang obtained a master's degree of business administration from the Macau University of Science and Technology in June 2005. He has extensive experience in business development and management. He is currently the chairman of the board of directors of Guangdong Zhong Zhao Industrial Group Company Limited* (廣東中兆實業集團有限公司), a company based in the mainland China focusing in, inter alia, property investments and investments in industrial businesses.

Mr. Zhang, being the sole ultimate beneficial owner of Megacore Development Limited, was interested in 74.85% of the entire issued share capital of the Company as at the date of this annual report through (i) the direct interest of Megacore Development Limited in the Company; (ii) the interest of Megacore Development Limited in 40% of the entire issued share capital in Leadway Development; and (iii) the acting in concert arrangement with Mr. Mai Zhaoping pursuant to the Deed of Concert Parties.

Ms. Mai Qiqi | Deputy Chief Executive Officer

Ms. Mai Qiqi (麥綺琪), aged 32, was appointed as a non-executive director of the Company on 4 February 2022. She was re-designated as an executive director of the Company and appointed as deputy chief executive officer of the Company on 7 March 2022.

Ms. Mai obtained a master's degree of philosophy from the University of Cambridge in 2019 and a bachelor's degree of science from the University of Toronto in 2017. She has been an analyst of SDIC Fund Management Innovation Investment Management (Shanghai) Co., Ltd. (國投創新投資管理（上海）有限公司) during December 2019 to January 2022. Ms. Mai is the daughter of Mr. Mai Zhaoping (麥照平), an executive director of the Company and co-chairman of the Board.

* *For identification purpose only*

Mr. Chan Chun Leung | Chief Financial Officer

Mr. Chan Chun Leung (陳俊良), aged 37, was appointed as an executive director and chief financial officer of the Company on 7 March 2022.

Mr. Chan obtained a bachelor's degree in Finance, Accounting and Management from The University of Nottingham in the United Kingdom in July 2010. Mr. Chan has been admitted as an associate member of the Association of International Accountants in August 2020. From January 2012 to August 2013, Mr. Chan was working as an associate at the Assurance Department at PricewaterhouseCoopers. Mr. Chan has been a vice president (助理總裁) of Guangdong Hongfa Investment Group Co., Limited* (廣東鴻發投資集團有限公司) since October 2013. Mr. Chan is the nephew of Mr. Mai Zhaoping (麥照平), an executive director of the Company and co-chairman of the Board.

Ms. Xu Tingting | Chief Operating Officer

Ms. Xu Tingting (許婷婷), aged 41, was appointed as an executive director of the Company on 4 February 2022 and chief operating officer of the Company on 7 March 2022. She was appointed as a member of the nomination committee of the Company with effect from 16 January 2024. She is also a director or legal representative of several subsidiaries of the Group.

Ms. Xu graduated from South China Agricultural University (華南農業大學) in July 2007, majoring in accounting and obtained a bachelor's degree in accounting and management. In addition, she obtained the qualification of an intermediate accountant from the Guangdong Provincial Department of Human Resources and Social Security in August 2009 and was qualified as a certified public accountant in the mainland China in March 2011. Ms. Xu was a financial manager of Dongguan Zhenglian Financial Consulting Co., Ltd.* (東莞市正聯財務諮詢有限公司) from September 2007 to March 2011. She has also served as a chief accountant of Dongguan Zhenglian C.P.A. Limited (general partner)* (東莞市正聯會計師事務所(普通合夥)) since April 2011. In addition, Ms. Xu has been appointed as an independent non-executive director of Dongguan Rural Commercial Bank Co., Ltd.* (東莞農村商業銀行股份有限公司) (a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") with stock code: 9889) since October 2019.

* *For identification purpose only*

DIRECTORS AND SENIOR MANAGEMENT

NON-EXECUTIVE DIRECTORS

Mr. Mai Ziye

Mr. Mai Ziye (麥子曄), aged 31, was appointed as a non-executive director of the Company and on 7 March 2022.

Mr. Mai obtained a bachelor's degree of arts from The University of Toronto in June 2019. Mr. Mai has been an executive director and the chief executive officer of Huizhou Province Hongzhuo Investment Company* (惠州市鴻卓投資公司) since March 2020 and a vice chairman of Guangdong Honggao Construction Group Co., Ltd.* (廣東鴻高建設集團有限公司) since March 2020. Mr. Mai is the son of Mr. Mai Zhaoping (麥照平), an executive director of the Company and co-chairman of the Board.

Mr. Lam Chi Wai

Mr. Lam Chi Wai (林智偉), aged 38, was appointed as a non-executive director of the Company and a member of the finance and investment committee of the Company on 9 February 2024.

Mr. Lam was awarded a bachelor's degree of business administration in accountancy by Lingnan University in 2008, and a master's degree of corporate governance by The Hong Kong Polytechnic University in 2017. Mr. Lam has been a member of the Hong Kong Institute of Certified Public Accountants since 2012 and a chartered accountant of the Institute of Chartered Accountants in England and Wales since 2021. Mr. Lam is also a chartered secretary, a chartered governance professional and an associate member of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute. Mr. Lam has over 15 years of work experience mainly in accounting, auditing, treasury, financial control and corporate governance. Mr. Lam had worked for two international accounting firms and as financial manager, deputy financial controller and assistant company secretary and director of corporate finance for several listed companies in Hong Kong. Mr. Lam is currently the company secretary of Geotech Holdings Ltd. (a company listed on the Main Board of the Stock Exchange with stock code: 1707).

* *For identification purpose only*

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Lin Tat Pang

Dr. Lin Tat Pang (連達鵬), aged 68, was appointed as an independent non-executive director of the Company and the chairman of the audit committee of the Company on 22 December 2017, and a member of the nomination committee of the Company and the chairman of the remuneration committee of the Company on 31 December 2018.

Dr. Lin is also an independent non-executive director of three companies listed on the Main Board of the Stock Exchange, including China Aluminum Cans Holdings Limited (stock code: 6898) since June 2013, CT Vision S.L. (International) Holdings Limited (stock code: 994) since June 2022 and 3D Medicines Inc. (stock code: 1244) since December 2022.

Dr. Lin has over 40 years of experience in accounting, finance and public offerings. Dr. Lin served as assistant accountant, accounting manager and chief accountant in Sun Hung Kai Securities Limited during 1980 to 1988. He joined Sun Hung Kai Investment Services Limited and Sun Hung Kai Forex & Bullion Co. Limited as executive director in December 1989. He was also appointed as company secretary of Sun Hung Kai & Co. Limited (a company listed on the Main Board of the Stock Exchange with stock code: 86) in November 1990. Subsequently, he worked for Hong Kong Exchanges and Clearing Limited and the Stock Exchange between December 1992 and March 2013, and his last position was senior consultant to the Listing, Listing & Regulatory Affairs Division of Hong Kong Exchanges and Clearing Limited.

Dr. Lin obtained his Doctor of Laws, Master of Laws and Bachelor of Laws from Peking University in 2009, 1998 and 1992 respectively. He also completed his Postgraduate Certificate in Hong Kong Law in City University of Hong Kong in 1993. Dr. Lin is a member of the Hong Kong Institute of Certified Public Accountants and a fellow of the Association of Chartered Certified Accountants, United Kingdom.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Lai Chi Leung

Mr. Lai Chi Leung (黎志良), aged 57, was appointed as an independent non-executive director of the Company on 4 February 2022, and appointed as a member of the audit committee and remuneration committee of the Company on 26 February 2022.

He obtained a bachelor's degree of art with a first-class honour in 1991 from City of London Polytechnic (currently known as London Metropolitan University) in the United Kingdom. Mr. Lai is a member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. Mr. Lai has extensive working experience in audit, taxation, internal control and business review and appraisal for around 25 years. Mr. Lai is currently a director of South China CPA Limited, a corporate CPA practice in Hong Kong. Mr. Lai is also an independent non-executive director of Wai Hung Group Investment Group Limited (stock code: 3321, a Company listed on Main Board of the Stock Exchange) and he was also a former independent non-executive director of Tai Shing International (Holdings) Limited (currently known as hmvod Limited) (a company listed on GEM of the Stock Exchange with stock code: 8103), during November 2014 to April 2016.

Mr. Zhang Dingfang

Mr. Zhang Dingfang (張定昉), aged 40, was appointed as an independent non-executive director on 4 February 2022, and appointed as the chairman of the nomination committee and a member of the audit committee and remuneration committee of the Company on 26 February 2022.

He obtained a bachelor's degree of communication engineering in 2006 from the Beijing University of Posts and Telecommunications in the mainland China and a master's degree of science in telecommunication in 2011 from the Hong Kong University of Science and Technology in Hong Kong. Mr. Zhang has been certified as a Chartered Financial Analyst (CFA) by the CFA Institute in 2015. Mr. Zhang has more than 10 years of experience in corporate finance, capital market and cross-border transaction practices. He has been the head of debt capital markets of CNCB (Hong Kong) Investment Limited since 2016. Prior to that, he worked as vice president at Hong Kong International Capital Management Limited during December 2011 to December 2014, and as senior manager at Hong Kong Huafa Investment Holdings Limited during January 2015 to June 2016. Mr. Zhang is currently licensed by the Securities and Futures Commission to act as a responsible officer to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) and representative to carry out Type 4 (advising on securities) regulated activities under the Securities and Futures Ordinance ("SFO").

DIRECTORS AND SENIOR MANAGEMENT

Mr. Gu Tianlong

Mr. Gu Tianlong (古天龍), aged 60, was appointed as an independent non-executive director of the Company on 7 March 2022, and appointed as a member of the audit committee, remuneration committee and nomination committee of the Company on 30 March 2022.

Mr. Gu obtained a bachelor's degree in Machinery Manufacturing Technology and Equipment* (機械製造工藝及設備) at Taiyuan Institute of Technology North Area* (太原工學院) in August 1984 and obtained a doctor's degree in Industrial Automation (工業自動化) from Zhejiang University (浙江大學) in December 1996. Mr. Gu has obtained various awards, including "National Outstanding Teacher*" (全國模範教師) in September 1998, "Millions of Talent Projects, National Candidate*" (新世紀百千萬人才國家級人選) in April 2004 and "Overseas Chinese (Innovative Talents) Contribution Award*" (中國僑界(創新人才)奉獻獎) in September 2014. From 2018 to 2022, Mr. Gu was appointed as the vice president (副主任委員) of Committee on Professional Education (Computer) of Higher Education Institute, Ministry of Education* (教育部高等學校計算機類專業教學指導委員會). Since 2018, Mr. Gu was appointed as a committee member of Electronics Science & Technology Committee of Ministry of Industry and Information Technology (工業和信息化部電子科學技術委員會) for a term of five years. In October 2018, Mr. Gu was appointed as the director (主任) of Discrete Mathematics Professionals Committee* (離散智能計算專業委員會) of China Association for Artificial Intelligence* (人工智能學會) for a term of five years.

Note: The executive directors are also the senior management of the Company.

* *For identification purpose only*

CORPORATE GOVERNANCE REPORT

The Board believes that good corporate governance is one of the methods to safeguard the interests of shareholders of the Company (the "Shareholder(s)") and enhance the Group's value and accountability. The Board is devoted to ongoing improvement in the efficiency and effectiveness of its corporate governance practices.

During the year ended 31 December 2024, the Company has adopted the code provisions set out in the Corporate Governance Code (the "CG Code") contained in Appendix C1 of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange. The directors the Company are of the opinion that the Company has compiled with the code provisions set out in the CG Code for the year ended 31 December 2024, except the following:

Code Provision C.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Following the appointment of Mr. Zhang Xueqin as the co-chairman and the chief executive officer of the Company on 26 February 2022, the Company has deviated from Code Provision C.2.1 of the CG Code as set out in Appendix C1 of the Listing Rules. However, the Board believes that vesting the roles of both co-chairman and chief executive officer in Mr. Zhang Xueqin has the benefit of ensuring consistent and continuous planning and execution of the Company's strategies and will enable the Board to function more effectively. It is expected that Mr. Zhang Xueqin will perform the other functions and responsibilities of the chairman under the CG Code. The Board considers that the balance of power and authority, accountability and independent decision-making under the present arrangement will not be impaired in light of the diverse background and experience of the Board, with not less than one third of them being independent non-executive directors.

PURPOSE, VALUES, STRATEGY AND CULTURE

The core purpose of the Company is to create value for its shareholders. It strives to become the leading pioneer in the smart card industry that is trusted by its consumers, and a place where its employees are proud to work for. Its mission is to lead the development of the industry and set the industry benchmarks. In this connection, it endeavours to maintain accountability to its employees, consumers, shareholders, the society, and the environment. These purpose and values shape the Company's strategy, which are geared towards building a trusted and beloved enterprise whereby values for shareholders are created.

The Company's purpose, values and strategy form the foundations of the Company's corporate culture. Its corporate culture is centered on adherence to high ethical standards and practices, and striving for sustainable development.

BOARD OF DIRECTORS

Responsibilities

The Board is accountable to the Shareholders for the Group's performance and activities. The Board is responsible for establishing the strategic direction of the Group; setting objectives and business development plans; monitoring the performance of senior management and assuming responsibility for corporate governance. All directors of the Company shall ensure that they carry out their duties in good faith, in compliance with applicable laws and regulations, and in the interests of the Company and the Shareholders at all times.

Delegation by the Board

While the Board retains at all times full responsibility for guiding and monitoring the Company, it has established Board committees and has delegated to these Board committees various responsibilities as set out in their respective terms of reference, which are posted on the websites of the Stock Exchange and the Company respectively.

The Board may from time to time delegate certain functions to the management of the Group if and when considered appropriate. The management is responsible for implementing the strategies and plans established by the Board; executing daily management, administration and operation of the Group; and submitting reports on the Group's operations to the Board on a regular basis to ensure effective discharge of the Board's responsibilities.

The Board has established schedule of matters specifically reserved to the Board for its decision and those reserved for the management. The Board reviews this schedule on a periodic basis to ensure that it remains appropriate to the needs of the Group.

Composition

The Board is committed to holding the view that it should include a balanced composition of executive directors and non-executive directors (including independent non-executive directors) so that there is a strong independent element on the Board, which can effectively exercise independent judgement. As at the date of this annual report, the Board comprises five executive directors, two non-executive directors and four independent non-executive directors. The independent non-executive directors represent one-third of the Board and meet the requirements of the Listing Rules relating to at least one of them possessing appropriate professional qualifications, accounting or related financial management expertise. Details of each director are disclosed on pages 13 to 19 of this annual report. The directors of the Company during the year ended 31 December 2024 and up to the date of this annual report are:

BOARD OF DIRECTORS *(continued)*

Composition *(continued)*

Executive Directors

Mr. Mai Zhaoping *(Co-Chairman)*
Mr. Zhang Xueqin *(Co-Chairman and Chief Executive Officer)*
Ms. Mai Qiqi
Mr. Chan Chun Leung
Ms. Xu Tingting

Non-executive Directors

Mr. Mai Ziye
Mr. Lam Chi Wai

Independent Non-executive Directors

Dr. Lin Tat Pang
Mr. Lai Chi Leung
Mr. Zhang Dingfang
Mr. Gu Tianlong

Except that Mr. Mai Zhaoping is the father of Ms. Mai Qiqi and Mr. Mai Ziye, and the uncle of Mr. Chan Chun Leung, there is no relationship (including financial, business, family or other material/relevant relationships) among members of the Board.

The term of office of each non-executive and independent non-executive director is one to three years. They are subject to retirement by rotation and re-election in accordance with the memorandum and articles of association (the "M&A") of the Company.

BOARD OF DIRECTORS *(continued)*

Composition *(continued)*

Authorised Representative and Service Agent

After the resignation of Wong Chi Ho as an authorised representative of the Company under Rule 3.05 of the Listing Rules of the Stock Exchange (the "Authorised Representative") and the authorised representative of the Company pursuant to Part 16 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) for accepting service of process and notices in Hong Kong on behalf of the Company (the "Service Agent") with effect from 16 January 2024, Ms. Xu Tingting, an executive director of the Company, has been appointed as the Authorised Representative, and Ms. Chan Yuk Wa has been appointed as the Service Agent, both with effect from 16 January 2024.

Chairman and Chief Executive Officer

The chairman of the Board is mainly responsible for providing leadership and directions to the Board to ensure that the Board works effectively in discharging its responsibilities. The primary role for the chief executive officer of the Company is in charge of daily operation and business development of the Group.

Code Provision C.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Following the appointment of Mr. Zhang Xueqin as the co-chairman and the chief executive officer of the Company on 26 February 2022, the Company has deviated from Code Provision C.2.1 of the CG Code as set out in Appendix C1 of the Listing Rules. However, the Board believes that vesting the roles of both co-chairman and chief executive officer in Mr. Zhang Xueqin has the benefit of ensuring consistent and continuous planning and execution of the Company's strategies and will enable the Board to function more effectively. It is expected that Mr. Zhang Xueqin will perform the other functions and responsibilities of the chairman under the CG Code. The Board considers that the balance of power and authority, accountability and independent decision-making under the present arrangement will not be impaired in light of the diverse background and experience of the Board, with not less than one third of them being independent non-executive directors.

Directors' Securities Transactions

For the year ended 31 December 2024, the Company has adopted dealings rules on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Companies set out in Appendix C3 of the Listing Rules (the "Model Code"). Upon specific enquiries, all the directors of the Company confirmed in writing that they had complied with the required standard set out in the Model Code during the year ended 31 December 2024 regarding their securities transactions.

BOARD OF DIRECTORS *(continued)*

Induction and Continuous Professional Development

All newly appointed directors of the Company will be provided with necessary induction and information to ensure appropriate understanding of the business and operations of the Company and full awareness of director's responsibilities and obligations under the requirements of the Listing Rules and relevant statutory obligations.

All directors of the Company are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Company also provides its directors with updates on latest development and changes in the Listing Rules and other relevant legal and regulatory requirements from time to time. The directors of the Company are also provided with regular updates on the Company's performance and prospects to enable the Board as a whole and each director to discharge their duties.

The directors of the Company have complied with the requirement under Code Provision C.1.4 of the CG Code regarding continuous professional development during the year ended 31 December 2024 in the following manner:

Name of Directors	Reading materials in relation to corporate governance and regulatory requirements	Attending seminars/courses/ conferences to develop professional skills and knowledge
Executive Directors		
Mr. Mai Zhaoping	✔	
Mr. Zhang Xueqin	✔	
Ms. Mai Qiqi	✔	
Mr. Chan Chun Leung	✔	
Ms. Xu Tingting	✔	
Non-executive Directors		
Mr. Mai Ziye	✔	
Mr. Lam Chi Wai	✔	
Independent Non-executive Directors		
Dr. Lin Tat Pang	✔	✔
Mr. Lai Chi Leung	✔	✔
Mr. Zhang Dingfang	✔	
Mr. Gu Tianlong	✔	

BOARD OF DIRECTORS *(continued)*

Disclosure of Directors' Other Offices

As Code Provision C.1.5 under the CG Code requires directors to disclose the number and nature of offices held in public companies or organizations and other significant commitments as well as their identity and the time involved, all the directors of the Company have disclosed the relevant information in writing and agreed to notify the Company of any further change in a timely manner.

All the directors of the Company have also confirmed in writing that they had given sufficient time and attention to the affairs of the Company during the year ended 31 December 2024.

Independence of Independent Non-Executive Directors

The role of independent non-executive directors of the Company is to provide independent and objective opinions to the Board, giving adequate control and balances for the Company to protect the overall interests of the Shareholders. They serve actively on the Board and its committees to provide their independent and objective views.

The Company has received an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules from each of its independent non-executive directors. The Company considers that all the independent non-executive directors of the Company are independent.

Mechanisms to Ensure Independent Views

The Board has adopted effective mechanisms to ensure independent views and input are available to the Board. Subject to approval of the co-chairman of the Board, the directors of the Company may seek, at the Company's expense, independent legal, financial or other professional advices from advisors independent to those advising the Company as and when necessary in appropriate circumstances to enable them to perform their responsibilities effectively. The Board will review the implementation and effectiveness of such mechanisms on an annual basis.

During the year, the Board reviewed the above mechanisms and considered that the above mechanisms are effective in ensuring that independent views and input are provided to the Board.

Directors' Insurance

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

BOARD OF DIRECTORS *(continued)*

Board Diversity Policy

The Company embraces the benefits of having a diverse board and sees diversity at board level as an essential element in maintaining a competitive advantage. Thus, the Board adopted a board diversity policy (the "Diversity Policy") on 13 August 2013 and revised on 24 August 2022, which sets out the approach to achieve and maintain diversity on the Board in order to enhance the effectiveness of the Board.

Pursuant to the Diversity Policy, the Company seeks to achieve board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills knowledge and length of service. All appointments of members of the Board are made on merit, in the content of the talents, skills and experience the Board as a whole requires to be effective.

The Board and its nomination committee have set and will continue to consider setting measurable objectives to implement the Diversity Policy, and they review the Diversity Policy and measurable objectives on an annual basis to ensure their appropriateness and continued effectiveness. During the year, the nomination committee of the Company reviewed the Diversity Policy and considered that the Diversity Policy is suitable and effective.

The current Board comprises 9 male members and 2 female members. The Company is determined to enhance gender diversity in the Board to achieve better gender equality in terms of gender ratio. The Company expects this is achievable with suitable effort in promoting gender diversity.

As at 31 December 2024, the Company has 93 employees in total comprising of approximately 37 females and 56 males (a female-to-male ratio of 66%), reflecting a gender equality principle generally adhered by the Company. The Company is mindful of the objectives as set out in the diversity policy when assessing the candidacy of the employees, and will ensure that the Company shall continue to follow the policy.

As at the date of this annual report, the Board is characterised by significant diversity, whether considered in terms of gender, age, educational background, professional experience, skills, knowledge and length of service.

BOARD OF DIRECTORS *(continued)*

Nomination Policy

Pursuant to the CG Code, the Board adopted a nomination policy (the "Nomination Policy") on 19 December 2018, which sets out the criteria in considering candidates and the procedures for the selection, appointment and re-appointment of directors with the purpose of ensuring the Board has a balance of skills, experience and diversity of perspectives appropriate to requirements of the Group's business.

The Board is responsible for selection and appointment of directors, while the nomination committee of the Company identifies individuals suitably qualified to become directors, selects nominees and makes recommendations to the Board and considers the Board succession plan.

The major criteria considered by the nomination committee of the Company and the Board are as follows:

- candidates' character and integrity;
- candidates' qualifications, including professional qualifications, skills, knowledge and experience that are relevant to the Company's strategy and the Group's business;
- candidates' willingness to devote adequate time to discharge duties as a member of the Board and quantity and nature of their present offices;
- the Diversity Policy and any measurable objectives adopted for achieving diversity on the Board; and
- requirements for the Board to have independent non-executive directors in accordance with the Listing Rules.

The nomination committee of the Company is responsible for reviewing the Nomination Policy to ascertain candidates effectively representing the best interests of the Group and comply with current regulatory requirements.

BOARD OF DIRECTORS *(continued)*

Board Meetings

The Board is scheduled to meet regularly at least four times a year at approximately quarterly intervals, to discuss the overall strategy as well as the operational and financial performance of the Company. Additional Board meetings would be arranged, if and when required. Such Board meetings involve a majority of directors' active participation and informed discussion, either in person or through other electronic means of communication. The directors of the Company make every effort to contribute to formulation of policy, decision-making and development of the Group's business.

The Board held four regular meetings during the year ended 31 December 2024. An agenda of each Board meeting was presented for comments and approval. The Board was provided with adequate, timely and reliable information about the Group's business and developments before each Board meeting. All the directors of the Company were asked to review and comment on the Board minutes within a reasonable time after every meeting to maintain accurate records of their discussions and decisions. Details of individual attendance of directors of the Company are set out below:

Name of Directors	Attended/Eligible to attend
Executive Directors	
Mr. Mai Zhaoping	4/4
Mr. Zhang Xueqin	4/4
Ms. Mai Qiqi	4/4
Mr. Chan Chun Leung	4/4
Ms. Xu Tingting	4/4
Mr. Wong Chi Ho *(resigned on 16 January 2024)*	–
Non-executive Directors	
Mr. Mai Ziye	4/4
Mr. Lam Chi Wai *(appointed on 9 February 2024)*	4/4
Mr. Xing Yi *(resigned on 9 February 2024)*	–
Independent Non-executive Directors	
Dr. Lin Tat Pang	4/4
Mr. Zhang Dingfang	4/4
Mr. Lai Chi Leung	4/4
Mr. Gu Tianlong	3/4

During the year ended 31 December 2024, the co-chairmen of the Board has met with the independent non-executive directors of the Company without the presence of any other executive director.

BOARD COMMITTEES

The Board has established an audit committee, a remuneration committee and a nomination committee to oversee particular aspects of the Company's affairs. Each Board committee has its defined and written terms of reference approved by the Board covering its duties, powers and functions. Their terms of reference are available on the websites of the Company and the Stock Exchange. The finance and investment committee of the Company has been also set up to support the Board in finance and investment issues.

The Board committees are provided with sufficient resources to discharge their duties, including access to management or professional advice if considered necessary.

Audit Committee

The audit committee of the Company was established on 28 September 2004. It is primarily responsible for making recommendations to the Board on the appointment, re-appointment and removal of the external auditor; approving the remuneration and terms of engagement of the external auditor; dealing with any questions of the external auditor's resignation or dismissal; reviewing the Company's financial controls, internal controls, and risk management systems; and reviewing the financial statements of the Company. Other duties of the audit committee of the Company are set out in its terms of reference.

The composition of the audit committee of the Company throughout the year ended 31 December 2024 is as follows:

Dr. Lin Tat Pang *(Chairman)*
Mr. Lai Chi Leung
Mr. Zhang Dingfang
Mr. Gu Tianlong

All the members are independent non-executive directors, and none of them is a former partner of the Company's existing auditing firm. Dr. Lin Tat Pang, who has appropriate professional qualifications and experience in accounting matters, was appointed as the chairman of the audit committee of the Company.

BOARD COMMITTEES *(continued)*

Audit Committee *(continued)*

The audit committee of the Company held four meetings during the year ended 31 December 2024. Out of these four meetings, it met two times with the external auditor. Details of individual attendance of its members are set out below:

Name of Directors	Attended/Eligible to attend
Independent Non-executive Directors	
Dr. Lin Tat Pang *(Chairman)*	4/4
Mr. Lai Chi Leung	4/4
Mr. Zhang Dingfang	4/4
Mr. Gu Tianlong	4/4

Set out below is the summary of work performed by the audit committee of the Company during the year ended 31 December 2024:

(1) to approve the remuneration and terms of engagement of the external auditor;

(2) to monitor integrity of the Company's financial statements, annual report and interim report, and to review significant financial reporting judgments contained in them;

(3) to review the Company's financial controls, risk management and internal control systems; and

(4) to discuss the risk management and internal control systems with management of the Company to ensure that management has performed its duty to have effective risk management and internal control systems.

BOARD COMMITTEES *(continued)*

Remuneration Committee

The remuneration committee of the Company, established on 30 December 2004 in compliance with the relevant Listing Rules, makes recommendations to the Board on the Company's policy and structure for all directors' and senior management's remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy. The remuneration of directors of the Company is determined according to their expertise, knowledge and contributions to the Group with reference to the Group's profitability and the prevailing market conditions. The Board expects the remuneration committee of the Company to exercise independent judgment and ensures that all the directors of the Company do not participate in the determination of their own remuneration.

The Company has adopted a remuneration policy for directors of the Company. Directors are remunerated in accordance with the nature of their duties and comparable market conditions. Incentive bonus would be granted to reward and motivate well-performed directors. Details of the remuneration payable to the directors of the Company during the year ended 31 December 2024 are set out in note 8 to the financial statements.

The composition of the remuneration committee of the Company throughout the year ended 31 December 2024 is as follows:

Dr. Lin Tat Pang *(Chairman)*
Mr. Lai Chi Leung
Mr. Zhang Dingfang
Mr. Gu Tianlong

The remuneration committee of the Company held one meeting during the year ended 31 December 2024 to review the policy and structure for all remuneration of directors and management of the Company and make recommendations to the Board on the directors' remuneration, determine the year-end bonus plan and salary adjustment plan of the Group, assessing performance of executive directors of the Company and approving the terms of executive directors' service contracts. Details of individual attendance of its members are set out below:

Name of Directors	Attended/Eligible to attend
Independent Non-executive Directors	
Dr. Lin Tat Pang *(Chairman)*	1/1
Mr. Lai Chi Leung	1/1
Mr. Zhang Dingfang	1/1
Mr. Gu Tianlong	1/1

BOARD COMMITTEES *(continued)*

Nomination Committee

The Board established the nomination committee of the Company on 20 March 2012 in compliance with the relevant CG Code. The nomination committee of the Company reviews the structure, size, board diversity and composition of the Board; makes recommendations on any proposed changes to the Board to complement the Company's corporate strategy; identifies individuals suitably qualified to become Board members; makes recommendations to the Board on the selection of individuals nominated for directorships; assesses the independence of independent non-executive directors and makes recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors.

The composition of the nomination committee of the Company throughout the year ended 31 December 2024 is as follows:

Mr. Zhang Dingfang *(Chairman)*
Dr. Lin Tat Pang
Mr. Gu Tianlong
Ms. Xu Tingting

During the year ended 31 December 2024, the nomination committee held one meeting to review the structure, size, board diversity and composition of the Board, discuss matters regarding the re-election of directors, assess the independence of independent non-executive directors, and review the Nomination Policy and Diversity Policy, etc. Details of individual attendance of its members are set out below:

Name of Directors	Attended/Eligible to attend
Independent Non-executive Directors	
Mr. Zhang Dingfang *(Chairman)*	1/1
Dr. Lin Tat Pang	1/1
Mr. Gu Tianlong	1/1
Executive Director	
Ms. Xu Tingting *(appointed on 16 January 2024)*	1/1
Mr. Wong Chi Ho *(resigned on 16 January 2024)*	–

BOARD COMMITTEES *(continued)*

Finance and Investment Committee

The finance and investment committee of the Company was set up on 11 November 2013, aiming to provide executive inputs, supervision and technical/legal oversight and regulatory compliance of the investment functions of the Company; assist the Board in evaluating investment, acquisition, joint venture and divestiture transaction in which the Company is engaged as part of its business strategy from time to time; and consider other topics as defined by the Board.

Mr. Lam Chi Wai was appointed as a member of the financial and investment committee of the Company by the Board on 9 February 2024. After the resignation of Mr. Xing Yi on 9 February 2024 as a member of the finance and investment committee, the finance and investment committee of the Company currently comprises 6 members, namely Mr. Mai Zhaoping, Mr. Zhang Xueqin (being the co-chairmen of the finance and investment committee of the Company), Ms. Mai Qiqi, Mr. Chan Chun Leung, Ms. Xu Tingting and Mr. Lam Chi Wai.

During the year ended 31 December 2024, no meeting was held by the finance and investment committee.

CORPORATE GOVERNANCE FUNCTION

No corporate governance committee has been established so far and the Board is responsible for performing the corporate governance duties which include the following items:

- developing and reviewing the Company's policies and practices on corporate governance (including the board diversity policy, mechanisms to enquire independence view of the Board and shareholders communication policy) and making recommendations if needed;

- reviewing and monitoring the training and continuous professional development of directors of the Company;

- reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements;

- developing, reviewing and monitoring the code of conduct applicable to employees and directors; and

- reviewing the Company's compliance with the CG Code as amended from time to time and disclosure in the Corporate Governance Report.

During the year ended 31 December 2024, the Board has performed the above duties and reviewed the corporate governance practices of the Company with reference to the CG Code and explained any deviation from the CG Code in this corporate governance report.

INTERNAL CONTROL AND RISK MANAGEMENT

The Board oversees the management in the design, implementation and monitoring of the risk management and internal control systems, which are designed to manage risk of failure to achieve business objectives and provide reasonable assurance against material misstatement or loss. The Board has overall responsibility for reviewing and maintaining an adequate and effective internal control and risk management systems to safeguard the interests of the shareholders and the assets of the Group.

To facilitate the effectiveness and efficiency of operations and to ensure compliance with relevant laws and regulations, the Group emphasizes on the importance of the internal control and risk management systems which is also indispensable for mitigating the Group's risk exposures. The internal control and risk management systems are embedded within the business processes and function as an integral part of the overall operations of the Group. As maintaining an effective control system is a shared responsibility of all in the Group, the Group is dedicated to educating all employees via trainings to ensure they understand the importance of internal control and risk management policies and adhere to them.

In order to comply with the CG Code, the Group has set up its own internal audit department to perform an internal audit function since March 2016. Audit plans, risk assessments and internal audit reports are presented to and reviewed by the audit committee of the Company and the Board.

Internal audit department provides an independent assessment of the effectiveness of the Group's internal control and risk management systems in accordance with the CG Code, and assists the audit committee of the Company to conduct regular reviews of the Group's internal control and risk management systems. Different audit areas are assigned with different risk ratings and an audit plan is formulated accordingly so that priority and more resources are given to areas with higher risks. An internal audit program was established in 2016 and completed in March 2022. A new five-year audit program was established in May 2022 and will be completed in 2026. Moreover, an annual internal audit plan which consists of a work schedule as well as objectives and scope of internal audit is reviewed annually by the audit committee of the Company. The internal auditor conducts regular financial and operational reviews as well as the ad-hoc audit assignment over contingent issues on the Group and reports directly to the audit committee regularly. The internal auditor also monitors the follow up actions agreed upon in response to its recommendations. The audit committee of the Company reviews the work performed by the internal auditor and summary of major findings and control weaknesses, if any, at least annually to ensure the effectiveness of internal audit function, internal control and risk management systems.

In order to facilitate the enterprise risk management, a working group for risk management ("Risk Management Working Group") was formed by the Group in 2016 of which its members are come from senior management and major departments. The Risk Management Working Group is accountable to the audit committee of the Company and the Board. It assists the Board in overseeing the Group's risk profile and is responsible for overseeing the effectiveness of management's actions in the identification, assessment, management and reporting of material business risks.

INTERNAL CONTROL AND RISK MANAGEMENT *(continued)*

The Risk Management Working Group uses risk management matrix to determine risk level. Each risk is evaluated by the likelihood of the identified risk and the consequence of the risk event. The risk ratings reflect the required management attention and risk treatment effort. All risks are ranked and their treatment is determined by a combination of likelihood and consequence according to a risk matrix, which takes account of risk appetite.

The identified risk together with the risk response is recorded at the risk register and subject to the Board's oversight. The key elements of the internal control and risk management systems of the Group include the establishment of a risk register to keep track of and record identified risks, the assessment and evaluation of risks, the development and continuous updating of responsive procedures, and the ongoing testing of internal control procedures to ensure their effectiveness. After discussing and taking into consideration the risk responses, the relevant departments and business units shall be assigned to implement the risk management solutions in accordance with their respective roles and responsibilities.

Risk management meetings are held on regular basis for providing a communication channel to all members of the Risk Management Working Group and keeping track of the identified risks, monitoring residual risks and identifying new risks, ensuring the execution of risk plans and evaluating their effectiveness in reducing risks.

The Group has adopted an anti-bribery and corruption policy to govern acceptance of advantages by directors and employees, and has also established and published a whistleblowing policy and a system on antifraud to promote anti-corruption laws and regulation. With the publicly available whistleblowing policy and report form, employees and third parties can raise concerns, in confidence and anonymity, with the audit committee about possible improprieties in any matter related to the Group. During the year ended 31 December 2024, no incident of fraud or misconduct was reported from employees or stakeholders that had material effect on the Group's financial statements and overall operations.

During the year ended 31 December 2024, the Board, through the audit committee of the Company, has assessed the design and execution effectiveness of the internal control and risk management systems of the Group including financial, operational and compliance controls and risk management functions and has considered the adequacy of resources, staff qualifications and experience, training programmes, and budget of the Group's accounting, internal audit, financial reporting function, as well as those relating to the Group's environmental, social and governance performance and reporting. The Board is satisfied that, the present systems of risk management and internal control are effective and adequate.

DISCLOSURE OF INSIDE INFORMATION

The Company acknowledges its responsibilities under the overriding principle that inside information should be announced immediately when it is the subject of a decision. Therefore, the following measures were carried to handle confidential information appropriately.

- The Company has adopted a corporate disclosure policy which must be fully observed by all directors and employees of the Company to educate directors and employees on the procedures of proper information disclosure.

- The Company discloses its inside information on fair disclosure by pursuing broad, non-exclusive distribution of information to the public through channels such as financial reporting, public announcements and the Company's and the Stock Exchange's websites.

- The Company strictly prohibits unauthorised use of confidential or inside information.

- Only the executive directors, the company secretary and the management responsible for investor relations of the Company are authorised to communicate with parties outside the Company.

- Employees who, because of their office in the Company, are likely to be in possession of inside information, have also been required to comply with the guidelines in respect of the securities dealing when dealing in the Company's shares.

ACCOUNTABILITY AND AUDIT

The directors of the Company acknowledge their responsibility to prepare the Company's financial statements which give a true and fair view of the Group's state of affairs, results and cash flows for the year ended 31 December 2024. The Company has selected appropriate accounting policies and has applied them consistently based on prudent and reasonable judgments and estimates. A statement by the auditor of the Company about its reporting responsibilities is set out on pages 115 to 116 of this annual report.

The directors of the Company consider that the Company has adequate resources to continue in business for the foreseeable future and are not aware of any material uncertainties relating to events or conditions that may affect the business of the Company or cast doubts on its ability to continue as going concern.

AUDITOR'S REMUNERATION

During the year ended 31 December 2024, the fee payable to McMillan Woods (Hong Kong) CPA Limited in respect of audit services amounted to HK$650,000.

There has been no major disagreement between the auditor and the management of the Company during the year ended 31 December 2024.

COMPANY SECRETARY

In order to uphold good corporate governance and ensure compliance with the Listing Rules and applicable Hong Kong laws, the Company engages an external service provider to provide secretarial service. On 6 November 2024, Ms. Lee Ka Man resigned as the Company Secretary of the Company and has appointed Mr. Wong King Sum ("Mr. Wong") as its company secretary on the same day. Since Mr. Wong is not an employee of the Group, Ms. Xu Tingting, our executive Director, is the person whom Mr. Wong can contact for the purpose of Code Provision C.6.1 of the CG Code.

Mr. Wong is a member of CPA Australia and an associate member of The Hong Kong Chartered Governance Institute. Mr. Wong has confirmed that for the year under review, he has taken no less than 15 hours of relevant professional training respectively to update his skills and knowledge.

SHAREHOLDERS' RIGHTS

The Company aims to, via its corporate governance structure, enable all the Shareholders an equal opportunity to exercise their rights and allow them to engage actively with the Company.

Attending General Meetings

The general meetings of the Company provide an opportunity for direct communication between the Board and the Shareholders. The Company encourages the participation of Shareholders through annual general meetings and other general meetings where the Shareholders meet and exchange views with the Board, and exercise their right to vote at meetings.

The Company shall arrange a notice of meeting and a circular containing details on proposed resolutions to be sent to the Shareholders no less than 21 days before a meeting. At general meetings, separate resolutions are proposed on each substantial issue, including the election of individual directors.

SHAREHOLDERS' RIGHTS *(continued)*

Convening an Extraordinary General Meeting

Pursuant to Article 12.3 of the M&A of the Company, general meetings shall be convened on the written requisition of any two or more members of the Company deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office specifying the objects of the meeting and signed by the requisitionists, provided that such requisitionists held as at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company.

General meetings may also be convened on the written requisition of any one member of the Company which is a recognised clearing house (or its nominee) deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office specifying the objects of the meeting and signed by the requisitionist, provided that such requisitionist held as at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company.

If the Board does not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting to be held within a further 21 days, the requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Board provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to them by the Company.

Voting and Putting Forward Resolutions

All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and the poll results will be posted on the websites of the Company and the Stock Exchange in a timely manner after each general meeting.

There is no provision under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and the M&A of the Company allowing the shareholders to propose new resolutions or move resolutions at the general meetings. The Shareholders who wish to make proposals or move a resolution may, however, convene an extraordinary general meeting.

SHAREHOLDERS' RIGHTS *(continued)*

Proposing for Election as a Director

Pursuant to Article 16.4 of the M&A of the Company, no person shall, unless recommended by the Board, be eligible for election to the office of director at any general meeting, unless notice in writing by a member of the Company (not being the person to be proposed), entitled to attend and vote at the meeting for which such notice is given, of his intention to propose such person for election as a director and notice in writing signed by the person to be proposed of his willingness to be elected have been given to the company secretary of the Company provided that the minimum length of the period, during which such notices are given, shall be at least seven days. The period for lodgment of such notices shall commence no earlier than the day after the dispatch of the notice of the meeting appointed for such election and end no later than seven days prior to the date of such meeting.

Details for the Shareholders to propose a person for election as director are available on the Company's website.

Enquiries to the Board

The Shareholders may send their enquiries and concerns in writing to the Board by addressing them to the principal place of business of the Company in Hong Kong, presently at Units 4108–4110, 41st Floor, Manhattan Place, 23 Wang Tai Road, Kowloon Bay, Hong Kong, or email to the designated email addresses of the Company.

Upon receipt of enquiries, the matters within the Board's purview will be forwarded to executive directors of the Company and the issues relating to the Board committees' responsibilities will be sent to the chairman of the relevant committee of the Company.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Board has adopted a shareholder's communication policy on 24 August 2022 which sets out the Group's commitment of maintaining an effective ongoing dialogue with shareholders. In summary, the Company establishes different communication channels with shareholders and stakeholders including: (i) provision of printed or electronic copies of corporate communications; (ii) provision of timely corporate information on the company website; (iii) holding of annual general meetings to provide platform for shareholders to raise comments and exchange views with the Board; and (iv) arrangement in serving the shareholders in respect of all share registration matters. The Board reviewed the validity of implementation of the shareholder's communication policy during the year and considered that it remained effective in enhancing timely, transparent, accurate and open communication between the Company and the shareholders.

The Company considers that effective communication with its shareholders is essential for enhancing investor relations and understanding of the Group's business, performance and strategies. The Company also recognises the importance of timely and non-selective disclosure of information on the Company for its shareholders and investors to make informed investment decisions. To ensure the Shareholders are kept well informed, the Company uses a range of communication tools, such as annual general meetings, annual reports, interim reports, various notices, announcements, and circulars.

The annual general meetings of the Company provide opportunity for the Shareholders to communicate mutually and efficiently with directors of the Company. The co-chairmen of the Board and the chairmen of the Board committees will attend annual general meetings to answer the shareholders' questions. The auditor of the Company will also attend annual general meetings to answer questions about conduct of the audit, preparation and content of the auditor's report, accounting policies and auditor's independence.

At the 2024 annual general meeting ("AGM"), a separate resolution was proposed by the chairman in respect of each separate issue, including re-election of directors and voted by way of poll. The Company announced the results of the poll in the manner prescribed under the Listing Rules.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS *(continued)*

The chairman of the Board, the chairmen of the audit committee, remuneration committee and nomination committee of the Company attended the 2024 AGM. Details of individual attendance of directors of the Company at the 2024 AGM are set out below:

Name of Directors	Attended/Eligible to attend Annual General Meeting
Executive Directors	
Mr. Mai Zhaoping	1/1
Mr. Zhang Xueqin	1/1
Ms. Mai Qiqi	1/1
Mr. Chan Chun Leung	1/1
Ms. Xu Tingting	1/1
Mr. Wong Chi Ho *(resigned on 16 January 2024)*	–
Non-executive Director	
Mr. Mai Ziye	1/1
Mr. Lam Chi Wai *(appointed on 9 February 2024)*	1/1
Mr. Xing Yi *(resigned on 9 February 2024)*	–
Independent Non-executive Directors	
Dr. Lin Tat Pang	1/1
Mr. Lai Chi Leung	1/1
Mr. Zhang Dingfang	1/1
Mr. Gu Tianlong	1/1

In addition, to ensure that the Shareholders will have equal and timely access to information, the Company maintains the official website at www.leadwayinv.com, where the up-to-date information on the Company's business operations and developments, financial information, corporate governance practices and other information are available for public easy access.

CONSTITUTIONAL DOCUMENTS

For the year ended 31 December 2024, there has been no change in the constitutional documents of the Company.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THIS REPORT

Leadway Technology Investments Holdings Limited (the "Company"), together with its subsidiaries (the "Group"), is pleased to present this Environmental, Social and Governance ("ESG") Report ("this Report" or "the Report") to provide an overview of the Group's management on significant issues affecting the operation, and the performance of the Group in terms of environmental and social aspects.

Preparation Basis and Scope

This Report is prepared in accordance with Appendix C2 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") – "Environmental, Social and Governance Reporting Guide" (the "ESG Reporting Guide", which has been renamed as the "Environment, Social and Governance Reporting Code" since 1 January 2025) and has complied with the mandatory disclosure requirements and the "comply or explain" provisions in the Listing Rules.

This Report summarises the performance of the Group in respect of corporate social responsibility, covering its operating activities which are development, sales and distribution of smart card products, software and hardware and provision of smart card related services in the People's Republic of China ("PRC"), Hong Kong ("HK") and Japan. As the Group terminated the office operations in the Republic of the Philippines (the "Philippines") in July 2024, and these operational activities were considered to be immaterial to the Group's environmental and social performance during the Reporting Period, the Philippines operations are excluded from the reporting scope. With the aim to optimise and improve the disclosure requirements in the Report, the Group has taken initiative to formulate policies, record environmental data and implement monitoring measures. This Report shall be published both in Chinese and English on the website of the Stock Exchange. Should there be any discrepancy between the Chinese and the English versions, the English version shall prevail.

ABOUT THIS REPORT *(continued)*

Preparation Basis and Scope *(continued)*

During its preparation, the Group adheres to the reporting principles of materiality, quantitative, balance and consistency by:

Materiality

Interpretation: The report should disclose significant impacts on the environment and society, or aspects that materially affect how the stakeholders assess the Group and make decisions.

- Application: The Group conducts questionnaire to understand stakeholders' expectations. Based on the results of the questionnaire, the Group identifies and reports the Group's material sustainability issues.

Quantitative

Interpretation: The KPIs disclosed in the report shall be calculable and comparable where applicable.

- Application: Under feasible situation, the Group records, calculates and discloses quantitative information and conducts comparisons with past performance.

Balance

- Application: The Group follows the principles of accuracy, objectivity and fairness to report its achievements and challenges in sustainable development.

Interpretation: The Group should objectively and truthfully report its ESG performance for the year.

Consistency

- Application: The Group ensures consistency in preparing the report and manage its ESG data for future comparison. If there are any changes to the methodologies, calculations, or any other factors that affect meaningful comparison, the Group will make a clear explanation.

Interpretation: The ESG report should be prepared in a consistent manner, its ESG's KPIs can be compared to understand corporate performance.

ABOUT THIS REPORT *(continued)*

Reporting Period

This Report demonstrates our sustainability initiatives during the reporting period from 1 January 2024 to 31 December 2024 (the "Reporting Period" or "the Year").

Contact Information

The Group welcomes your feedback on this Report for our sustainability initiatives. Please contact us by email to info@leadwayinv.com.

INTRODUCTION

The Group is one of the world's leading smart card reader suppliers and has been devoted to the research and development of smart card operating system and reader. The Group constantly offers a wide range of new products and promotes the application of smart cards in different areas. The principal activities of the Group are the development, sales and distribution of smart card products, software and hardware and the provision of smart card related services.

The Group is committed to responsible operation and value creation for stakeholders and community by integrating environmental and social factors into management considerations. The sustainability strategy is based on the compliance with the legal requirements in the area in which we operate and the opinions from stakeholders. Sustainability is crucial for the Group's growth in order to achieve business excellence and enhance capabilities for long-term competitiveness. The Group has established and implemented various policies to manage and monitor our operation risks relating to the environment and society. Details of the management approaches to sustainable development of different areas are illustrated in this Report.

STAKEHOLDER ENGAGEMENT AND MATERIALITY ASSESSMENT

The Group understands the success of the Group's business depends on the support from its key stakeholders, who (a) have invested in or will invest in the Group; (b) have the ability to influence the outcomes within the Group; and (c) are interested in or affected by or have the potential to be affected by the Group's activities, products, services and relationships. The Group will continue to ensure effective communication and maintain a good relationship with each of its key stakeholders.

Stakeholders are prioritised from time to time in view of the Group's roles and duties, strategic plan and business initiatives. The Group engages with its stakeholders to develop mutually beneficial relationships and to seek their views on its business proposals and initiatives as well as to promote sustainability in the marketplace, workplace, community and environment.

STAKEHOLDER ENGAGEMENT AND MATERIALITY ASSESSMENT *(continued)*

The Group acknowledges the importance of intelligence gained from the stakeholders' insights, inquiries and continuous interest in the Group's business activities. The Group has identified key stakeholders that are important to our business and established various channels for communication. The following table provides an overview of the Group's key stakeholders, and various platforms and methods of communication are used to reach, listen and respond.

Stakeholders	Expectations	Engagement channels	Measures
Government	– Comply with applicable laws and regulations – Proper tax payment – Promote regional economic development and employment	– On-site inspections and checks – Research and discussion through work conferences, work reports preparation and submission for approval – Annual and interim reports – Website	– Operated, managed and paid taxes according to laws and regulations, strengthened safety management; accepted the government's supervision, inspection and evaluation, for example, accepted certain onsite inspections throughout the Year, and actively undertook social responsibilities

STAKEHOLDER ENGAGEMENT AND MATERIALITY ASSESSMENT *(continued)*

Stakeholders	Expectations	Engagement channels	Measures
Shareholders and Investors	– Low risk – Return on investment – Information disclosure and transparency – Protection of interests and fair treatment of shareholders	– Annual general meeting and other shareholder meetings – Annual and interim report, announcements	– Issued notices of general meeting and proposed resolutions according to regulations, disclosed company's information by publishing announcements/circulars/annual and interim reports – Carried out different forms of investor activities with an aim to improve investors' recognition – Held results briefing upon necessary – Disclosed company contact details on website and in published reports and ensured all communication channels are available and effective

STAKEHOLDER ENGAGEMENT AND MATERIALITY ASSESSMENT *(continued)*

Stakeholders	Expectations	Engagement channels	Measures
Employees	– Safeguard the rights and interests of employees – Working environment – Career development opportunities – Self-actualisation – Health and safety	– Training, seminars, briefing sessions – Cultural and sport activities – Newsletters – Intranet and emails	– Provided a healthy and safe working environment; developed a fair mechanism for promotion; established labor unions at all levels to provide communication platforms for employees; cared for employees by helping those in need and organized employee activities
Customers	– Safe and high-quality products – Stable relationship – Information transparency – Integrity – Business ethics	– Website, brochures – Email and customer service hotline – Regular meeting	– Established laboratory, strengthened quality management to ensure stable production and smooth transportation, and entered into long-term strategic cooperation agreements

STAKEHOLDER ENGAGEMENT AND MATERIALITY ASSESSMENT *(continued)*

Stakeholders	Expectations	Engagement channels	Measures
Suppliers/Partners	– Long-term partnership – Honest cooperation – Fair, open information resources sharing – Risk reduction	– Business meetings, supplier conferences, phone calls, interviews – Regular meeting – Review and assessment – Tendering process	– Invited tenders publicly, to select the best suppliers and contractors, performed contracts according to agreements, enhanced daily communication, and established long-term cooperation with quality suppliers and contractors

Through general communication with stakeholders, the Group understands the expectations and concerns of stakeholders. The feedback obtained allows the Group to make more informed decisions, and to better assess and manage the resulting impact.

The Group adopted the principle of materiality in ESG reporting by understanding the key ESG issues which are important to the business of the Group. All the key ESG issues and key performance indicators ("KPIs") disclosed in the Report are prepared with reference to the recommendations of the ESG Reporting Guide by the Stock Exchange and the Sustainability Accounting Standards Board ("SASB") Standards.

The Group evaluated the materiality and importance in ESG aspects through the following steps:

Step 1: Identification – Industry Benchmarking

- Relevant ESG areas were identified through the review of relevant ESG reports of the local and international industry peers.

- The materiality of each ESG area was determined based on the importance of each ESG area to the Group through internal discussion of the management and the recommendation of ESG Reporting Guide.

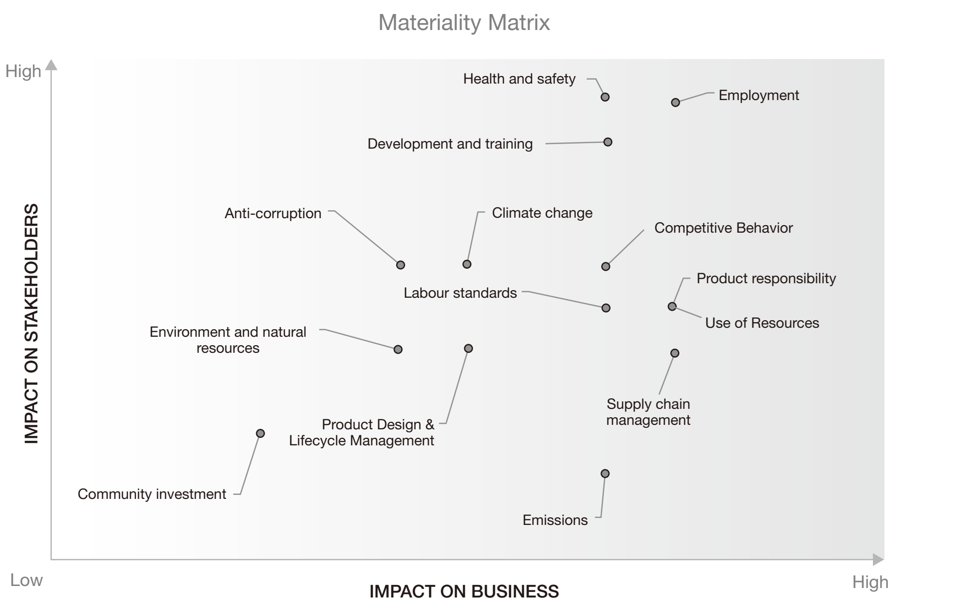
STAKEHOLDER ENGAGEMENT AND MATERIALITY ASSESSMENT *(continued)*

Step 2: Prioritization – Stakeholder Engagement

- The Group discussed with key stakeholders on key ESG areas identified above, the questionnaires were distributed to internal and external stakeholders to participate in materiality assessment and rated the issues based on their importance to the Group's business and to the stakeholders themselves.

Step 3: Validation – Determining Material Issues

- Based on the discussion with key stakeholders and internal discussion among the management and the results of the materiality assessment, the Group's management ensured all the key and material ESG areas, which were important to business development, were reported and in compliance with the ESG Reporting Guide. For the Reporting Period, the Group's materiality matrix is as follows:



As a result of this process carried out during the Reporting Period, those important ESG areas to the Group were discussed in this Report.

ESG GOVERNANCE

Board's oversight of ESG issues

Board's overall vision and strategy in managing ESG issues

The Board has a primary role in overseeing the management of the Group's sustainability issues. During the Year, the Board and the ESG Working Group spent significant time in evaluating the impact of ESG-related risks on our operation and formulating relevant policy in dealing with the risks. The oversight of the Board is to ensure the management have all the right tools and resources to oversee ESG issues in the context of strategy and long-term value creation.

ESG Working Group

To demonstrate our commitment to transparency and accountability, our Group has established an ESG Working Group, which has clear terms of reference that set out the powers delegated to it by the Board. We highly value the opinions of each stakeholder and treat them as the cornerstone for the development of the Group. During the Reporting Period, the ESG Working Group consisted of chief executive officer, head of finance department, head of company secretarial department, head of human resources department and head of purchase and operations department.

The ESG Working Group is primarily responsible for reviewing and supervising the ESG process, and risk management of the Group. Different ESG issues are reviewed by the ESG Working Group at the meetings, which are held at least annually. During the Reporting Period, the ESG Working Group and the management reviewed the ESG governance and different ESG issues.

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

In order to better understand the opinions and expectations of different stakeholders on our ESG issues, materiality assessment is conducted each year. We ensure various platforms and channels of communication are used to reach, listen and respond to our key stakeholders. Through general communication with stakeholders, the Group understands the expectations and concerns from stakeholders. The feedback obtained allows the Group to make more informed decisions, and to better assess and manage the resulting impact.

The Group has evaluated the materiality and importance in ESG aspects through the steps: (1) material ESG area identification by industry benchmarking; (2) key ESG area prioritization with stakeholder engagement; and (3) validation and determining material ESG issues based on results of communication among stakeholders and the management.

Hence, this enhances understanding of their degree and changes of attention to each significant ESG issue, and can enable us to more comprehensively plan our sustainable development work in the future. Those important and material ESG areas identified during our material assessment were discussed in this Report.

ESG GOVERNANCE *(continued)*

Board review progress against ESG-related goals and targets

The progress of target implementation and the performance of the goals and targets should be closely reviewed from time to time. Rectification may be needed if the progress falls short of expectation. Effective communication about the goals and targets process with key stakeholders such as employees is essential, as this enables them to be engaged in the implementation process, and to feel they are part of the change that the company aspires to achieve.

Setting strategic goals for the coming year enables the Group to develop a realistic roadmap and focus on results in achieving the visions.

Setting targets requires the ESG Working Group to carefully examine the attainability of the targets, which should be weighed against the company's ambitions and goals. During the Year, our Group set targets on an absolute basis.

A. ENVIRONMENTAL ASPECTS

The Group is mainly involved in office operations and its business activities do not have significant impact on the environment and natural resources. In spite of this, the Group is committed to create a business that contributes to global efforts in environmental care and sustainability. The Group's technology offering also promotes environmental sustainability by reducing the waste associated with a wide-range of business activities. The Group's smart card technologies and cloud-based on enterprise collaboration solutions to help customers improve business operations, reducing unneeded paper-based communications and processes. Furthermore, cashless transactions facilitated by the Group's electronic payment solutions and in particular its Automatic Fare Collection system solutions contribute global efforts to reduce waste and paper consumption. Throughout the Year, the Group fully complied with all of the relevant environmental laws and regulations in the countries and regions where we operated, and no concluded cases regarding emissions were brought against the issuer or its employees.

A. ENVIRONMENTAL ASPECTS *(continued)*

A1 Emissions

As one of the leading smart card reader providers in the world, our business bears low impact on air pollutant emission and greenhouse gas ("GHG") emission as most of our operation is offices based. During the Reporting Period, the Group was in strict compliance with all relevant environmental laws and regulation, including but not limited to the Environmental Protection Tax Law of PRC* (《中華人民共和國環境保護稅法》), the Environmental Protection Law of PRC* (《中華人民共和國環境保護法》), the PRC Law on Prevention and Control of Water Pollution* (《中華人民共和國水污染防治法》), the Law on Prevention and Control of Atmospheric Pollution of the PRC* (《中華人民共和國大氣污染防治法》), the Law on Prevention and Control of Noise Pollution of the PRC* (《中華人民共和國噪聲污染防治法》), the Air Pollution Control Ordinance (Cap. 311 of the Laws of Hong Kong), the Water Pollution Control Ordinance (Cap. 358 of the Laws of Hong Kong), and the Basic Act on the Environment of Japan* (Act No. 91 of 1993 (up to the version of Act No. 50 of 2018)).

Air Pollutant Emission

Emission control is essential for mitigating the impact on the environment and protecting the health of employees. No substantial emissions are generated from any fuels in daily operation as the Group is not engaged in any industrial production. The Group's air pollutants during the Reporting Period are mainly generated from the mobile sources and town gas used in the staff quarter of the Hong Kong segment. The Group has implemented measures as stated in section headed "Use of Resources" of this Report, in order to reduce energy consumption, and thereby minimising carbon footprint.

During the Reporting Period and the corresponding period in 2023, the air pollutant emission of the Group are as follows:

		2024					2023				
Air Pollutant	Unit	HK	PRC	The Philippines[1]	Japan	Overall	HK	PRC	The Philippines	Japan	Overall
Nitrogen oxides (NOx)	kg	**2.097**	–	N/A	–	**2.097**	1.852	–	–	–	1.852
Sulfur dioxide (SO_2)	kg	**0.068**	–	N/A	–	**0.068**	0.034	–	–	–	0.034
Particulate matter (PM)	kg	**0.151**	–	N/A	–	**0.151**	0.135	–	–	–	0.135
Total	kg	**2.316**	–	N/A	–	**2.316**	2.021	–	–	–	2.021
Air Pollutant intensity	kg/employee	***0.054***	–	*N/A*	–	***0.054***	*0.034*	–	–	–	*0.018*

Note:

1. The comparable data during the Reporting Period for the Philippines office is unavailable due to the termination of operation in July 2024.

* *The English name is for identification only.*

A. ENVIRONMENTAL ASPECTS *(continued)*

A1 EMISSIONS *(continued)*

Air Pollutant Emission (continued)

The increase in air pollutant emission during the Reporting Period is mainly due to the increased use of the vehicle in Hong Kong, driven by an increased demand for business visits.

GHG Emission

Climate change is increasingly affecting our daily lives and gradually attracting the attention of society. GHG is considered one of the major contributors to climate change and global warming. As the Group's operations do not involve industrial production, GHG emissions from stationary combustion sources are mainly attributable to town gas consumption in the staff quarter. During the Reporting Period, our Scope 1 direct emissions and Scope 2 indirect emissions mainly came from mobile combustion, town gas used in the staff quarter and purchased electricity for daily business operations respectively. The Group manages GHG emissions by minimising the energy consumption to lower carbon footprint. Policies and procedures (as mentioned in the section "Use of Resources") to encourage energy saving have been incorporated throughout the operations in order to reduce the carbon footprint.

The GHG emission of the Group during the Reporting Period and the corresponding period in 2023 are as follows:

		2024					2023				
GHG Emission[1,4]	Unit	HK	PRC	The Philippines[5]	Japan[6]	Overall	HK	PRC	The Philippines	Japan	Overall
Scope 1[2]	tonnes of CO_2-e	12.75	–	N/A	–	12.75	6.35	–	–	–	6.35
Scope 2[3]	tonnes of CO_2-e	44.73	31.88	N/A	–	76.61	45.52	34.39	13.22	0.05	93.18
Total	tonnes of CO_2-e	57.48	31.88	N/A	–	89.36	51.88	34.39	13.22	0.05	99.53
GHG emission intensity	tonnes of CO_2-e/ employee	*1.34*	*0.64*	*N/A*	–	*0.96*	*0.86*	*0.69*	*6.61*	*0.05*	*0.88*

A. ENVIRONMENTAL ASPECTS *(continued)*

A1 EMISSIONS *(continued)*

GHG Emission (continued)

Notes:

1. The calculation of the GHG emission is based on the "Corporate Accounting and Reporting Standard" from GHG protocol, "How to prepare an ESG Report – Appendix 2: Reporting Guidance on Environmental KPIs" issued by the Stock Exchange, latest released emission factors available at the completion time of the Report.

2. Scope 1: Direct emission from sources that are owned or controlled by the Group.

3. Scope 2: Indirect emissions from purchased electricity and town gas consumed by the Group.

4. Scope 3: Other indirect emissions are not disclosed as the Group is in the progress of reallocating resources for data collection.

5. The comparable data during the Reporting Period for the Philippines office is unavailable due to the termination of operation in July 2024.

6. The Group did not collect data on the Japan office's electricity consumption and corresponding GHG emissions as the Japan office operated in shared premises and had no employees as at the end of the Reporting Period, which was considered immaterial by the Group.

The increase in Scope 1 GHG emissions during the Reporting Period was mainly due to the increased vehicles usage in Hong Kong, driven by an increased demand for business travels. On the other hand, the decrease in Scope 2 GHG emissions during the Reporting Period is mainly due to the exclusion of the Philippines office's operations from the reporting scope.

A. ENVIRONMENTAL ASPECTS *(continued)*

A1 EMISSIONS *(continued)*

Hazardous and Non-hazardous Wastes

The Group recognises the importance of waste reduction. Waste management measures have been introduced to minimise the amount of waste generated and the impact on the environment. Under its business operation nature, no hazardous waste was generated during the Reporting Period.

For non-hazardous waste, the waste is mainly generated from daily office operations. The Group takes the initiative to reduce waste by implementing different measures. Generally, the Group has engaged qualified recycling companies to collect and handle the waste in accordance to the Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Waste* (《中華人民共和國固體廢物污染環境防治法》) (2020 Amendment), the Waste Disposal Ordinance (Cap. 354) in HK, and the Act on Waste Management and Public Cleansing of Japan* (Act No. 137 of 1970 (up to the version of Act No. 68 of 2022)).

The Group also promotes the idea of "green office" by introducing more paperless solutions in its daily operations to reduce the volume of paper and printed materials used. For example, the Group actively promotes the use of email to replace traditional mails. Email is used among staff whenever possible.

In addition, the Group also encourages electronic corporate communication and shareholders of the Company are encouraged to receive corporate communication documents using electronic means through the Company's website. Besides, recycling bags are available for paper collection. All paper, newspaper and magazines are collected for recycling purpose.

The Group takes effort to reduce wastes in business operation and handles wastes in an environmental-friendly way. Under our business operation in respect of its nature, the Group generates a very small amount of waste during the Reporting Period. As the Group has outsourced its office cleaning work to independent contractors for handling and collecting the non-hazardous waste in the office, the waste volume record is not provided by the cleaning contractor. The Group will coordinate with the cleaning contractor to collect the waste volume data in the coming year in order to formulate appropriate measures to reduce the non-hazardous waste production.

A. ENVIRONMENTAL ASPECTS *(continued)*

A1 EMISSIONS *(continued)*

Hazardous and Non-hazardous Wastes (continued)

The non-hazardous waste generated by the Group during the Reporting Period and the corresponding period in 2023 are as follows:

Non-hazardous waste generated	Unit	2024 HK	2024 PRC	2024 The Philippines[1]	2024 Japan	2024 Overall	2023 HK	2023 PRC	2023 The Philippines	2023 Japan	2023 Overall
Paper waste generated	tonnes	**0.4035**	**0.1592**	**N/A**	**–**	**0.5627**	0.5362	0.1516	0.0258	–	0.7137
Paper waste generated intensity	tonnes/ employee	***0.0094***	***0.0032***	***N/A***	**–**	***0.0061***	*0.0089*	*0.0030*	*0.0129*	–	*0.0063*

Note:

1. The comparable data during the Reporting Period for the Philippines office is unavailable due to the termination of operation in July 2024.

The non-hazardous waste recycled by the Group during the Reporting Period and the corresponding period in 2023 are as follows:

Non-hazardous waste recycled	Unit	2024 HK	2024 PRC	2024 The Philippines[1]	2024 Japan	2024 Overall	2023 HK	2023 PRC	2023 The Philippines	2023 Japan	2023 Overall
Paper waste recycled	tonnes	**0.3228**	**0.1274**	**N/A**	**–**	**0.4502**	0.4290	0.1213	0.0257	–	0.5760
Paper waste recycled intensity	tonnes/ employee	***0.0075***	***0.0025***	***N/A***	**–**	***0.0048***	*0.0071*	*0.0024*	*0.0129*	–	*0.0051*

Note:

1. The comparable data during the Reporting Period for the Philippines office is unavailable due to the termination of operation in July 2024.

A. ENVIRONMENTAL ASPECTS *(continued)*

A1 Emissions *(continued)*

Hazardous and Non-hazardous Wastes (continued)

The decrease in the volume of paper waste generated and recycled during the Reporting Period was mainly due to the exclusion of the Philippines office's operations from the reporting scope during the Reporting Period.

Targets and actions

In the long run, the Group will continue to enhance its environmental management strategies regularly in monitoring and minimising the environmental impacts brought by its businesses. As such, we have set management and control targets on an absolute basis by 2025 in reducing air pollutant emissions, GHG emissions, and waste production, with 2021 as the baseline year. We will review its progress and explore more opportunities to set diverse environmental protection goals. In the future, we will develop more specific quantitative environmental goals to nurture the environment and cherish natural resources. The Group will strive to achieve the targets by implementing appropriate measures in its operation.

For each target established, the details of corresponding measures to achieve such target will be disclosed in the sections of "Emissions" and "Use of Resources".

A. ENVIRONMENTAL ASPECTS *(continued)*

A1 Emissions *(continued)*

Targets and actions (continued)

The Group developed the environmental targets and formulated steps to achieve them, and the results at the end of the Reporting Period are as follow:

Air Pollutant Emissions Mitigation Initiatives and Target				
Targets	**Steps taken to achieve the targets**	**2024 vs. 2023**	**2024 vs. 2021 (the previous baseline year)[1]**	**Status**
The Group targets to reduce the emission of air pollutant by 5% by 2030, with 2024 as the baseline year[1]	– Carrying out regular maintenance of vehicles with good condition for operational efficiency – Encouraging the use of public transportations	Increased by 10%	Increased by 224%	In progress

Note:

1. During the Reporting Period, the Group has revised its Air Pollutant Emission target to supersede the previous baseline set in 2021 and the expected target achievement year in 2025 with the reduction goal of 5%. This adjustment reflects the anticipation of increased vehicle usage and corresponding petrol consumption in the coming years, driven by continued business growth and more frequent local customer visits amidst intensified market competition.

The significant increase in air pollutant emissions when compared to the baseline year in 2021 is primarily attributed to the increased vehicle usage and corresponding petrol consumption, resulted from the increased local client visits after the COVID-19. We will begin to disclose the progress against the revised target in the future to review the effectiveness of our air pollutant reduction initiatives.

A. ENVIRONMENTAL ASPECTS *(continued)*

A1 Emissions *(continued)*

Targets and actions (continued)

GHG Emissions Mitigation Initiatives and Target

Targets	– Steps taken to achieve the targets	2024 vs. 2023	2024 vs. 2021 (the baseline year)	Status
The Group targets to reduce the emission of GHG by 5% by 2025, with 2021 as the baseline year	– Adopting LED lighting in some offices – Setting the temperature of the air-conditioning system in a range between 25°C and 26°C – Switching off lights and unnecessary energy-consuming devices when they are not in use – Promoting environmental protection such as saving water and electricity by means of slogan or poster in office	Decreased by 10%	Decreased by 21%	In progress

A. ENVIRONMENTAL ASPECTS *(continued)*

A1 Emissions *(continued)*

Targets and actions (continued)

Waste Production Mitigation Initiatives and Target				
Targets	**– Steps taken to achieve the targets**	**2024 vs. 2023**	**2024 vs. 2021 (the baseline year)**	**Status**
The Group has set comprehensive reduction target by 5% reduction in non-hazardous waste generation by 2025, with 2021 as the baseline year	– Using electronic document processing system to minimise the use of paper – Encouraging printing or photocopying on both sides of paper, where applicable – Focusing on quality management to reduce wastage and scrap for less pollution resulted	Decreased by 21%	Increased by 2%	In progress

A. ENVIRONMENTAL ASPECTS *(continued)*

A2 Use of Resources

The Group considers environmental protection as an essential component of a sustainable and responsible business. The Group understands that staff participation is the key to achieving green office and efficient utilisation of resources. In order to help employees to change their behaviour into green performance, such as wise and efficient usage of resources and waste minimisation, throughout all of our daily operations, we have been progressively implementing different resource saving measures, ranging from power-saving program, recycling paper and materials, to the behavioural change of our people.

Energy

The Group considers environmental protection as an essential component of a sustainable and responsible business. With aims of resource saving and implementation of energy saving measures, the Group actively promotes the concept of energy saving and emission reduction into the entire process of its development and operation. The Group strives to improve the efficient use of natural resources, such as minimising waste/emissions and implementing effective recycling program. Practical measures are implemented as follows: (i) raising employees' awareness of green behaviour by recommending them to switch off all the lights, computers and printers by the end of the work day, (ii) setting the temperature of air-conditioning system within a reasonable range of around 25 degrees Celsius; (iii) upgrading the existing facilities such as replacing outdated computers, phones and other electrical appliances to meet the needs of our customers and enhance operational efficiency; (iv) carrying out regular maintenance of vehicles with good condition for operational efficiency; (v) adopting the use of electric cars; and (vi) promoting environmental protection such as saving water and electricity by slogan or poster in office.

A. ENVIRONMENTAL ASPECTS *(continued)*

A2 Use of Resources *(continued)*

Energy *(continued)*

The Group also endeavours to explore energy saving and green management measures for our facilities, and strives to reduce resource consumption as much as possible. For example, the Group joins the voluntary energy efficiency labelling scheme, which is introduced by the Electrical and Mechanical Services Department of HK, in order to select office equipment based on its grading-type label and recognition-type label. During the Reporting Period, our energy consumption mainly came from purchased electricity for daily office operations. The energy consumption of the Group during the Reporting Period and the corresponding period in 2023 are summarised as follows:

		2024					2023				
Energy Consumption	Unit	HK	PRC	The Philippines[1]	Japan[2]	Overall	HK	PRC	The Philippines	Japan	Overall
Purchased electricity	MWh	**114.40**	**59.40**	**N/A**	**–**	**173.80**	116.57	60.30	18.56	0.11	195.54
Town gas	MWh	**2.84**	**–**	**N/A**	**–**	**2.84**	1.32	–	–	–	1.32
Petrol	MWh	**44.46**	**–**	**N/A**	**–**	**44.46**	22.23	–	–	–	22.23
Diesel	MWh	**–**	**–**	**N/A**	**–**	**–**	–	–	–	–	–
Total energy consumption	MWh	**161.70**	**59.40**	**N/A**	**–**	**221.10**	140.12	60.30	18.56	0.11	219.09
Energy consumption intensity	MWh/employee	***3.76***	***1.19***	***N/A***	**–**	***2.38***	*2.34*	*1.21*	*9.28*	*0.11*	*1.94*

Notes:

1. The comparable data during the Reporting Period for the Philippines office is unavailable due to the termination of operation in July 2024.

2. The Group did not collect data on the Japan office's electricity consumption as the Japan office operated in shared premises and had no employee as at the end of the Reporting Period, which was considered immaterial by the Group.

During the Reporting Period, total energy consumption experienced a slight increase compared to the corresponding period in 2023. This increase was primarily due to increased vehicles usage in Hong Kong driven by an increased demand for business travels, despite the exclusion of Philippine office's operations from the reporting scope during the Reporting Period.

A. ENVIRONMENTAL ASPECTS *(continued)*

A2 Use of Resources *(continued)*

Water Consumption

Water is one of the most important natural resources for daily operation. Regarding water consumption for the HK offices, the water supply is solely controlled and centrally managed by its property management of the building. The Japan office operates in shared premises so that it is not feasible for the Group to provide all relevant water consumption data, as there is no separate meter for the individual office unit to record water usage.

However, the Group still actively seeks ways to mitigate water consumption by raising employees' awareness of water saving through green office policy such as reminding employees to turn faucet off tightly and conducting regular inspection and maintenance of water facilities.

The water consumption of the Group during the Reporting Period and the corresponding period in 2023 are summarised as follows:

		2024					2023				
Water Consumption	Unit	HK	PRC	The Philippines[1]	Japan[2]	Overall	HK	PRC	The Philippines	Japan[2]	Overall
Water consumption	m^3	**46.26**	**610.22**	**N/A**	**–**	**656.48**	29.05	624.21	53.00	–	706.26
Water consumption intensity[2]	m^3/employee	***1.08***	***12.20***	***N/A***	**–**	***7.06***	*0.48*	*12.48*	*26.50*	–	*6.25*

Notes:

1. The comparable data during the Reporting Period for the Philippines office is unavailable due to the termination of operation in July 2024.

2. The water consumption data for the Japan office is unavailable as the office is located in shared premises without separate meter to record water usage.

The decrease in water consumption during the Reporting Period was mainly due to the exclusion of the Philippines office's operations from the reporting scope during the Reporting Period.

A. ENVIRONMENTAL ASPECTS *(continued)*

A2 Use of Resources *(continued)*

Packaging Materials

The major packaging materials used for our finished product are (i) paper box, (ii) plastic bag, and (iii) bubble wrap. The consumption of packaging materials of the Group during the Reporting Period and the corresponding period in 2023 are summarised below:

		2024					2023				
Packaging Materials Consumption[1]	Unit	HK	PRC	The Philippines[1]	Japan	Overall	HK	PRC	The Philippines	Japan	Overall
Paper and paper box	million pieces	**0.4207**	–	N/A	–	**0.4207**	0.2912	–	–	–	0.2912
Plastic bag	million pieces	**0.0513**	–	N/A	–	**0.0513**	0.0775	–	–	–	0.0775
Bubble wrap	million pieces	**0.8151**	–	N/A	–	**0.8151**	0.7633	–	–	–	0.7633
Paper and paper box intensity	million pieces/ employee	***0.0098***	–	*N/A*	–	***0.0098***	*0.0049*	–	–	–	*0.0026*
Plastic bag intensity	million pieces/ employee	***0.0012***	–	*N/A*	–	***0.0012***	*0.0013*	–	–	–	*0.0007*
Bubble wrap intensity	million pieces/ employee	***0.0190***	–	*N/A*	–	***0.0190***	*0.0127*	–	–	–	*0.0068*

Note:

1. The comparable data during the Reporting Period for the Philippines office is unavailable due to the termination of operation in July 2024.

During the Reporting Period, the Group significantly reduced plastic bag usage to align with government-led plastic reduction initiatives and the sustainability commitments of the Group. Meanwhile, the increased consumption of paper and paper boxes was driven by the increased order volumes, corresponding packaging needs, and efforts to partially replace plastic bags to mitigate environmental impact.

A. ENVIRONMENTAL ASPECTS *(continued)*

A2 Use of Resources *(continued)*

Targets and actions

In addition, the Group advocates energy and resources saving, and is committed to achieving sustainable operations and compliance with emission requirements by local authorities. To this end, we have set preliminary management and control targets on an absolute basis in terms of energy use efficiency and water efficiency, so as to perform better energy conservation and water conservation. The Group will actively implement the energy-saving plan, water-saving plan, material-saving plan and measures to maintain or reduce the intensity of energy consumption, water consumption and packaging materials consumption. The Group will review the progress and explore more opportunities for various environmental protection goals. In the future, we will set more specific quantitative environmental goals to nurture the environment and cherish natural resources. Moreover, we are investing more resources in recycling to help the development of circular economy.

The Group developed the environmental targets and formulated steps to achieve them, and the results as at the end of the Reporting Period are as follow:

Environmental KPI	Targets	Steps taken to achieve the targets	2024 vs. 2023	2024 vs. 2021 (the baseline year)	Status
Energy consumption	The Group has set inclusive total energy consumption reduction target by 5% by 2025, with 2021 as the baseline year	– Adopting LED lighting in some offices – Setting the temperature of the air-conditioning system in a range between 25°C and 26°C – Switching off lights and unnecessary energy-consuming devices when they are not in use	Increased by 1%	Increased by 7%	In progress

A. ENVIRONMENTAL ASPECTS *(continued)*

A2 Use of Resources *(continued)*

Targets and actions (continued)

Environmental KPI	Targets	Steps taken to achieve the targets	2024 vs. 2023	2024 vs. 2021 (the baseline year)	Status
Water consumption	The Group has set a reduction target of 5% in water consumption by 2025, with 2021 as the baseline year	– Promoting environmental protection such as saving water and electricity by slogan or poster in office	Decreased by 7%	Decreased by 15%	In progress
Packaging materials consumption	The Group has set a reduction target of 5% in packaging materials consumption by 2025, with 2021 as the baseline year	– Improving product packaging forms to conserve the consumption of carton materials – Advocating the simplification of packaging internally and externally	Increased by 12%	Decreased by 74%	In progress

A3 The Environment and Natural Resources

The Group's development, sales and distribution of smart card products, software and hardware and provision of smart card related services have no significant impact on the environment. The Group reviews its environmental policy from time to time and will consider implementing further eco-friendly measures and practices in order to enhance environmental sustainability and evaluate and monitor regularly the impact of past and present business activities regarding health, safety and environmental matters. With the integration of policies and measures mentioned in sections "Emissions" and "Use of Resource", the Group strives to recognize the impacts to the environment and natural resources.

A. ENVIRONMENTAL ASPECTS *(continued)*

A4 Climate Change

Governance

Our Group addresses climate-related risks based on the nature of the risk to our operations. The physical impacts of climate change, including extreme weather events, or damage to facilities have immediate operational impacts and are treated as operational risks. Long-term challenges, such as emerging ESG issues and climate-related risks and opportunities, may be discussed by the Group's ESG Working Group. Our ESG Working Group provides effective governance for integrating and addressing ESG issues, including climate change, within our business.

The ESG Working Group Is responsible for approving operational emissions targets for the Group and commissioning an ESG benchmarking, as well as gap analysis exercise to identify gaps in both disclosure and policy relative to best practice standards. Moreover, the ESG Working Group works closely with the Group's different operation departments, with the aim to develop consistent and enhanced approaches on addressing ESG risk issues and report to the management.

Strategy

Climate change risk forms part of our overall risk profile through its role in increasing the frequency and intensity of certain diseases, and the health and mortality impacts resulting from natural disasters. We assess the overall level of risk by taking into consideration a range of diverse risk factors across the many categories in our product or services range.

A. ENVIRONMENTAL ASPECTS *(continued)*

A4 Climate Change *(continued)*

Strategy *(continued)*

This diversity of risk is combined with our business strategy and broad geographic footprint helps us distribute risk and provide protection against the impacts of short-term climate change effects. Our products and services continue to provide protection for people in our communities against weather and heat-related disease. Besides, we continue to explore opportunities to engage our business partners and encourage them to develop climate resilience and reduce their operational carbon footprint by taking into consideration of different climate-related scenarios, including a "2°C or lower scenario" through the following steps:

Step 1: Set Future Images Assuming Climate Change Effects

As climate change measures proceed, there is a possibility that industry will be exposed to substantial changes, such as stricter policies including the introduction of and increases in carbon pricing, as well as advances in technology and changes in customer awareness. In light of these climate change effects, based on the International Energy Agency ("IEA") scenarios and others, we developed multiple future images as the external environment that will surround our Group.

With regard to the IEA scenarios, we put focus on the 2°C scenario (2DS) and pictured future images in case where climate change measures do not progress and where such measures progress further "Beyond 2°C scenario".

Step 2: Consider the Impacts

We considered the impacts on our Group for each of the future images developed in Step 1. We believe that it will be possible to expedite carbon dioxide reduction effects in our society.

With regard to the effects on raw material procurement and production, the introduction of and increases in carbon pricing is anticipated in accordance with the global advance of climate change measures, leading to the possibility of higher raw material procurement and production costs.

On the other hand, in the case where climate change measures are not adequate throughout society, production interruptions and supply chain disruptions are likely to increase as a result of higher frequency and intensification of natural disasters such as flooding.

A. ENVIRONMENTAL ASPECTS *(continued)*

A4 Climate Change *(continued)*

***Strategy** (continued)*

Step 3: Respond to the Strategies

Our Group will begin promoting the reduction of non-renewable energy in our daily operation. This strategy will allow for flexible and strategic responses to each demand for the regions where the emission factors of purchased electricity consumption are high. By promoting real carbon emissions reductions throughout the world through these types of initiatives, we are working to achieve zero carbon emission in our business.

We minimize carbon emissions through comprehensive energy-saving and introduction of renewable energy, and strive to achieve the targets.

With regard to the ongoing confirmation of the suitability and progress of the Group's strategies, we believe that we will have opportunities for stable funding and sustainable increase in corporate value through appropriate information disclosure, dialogue with institutional investors and other stakeholders.

Risk Management

Our Group identifies climate change related risks or to test the existing risk management strategies under climate change with the aid of risk assessment. Hence, the areas where new strategies are needed can be identified.

The risk assessment takes a standard risk-based approach using national data, local information and expert knowledge, which can identify how climate change may compound existing risks or create new ones. The risk assessment is conducted through the following steps:

Step 1: Establish the context

- Objective/goal
- Scale
- Time frame
- Climate change scenario for most climate variables and sea level

A. ENVIRONMENTAL ASPECTS *(continued)*

A4 Climate Change *(continued)*

Risk Management *(continued)*

Step 2: Identify existing risk (past and current)

- Identify the record of occurrence of climatic hazard in the past in the area
- Risk management strategies in place to tackle future occurrence of the hazard

Step 3: Identify future risk and opportunities

- Explore climate change projections for the selected time frame(s) and emission scenario(s)
- Identify potential hazards
- Investigate whether any existing risk from Step 2 may get worse under future projected changes
- Identify new risks that can emerge under future projected changes

Step 4: Analyze and evaluate risk

- Identify a set of decision areas or systems (i.e., geographical areas, business operation, assets, ecosystems, etc.) that has the potential to be at risk in future

As outlined within the Governance section above, the Group has robust risk management and business planning processes that are overseen by the Board in order to identify, assess and manage climate-related risks. The Group engages with government and other appropriate organizations in order to keep abreast of expected and potential regulatory and/or fiscal changes.

We continue to raise awareness of climate change in regard to monitoring carbon and energy footprint in our daily operation. However, there remain gaps in understanding how such climate risks and opportunities may impact our operations, assets and profits. Our Group assesses how the business addresses climate change risks and opportunities and takes the initiative to monitor and reduce their environmental footprint.

A. ENVIRONMENTAL ASPECTS *(continued)*

A4 Climate Change *(continued)*

Significant Climate-related Issues

During the Reporting Period, the significant climate-related physical risks and transition risks, which have impacted and/or may impact our Group's business and strategy in (i) operations, products and services, (ii) supply chain and value chain, (iii) adaptation and mitigation activities, (iv) investment in research and development, and (v) financial planning, as well as the steps taken to manage these risks, are as follows:

Climate-related risks description	Financial Impact	Steps taken to manage the risks
Physical Risk		
Acute physical risks		
• Increased severity and frequency of extreme weather events such as typhoons and floods resulting in the potential to cause both idiosyncratic and systemic risks, resulting in potential damage to office equipment and disruption to supply chains.	• Decrease in revenue due to suspension of operations • Extra repair cost due to damage to equipment or offices • Increase in the cost of raw materials or products due to disruption of transportation services	• Planned to establish a natural disasters emergency plan. • Planned to devise an action plan to articulate the goals and targets of the reductions in GHG emission and energy consumption. • Outlined the plan to achieve those targets and defined responsibilities.

A. ENVIRONMENTAL ASPECTS *(continued)*

A4 Climate Change *(continued)*

Significant Climate-related Issues *(continued)*

Climate-related risks description	Financial Impact	Steps taken to manage the risks
Chronic physical risks		
• Changes in precipitation patterns and extreme variability in weather patterns. Frequent extreme weather events and rising sea levels are likely to pose disruptions to communities across the region over the long term, affecting economic output and business productivity. • Governments that have been pushing for new regulations to reduce GHG emission will pose a threat to financial performance of a business and increase regulatory risk. • The extreme hot weather may increase the chances of getting heatstroke for employees, increase turnover rate and work-related injuries. The demand for cooling for the working environment will increase.	• Revenue decrease • Operating cost increases to maintain indoor temperature in offices and warehouses	• Planned improvements, retrofits, relocations, or other changes to facilities that may reduce their vulnerability to climate impacts, and increase climate resilience in long term. • Recorded the energy consumption to identify peaks in usage, thus significant savings could be determined. • Engaged with local or national governments and local stakeholders on local resilience. • Kept a first-aid kit in a convenient location. • Kept cold water available 24 hours a day.

A. ENVIRONMENTAL ASPECTS *(continued)*

A4 Climate Change *(continued)*

Significant Climate-related Issues *(continued)*

Climate-related risks description	Financial Impact	Steps taken to manage the risks
Transitional Risk		
Policy and legal risk		
• Exposure to litigation risk. We have to adapt to the tightened law and regulations imposed by the government due to climate change, as well as bear the risk of potential litigation once we fail to comply with the new regulations. • Enhanced air pollutant emissions-reporting obligations for local government, and we may have to spend more time on fulfilling the ESG reporting standards to comply with the updating Listing Rules.	• Operating cost increases	• Monitored the updates of the relevant environmental laws and regulations against existing products and services, to avoid the unnecessary increase in cost and expenditure due to non-compliance. • Continued monitoring of the ESG reporting standards of the Listing Rules. • Planned to conduct a carbon footprint survey, in order to work out the company's footprint, to prioritize energy and waste reductions.

A. ENVIRONMENTAL ASPECTS *(continued)*

A4 Climate Change *(continued)*

Significant Climate-related Issues (continued)

Climate-related risks description	Financial Impact	Steps taken to manage the risks
Technology risk		
• Low-carbon, energy-saving technologies are produced. • The slow pace of technological advancement may weaken our competitive edges.	• Capital investment increases • Research and Development (R&D) expense increases	• Planned to invest in innovating of energy-saving products. • Examined the feasibility and benefits of applying the latest low-carbon and energy-saving technologies into our operation.
Market risk		
• More customers are concerned about climate-related risks and opportunities, which may lead to changes in customer preference. • Inability to attract co-financiers and/or investors due to uncertain risks related to the climate.	• Revenue decreases • Operating cost increases • Production cost increases	• Fulfilled the climate-related regulations by the government. • Prioritize climate change as a high concern in the market decisions to show to the clients that the company is concerned about the problem of climate change.

A. ENVIRONMENTAL ASPECTS *(continued)*

A4 Climate Change *(continued)*

Significant Climate-related Issues (continued)

Climate-related risks description	Financial Impact	Steps taken to manage the risks
Reputational risk		
• Risk of stigmatization of our business sector, as there will be more stakeholder concern or negative stakeholder feedback on our Group. • Negative press coverage related to support of our Group's business projects or activities with negative impacts on the climate (e.g., GHG emissions and energy conservation), which may affect our reputation and image.	• Revenue decreases • Operating costs increases	• Fulfilled social responsibility by organizing more public relation activities to show how our Group places importance on climate change. • Reviewed the business projects to ensure the production and the projects are environmental-friendly.

A. ENVIRONMENTAL ASPECTS *(continued)*

A4 Climate Change *(continued)*

Significant Climate-related Issues *(continued)*

During the Reporting Period, the primary climate-related opportunities and the corresponding financial impacts were as follows:

Detailed description of climate-related opportunities	Financial Impact
Resource efficiency	
• Use of more efficient modes of transport • Use of more efficient production and distribution processes • Use of recycling • Reduce water consumption	• Operating cost reduces through efficiency gains and cost reductions
Energy source	
• Use of lower-emission sources of energy • Use of supportive policy incentives • Use of new technologies • Shift toward decentralized energy generation	• Operating cost reduces through the use of lowest cost abatement • Returns on investment in low-emission technology increases
Products and services	
• Development of climate adaptation and insurance risk solutions • Ability to diversify business activities • Development of new products or services through R&D and innovation	• Revenue increases through new solutions to adaptation needs, such as insurance risk transfer of products and services

A. ENVIRONMENTAL ASPECTS *(continued)*

A4 Climate Change *(continued)*

Significant Climate-related Issues *(continued)*

Detailed description of climate-related opportunities	Financial Impact
Markets	
• Access to new markets	• Revenue increases through access to new and emerging markets
Resilience	
• Participation in renewable energy programs and adoption of energy-efficiency measures	• Market valuation increases through resilience planning, such as planning research in the use of electric vehicles
• Resource substitution or diversification	• Reliability of supply chain and ability to operate under various conditions increases • Revenue increases through new products and services related to ensuring resiliency

Metrics and Targets

Our Group adopts the key metrics to assess and manage climate-related risks and opportunities. The energy consumption and GHG emissions indicators are the key metrics used to assess and manage relevant climate-related risks where we consider such information is material and crucial for evaluating the impact of our operation on global climate change during the Year. Our Group regularly tracks our energy consumption and GHG emissions indicators to assess the effectiveness of emission reduction initiatives, as well as to set targets outlined in sections “Emissions” and “Use of Resource”, to contribute our effort to have minimal impact on global warming.

B. SOCIAL ASPECTS

EMPLOYMENT AND LABOUR PRACTICES

B1 Employment

The Group believes people are important assets and competent staff are the foundation for success and development of the Group. We aspire to be an employer of choice and recognize the importance of providing a decent working environment where our employees can thrive.

A comprehensive framework incorporating detailed human resources management policies of recruitment, performance and promotion, working hours, equal opportunities, compensation, benefits and anti-harassment/discrimination is embedded in the Human Resources Manual and Employee Handbook. The Group strictly complies with the Labour Law of the PRC* (《中華人民共和國勞動法》), the Employment Ordinance (Chapter 57 of the Laws of Hong Kong), the Labour Standards Act of Japan* (Act No. 49 of 1947 (up to the version of Act No. 71 of 2018)), and other relevant laws and regulations related to employment by adopting the following key measures:

- The Group prohibits the employment of child, forced or compulsory labour in any of our operations.

- Wages, overtime payments and related benefits are made in accordance with minimum wage or above.

- Holidays and statutory paid leaves are compliant respective Labour Law or Regulations.

- The Group treats all its employees equally that their employment, remuneration and promotion will not be affected by their social identities such as ethnicity, race, nationality, gender, religion, age, sexual orientation, political faction and marital status.

During the Reporting Period, the Group was not aware of any material non-compliance with laws and regulations in relation to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination and other benefits and welfare that have a significant impact on the Group.

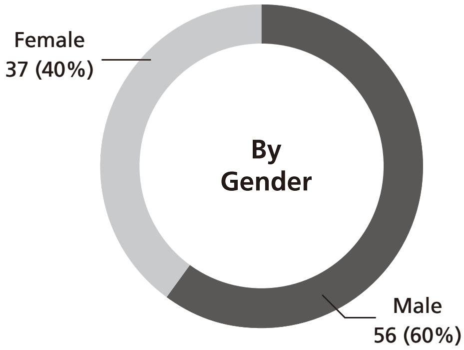
* *The English name is for identification only.*

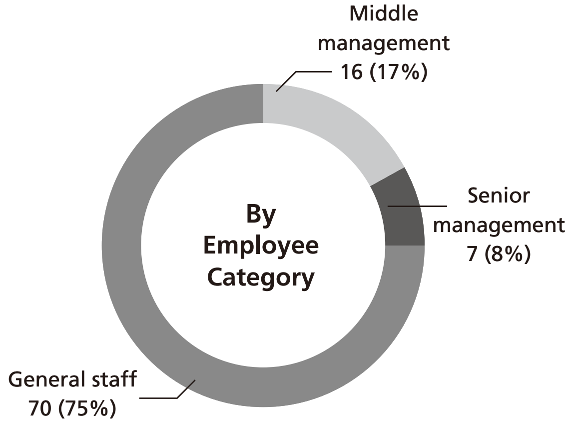
B. SOCIAL ASPECTS *(continued)*

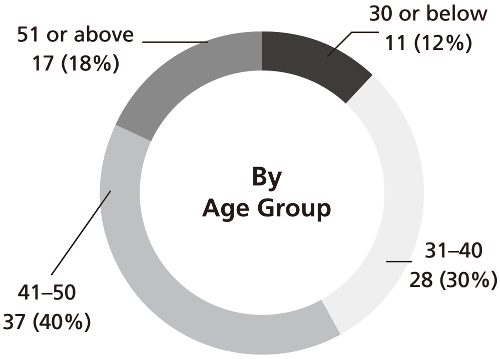
EMPLOYMENT AND LABOUR PRACTICES *(continued)*

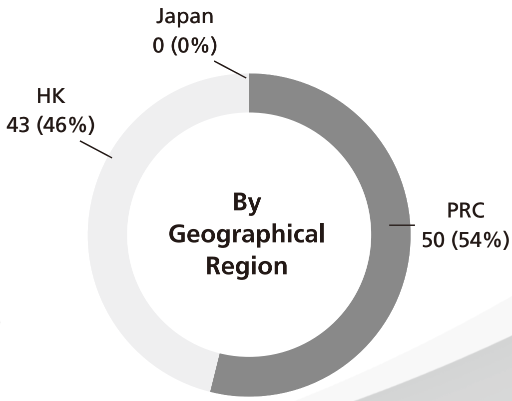
B1 Employment *(continued)*

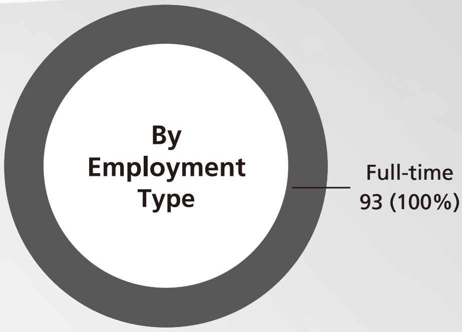
As at 31 December 2024, the employee compositions (number of employees and the percentage of total) by gender, employee category, age group, geographical region and employment type are as follows:









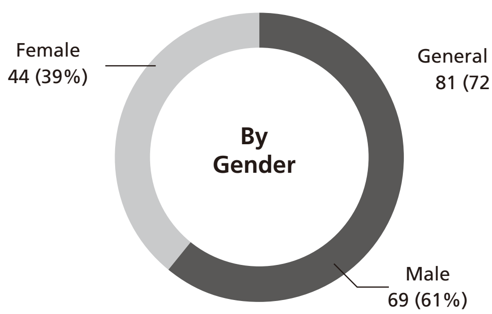


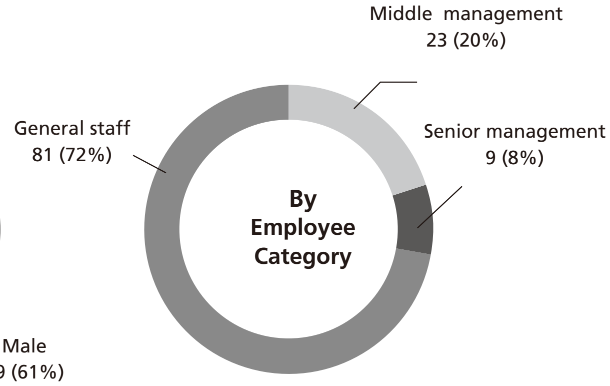
B. SOCIAL ASPECTS *(continued)*

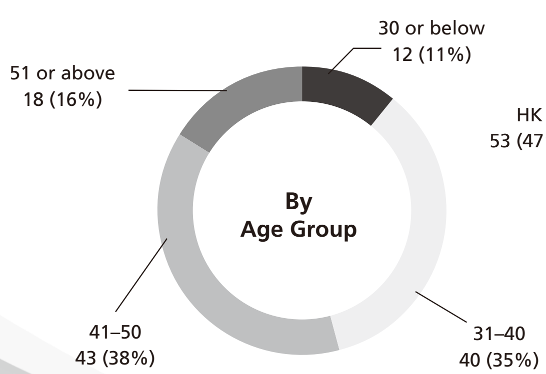
EMPLOYMENT AND LABOUR PRACTICES *(continued)*

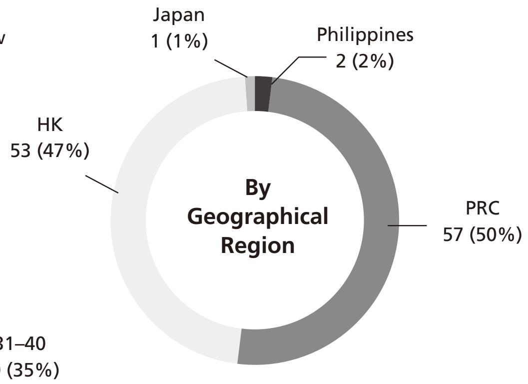
B1 Employment *(continued)*

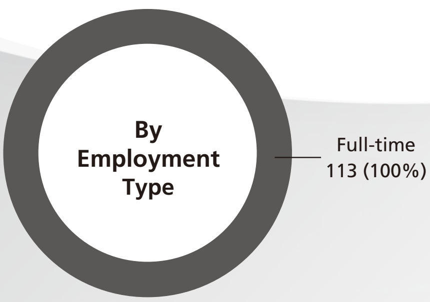
As at 31 December 2023, the employee compositions (number of employee and percentage of total) by gender, employee category, age group, geographical region and employment type are as follows:











B. SOCIAL ASPECTS *(continued)*

EMPLOYMENT AND LABOUR PRACTICES *(continued)*

B1 Employment *(continued)*

The employee turnover rate during the Reporting Period and the corresponding period in 2023 by gender, age group and geographical region are as follows:

Employee turnover[1]	2024[2]	2023
By gender		
• Male	**30.6%**	44.6%
• Female	**32.5%**	33.3%
By age group		
• Age 30 or below	**81.8%**	45.2%
• Age 31–40	**35.8%**	61.4%
• Age 41–50	**22.5%**	17.1%
• Age 51 or above	**11.4%**	18.2%
By geographical region		
• HK	**58.3%**	41.4%
• The PRC	**2.0%**	37.5%
• The Philippines[2]	**N/A**	66.7%
• Japan	**200.0%**	–
Overall	**31.4%**	40.0%

Notes:

1. Turnover rate for employees in the relevant categories = (Number of employees leave in the specified category/Average number of total employees in the specified category at the beginning and the end of the Reporting Period) x 100%.

2. The comparable data during the Reporting Period for the Philippines office is unavailable due to the termination of operation in July 2024.

B. SOCIAL ASPECTS *(continued)*

EMPLOYMENT AND LABOUR PRACTICES *(continued)*

B2 Health and Safety

The Group takes into consideration every precaution to establish a healthy and safe working environment for its employees. During the Reporting Period, the Group was not aware of any material non-compliance with health and safety related laws and regulations including but not limited to the Law of the PRC on Work Safety* (《中華人民共和國安全生產法》), the Regulation on Work-Related Injury Insurances* (《工傷保險條例》) and the Prevention and Treatment of Occupational Diseases* (《中華人民共和國職業病防治法》), the Occupational Safety and Health Ordinance (Cap. 509 of the Laws of Hong Kong), and the Industrial Safety and Health Act of Japan* (Act No. 57 of 1972 (up to the version of Act No. 71 of 2018)). Regarding the business nature of the Group, employees mainly engaged in office work. During the Reporting Period, there were no complaints or lawsuits (2023: nil) regarding violations of health and safety-related laws.

In order to establish a healthy and safe working environment for its employees, the Group has implemented the following preventive measures, including but not limited to installing or replacing office equipment if needed, performing regular office cleaning, conducting fire drill and safety and health talks, and providing them with all the necessary equipment for protection against work-related injuries. Reviews are conducted with immediate follow-up actions and improvement whenever necessary. Safety guidelines are in place for our laboratories as well.

During the Year, there was no work injury case (2023: nil; 2022: nil) and lost day due to work injury (2023: nil; 2022: nil) in business operations. There was no work-related fatality case (2023: nil; 2022: nil) during the Reporting Period. Employees were given paid sick leave for their recovery. Overall, no employee encountered serious accident of work-related injuries and fatalities for the latest 3 financial years, including the Reporting Period.

Physical and mental health

The Group is committed to maintaining the physical and mental health of its employees, and is much concerned about their work-life balance. As most of our employees are office workers and work for long hours at their desks. During the Reporting Period, the Group organized different types of employee activities in Hong Kong and Shenzhen, PRC offices to help employees relax and relieve their work pressure and strengthen internal communication among departments. Moreover, a number of staff activities were organized in various offices, including annual dinner, festival events, birthday party and so on, to show appreciation to employees for their contribution and enhance their sense of belonging.

* *The English name is for identification only.*

B. SOCIAL ASPECTS *(continued)*

EMPLOYMENT AND LABOUR PRACTICES *(continued)*

B3 Development and Training

The Group recognises that the continuous development of its employees is the key to its success. Therefore, the Group provides ample resources to staff training and development with the aim of sustaining a competent and professional staff force that contributes to the success of the Group. There are three major categories of training, namely orientation training, internal training and external training offered to our employees. During the Reporting Period, we arranged training programs such as personnel onboarding, optimization of engineering workflow, product sales enhancement, ISO 9001:2015 and SA8000 awareness enhancement, and fire safety and occupational health. In order to boost training effectiveness, we carry out assessment in the forms of satisfaction survey for internal training and reports on external training. Our employees are required to record the details of their training in the personal training record, which forms the basis for performance evaluation, personnel changes and promotion. In addition, we have developed a performance management system based on the principles of fairness, impartiality and openness, under which employees of different grades undergo evaluation on a half-yearly basis, where their performance and achievements are assessed comprehensively. This motivates employees to improve their individual capability and boosts general corporate efficiency, thereby facilitating our overall strategic goal. The appraisal results will be used as a reference for salary adjustment, promotion and placement.

During the Reporting Period and the corresponding period in 2023 the percentage of employees received training by gender and employee category are as follows:

Percentage of Employees Received Training[1]	**2024**	2023
By gender		
• Male	**91.1%**	89.9%
• Female	**94.6%**	84.1%
By employee category		
• Senior management	**14.3%**	77.8%
• Middle management	**100.0%**	87.0%
• General staff	**98.6%**	88.9%
Overall	**92.5%**	87.6%

Note:

1. The calculated percentage represents the proportion of employees in the specified category who have participated in training (including employees resigned during the Reporting Period), out of the total employees in that specified category.

B. SOCIAL ASPECTS *(continued)*

EMPLOYMENT AND LABOUR PRACTICES *(continued)*

B3 Development and Training *(continued)*

During the Reporting Period and the corresponding period in 2023, the composition of employees received training by gender and employee category are as follows:

Composition of Employees Received Training	2024	2023
By gender		
• Male	59.3%	62.6%
• Female	40.7%	37.4%
Total	100.0%	100.0%
By employee category		
• Senior management	1.2%	7.1%
• Middle management	18.6%	20.2%
• General staff	80.2%	72.7%
Total	100.0%	100.0%

Note:

1. The calculated percentage represents the proportion of employees in the specified category who have participated in training (including employees resigned during the Reporting Period), out of the total employees who have participated in training.

In addition, the average training hours by gender and employee category during the Reporting Period and the corresponding period in 2023 are as follows:

Average Training Hours Received per Employee[1]	2024	2023[2]
By gender		
• Male	1.73	2.92
• Female	0.76	2.59
By employee category		
• Senior management	0.29	0.33
• Middle management	1.28	4.48
• General staff	1.46	2.59
Overall	1.34	2.79

Note:

1. Average training hours for employees in relevant categories = Total number of training hours for employees in the specified category/Number of employees in the specified category.

B. SOCIAL ASPECTS *(continued)*

EMPLOYMENT AND LABOUR PRACTICES *(continued)*

B4 Labour Standards

The Group respects the human rights of employees, and not only strictly complies with labour legislation against the employment of child labour and forced labour such as the Law of the PRC on Protection of Minors* (《中華人民共和國未成年人保護法》), the Employment of Children Regulations under the Employment Ordinance (Chapter 57 of the Laws of Hong Kong), and the Minors Chapter of the Labour Standards Act of Japan* (Act No. 49 of 1947 (up to the version of Act No. 71 of 2018)), but also implements specific measures to ensure equal opportunities in employment. We respect the rights and interest of every employee, and strongly prohibit the employment of minors under the age of 15 in Japan and Hong Kong, and minors under the age of 16 in PRC.

During the recruitment process, the Group would verify the actual age of the applicants by checking their identity documentations and other records to avoid hiring any child labour. To prevent forced labour, we protect the right of our employees to freely choose employment and ensure that all employment relationships are voluntary. The Group and its employees may terminate the employment contract for personal reasons or other reasons, and need to give an appropriate notice period or payment in lieu of notice. Organisations that are found to be engaging child labour or forced labour will be reported to the management to terminate the corresponding business dealings. There is a comprehensive internal monitoring system to prevent the Group from forcing employees to work by way of violence or illegal restriction of personal freedom.

During the Reporting Period, we did not identify any issue related to child labour or forced labour, nor any non-compliance to prevent such matters within the Group.

* *The English name is for identification only.*

B. SOCIAL ASPECTS *(continued)*

OPERATING PRACTICES

B5 Supply Chain Management

As part of its commitment to environmental and corporate responsibility, the Group attaches great importance to supplier management and monitors by formulating internal procedures and guidelines for managing environmental and social risks of the supply chain. It undertakes regular reviews on its supply chain to ensure that its partners do not have significant impact on the environment and society.

All devices developed by the Group have been compliant with the requirements laid down in the directive restricting the use of certain hazardous substances in electrical and electronic products, commonly referred to as the Restriction of Hazardous Substances ("RoHS") Directive. This directive restricts the use of ten hazardous materials in manufacturing various types of electronic and electrical products. It covers all domestically made and imported products from the European Union, with a few exemptions given on certain occasions. As such, supply chain management is always one of the key links in the Group's quality control system.

Our suppliers and contractors are required to adopt the Group's environmental and occupational health and safety policies as well as strict corporate governance standards within a Code of Conduct that is in line with the Group's environmental values. We evaluate if the suppliers and subcontractors consider the environmental and social criteria including the prohibition on the recruitment of child and forced labour, eliminating discrimination to employees, providing a safe working environment, considering if the products and services provided are beneficial to environmental protection and fulfilling the Group's internal environmental requirement while minimizing the negative impact to natural environment, and strictly obeying the law. The Group also carries out long-term quality monitoring and regular review over major suppliers and subcontractors. They are subject to assessment and on-site audits on product quality as well as suitability and quality consistency tests conducted by our quality department. We ensure that our business partners do not have significant impact on the environment and society. The Group exercises a high level of scrutiny over the selection of suppliers. Major suppliers and subcontractors must prove their compliance with RoHS for them to be included into our supplier list. In case of a significant change in their qualification or serious quality issue, the Group may suspend them from our supplier list. In addition, we have signed cooperation agreements and other documents requiring suppliers to comply with integrity measures over the prevention of bribery, fraud and extortion.

B. SOCIAL ASPECTS *(continued)*

OPERATING PRACTICES *(continued)*

B5 Supply Chain Management *(continued)*

During the Reporting Period and the corresponding period in 2023, the number of suppliers and subcontractors engaged by the Group by geographical region are as follows:

Number of suppliers and subcontractors	2024	2023
By geographical region		
• HK	45	50
• The PRC	46	65
• Taiwan	5	4
• Singapore	1	1
• The United States of America	5	3
• The Netherlands	–	1
• France	1	1
• Germany	–	1
• The Cayman Islands	1	1
• Korea	–	1
• Japan	1	–
• Vietnam	1	–
Total	**106**	128

91% (2023: 85%) of the suppliers are required to comply with the internal rules and codes of the Group as mentioned above for the Reporting Period.

B6 Product Responsibility

The Group is committed to providing high quality and customer-centered products that promise utmost security and convenience to our clients and their end customers. As such, the nature of our business requires the highest degree of accuracy, precision and quality in developing our products. We continue to cultivate a corporate culture which emphasizes the provision of fair and just services for its customers. During the Reporting Period, there was 1 (2023: 1) case of products returned by customers. Among the return case, nothing is related to health and safety concerns.

B. SOCIAL ASPECTS *(continued)*

OPERATING PRACTICES *(continued)*

B6 Product Responsibility *(continued)*

Product Design & Lifecycle Management

The Group has taken steps to manage product design and lifecycle effectively. We have established a laboratory for research, design, and testing. Our stringent quality management as stated in section headed "Quality Control" of this ESG Report ensures rigorous testing and qualified products. As mentioned above, all products developed by the Group have been compliant with the requirements laid down in the directive restricting the use of certain hazardous substances in electrical and electronic products, commonly referred to as the RoHS Directive. In addition, we have optimised logistics and supply chain management for smooth transportation. Meanwhile, we have forged long-term strategic partnerships to enhance our product offerings. These efforts ensure stable production and customer satisfaction, with compliance with relevant laws and requirements.

Quality Control

To bolster our efforts in quality assurance, we undergo stringent certification programs from unbiased organisations that enforce international, national and industry standards. This is our way of ensuring we deliver only qualified products to the market and way of maintaining our outstanding track record in the smart card industry. We monitor the quality of the finished products by performing quality inspection to ensure the products provided meet our quality control standards. We maintain quality control procedures for our products produced by our suppliers and subcontractors to ensure the overall quality of our products. We generally follow up with our suppliers and subcontractors on production and delivery schedules in order to ensure that the finished products can be delivered or produced in accordance with our requirements. Our staff members who are responsible for quality control perform inspections on the products to ensure they meet the relevant specifications. A wholly-owned subsidiary of the Group received its first ISO certification in 2007, having proven success in following the requirements set by ISO 9001 standard. The ISO 9001 certificates of two major wholly-owned subsidiaries of the Group were renewed successfully in January 2024 and August 2022 respectively, and would be valid for a period of 3 years.

B. SOCIAL ASPECTS *(continued)*

OPERATING PRACTICES *(continued)*

B6 Product Responsibility *(continued)*

Quality Control *(continued)*

In addition, according to the Standard Operating Procedures ("SOP") for handling customers technical/complaint inquiries, if the customers have a faulty product to return to us or have technical inquiries and complaints, they can download and complete the request form from website or obtain it from the sales contact. Once the support and engineering team receive the form, they will check the captioned problem immediately and give advice. If the product needs to be returned to us, we will send the customers a Return Merchandise Authorization ("RMA") number and RMA shipping instructions. With customers always in mind, the Group actively maintains communication with customers to meet their needs and takes correct and preventive measures for unqualified products.

The Group further improves the level of satisfaction that it delivers to customers by carrying out business operations based on the Quality Policy and Quality Procedure Manual. During the Reporting Period, the Group surveys its high-volume customers annually, which included questions in relation to product quality. Customers rated overall satisfaction level with the products of the Group as "good". It shows that the Group has built up a reliable global network with its trusted customers by providing high quality products and services continuously.

During the Reporting Period, there are no disputes between our Group and our customers in respect of the quality of products produced by us and the Group is not aware of any material non-compliance against laws and regulations related to products responsibilities, including but not limited to the Product Quality Law of the PRC* (《中華人民共和國產品質量法》), the Law on the Protection of Rights and Interests of Consumers of the PRC* (《中華人民共和國消費者權益保護法》), the Trade Descriptions Ordinance (Chapter 362 of the Laws of Hong Kong), and the Basic Act on Consumer Policies of Japan (Act No. 78 of 1968 (up to the version of Act No. 60 of 2012)).

* *The English name is for identification only.*

B. SOCIAL ASPECTS *(continued)*

OPERATING PRACTICES *(continued)*

B6 Product Responsibility *(continued)*

Competitive Behavior & Intellectual Property

The Group engages in fair competition by adhering to ethical standards and avoiding unfair business practices, including attaching great importance to intellectual property protection. Intellectual property is of paramount importance to a thriving industry, where the originality and creativity of designers need to be protected. To prevent copyright infringement, each of our clients' work will undergo careful examination by our employees. Moreover, we strictly prohibit other companies from copying the design of our customers' products. Apart from protecting intellectual property rights, we strictly follow relevant laws and regulations regarding the protection of clients' commercially sensitive information. For instance, all unpublished advertisements from our clients are handled by a designated department and are made only accessible by authorized personnel.

The Group strictly abides by national and local laws and regulations, including but not limited to the Patent Law of the PRC* (《中華人民共和國專利法》), the Copyright Law of the PRC* (《中華人民共和國著作權法》), the Trademark Law of the PRC* (《中華人民共和國商標法》), the Trade Marks Ordinance (Chapter 559 of the laws of Hong Kong), the Patent Act of Japan* (Act No. 121 of 1959 (up to the version of Act No. 42 of 2021)) and other laws and regulations.

Complaint Handling

The Group's complaint handling policy is strictly compliant with regulatory standards to ensure that customers' opinions are heard and responded in a timely manner in the PRC, HK and Japan. The Group has established a customer complaint mechanism for customers to raise concerns about any issues related to product quality. The Group will investigate relevant complaints and devise and implement corrective measures to meet customer requirements. During the Reporting Period, 1 (2023:1) customer complaint regarding an appearance defect of the products was recorded in the sales and marketing customer compliant record. The Group promptly conducted an analysis to determine the root cause of the problem and implemented corrective measures to address the issue and ensure that such incidents do not recur. During the Reporting Period, there are no product sold or shipped subject to recall for safety and health reasons.

* *The English name is for identification only.*

B. SOCIAL ASPECTS *(continued)*

OPERATING PRACTICES *(continued)*

B6 Product Responsibility *(continued)*

Customer Data Protection

The Group regards data privacy and security as a key operating principle. The Group is committed to protecting confidentiality of the personal data of our employees, business partners and other identifiable individuals. We are in strict compliance with the applicable rules and regulations such as the Cybersecurity Law of the PRC* (《中華人民共和國網路安全法》), the Personal Data (Privacy) Ordinance (Chapter 486 of the laws of Hong Kong), and the Act on the Protection of Personal Information of Japan* (Act No. 57 of 2003 (up to the version of Act No. 37 of 2021)).

Product Advertising/Labelling

The Group understands our customers' rights and is committed to providing accurate product and service information for customers in connection with their purchase or consumption decision. The Group requires careful review of advertising material to protect our customers' interest. The Group is committed to providing sufficient and accurate information and product label to customers, and considers that it is an extended responsibility to protect the rights and interests of consumers.

During the Reporting Period, to the best of our directors' knowledge, there was no material noncompliance or violation related to intellectual property, advertising, labelling and privacy.

B7 Anti-Corruption

The Group considers business ethics and integrity as utmost importance in corporate sustainable development and long-term success. Hence, we strictly adhere to all the applicable laws and regulations, including the Anti-Money Laundering Law of the PRC* (《中華人民共和國反洗錢法》), the Anti-Unfair Competition Law of the PRC* (《中華人民共和國反不正當競爭法》), the Anti-Money Laundering and Counter-Terrorist Financing Ordinance (Chapter 615 of the Laws of Hong Kong), the Prevention of Bribery Ordinance (Chapter 201 of the Laws of Hong Kong), the Law on Penalties for the Rectification of Economic Relations of Japan* (Act No. 4 of 1944 (up to the version of Act 2015)), and the Unfair Competition Prevention Act of Japan* (Act No. 47 of 1993 (up to the version of Act No. 33 of 2018)).

* *The English name is for identification only.*

B. SOCIAL ASPECTS *(continued)*

OPERATING PRACTICES *(continued)*

B7 Anti-Corruption *(continued)*

The Code of Conduct included in our Human Resources Manual allows our people to understand explicitly on several areas, which include the provisions of anti-bribery and corruption. To ensure the workplace operates in a fair and transparent manner, the Group has set up a whistleblowing policy for employees at all levels, divisions and the stakeholders to raise their concerns about possible improprieties in financial reporting, internal control or any suspected case related to corruption, bribery, misappropriation, collusion and criminal offences within the Group to come forward and voice their issues in order to commit the highest possible standards of openness, probity and accountability. The policies are revised in due course and all directors and employees are reminded with its requirement from time to time. The Group definitely has zero tolerance on bribery and corruption behaviour. Moreover, we have signed cooperation agreements and other documents requiring suppliers to comply with integrity measures over the prevention of bribery, fraud and extortion.

Although the Group did not provide training related to anti-corruption for directors and employees during the Reporting Period, we still strive to enhance the importance of business ethics and anti-corruption concept of employees, and undertake to arrange relevant training in a timely manner to strengthen the practice of good corporate culture in the future when necessary. During the Reporting Period, to the best knowledge of the directors, there was no material non-compliance or violations regarding anti-corruption exercises and no concluded legal case regarding corruption practices were brought against the Group or its employees.

COMMUNITY

B8 Community Investment

The Group is committed to supporting the community by incorporating social participation and contribution in our business development. We believe through community investment, socially responsible corporate culture and practices can be nurtured in the Group. During the Reporting Period, the Group has actively promoted employee-driven social responsibility, encouraging staff to contribute HKD2,200 (2023: Nil) in support of Orbis World Sight Day 2024, which highlights our focus on health-related community engagement. The Group will continue to fulfil its social responsibility by supporting charity and community development in the future.

Subject areas, aspects, general disclosures and KPIs		Section
Aspect A1: Emissions		
General Disclosure		"Environmental Aspects"
KPI A1.1	The types of emissions and respective emissions data	"Emissions – Air Pollutant Emission"
KPI A1.2	Greenhouse gas emissions in total and, where appropriate, intensity	"Emissions –GHG Emission"
KPI A1.3	Total hazardous waste produced and, where appropriate, intensity	"Emission – Hazardous and Non-hazardous Wastes"
KPI A1.4	Total non-hazardous waste produced and, where appropriate, intensity	"Emissions – Hazardous and Non-hazardous Wastes"
KPI A1.5	Description of emissions target(s) set and steps taken to achieve them	"Emissions – Air Pollutant Emission", "Emissions – GHG Emission"
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them	"Emissions – Hazardous and Non-hazardous Wastes"
Aspect A2: Use of Resources		
General Disclosure		"Use of Resources"
KPI A2.1	Direct and/or indirect energy consumption by type in total and intensity	"Use of Resources – Energy"
KPI A2.2	Water consumption in total and intensity	"Use of Resources – Water Consumption"
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them	"Use of Resources – Energy"

Subject areas, aspects, general disclosures and KPIs		Section
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them	"Use of Resources – Water Consumption"
KPI A2.5	Total packaging material used for finished products and, if applicable, with reference to per unit produced	"Use of Resources – Packaging Materials"
Aspect A3: The Environment and Natural Resources		
General Disclosure		"The Environment and Natural Resources"
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them	"The Environment and Natural Resources"
Aspect A4: Climate Change		
General Disclosure		"Climate Change"
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them	"Climate Change"
Aspect B1: Employment		
General Disclosure		"Employment"
KPI B1.1	Total workforce by gender, employment type, age group and geographical region	"Employment"
KPI B1.2	Employee turnover rate by gender, age group and geographical region	"Employment"

Subject areas, aspects, general disclosures and KPIs		Section
Aspect B2: Health and Safety		
General Disclosure		"Health and Safety"
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year	"Health and Safety"
KPI B2.2	Lost days due to work injury	"Health and Safety"
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored	"Health and Safety"
Aspect B3: Development and Training		
General Disclosure		"Development and Training"
KPI B3.1	The percentage of employee trained by gender and employee category	"Development and Training"
KPI B3.2	The average training hours completed per employee by gender and employee category	"Development and Training"
Aspect B4: Labour Standards		
General Disclosure		"Labour Standards"
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour	"Labour Standards"
KPI B4.2	Description of steps taken to eliminate such practices when discovered	"Labour Standards"

Subject areas, aspects, general disclosures and KPIs		Section
Aspect B5: Supply Chain Management		
General Disclosure		"Supply Chain Management"
KPI B5.1	Number of suppliers by geographical region	"Supply Chain Management"
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored	"Supply Chain Management"
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored	"Supply Chain Management"
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored	"Supply Chain Management"
Aspect B6: Product Responsibility		
General Disclosure		"Product Responsibility"
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons	"Product Responsibility"
KPI B6.2	Number of products and service-related complaints received and how they are dealt with	"Product Responsibility – Complaint Handling"

Subject areas, aspects, general disclosures and KPIs		Section
KPI B6.3	Description and practices relating to observing and protecting intellectual property rights	"Product Responsibility – Competitive Behavior & Intellectual Property"
KPI B6.4	Description of quality assurance process and recall procedures	"Product Responsibility – Quality Control"
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored	"Product Responsibility – Customer Data Protection"
Aspect B7: Anti- corruption		
General Disclosure		"Anti-corruption"
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the case	"Anti-corruption"
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored	"Anti-corruption"
KPI B7 3	Description of anti-corruption training provided to directors and staff	"Anti-corruption"
Aspect B8: Community Investment		
General Disclosure		"Community Investment"
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport)	"Community Investment"
KPI B8.2	Resources contributed (e.g. money or time) to the focus area	"Community Investment"

REPORT OF THE DIRECTORS

The directors hereby submit their annual report together with the audited financial statements for the year ended 31 December 2024.

PRINCIPAL PLACE OF BUSINESS

Leadway Technology Investment Group Limited is a company incorporated and domiciled in Cayman Islands and has its registered office at 190 Elgin Avenue, George Town, Grand Cayman, KY1-9008, Cayman Islands and its principal place of business at Units 4108–4110, 41st Floor, Manhattan Place, 23 Wang Tai Road, Kowloon Bay, Hong Kong.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the Company is investment holding. The Group is principally engaged in financial technology and smart living business. The principal activities and other particulars of the subsidiaries are set out in note 17 to the financial statements. Further discussion and analysis of these activities as required by Schedule 5 to the Hong Kong Companies Ordinance, including a discussion of the principal risks and uncertainties facing the Group and an indication of likely future developments in the Group's business, can be found in the management discussion and analysis set out on pages 5 to 12 of this annual report. This discussion forms part of this report of the directors.

For more details regarding the fair review of the Group's business and performance by reference to environmental and social-related policies, as well as compliance with relevant laws and regulations that have a significant impact on the Group's business and operation can be found in the environmental, social and governance report set out on pages 42 to 97 of this annual report.

RELATIONSHIPS WITH KEY STAKEHOLDERS

Employees are remunerated equitably and competitively. Continues trading and development opportunities are provided to equip them to deliver their best performance and achieve corporate goals. During the year, our staff continuously pursue training and career development through our training programmes.

The Group places strong emphasis on establishing and maintaining strong and stable business relationship with its customers through its commitment to offer quality products. It also stays connected with customers through customer communication channels to keep abreast of the changing consumer preferences.

The Group uses suppliers that reflects its values and commitment. The Group has policies and procedures to select suppliers who share our social, environment and labour practice standards.

MAJOR CUSTOMERS AND SUPPLIERS

The information in respect of the Group's sales and purchases attributable to the major customers and suppliers respectively during the financial year is as follows:

	Percentage of the Group's total	
	Sales	Purchases
The largest customer	15%	–
Five largest customers in aggregate	35%	–
The largest supplier	–	19%
Five largest suppliers in aggregate	–	47%

At no time during the year have the directors, their associates or any shareholder of the Company (which to the knowledge to the directors owns more than 5% of the Company's share capital) had any interest in these major customers and suppliers.

The Group keeps effective communication with customers, impresses customers with high quality products and services, and responds promptly to their feedbacks and comments. During the year ended 31 December 2024 and up to the date of this report, the Group maintained good relationship with customers.

The Group keeps a high standard in selecting reputable and reliable suppliers in order to meet our own quality, safety, environmental and product criteria. During the year ended 31 December 2024 and up to the date of this report, the Group maintained good relationship with its suppliers.

CHARITABLE DONATIONS

No charitable donation was made by the Group during the year ended 31 December 2024 (2023: nil).

RESULTS AND APPROPRIATIONS

The profit of the Group for the year ended 31 December 2024 and the state of the Company's and the Group's affairs as at that date are set out in the financial statements on pages 117 to 183.

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

CLOSURE OF REGISTER OF MEMBERS

For the purpose of ascertaining shareholders who are entitled to attend, speak and vote at the annual general meeting to be held on Wednesday, 28 May 2025 (or any adjournment thereof), the register of members of the Company will be closed from Friday, 23 May 2025 to Wednesday, 28 May 2025, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the right to attend, speak and vote at the annual general meeting (or any adjournment thereof), all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on Thursday, 22 May 2025.

RESERVES

Details of the movements in the reserves of the Group and the Company during the year are set out in the consolidated statement of change in equity on page 121 and note 25(a) to the financial statements, respectively.

DISTRIBUTABLE RESERVES OF THE COMPANY

At 31 December 2024, the Company did not have any distributable reserves, calculated in accordance with the Companies Act, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, (2023: HK$0.9 million) includes the Company's share premium which may be distributable provided that immediately following the date on which the dividend is proposed to be distributed.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group are set out in note 15 to the financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company during the year are set out in note 25(b) to the financial statements.

REPORT OF THE DIRECTORS

DIRECTORS

The directors who held the office during the year and up to the date of this report are:

Executive Directors

Mr. Mai Zhaoping *(Co-Chairman)*
Mr. Zhang Xueqin *(Co-chairman and Chief Executive Officer)*
Ms. Mai Qiqi
Mr. Chan Chun Leung
Ms. Xu Tingting
Mr. Wong Chi Ho *(resigned on 16 January 2024)*

Non-executive Directors

Mr. Mai Ziye
Mr. Lam Chi Wai *(appointed on 9 February 2024)*
Mr. Xing Yi *(resigned on 9 February 2024)*

Independent Non-executive Directors

Dr. Lin Tat Pang
Mr. Lai Chi Leung
Mr. Zhang Dingfang
Mr. Gu Tianlong

In accordance with Article 16.2 of the Company's Articles of Association, Mr. Lam Chi Wai, who was newly appointed as a non-executive director of the Company on 9 February 2024, will retire at the forthcoming annual general meeting and, being eligible, offer himself for re-election.

In accordance with Article 16.18 of the Company's Articles of Association, Mr. Mai Zhaoping, Mr. Zhang Xueqin, Ms. Mai Qiqi and Mr. Chan Chun Leung will retire by rotation at the forthcoming annual general meeting and being eligible, offer themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

The executive directors have entered into service agreements with the Company for a term of three years, which may be terminated by not less than three months' notice in writing served by either party to the other.

The non-executive directors have entered into letters of appointment with the Company for a term of two to three years, which may be terminated by not less than three months' notice in writing served by either party to the other.

The independent non-executive directors have entered into letters of appointment with the Company for a term of one to three years, which may be terminated by not less than three months' notice in writing served by other party to the other.

The current period of the service agreements or letters of appointment are as follows:

Name of director	Period
Mr. Mai Zhaoping	4 February 2025 to 3 February 2028
Mr. Zhang Xueqin	4 February 2025 to 3 February 2028
Ms. Mai Qiqi	7 March 2025 to 6 March 2028
Mr. Chan Chun Leung	7 March 2025 to 6 March 2028
Ms. Xu Tingting	4 February 2025 to 3 February 2028
Mr. Mai Ziye	7 March 2025 to 6 March 2028
Mr. Lam Chi Wai	9 February 2024 to 8 February 2026
Dr. Lin Tat Pang	22 December 2023 to 21 December 2025
Mr. Lai Chi Leung	4 February 2025 to 3 February 2026
Mr. Zhang Dingfang	4 February 2025 to 3 February 2026
Mr. Gu Tianlong	7 March 2025 to 6 March 2026

None of the directors has a service contract with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2024, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO, pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Long positions in the shares of the Company

Name of director	Note	Capacity	Total number of shares held	Approximate percentage of the Company's issued share capital as at 31 December 2024
Mr. Mai Zhaoping (麥照平先生)	(i)	Interest in controlled corporation	239,215,679	74.85%
Mr. Zhang Xueqin (張學勤先生)	(i)	Interest in controlled corporation	239,465,679	74.94%

Note:

(i) Mr. Mai Zhaoping and Mr. Zhang Xueqin are parties acting in concert pursuant to the Deed of Concert Parties.

Save as disclosed above, as at 31 December 2024, to the best knowledge of the directors of the Company, none of the directors or their associates had any personal, family, corporate or other interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

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 directors or their respective spouse or children under 18 years of age, or were any such rights exercised by them, or was the Company, its holding company, or any of its subsidiaries and fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

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

As at 31 December 2024, so far as is known to the directors or chief executive of the Company, the following shareholders (excluding directors and chief executive of the Company) had interests and short positions of 5% or more in the shares and underlying shares of the Company as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO.

		Long position in ordinary shares of HK$0.10 each		
Name of shareholder	Notes	Capacity	Total number of shares held	Approximate percentage of the Company's issued share capital as at 31 December 2024
Leadway Development Limited ("Leadway Development")	(i)	Beneficial owner	238,889,669	74.75%
Mars Development Limited	(i)	Interest in controlled corporation	239,215,679	74.85%
Mars Enterprise Holdings Limited	(i)	Interest in controlled corporation	239,215,679	74.85%
Megacore Development Limited	(i)	Interest in controlled corporation	239,215,679	74.85%
Megacore International Innovation Limited	(i)	Interest in controlled corporation	239,215,679	74.85%
Zhong Zhao Investment Holdings Limited (中兆投資控股有限公司)	(i)	Interest in controlled corporation	239,215,679	74.85%

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES *(continued)*

		Long position in ordinary shares of HK$0.10 each		
Name of shareholder	Notes	Capacity	Total number of shares held	Approximate percentage of the Company's issued share capital as at 31 December 2024
Premium Financial Limited (永寶物業按揭有限公司)	(ii)	Security interest	238,889,669	74.75%
Sun Speed Holdings Limited (日迅控股有限公司)	(ii)	Security interest in controlled corporation	238,889,669	74.75%
Mr. Qiu Yong (邱用先生)	(ii)	Security interest in controlled corporation	238,889,669	74.75%

Notes:

(i) Leadway Development is held as to 60% by Mars Development Limited and 40% by Megacore Development Limited. Mars Development Limited is held as to 100% by Mars Enterprise Holdings Limited which in turn is held as to 100% by Mr. Mai Zhaoping. Megacore Development Limited is held as to 100% by Megacore International Innovation Limited which in turn is held as to 100% by Zhong Zhao Investment Holdings Limited. Zhong Zhao Investment Holdings Limited is held as to 100% by Mr. Zhang Xueqin. Mr. Mar Zhaoping and Mr. Zhang Xueqin are parties acting in concert pursuant to the Deed of Concert Parties. Mars Development Limited, Mars Enterprise Holdings Limited, Mr. Mai Zhaoping, Megacore Development Limited, Megacore International Innovation Limited, Zhong Zhao Investment Holdings Limited and Mr. Zhang Xueqin are therefore deemed to be interested in shares held by Leadway Development under the SFO.

(ii) On 27 August 2019, Leadway Development, the controlling shareholder (as defined in the Listing Rules) of the Company entered into a share charge agreement with Premium Financial Limited, pursuant to which Leadway Development agreed to pledge 238,889,669 shares in the issued share capital of the Company in favour of Premium Financial Limited, for the purpose of securing a loan granted by independent third parties of the Company to Leadway Development.

Therefore, the records in the register to be kept under section 336 of the SFO were updated that (i) Premium Financial Limited, Sun Speed Holdings Limited and Mr. Qiu Yong are interested in 238,889,669 shares as security interest; and (ii) interest in 238,889,669 shares held by Leadway Development, Mars Development Limited, Mars Enterprise Holdings Limited, Mr. Mai Zhaoping, Megacore Development Limited, Megacore International Innovation Limited, Zhong Zhao Investment Holdings Limited and Mr. Zhang Xueqin were provided as security to a person other than a qualified lender.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES *(continued)*

Save as disclosed above, as at 31 December 2024 and to the best knowledge of the directors and chief executive of the Company, no person had an interest or short position in the shares or underlying shares of the Company as recorded in the register of interests required to be kept under Section 336 of the SFO.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENT OR CONTRACTS OF SIGNIFICANCE

There was no transactions, arrangements or contracts of significance in relation to the Group's business to which the Company, its subsidiaries, its fellow subsidiaries or its holding companies was a party and in which a director of the Company or his connected entities had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Based on the information available to the Company and within the knowledge and belief of the directors of the Company, none of the directors of the Company have any interests in a business which competes or may compete with the business of the Group during the year.

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

During the year, neither the Company nor its subsidiaries purchased, sold or redeemed any of the Company's listed shares.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the M&A of the Company or the laws of Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PERMITTED INDEMNITY PROVISION

The M&A of the Company provides that every director shall be indemnified out of the assets of the Company against all losses or liability incurred or sustained by him or her as a director in defending any proceedings, whether civil or criminal, in which judgment is given in his favour, or in which he is acquitted. Throughout the year and up to the date of this report, the Company has taken out insurance against the liabilities and costs associated with defending any proceedings which may be brought against the directors of the Company and its subsidiaries.

BANK LOAN AND OTHER BORROWING

There is no outstanding balance of bank loan and other borrowing as at 31 December 2024 (2023: nil).

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 184 of this annual report.

EQUITY-LINKED AGREEMENTS

No equity-linked agreements were entered into during the year or subsisted at the end of the year.

REMUNERATION POLICIES

Remuneration policies and packages for the Group's employees are based on individual qualifications, performance, experience and conditions prevailing in the industry. In addition, various training sessions are offered to employees to enhance their product and market knowledge. The remuneration of directors is determined according to their expertise, knowledge, and contributions to the Group with reference to the Group's profitability and the prevailing market conditions.

EMPLOYEE RETIREMENT PLANS

Particulars of employee retirement plans of the Group are set out in note 14 to the financial statements.

CONTINUING CONNECTED TRANSACTIONS

Lease and Related Agreements

During the Year, the Group had the following continuing connected transaction which was subject to reporting, annual review and announcement but was exempted from independent Shareholders' approval and circular requirements pursuant to Rule 14A.76(2)(b) of the Listing Rules:

On 20 August 2024, 龍傑智慧科技（廣東）有限公司 ("ACS Guangdong") (an indirect wholly-owned subsidiary of the Company) and 廣東中兆實業集團有限公司 ("Zhong Zhao") is entered into a cooperation agreement (the "Cooperation Agreement") pursuant to which the parties agreed to collaborate to jointly develop a smart technology project on the premises to promote contactless reader, financial technology and smart living solutions eco-system for a term of three years from 1 September 2024 to 31 August 2027 (both dates inclusive).

Pursuant to the Cooperation Agreement, Zhong Zhao shall provide office spaces and venues at the premises for free as requested from time to time by ACS Guangdong for its production and operation. Zhong Zhao shall also provide support to ACS Guangdong on its production operation and business development, including but not limited to, talent recruitment, government preferential policy support, peripheral supporting activities, and resource integration. In return, ACS Guangdong shall pay a service fee to Zhong Zhao on a revenue sharing basis in an amount representing 10% of the operating revenue of ACS Guangdong, payable every three months. ACS Guangdong shall also pay a prepayment in the amount of RMB3,000,000 to Zhong Zhao within five business days after signing of the Cooperation Agreement.

The proposed Annual Cap on the aggregate service fee of the Cooperation Agreement for each of the three years ending 31 August 2027 shall not exceed RMB5,000,000, RMB7,000,000 and RMB9,000,000, respectively. The service fee (on an aggregate basis within 12 months) shall be less than HK$10,000,000.

As at the date of this annual report, Zhong Zhao is owned as to 90% by Mr. Zhang, one of the ultimate controlling shareholders of the Company and the executive Director. Mr. Zhang is a connected person of the Company under Rule 14A.07(1) of the Listing Rules. As such, Zhong Zhao is an associate of a connected person. Accordingly, the transaction contemplated under the Cooperation Agreement constitutes a continuing connected transaction of the Company.

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the transaction contemplated under the Cooperation Agreement is more than 5% but less than 25% and the total consideration (in respect of the Annual Cap) is less than HK$10,000,000, the Cooperation Agreement is subject to reporting, annual review and announcement requirements, but is exempted from independent Shareholders' approval and circular requirements pursuant to Rule 14A.76(2)(b) of the Listing Rules. Further details of the continuing connected transaction are set out in the Company's announcement dated 20 August 2024.

Pursuant to rule 14A.55 of the Listing Rules, the above continuing connected transactions have been reviewed by the independent non-executive Directors, who confirmed that these continuing connected transactions were entered into:

(i) in the ordinary and usual course of business of the Group;

(ii) on normal commercial terms or better; and

(iii) according to relevant agreements governing them on terms that were fair and reasonable and in the interests of the shareholders of the Company as a whole.

Pursuant to rule 14A.56 of the Listing Rules, the Company's auditor was engaged to report on the Group's the connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits and Reviews of Historical Financial Information" and with reference to Practice Note 740 (Revised) "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants.

The auditor has issued a letter to the Board containing a conclusion that the continuing connected transactions disclosed by the Group above involve no non-compliance with Rule 14A.56 of Listing Rule. The auditor's letter has confirmed that nothing has come to their attention that causes them to believe that the continuing connected transactions:

(i) have not been approved by the Board;

(ii) were not, in all material respects, in accordance with the pricing policies of the Group where the transactions involve the provision of goods or services by the Group;

(iii) were not entered into, in all material respects, in accordance with the relevant agreements governing the continuing connected transactions; and

(iv) have exceeded their respective annual caps for the financial year ended 31 December 2024 set by the Company.

PUBLIC FLOAT

Based on the information publicly available and to the best information and knowledge of the directors, the Company had maintained the prescribed public float as required under the Listing Rules during the year ended 31 December 2024.

ENVIRONMENTAL POLICY

The Group is committed to create a business that contributes to global efforts in environmental care and sustainability. A further discussion of the environmental policies of the Group can be found in the environmental, social and governance report set out in pages 42 to 97 of this annual report. The discussion forms part of this report of the directors.

COMPLIANCE WITH LAWS AND REGULATIONS

During the year, there was no material breach of or non-compliance with the applicable laws and regulations by the Group.

AUDITORS

With effect from 6 November 2024, KPMG ("KPMG") resigned as the auditor of the Company, and McMillan Woods (Hong Kong) CPA Limited ("McMillan Woods") was appointed as the auditor of the Company with immediate effect from 6 November 2024 to fill the casual vacancy occasioned by the resignation of KPMG. Saved as aforesaid, there has been no change in auditors of the Company in the three years preceding the date of this annual report. The consolidated financial statements of the Group for the year ended 31 December 2024 were audited by McMillan Woods, who will retire at the forthcoming annual general meeting and, being eligible, offer itself for re-appointment. A resolution for the re-appointment of McMillan Woods as auditor of the Company will be proposed at the forthcoming annual general meeting.

By order of the Board

Zhang Xueqin
Director

26 March 2025

McMillanWoods
Professionalism at the forefront

To the shareholders of
Leadway Technology Investment Group Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Leadway Technology Investment Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 117 to 183, which comprise the consolidated statement of financial position as at 31 December 2024, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

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

BASIS FOR OPINION

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

KEY AUDIT MATTER

Key audit matter is the matter that, in our professional judgement, 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. The key audit matter we identified is impairment of development costs capitalised as intangible assets.

Impairment of development costs capitalised as intangible assets

Reference to the material accounting policy information in notes 4(e) and 4(g)(ii), key sources of estimation uncertainty in note 5(a) and the relevant disclosures of intangible assets in note 16 to the consolidated financial statements.

Key Audit Matter	How the matter was addressed in our audit
The costs incurred in the development of the Group's smart card products are capitalised as intangible assets. The carrying amount of the Group's development costs capitalised as intangible assets was approximately HK$8,170,000 as at 31 December 2024. Management performs an impairment assessment of its capitalised development costs on a project-by-project basis by identifying if there are any projects with indicators of possible impairment, which include a shortfall of revenue generated from the respective projects as compared to management's forecasts, and changes in technology which may render the products obsolete or result in reduced sales opportunities.	Our audit procedures on the impairment of development costs capitalised as intangible assets included the followings: • assessing and challenging the impairment assessment model, which included evaluating the indicators of possible impairment identified by management and assessing whether the impairment assessment was prepared in accordance with the requirements of the relevant HKFRS Accounting Standards;

KEY AUDIT MATTER *(continued)*

Impairment of development costs capitalised as intangible assets *(continued)*

Key Audit Matter	How the matter was addressed in our audit
For those projects for which an indicator of possible impairment was identified, its recoverable amount, being the value in use as determined by the management, was compared to the carrying amount of individual development costs against the respective discounted cashflow forecast of the project to determine the amount of impairment which should be recognised, if any. Management is required to exercise significant judgements in estimating the future revenue and profit margins of the individuals projects and the pre-tax discount rate used in discounted cashflow forecast. The technology industry is dynamic and the reception of the market to the Group's products involves inherent uncertainties. We have identified the impairment of development costs capitalised as intangible assets as a key audit matter because the amount is significant to the consolidated financial statements as a whole and the determination of the level of impairment, if any, involves a significant degree of management's judgements in estimating the recoverable amounts of the projects which are inherently uncertain and could be subject to management bias.	• with the assistance of auditor's expert, challenging the key assumptions and critical judgements adopted by management in the discounted cashflow forecast by comparing the significant inputs, which included future revenue and profit margins of the individual projects with the historical performance of comparable projects and the financial budgets of the individual projects approved by management; • with the assistance of auditor's expert, assessing the appropriateness of the pre-tax discount rate used in the discounted cashflow forecasts by benchmarking against those of other similar companies in the same industry; • enquiring of the Group's management about any expected changes in market demand and technological advances which may reduce the expected cashflows to be generated by the developed technology; and • evaluating the adequacy of disclosure in respect of the impairment in the consolidated financial statements.

OTHER MATTER

The consolidated financial statements of the Group for the year ended 31 December 2023 were audited by another auditor who expressed an unmodified opinion on those statements on 27 March 2024.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all the information included in the annual report other than 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 AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The Audit Committee assists the directors of the Company in discharging their responsibilities 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 our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

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

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

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

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

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

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

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

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

From the 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.

McMillan Woods (Hong Kong) CPA Limited
Certified Public Accountants

Sham Tsz Leung Desmond
Practising Certificate Number: P08234
24/F, Siu On Centre
188 Lockhart Road
Wanchai
Hong Kong, 26 March 2025

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2024

	Notes	2024 *HK$'000*	2023 *HK$'000*
Revenue	6	**100,287**	79,207
Cost of sales and services rendered		**(47,863)**	(36,953)
Gross profit		**52,424**	42,254
Other income	7	**675**	1,515
Allowance for expected credit losses on trade receivables	26(a)	**(125)**	(3,701)
Selling and distribution expenses		**(8,981)**	(9,154)
Research and development expenses		**(12,881)**	(17,532)
Administrative expenses		**(27,011)**	(32,301)
Profit/(loss) from operations		**4,101**	(18,919)
Finance costs	8(a)	**(369)**	(292)
Profit/(loss) before tax	8	**3,732**	(19,211)
Income tax	9	**–**	–
Profit/(loss) for the year		**3,732**	(19,211)
Earnings/(losses) per share	12		
Basic		**1.168 HK cents**	(6.012) HK cents
Diluted		**1.168 HK cents**	(6.012) HK cents

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2024

	2024	2023
	HK$'000	*HK$'000*
Profit/(loss) for the year	3,732	(19,211)
Other comprehensive income/(expense)		
Item that will not be reclassified to profit or loss:		
Remeasurement of defined benefit obligations	–	43
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of foreign operations	(191)	(533)
Total comprehensive income/(expense) for the year attributable to owners of the Company	3,541	(19,701)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2024

	Notes	2024 *HK$'000*	2023 *HK$'000*
Non-current assets			
Property, plant and equipment	15	**8,837**	10,373
Intangible assets	16	**8,170**	7,383
Defined benefits assets		**–**	228
		17,007	17,984
Current assets			
Inventories	18	**25,047**	26,811
Trade and other receivables	19	**25,596**	11,880
Other financial assets	20	**93**	212
Current tax recoverable		**477**	503
Cash and cash equivalents	21(a)	**25,712**	20,227
		76,925	59,633
Current liabilities			
Trade and other payables	22	**25,063**	11,029
Lease liabilities	23	**4,003**	4,107
		29,066	15,136
Net current assets		**47,859**	44,497
Total assets less current liabilities		**64,866**	62,481

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2024

	Notes	2024 *HK$'000*	2023 *HK$'000*
Non-current liability			
Lease liabilities	23	**3,095**	4,251
NET ASSETS		**61,771**	58,230
CAPITAL AND RESERVES			
Share capital	25(b)	**31,956**	31,956
Reserves	25(c)	**29,815**	26,274
TOTAL EQUITY		**61,771**	58,230

Approved and authorised for issue by the board of directors on 26 March 2025 and are signed on its behalf by:

Mai Zhaoping	Zhang Xueqin
Director	*Director*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2024

	Share capital *HK$'000* (Note 25(b))	Share premium* *HK$'000* (Note 25(c)(i))	Merger reserve* *HK$'000* (Note 25(c)(ii))	Surplus reserve* *HK$'000* (Note 25(c)(iii))	Exchange reserve* *HK$'000* (Note 25(c)(iv))	Accumulated losses* *HK$'000*	Total equity *HK$'000*
Balance at 1 January 2023	31,956	53,383	4,496	2,870	(2,205)	(12,569)	77,931
Changes in equity for the year:							
Loss for the year	–	–	–	–	–	(19,211)	(19,211)
Other comprehensive expense	–	–	–	–	(533)	43	(490)
Total comprehensive income	–	–	–	–	(533)	(19,168)	(19,701)
Appropriation to surplus reserve	–	–	–	9	–	(9)	–
Balance at 31 December 2023 and 1 January 2024	31,956	53,383	4,496	2,879	(2,738)	(31,746)	58,230
Changes in equity for the year:							
Profit for the year	–	–	–	–	–	3,732	3,732
Other comprehensive expense	–	–	–	–	(191)	–	(191)
Total comprehensive income	–	–	–	–	(191)	3,732	3,541
Appropriation to surplus reserve	–	–	–	7	–	(7)	–
Balance at 31 December 2024	31,956	53,383	4,496	2,886	(2,929)	(28,021)	61,771

* These reserve accounts comprise the consolidated reserves of approximately HK$29,815,000 (2023: HK$26,274,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2024

	Note	2024 *HK$'000*	2023 *HK$'000*
Cash flows from operating activities			
Cash generated from/(used in) operations	21(b)	**13,005**	(12,429)
– Hong Kong Profits Tax refunded		**–**	2
Net cash generated from/(used in) operating activities		**13,005**	(12,427)
Cash flows from investing activities			
Purchase of property, plant and equipment		**(662)**	(690)
Proceeds from the disposal of property, plant and equipment		**–**	8
Payment for purchases of other financial assets		**(93)**	(213)
Proceeds from maturity of other financial assets		**93**	213
Expenditure on development projects capitalised		**(2,603)**	(2,912)
Interest received		**598**	800
Net cash used in investing activities		**(2,667)**	(2,794)
Cash flows from financing activities			
Principal element of lease payments paid	21(c)	**(4,468)**	(4,229)
Interest element of lease payments paid	21(c)	**(369)**	(292)
Net cash used in financing activities		**(4,837)**	(4,521)
Net increase/(decrease) in cash and cash equivalents		**5,501**	(19,742)
Effect of foreign exchange rate changes		**(16)**	–
Cash and cash equivalents at 1 January		**20,227**	39,969
Cash and cash equivalents at 31 December	21(a)	**25,712**	20,227

1. GENERAL INFORMATION

Leadway Technology Investment Group Limited (the "Company") was incorporated in the Cayman Islands on 13 April 2000 as an exempted company with limited liability under the Companies Law (Revised) of the Cayman Islands. Its registered office is located at 190 Elgin Avenue, George Town, Grand Cayman, KY1-9008, Cayman Islands and its principal place of business is at Units 4108–4110, 41st Floor, Manhattan Place, 23 Wang Tai Road, Kowloon Bay, Hong Kong.

The Company is an investment holding company. The principal activities of the subsidiaries of the Company (together with the subsidiaries collectively referred to as the "Group") are set out in note 17.

At 31 December 2024, the directors of the Company considered the immediate parent of the Company to be Leadway Development Limited, which is incorporated in the Cayman Islands, and the ultimate controlling parties to be Mr. Mai Zhaoping and Mr. Zhang Xueqin, the executive directors of the Company.

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with all applicable HKFRS Accounting Standards, which collective term includes all applicable individual HKFRS Accounting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations ("Ints") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with the disclosure requirements of the Hong Kong Companies Ordinance. Material accounting policy information adopted by the Group are disclosed in note 4 below.

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

3. APPLICATION OF NEW AND AMENDMENTS TO HKFRS ACCOUNTING STANDARDS

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

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

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Hong Kong Interpretation 5 (“HK Int 5”) (Revised)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

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

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

Up to the date of issue of these consolidated financial statements, the HKICPA has issued a number of new standard and amendments to standards, which are not effective for the year ended 31 December 2024 and which have not been adopted in these consolidated financial statements. The Group has not early applied the following which may be relevant to the Group:

	Effective for accounting periods beginning
Amendments to HKAS 21 and HKFRS 1 – Lack of Exchangeability	1 January 2025
Amendments to HKFRS 9 and HKFRS 7 – Contracts Referencing Nature-dependent Electricity	1 January 2026
Amendments to HKFRS 9 and HKFRS 7 – Classification and Measurement of Financial Instruments	1 January 2026
Annual Improvements to HKFRS Accounting Standards – Volume 11	1 January 2026
HKFRS 18 – Presentation and Disclosure in Financial Statements	1 January 2027

3. APPLICATION OF NEW AND AMENDMENTS TO HKFRS ACCOUNTING STANDARDS *(continued)*

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

	Effective for accounting periods beginning
Amendments to HK Int 5 – Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2027
Amendments to HKRS 10 and HKAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The directors of the Company are in the process of making an assessment of what the impacts of these new standard, amendments to standards and Int are expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements except for the new HKFRS Accounting Standard mentioned below:

HKFRS 18 "Presentation and Disclosure in Financial Statements"

HKFRS 18 will replace HKAS 1 "Presentation of Financial Statements", introducing new requirements that will help to achieve comparability of the financial performance of similar entities and provide more relevant information and transparency to users. Even though HKFRS 18 will not impact the recognition or measurement of items in the consolidated financial statements, HKFRS 18 introduces significant changes to the presentation of financial statements, with a focus on information about financial performance present in the statement of profit or loss, which will affect how the Group present and disclose financial performance in the financial statements. The key changes introduced in HKFRS 18 relate to (i) the structure of the statement of profit or loss; (ii) required disclosures for management-defined performance measures (which are referred to alternative or non-GAAP performance measures); and (iii) enhanced requirements for aggregation and disaggregation of information.

The directors of the Company are currently assessing the impact of applying HKFRS 18 on the presentation and the disclosures of the consolidated financial statements.

4. MATERIAL ACCOUNTING POLICY INFORMATION

These consolidated financial statements have been prepared under the historical cost basis, except for defined benefits assets that are measured at revalued amount, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

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

The material accounting policy information applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it 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, only substantive rights (held by the Group and other parties) are considered.

A subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 4(g)(ii)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

4. MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

(b) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is the Company's functional and presentation currency.

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

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

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

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

4. MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

(b) Foreign currency translation *(continued)*

(iii) Translation on consolidation

The results and financial position of all foreign operations (none of which has the currency of hyperinflationary economy) that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

– Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

– Income and expenses are translated at average exchange rates for the period (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

– All resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange reserve.

On consolidation, exchange differences arising from the translation of monetary items that form part of the net investment in foreign entities are recognised in other comprehensive income and accumulated in the exchange reserve. When a foreign operation is sold, such exchange differences are reclassified to consolidated profit or loss as part of the gain or loss on disposal.

4. MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

(c) Investments in debt securities

Investments in debt securities are recognised/derecognised on the date the Group commits to purchase/sell the investment or upon maturity. Investment in debt securities are initially stated at fair value plus directly attributable transaction costs. These investments are subsequently accounted for as follows:

If the contractual cash flows of the debt securities held by the Group represent solely payments of principal and interest, the debt securities would be classified as amortised cost, as the Group does not invest in such instruments other than principally to collect those contractual cash flows. Interest income from investments carried at amortised cost is calculated using the effective interest method (see note 4(p)(iii)).

(d) Property, plant and equipment

The following items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 4(g)(ii)):

– right-of-use assets arising from leases over leasehold properties where the Group is not the registered owner of the property interest; and

– items of plant and equipment.

Items may be produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management. The proceeds from selling any such items and the related costs are recognised in profit or loss.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

4. MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

(d) Property, plant and equipment *(continued)*

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

–	Properties leased for own use and classified as right-of-use assets	Over the lease terms
–	Leasehold improvements	Over the lease terms
–	Furniture and fixtures	4 years
–	Computer and office equipment	4 years
–	Mould	4 years
–	Motor vehicles	4 years

Both the useful life of an asset and its residual value, if any, are reviewed annually.

(e) Intangible assets

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development. The expenditure capitalised includes the costs of materials, direct labour, and an appropriate proportion of overheads and borrowing costs, where applicable. Capitalised development costs are stated at cost less accumulated amortisation and impairment losses (see note 4(g)(ii)). Other development expenditure is recognised as an expense in the period in which it is incurred.

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

–	Development costs	4 years

Both the period and method of amortisation are reviewed annually.

4. MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

(f) Leased assets

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

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

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see notes 4(d) and 4(g)(ii)).

The Group presents right-of-use assets in the financial statement item "property, plant and equipment".

4. MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

(f) Leased assets *(continued)*

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("lease modification") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification.

In the consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

4. MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

(g) Credit losses and impairment of assets

(i) Credit losses from financial instruments

The Group recognises a loss allowance for expected credit losses ("ECLs") on the financial assets measured at amortised cost (including cash and cash equivalents, trade and other receivables, deposits and other financial assets).

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls of fixed-rate financial assets and trade and other receivables are discounted using the effective interest rate determined at initial recognition or an approximation thereof where the effect of discounting is material.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the end of the reporting period; and

– lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the end of the reporting period.

4. MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

(g) Credit losses and impairment of assets *(continued)*

(i) Credit losses from financial instruments *(continued)*

Measurement of ECLs *(continued)*

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increase in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the end of the reporting period with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is over 1 year past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

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

– failure to make payments of principal or interest on their contractually due dates;

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

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

– existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

4. MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

(g) Credit losses and impairment of assets *(continued)*

(i) Credit losses from financial instruments (continued)

Significant increase in credit risk *(continued)*

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at the end of the reporting period to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Basis of calculation of interest income

Interest income recognised in accordance with note 4(p)(iii) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At the end of the reporting period, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

– significant financial difficulties of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

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

4. MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

(g) Credit losses and impairment of assets *(continued)*

(i) Credit losses from financial instruments (continued)

Basis of calculation of interest income *(continued)*

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

– the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(ii) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired, an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment, including right-of-use assets;

– intangible assets; and

– investments in subsidiaries in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated.

4. MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

(g) Credit losses and impairment of assets *(continued)*

(ii) Impairment of other non-current assets (continued)

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. 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 generates cash inflows independently (i.e. a cash-generating unit).

– Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

– Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years.

Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

4. MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

(h) Contract liabilities

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue (see note 4(p)). A contract liability would also be recognised if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see note 4(j)).

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see note 4(p)).

(i) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

4. MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

(j) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset.

Receivables are stated at amortised cost using the effective interest method less allowance for ECLs (see note 4(g)(i)).

(k) Other financial assets

Other financial assets are classified at amortised cost in accordance with note 4(c).

(l) Trade and other payables

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

(m) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for ECLs in accordance with the policy set out in note 4(g)(i).

4. MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

(n) Employee benefits

Short-term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(o) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable profit for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years. Taxable profit differs from profit/(loss) before tax as reported in the consolidated statement of profit or loss because it exclude items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

4. MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

(o) Income tax *(continued)*

Apart from certain limited exceptions, all deferred tax liabilities and all deferred tax assets, to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

4. MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

(o) Income tax *(continued)*

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  – the same taxable entity; or

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

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

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

4. MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

(p) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods and the provision of services in the ordinary course of the Group's business.

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

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

(i) Sale of goods

Revenue from the sales of goods (including smart card products, software and hardware) is recognised when customer takes possession of and accepts the products. If the products are a partial fulfilment of a contract covering other goods and/or services, then the amount of revenue recognised is an appropriate proportion of the total transaction price under the contract, allocated between all the goods and services promised under the contract on a relative standalone selling price basis.

(ii) Provision of services

Revenue from provision of maintenance service is recognised over the agreed service period. Revenue from provision of other services is recognised when the related services are rendered.

(iii) Interest income

Interest income is recognised as it accrues using the effective interest method. Using the rate that exactly discounts estimated future cash receipts through the excepted life of the financial asset to the gross carrying amount of the financial asset.

4. MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

(p) Revenue and other income *(continued)*

(iv) Other practical expedients applied

In addition, the company has applied the following practical expedients:

– For sales contracts that had an original expected duration of one year or less, the Group has not disclosed the information related to the aggregated amount of the transaction price allocated to the remaining performance obligations in accordance with paragraph 121(a) of HKFRS 15.

(q) Government grants

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

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

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

(a) Impairment of development costs capitalised as intangible assets

If circumstances indicate that the carrying values of the development costs may not be recoverable, the assets may be considered "impaired", and an impairment loss may be recognised in accordance with HKAS 36 *Impairment of Assets*. Under HKAS 36, these assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to recoverable amount. The recoverable amount is the greater of its fair value less costs of disposal and the value in use. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgements and estimates relating to future revenue and profit margin. The Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount. However, actual revenue, profit margin and pre-tax discount rate may be different from assumptions which may require a material adjustment to the carrying amount of the assets affected. As at 31 December 2024, the carrying amount of intangible assets was approximately HK$8,170,000 (2023: HK$7,383,000) and no impairment loss on intangible assets (2023: HK$695,000) was recognised during the year ended 31 December 2024.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

(b) Allowance for ECLs of trade and other receivables and deposits

The loss allowances for trade and other receivables and deposits are based on assumptions about risk of default and expected loss rates. The Group use judgement 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 at 31 December 2024, the carrying amounts of trade receivables and deposits and other receivables were approximately HK$15,133,000 (net of allowance for ECL of approximately HK$4,153,000) (2023: HK$6,662,000 (net of allowance for ECL of approximately HK$4,028,000)) and HK$6,652,000 (net of allowance for ECL of nil) (2023: HK$4,682,000 (net of allowance for ECL of nil)) respectively.

(c) Allowance for slow-moving inventories

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

As at 31 December 2024, the carrying amount of inventories was approximately HK$25,047,000 (2023: HK$26,811,000). A net reversal of write-down of inventories of approximately HK$80,000 (2023: write-down of inventories of HK$315,000) was made for the year ended 31 December 2024.

6. REVENUE AND SEGMENT REPORTING

(a) Revenue

The principal activities of the Group are the development, sales and distribution of smart card products, software and hardware and provision of related services.

(i) Disaggregation of revenue

	2024 *HK$'000*	2023 *HK$'000*
Revenue from contracts with customers within the scope of HKFRS 15		
Development, sales and distribution of smart card products	100,076	78,955
Provision of related services	211	252
	100,287	79,207
Disaggregated by timing of revenue recognition		
– At a point in time	100,287	79,123
– Over time	–	84
	100,287	79,207

Disaggregation of revenue from contracts with customers by geographic market is disclosed in note 6(b).

(ii) Information about major customers

Revenue from customers of the corresponding years ended contributing over 10% (2023: 10%) of the total revenue of the Group are as follows:

	2024 *HK$'000*	2023 *HK$'000*
Customer A	15,285	N/A*

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

(iii) Revenue expected to be recognised in the future arising from contracts with customers in existence at the end of the reporting period

At 31 December 2024 and 2023, there are no transaction prices allocated to the remaining performance obligations under the Group's existing contracts.

6. REVENUE AND SEGMENT REPORTING (Continued)

(b) Segment reporting

The Group's chief operation decision maker (i.e the executive directors of the Company) (the "CODM") assesses the performance and allocates the resources of the Group as a whole, as all of the Group's activities are considered to be primarily the development, sales and distribution of smart card products, software and hardware and the provision of smart card related services. The management considers there is only one operating segment and, accordingly, no segment information is presented.

The following table sets out information about the geographic area of (i) the Group's revenue from external customers; and (ii) the Group's property, plant and equipment and intangible assets (the "specified non-current assets"). The geographic area of customers is based on the location at which the services were rendered or the control over the goods are transferred to customers. The geographic area of the specified non-current assets is based on the physical location of the assets, in the case of property, plant and equipment and the location of the operation to which they are allocated, in the case of intangible assets.

	Revenue from external customers		Specified non-current assets	
	2024	2023	**2024**	2023
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Europe	**57,891**	35,812	**–**	–
Asia Pacific	**29,398**	29,943	**17,007**	17,756
The Americas	**11,418**	11,687	**–**	–
Middle East and Africa	**1,580**	1,765	**–**	–
	100,287	79,207	**17,007**	17,756

7. OTHER INCOME

	2024	2023
	HK$'000	*HK$'000*
Interest income	**598**	800
Government subsidies*	**4**	116
Sundry income	**73**	599
	675	1,515

* The government subsidies granted to the Group mainly comprised the subsidies for research and development. The Group successfully applied for research and development subsidy from government in Shenzhen, the People's Republic of China of approximately HK$4,000 (2023: HK$116,000). The purpose of the subsidy is to encourage innovation by granting financial assistance to commercial entities whose research and development projects meet certain criteria. There was no unfulfilled conditions nor other contingencies attached to the government grants and therefore such grants were recognised as other income during the years ended 31 December 2024 and 2023.

8. PROFIT/(LOSS) BEFORE TAX

Profit/(loss) before tax is arrived at after charging/(crediting):

		2024	2023
		HK$'000	*HK$'000*
(a)	**Finance costs**		
	Interest on lease liabilities (note 21(c))	369	292
(b)	**Staff costs (including directors' emoluments in note 10)**		
	Contributions to defined contribution retirement plans	2,206	2,286
	Income recognised in respect of a defined benefit retirement plan	–	(4)
	Total retirement costs	2,206	2,282
	Salaries, wages and other benefits	29,822	40,671
		32,028	42,953
	Less: Amount capitalised into development costs (note 16)	(2,233)	(2,799)
		29,795	40,154
(c)	**Other items**		
	Amortisation of intangible assets (note 16)	1,816	2,158
	Depreciation of (note 15)		
	– property, plant and equipment	1,039	1,984
	– right-of-use assets	4,362	4,399
	Impairment losses on intangible assets (including in research and development expenses) (note 16)	–	695
	Allowance for ECL on trade receivables (note 26(a))	125	3,701
	Auditors' remuneration		
	– Audit services	650	1,003
	Loss on disposal of property, plant and equipment	–	19
	Gain on lease termination (note 15)	(4)	–
	Foreign exchange gains, net	(792)	(612)
	Cost of inventories sold	47,459	36,451
	Write-down of inventories (including in cost of sales and services rendered)	4	1,511
	Reversal of write-down of inventories (including in cost of sales and services rendered)	(84)	(1,196)

9. INCOME TAX

(i) No provision for Hong Kong Profits Tax has been made in the consolidated financial statements since the Group has sufficient tax losses brought forward to set off against current year's assessable profit for year ended 31 December 2024 and 2023.

(ii) No provision for Philippines Income Tax has been made in the consolidated financial statements for years ended 31 December 2024 and 2023 as the Group has sustained losses for taxation purpose.

(iii) No provision for Chinese Mainland Corporate Income Tax has been made in the consolidated financial statements for years ended 31 December 2024 and 2023 as the Group has sustained losses for taxation purpose.

(iv) The Group is not subject to tax under other jurisdictions.

(b) Reconciliation between income tax and the product of profit/(loss) before tax multiplied by the applicable tax rates is as follows:

	2024 *HK$'000*	2023 *HK$'000*
Profit/(loss) before tax	**3,732**	(19,211)
Notional tax on profit/(loss) before tax, calculated at the rates applicable to profits in the tax jurisdictions concerned	**615**	(3,125)
Tax effect of non-deductible expenses	**1,321**	2,346
Tax effect of non-taxable income	**(105)**	(165)
Tax effect of unused tax losses not recognised	**344**	2,639
Tax effect of utilisation of unused tax losses previously not recognised	**(891)**	(155)
Tax effect of deductible temporary differences not recognised	**13**	29
Tax effect of tax exemption/deduction from tax authority	**(1,297)**	(1,653)
Others	**–**	84
Income tax	**–**	–

Details of deferred tax are set out in note 24.

10. DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Hong Kong Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	2024			
	Directors' fees *HK$'000*	Salaries and allowances *HK$'000*	Retirement scheme contributions *HK$'000*	Total *HK$'000*
Executive directors				
Mr. Mai Zhaoping (Co-Chairman)	–	150	8	158
Mr. Zhang Xueqin (Co-Chairman and Chief Executive Officer)	–	1,350	–	1,350
Ms. Mai Qiqi	300	360	9	669
Mr. Chan Chun Leung	–	131	7	138
Ms. Xu Tingting	–	720	–	720
Mr. Wong Chi Ho *(resigned on 16 January 2024)*	–	36	2	38
Non-executive directors				
Mr. Mai Ziye	–	–	–	–
Mr. Xing Yi *(resigned on 9 February 2024)*	–	–	–	–
Mr. Lam Chi Wai *(appointed on 9 February 2024)*	–	–	–	–
Independent non-executive directors				
Dr. Lin Tat Pang	180	–	–	180
Mr. Lai Chi Leung	120	–	–	120
Mr. Zhang Dingfang	120	–	–	120
Mr. Gu Tianlong	120	–	–	120
	840	2,747	26	3,613

10. DIRECTORS' EMOLUMENTS *(continued)*

	2023			
	Directors' fees *HK$'000*	Salaries and allowances *HK$'000*	Retirement scheme contributions *HK$'000*	Total *HK$'000*
Executive directors				
Mr. Mai Zhaoping (Co-Chairman)	–	367	36	403
Mr. Zhang Xueqin (Co-Chairman and Chief Executive Officer)	–	367	–	367
Ms. Mai Qiqi	–	880	36	916
Mr. Chan Chun Leung	–	321	32	353
Ms. Xu Tingting	–	880	–	880
Mr. Wong Chi Ho *(resigned on 16 January 2024)*	–	1,098	18	1,116
Non-executive directors				
Mr. Mai Ziye	–	–	–	–
Mr. Xing Yi *(resigned on 9 February 2024)*	–	–	–	–
Independent non-executive directors				
Dr. Lin Tat Pang	220	–	–	220
Mr. Lai Chi Leung	220	–	–	220
Mr. Zhang Dingfang	220	–	–	220
Mr. Gu Tianlong	220	–	–	220
	880	3,913	122	4,915

Mr. Zhang Xueqin is the chief executive of the Company and his emoluments disclosed above include those for services rendered by him as chief executive.

No emoluments were paid by the Group to any director 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.

No director waived or agreed to waived any remuneration during the years ended 31 December 2024 and 2023.

Save as disclosed in note 27, no other significant transactions, arrangements and contracts in relation to the Group's business to which the Company was as party and in which a director of the Company and the director's connected party had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

11. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, there are one (2023: two) director whose emoluments is disclosed in note 10. The aggregate of the emoluments in respect of the other four (2023: three) individuals is as follow:

	2024 *HK$'000*	2023 *HK$'000*
Salaries and other emoluments	3,166	2,682
Retirement scheme contributions	69	54
	3,235	2,736

The emoluments of the four individuals (2023: three individuals) with the highest emolument is within the following band:

	2024 *Number of Individuals*	2023 *Number of Individuals*
Nil to HK$1,000,000	4	3

No emolument has been paid to any highest paid employees 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.

12. EARNINGS/(LOSSES) PER SHARE

(a) Basic earnings/(losses) per share

The calculation of basic earnings (2023: losses) per share is based on profit attributable to owners of the Company of approximately HK$3,732,000 (2023: loss of approximately HK$19,211,000) and the weighted average of 319,565,000 (2023: 319,565,000) ordinary shares in issue for the year ended 31 December 2024.

(b) Diluted earnings/(losses) per share

Diluted earnings/(losses) per share for the years ended 31 December 2024 and 2023 are the same as the basic earnings/(losses) per share as the Company did not have any outstanding dilutive potential ordinary shares during both years.

13. DIVIDENDS

The directors of the Company do not recommend the payment of any dividend in respect of the year ended 31 December 2024 (2023: Nil).

14. EMPLOYEE RETIREMENT BENEFITS

The Group operates and participates in a number of defined contribution and defined benefit retirement plans in and outside Hong Kong.

(a) Defined contribution retirement plans

(i) The Group operates a Mandatory Provident Fund Scheme (the "MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly contribution of HK$1,500 (2023: HK$1,500). Contributions to the plan vest immediately.

(ii) Pursuant to the relevant labour rules and regulations in the Chinese Mainland, employees of the subsidiaries in the Chinese Mainland are members of the central pension scheme operated by the Chinese Mainland municipal government authorities. The Group is required to contribute a certain percentage of employees' remuneration to the central pension scheme to fund the benefits. The only obligation for the Group with respect to the central pension scheme is the associated required contribution under the central pension scheme. Contributions to the plan vest immediately.

(b) Defined benefit retirement plan

The Group makes contributions to a separate defined benefit retirement plan for qualifying employees in the Philippines. Contributions are based on the pension fund's actuarial measurement framework set out in the funding policies of the plan. Employees are not required to contribute to the plan. The defined benefit plan is administrated by a trustee that is legally separated from the Group. The trustee shall be responsible for the general administration of the plan and the management of the fund and is required by the law to act in the best interest of the plan participants and responsible for the investment policy with regard to the assets of the fund. The benefits are based on the qualifying employees' latest monthly salary and the number of years of services.

In the opinion of the directors of the Company, the amount and related financial impacts of the defined benefits are immaterial for the years ended 31 December 2024 and 2023 and no related disclosure are being made for the year ended 31 December 2024 and 2023.

Save for the above, the Group has no other obligation. As at 31 December 2024 and 2023, no forfeited contributions (by employers on behalf of employees who leave the scheme prior to vesting fully in such contributions) may be used by the Group to reduce the existing level of contributions.

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements *HK$'000*	Furniture and fixtures *HK$'000*	Computer and office equipment *HK$'000*	Mould *HK$'000*	Motor vehicles *HK$'000*	Right-of-use assets *HK$'000* (note)	Total *HK$'000*
Cost							
At 1 January 2024	2,018	997	14,012	4,421	1,068	28,302	50,818
Exchange adjustments	(39)	(25)	(251)	–	–	–	(315)
Additions	113	25	65	459	–	–	662
Disposals	–	(3)	(74)	–	–	–	(77)
Lease modification	–	–	–	–	–	3,365	3,365
Lease termination	–	–	–	–	–	(409)	(409)
At 31 December 2024	2,092	994	13,752	4,880	1,068	31,258	54,044
Accumulated depreciation							
At 1 January 2024	1,908	939	13,055	3,932	334	20,277	40,445
Exchange adjustments	(37)	(24)	(245)	–	–	–	(306)
Charge for the year	114	22	402	234	267	4,362	5,401
Written back on disposals	–	(3)	(74)	–	–	–	(77)
Lease termination	–	–	–	–	–	(256)	(256)
At 31 December 2024	1,985	934	13,138	4,166	601	24,383	45,207
Net book value							
At 31 December 2024	107	60	614	714	467	6,875	8,837

15. PROPERTY, PLANT AND EQUIPMENT *(continued)*

	Leasehold improvements *HK$'000*	Furniture and fixtures *HK$'000*	Computer and office equipment *HK$'000*	Mould *HK$'000*	Motor vehicles *HK$'000*	Right-of-use assets *HK$'000* (note)	Total *HK$'000*
Cost							
At 1 January 2023	2,936	984	15,050	4,161	1,358	19,760	44,249
Exchange adjustments	1	6	56	–	–	–	63
Additions	–	27	403	260	–	1,424	2,114
Disposals	(919)	(20)	(1,497)	–	(290)	–	(2,726)
Lease modification	–	–	–	–	–	7,118	7,118
At 31 December 2023	2,018	997	14,012	4,421	1,068	28,302	50,818
Accumulated depreciation							
At 1 January 2023	1,783	929	14,009	3,737	357	15,878	36,693
Exchange adjustments	3	6	59	–	–	–	68
Charge for the year	1,041	21	460	195	267	4,399	6,383
Written back on disposals	(919)	(17)	(1,473)	–	(290)	–	(2,699)
At 31 December 2023	1,908	939	13,055	3,932	334	20,277	40,445
Net book value							
At 31 December 2023	110	58	957	489	734	8,025	10,373

15. PROPERTY, PLANT AND EQUIPMENT *(continued)*

Note:

Right-of-use assets

The net book value of right-of-use assets represents the Group's properties lease for own use, carried at depreciation cost is approximately HK$6,875,000 (2023: HK$8,025,000). Lease liabilities of approximately HK$7,098,000 (2023: HK$8,358,000) are recognised with related right-of-use assets of approximately HK$6,875,000(2023: HK$8,025,000) as at 31 December 2024. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

The analysis of (income) expenses in relation to leases recognised in profit or loss is as follows:

	2024 ***HK$'000***	2023 *HK$'000*
Depreciation charge of right-of-use assets by class of underlying asset:		
Properties leased for own use	**4,362**	4,399
Interest on lease liabilities (included in finance costs note 8(a))	**369**	292
Expense relating to short-term leases (included in administrative expenses)	**243**	289
Gain on lease termination (including in administrative expenses)	**(4)**	–

During the year ended 31 December 2024, lease modification of right-of-use assets and lease liabilities were approximately HK$3,365,000 (2023: HK$7,118,000) and HK$3,365,000 (2023: HK$7,118,000) respectively.

During the year ended 31 December 2024, the lease termination to right-of-use assets was approximately HK$153,000 (2023: nil) and the lease liabilities was approximately HK$157,000 (2023: nil), therefore a gain on lease termination was approximately HK$4,000 (2023: nil).

Details of total cash outflows for leases is set out in note 21(e).

(i) Properties leased for own use

The Group has obtained the right to use properties as its warehouses, staff quarters and offices through tenancy agreements. The leases typically run for an initial period of 2 to 3 years (2023: 2 to 3 years). Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

The Group leased a number of offices in the Chinese mainland and Hong Kong.

16. INTANGIBLE ASSETS

	Development costs *HK$'000*
Cost	
At 1 January 2024	60,979
Addition through internal development	2,603
At 31 December 2024	63,582
Accumulated amortisation and impairment	
At 1 January 2024	53,596
Charge for the year	1,816
At 31 December 2024	55,412
Net book value:	
At 31 December 2024	8,170

During the year ended 31 December 2024, the directors of the Company determined that there was indication of possible impairment on certain projects included in intangible assets as a result of the market instability. The management conducted impairment assessment on these projects, which constitute individual cash-generating units for the purpose of the impairment assessment. The recoverable amounts of the relevant assets (which comprise primarily development costs under intangible assets) have been determined by the directors of the Company based on a value-in-use calculation of the individual projects to which the relevant assets belong.

Based on the impairment assessment performed by the management, no impairment loss was recognised for the year ended 31 December 2024.

16. INTANGIBLE ASSETS *(continued)*

	Development costs *HK$'000*
Cost	
At 1 January 2023	58,067
Addition through internal development	2,912
At 31 December 2023	60,979
Accumulated amortisation and impairment	
At 1 January 2023	50,743
Charge for the year	2,158
Impairment loss for the year	695
At 31 December 2023	53,596
Net book value:	
At 31 December 2023	7,383

The average remaining amortisation period of development costs are 2.3 years (2023: 2.2 years).

The amortisation charges of approximately HK$1,816,000 (2023: HK$2,158,000) for the year ended 31 December 2024 was included in "research and development expenses" in the consolidated statement of profit or loss.

During the year ended 31 December 2023, the directors of the Company considered certain projects were under-performing against approved financial budgets in 2023 and determined impairment indicators exist for these projects. The management conducted impairment assessment on these projects, which constitute individual cash-generating units for the purpose of the impairment assessment. The recoverable amounts of the relevant assets (which comprise primarily development costs included under intangible assets) have been determined by the directors of the Company based on a value-in-use calculation of the individual projects to which the relevant assets belong. The calculation uses cash flow projections based on management forecasts covering the estimated useful lives of the projects at a pre-tax discount rate of 18% during the year ended 31 December 2023. Based on the review, an impairment loss of approximately HK$695,000 was recognised as the recoverable amounts were amounting to approximately HK$7,383,000 which were less than the related carrying amounts for these projects as at 31 December 2023. Management believes that any adverse change in the assumptions used in the calculation of recoverable amounts would result in further impairment losses.

17. INVESTMENTS IN SUBSIDIARIES

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

Name of company	Place of incorporation/ establishment and business	Particulars of issued and paid up capital	Percentage of equity attributable to the Company 2024 %	2023 %	Principal activities
Direct					
Advanced Card Systems Limited	Hong Kong	18,000,000 shares	100	100	Development, sales and distribution of smart card products, software and hardware and the provision of smart card related services in Hong Kong
Leadway Technology Investment Limited	Hong Kong	1 share	100	100	Provision of management services to group companies and investment holding in Hong Kong
Indirect					
ACS Technologies (Shenzhen) Ltd*&** 龍傑科技(深圳)有限公司**	Chinese Mainland	Registered capital of HK$14,000,000	100	100	Development, sales and distribution of smart card products, software and hardware and the provision of smart card related services in the Chinese Mainland
Logyi Limited*&** 珠海市樂毅軟件科技有限公司**	Chinese Mainland	Registered capital of HK$3,500,000	100	100	Development of smart card products, software and hardware and the provision of smart card related services in the Chinese Mainland

* For identification purpose only
** Registered as wholly foreign-owned enterprise under the laws of the Chinese Mainland.

None of the subsidiaries had issued any debt securities at 31 December 2024 and 2023.

18. INVENTORIES

(a) Inventories in the consolidated statement of financial position comprise:

	2024 *HK$'000*	2023 *HK$'000*
Raw materials	**14,349**	18,311
Finished goods	**10,698**	8,500
	25,047	26,811

(b) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	2024 *HK$'000*	2023 *HK$'000*
Carrying amounts of inventories sold	**47,539**	36,136
Write-down of inventories	**4**	1,511
Reversal of write-down of inventories	**(84)**	(1,196)
	47,459	36,451

19. TRADE AND OTHER RECEIVABLES

	Notes	2024 HK$'000	2023 HK$'000
Trade receivables, net of loss allowance	(a)	19,286	10,690
Less: Allowance for ECLs		(4,153)	(4,028)
		15,133	6,662
Prepayments	(b)	3,811	536
Deposits		4,343	3,819
Other receivables		2,309	863
	(c)	25,596	11,880

(a) Ageing analysis

As at the end of the reporting period, the ageing analysis of trade receivables, based on the invoice date, which approximately the respective revenue recognition dates, and net of loss allowance, is as follows:

	2024 HK$'000	2023 HK$'000
Within 1 month	13,662	6,076
1 to 2 months	1,119	584
2 to 3 months	47	2
3 to 12 months	305	–
	15,133	6,662

Trade receivables are generally due within 7 days to 3 months (2023: 7 days to 3 months) from the date of billing. Further details on the Group's credit policy are set out in note 26(a).

(b) Included in prepayments amounting to approximately HK$3,204,000 (2023: Nil) for the related party, Guangdong Zhong Zhao Industrial Group Company Limited.

19. TRADE AND OTHER RECEIVABLES *(continued)*

(c) The carrying amount of the Group's trade and other receivables denominated in HK$, United States dollars ("US$"), Renminbi ("CNY"), Philippine Peso ("PHP") and other currencies (including Japanese Yen and Euro) as follows:

	2024	2023
	HK$'000	*HK$'000*
HK$	3,804	1,694
US$	16,272	7,722
CNY	5,066	1,725
PHP	369	530
Others	85	209
	25,596	11,880

20. OTHER FINANCIAL ASSETS

	2024	2023
	HK$'000	*HK$'000*
Financial assets measured at amortised cost		
Philippines Treasury bills	93	212

As at 31 December 2024 and 2023, the treasury bills are listed in Philippines and have a fixed yield of 6.0% (2023: 5.4%) per annum and matured on 19 February 2025 (2024: 10 January 2024). The carrying amount of the Group's other financial assets at 31 December 2024 and 2023 was denominated in PHP.

21. CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents:

	2024	2023
	HK$'000	*HK$'000*
Cash at banks and on hand	25,712	8,738
Bank deposits maturing within three months when placed	–	11,489
Cash and cash equivalents	25,712	20,227

As at 31 December 2024, cash at banks and deposits of approximately HK$2,856,000 (2023: HK$461,000) were placed with banks in the Chinese Mainland. Remittance of funds out of the Chinese Mainland is subject to the PRC'S Foreign Exchange Central Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations imposed by the Chinese Mainland government.

The bank balances are deposited with creditworthy banks with no rent history of default.

The carrying amount of the Group's cash and cash equivalents denominated in HK$, US$, CNY, PHP and others currencies (including Japanese Yen, British Pounds, Singapore dollars) as follows:

	2024	2023
	HK$'000	*HK$'000*
HK$	1,119	3,897
US$	19,888	14,740
CNY	3,310	975
PHP	977	273
Others	418	342
	25,712	20,227

21. CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION *(continued)*

(b) Reconciliation of profit/(loss) before tax to cash generated from/(used in) operations:

	Notes	2024 *HK$'000*	2023 *HK$'000*
Profit/(loss) before tax		**3,732**	(19,211)
Adjustments for:			
Depreciation	8(c)	**5,401**	6,383
Amortisation of intangible assets	8(c)	**1,816**	2,158
Allowance for ECL on trade receivables	8(c)	**125**	3,701
Impairment losses on intangible assets	8(c)	**–**	695
Write-down of inventories		**4**	1,511
Reversal of write-down of inventories		**(84)**	(1,196)
Finance costs	8(a)	**369**	292
Interest income	7	**(598)**	(800)
Loss on disposal of property, plant and equipment	8(c)	**–**	19
Gain on lease termination		**(4)**	–
Foreign exchange gains, net		**(135)**	(39)
Changes in working capital:			
Decrease in inventories		**1,844**	2,251
(Increase)/decrease in trade and other receivables		**(13,791)**	1,307
Increase/(decrease) in trade and other payables		**14,098**	(9,502)
Decrease in employee retirement benefit obligations		**228**	2
Cash generated from/(used in) operations		**13,005**	(12,429)

21. CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION *(continued)*

(c) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows from financing activities.

	Lease liabilities *HK$'000*
At 1 January 2023	4,045
Changes from financing cash flows:	
Principal element of lease payments paid	(4,229)
Interest element of lease payments paid (note 8(a))	(292)
Total changes from financing cash flows	(4,521)
Other changes:	
Increase in lease liabilities from entering into new leases during the year	1,424
Increase in lease liabilities from lease modification during the year	7,118
Interest expenses (note 8(a))	292
Total other changes	8,834
At 31 December 2023 and 1 January 2024	8,358
Changes from financing cash flows:	
Principal element of lease payments paid	(4,468)
Interest element of lease payments paid (note 8(a))	(369)
Total changes from financing cash flows	(4,837)
Other changes:	
Increase in lease liabilities from lease modification during the year	3,365
Decrease in lease liabilities from lease termination during the year	(157)
Interest expenses (note 8(a))	369
Total other changes	3,577
At 31 December 2024	7,098

(d) Non-cash item

During the year ended 31 December 2024, the Group entered into new lease agreements and lease modification for the use of leased properties for 2 to 3 years. On the lease commencement, the Group recognised right-of-use assets in aggregate of approximately HK$3,365,000 (2023: HK$8,542,000) and lease liabilities in aggregate of approximately HK$3,365,000 (2023: HK$8,542,000).

21. CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION *(continued)*

(e) Total cash outflow for leases

The lease rentals paid included in the consolidated statement of cash flows for leases comprise the following:

	2024	2023
	HK$'000	*HK$'000*
Within operating cash flows	243	289
Within financing cash flows	4,837	4,521
	5,080	4,810

22. TRADE AND OTHER PAYABLES

	Notes	2024	2023
		HK$'000	*HK$'000*
Trade payables	(a)	15,043	6,338
Accruals and other payables		3,223	4,145
Contract liabilities	(b)	6,797	546
	(c)	25,063	11,029

All of the trade and other payables are expected to be settled within one year.

Notes:

(a) As of the end of the reporting period, the ageing of trade payables, based on the invoice date, is as follows:

	2024	2023
	HK$'000	*HK$'000*
Within 1 month	13,390	2,613
1 to 3 months	1,537	3,361
3 months to 1 year	116	364
	15,043	6,338

22. TRADE AND OTHER PAYABLES *(continued)*

Notes: *(continued)*

(b) Typical payment terms which impact on the amount of contract liabilities recognised when the Group receives a deposit from customer before the production activity commences. This will give rise to contract liabilities at the start of a contract, until the revenue recognised exceeds the amount of the deposit. The Group typically receives a 50% deposit on acceptance of sales orders and was negotiated on a case by case basis with customers.

Movements in contract liabilities

	2024	2023
	HK$'000	*HK$'000*
At 1 January	**546**	4,430
Decrease in contract liabilities as a result of recognising revenue during the year which included in the contract liabilities at the beginning of the year	**(546)**	(4,430)
Increase in contract liabilities from customers as a result of receiving sales deposits during the period	**6,804**	541
Exchange adjustment	**(7)**	5
At 31 December	**6,797**	546

The increase in receipt in advance as at 31 December 2024 was mainly due to increase in advance payment from customers for ordering the smart card products during the year.

The amount of billings in advance of performance received that is expected to be recognised as income after more than one year is HK$4,418,000 (2023: HK$355,000).

(c) The carrying amount of the Group's trade and other payables denominated in HK$, US$, CNY, PHP and others currencies (including Japanese Yen, Australia dollars and EURO) as follows:

	2024	2023
	HK$'000	*HK$'000*
HK$	**9,823**	3,800
US$	**12,866**	4,103
CNY	**2,152**	2,494
PHP	**17**	530
Others	**205**	102
	25,063	11,029

23. LEASE LIABILITIES

	Minimum lease payments		Present value of minimum lease payments	
	2024	2023	**2024**	2023
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Within one year	**4,273**	4,411	**4,003**	4,107
More than one year, but not exceeding two years	**2,655**	4,381	**2,571**	4,225
More than two years, but not more five years	**534**	27	**524**	26
	7,462	8,819	**7,098**	8,358
Less: Future finance charges	**(364)**	(461)	**–**	–
Present value of lease obligations	**7,098**	8,358	**7,098**	8,358
Less: Amount due for settlement within one year classified as current liabilities			**(4,003)**	(4,107)
Amount due for settlement after one year classified as non-current liabilities			**3,095**	4,251

The Group entered into lease arrangements with independent third parties in relation to certain properties. The lease terms ranged from 2 to 3 years (2023: 2 to 3 years). Incremental borrowing rates of underlying lease liabilities at the date of inception ranged from 4.4% to 6.0% (2023: 4.4% to 6.0%) per annum as at 31 December 2024.

The carrying amount of the Group's lease liabilities are denominated as follows:

	2024	2023
	HK$'000	*HK$'000*
HK$	**4,969**	7,674
CNY	**2,129**	684
	7,098	8,358

24. DEFERRED TAX

(a) Deferred tax assets/(liabilities) recognised

The components of deferred tax assets/(liabilities) recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Depreciation allowances in excess of the related depreciation *HK$'000*	Employee retirement benefits *HK$'000*	Amortisation of intangible assets *HK$'000*	Tax losses *HK$'000*	Others *HK$'000*	Total *HK$'000*
Deferred tax arising from:						
At 1 January 2023	105	(349)	(1,384)	1,279	349	–
(Charged)/credited to profit or loss	(402)	–	(30)	432	–	–
At 31 December 2023 and 1 January 2024	**(297)**	**(349)**	**(1,414)**	**1,711**	**349**	**–**
Credited/(charged) to profit or loss	**237**	**349**	**(27)**	**(210)**	**(349)**	**–**
At 31 December 2024	**(60)**	**–**	**(1,441)**	**1,501**	**–**	**–**

(b) Deferred tax assets not recognised

In accordance with the material accounting policy information set out in note 4(o), the Group has not recognised deferred tax assets in respect of certain unused tax losses of approximately HK$151,514,000 (2023: HK$154,720,000) as it is not probable that future taxable profits against which those unused tax losses can be utilised will be available in the relevant tax jurisdictions and entities.

Included in unrecognised unused tax losses is an amount of approximately HK$21,345,000 (2023: HK$21,557,000) which can be carried forward up to five years from the year in which the loss originated. The remaining balance of approximately HK$130,169,000 (2023: HK$133,163,000) does not expire under current tax legislation.

24. DEFERRED TAX *(continued)*

(c) Deferred tax liabilities not recognised

At 31 December 2024, temporary differences relating to undistributed profits of subsidiaries amounted to approximately HK$28,763,000 (2023: HK$27,603,000). Deferred tax liabilities of approximately HK$1,438,000 (2023: HK$1,380,000) have not been recognised in respect of the tax that would be payable on the distribution of these retained profits as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that these profits will not be distributed in the foreseeable future.

25. CAPITAL AND RESERVES

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

The Company

	Share capital *HK$'000* (Note 25(b))	Share premium *HK$'000* (Note 25(c)(i))	Accumulated losses *HK$'000*	Total equity *HK$'000*
Balance at 1 January 2023	31,956	53,383	(46,762)	38,577
Change in equity for the year:				
Loss and total comprehensive expense for the year	–	–	(5,734)	(5,734)
Balance at 31 December 2023 and 1 January 2024	**31,956**	**53,383**	**(52,496)**	**32,843**
Change in equity for the year:				
Loss and total comprehensive expense for the year	–	–	**(5,935)**	**(5,935)**
Balance at 31 December 2024	**31,956**	**53,383**	**(58,431)**	**26,908**

25. CAPITAL AND RESERVES *(continued)*

(b) Share capital

Authorised and issued share capital

	2024		2023	
	Number of shares	Amount	Number of shares	Amount
	'000	*HK$'000*	*'000*	*HK$'000*
Authorised:				
Ordinary shares of HK$0.1 each				
At 1 January and 31 December	**1,000,000**	**100,000**	1,000,000	100,000
Issued and fully paid:				
Ordinary shares of HK$0.1 each				
At 1 January and 31 December	**319,565**	**31,956**	319,565	31,956

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The only externally imposed capital requirement for the Group is that in order to maintain its listing on the Stock Exchange, it has to have a public float of at least 25% of shares. The Group has maintained a sufficient public float to comply with the Listing Rules during the years ended 31 December 2024 and 2023.

25. CAPITAL AND RESERVES *(continued)*

(c) Nature and purpose of reserves

(i) Share premium

Under the Companies Act (2023 Revision) of the Cayman Islands, the share premium of the Company is available for distributions or paying dividends to shareholders subject to the provisions of its memorandum and articles of association and provided that immediately following the payment of distribution or paying dividends, the Company is able to pay its debts as they fall due in the ordinary course of business. In accordance with the Company's memorandum and articles of association, distribution shall be payable out of profits or other reserves, including the share premium account of the Company.

(ii) Merger reserve

Merger reserve of the Group represents reserve of a subsidiary that have been capitalised as a result of a share-for-share exchange in prior years.

(iii) Surplus reserve

Pursuant to the applicable Chinese Mainland regulations, Chinese Mainland entity is required to appropriate 10% of its profit-after-tax (after offsetting prior year losses) to the reserve until such reserve reaches 50% of the registered capital. The transfer to the reserve must be made before distribution of dividends to shareholders. The surplus reserve can be utilised, upon approval by the relevant authorities, to offset accumulated losses or to increase registered capital of the Chinese Mainland subsidiaries, provided that the balance after such issue is not less than 25% of its registered capital.

(iv) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in note 4(b).

26. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate, currency risks arises in the normal course of the Group's business. The Group's exposures to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade receivables, deposits and other receivables, other financial assets and cash at bank.

Trade receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period, 34% (2023: 24%) of the total trade receivables was due from the Group's five largest customers.

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables in relation to sales of smart card products and hardware are generally due within seven days to three months (2023: seven days to three months) from the date of billing. Normally, the Group does not obtain collaterals from customers.

The Group does not provide any guarantees which would expose the Group to credit risk.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. The Group's historical credit loss experience does not indicate significantly different loss patterns for external customers. The loss allowance based on past due status and does not further distinguished between the Group's different customer bases.

26. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(a) Credit risk *(continued)*

Trade receivables *(continued)*

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

	2024		
	Expected loss rate	Gross carrying amount *HK$'000*	Loss allowance *HK$'000*
Current (not past due)	**3.1%**	**13,703**	**423**
Less than 1 month past due	**3.4%**	**845**	**29**
1 to 3 months past due	**8.4%**	**766**	**64**
3 to 6 months past due	**23.7%**	**413**	**98**
More than 6 months but less than 1 year past due	**25.9%**	**27**	**7**
More than 1 year past due	**100%**	**3,532**	**3,532**
		19,286	**4,153**

	2023		
	Expected loss rate	Gross carrying amount *HK$'000*	Loss allowance *HK$'000*
Current (not past due)	5.0%	4,569	228
Less than 1 month past due	6.8%	2,350	161
1 to 3 months past due	21.5%	149	32
3 to 6 months past due	48.3%	29	14
More than 6 months but less than 1 year past due	N/A	–	–
More than 1 year past due	100%	3,593	3,593
		10,690	4,028

26. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(a) Credit risk *(continued)*

***Trade receivables** (continued)*

These rates are adjusted to reflect the factors that are specific to the debtors and differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Movement in the loss allowance account in respect of trade receivables during the years ended 31 December 2024 and 2023 is as follows:

	2024 *HK$'000*	2023 *HK$'000*
Balance at 1 January	**4,028**	488
Amounts written off during the year	**–**	(163)
Impairment losses recognised during the year	**125**	3,701
Exchange adjustments	**–**	2
Balance at 31 December	**4,153**	4,028

The following significant changes in the gross carrying amounts of trade receivables contributed to the increase in the loss allowance:

– increase (2023: increase) in days of current (not past due) resulted in an increase (2023: increase) in loss allowance of HK$195,000 (2023: HK$128,000)

– decrease (2023: increase) in days of more than 1 year past due resulted in a decrease (2023: increase) in loss allowance of HK$61,000 (2023: HK$3,340,000)

Deposits and other receivables

For deposits and other receivables, the management makes periodic individual assessment on the recoverability of other receivables based on historical settlement records, the likelihood of recovery, quantitative information that is reasonable, and supportive forward-looking information.

26. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(a) Credit risk *(continued)*

Deposits and other receivables *(continued)*

The management believes that there are no significant increase in credit risk of these amounts since initial recognition and the Group assessed impairment based on 12-month ECL. For the years ended 31 December 2024 and 2023, the Group assessed that the ECL for deposits and other receivables were insignificant and thus no loss allowance was recognised.

Cash and cash equivalents

The credit risk arising for cash and cash equivalents are limited as the counterparties are banks with good high credit-rating assigned by international credit agencies, which the Group considers to have low credit risk.

(b) Interest rate risk

As at 31 December 2024 and 2023, the Group is exposed to cash flow interest rate risk in relation to bank balances. These bank balances bear interests at variable rates that vary with the then prevailing market condition.

The Group currently does not have any interest rate hedging policy. However, the management monitors interest rate risk exposure closely and will consider interest rate hedging should the need arise.

As at 31 December 2024 and 2023, no sensitivity analysis of interest rate risk is presented as a reasonably possible change in interest rate would not have significant impact on profit or loss of the Group.

(c) Liquidity risk

The Group manage their cash management for daily operation, including placing short-term bank deposits. Cash surplus over operating needs are closely monitored and managed by the Group's central cash and treasury management system. The Group's policy is to regularly monitor its liquidity requirements, to ensure that it maintains sufficient reserves of cash and adequate funding from the investors of the Group to meet its liquidity requirements in the short and longer term. The Group's exposures to the liquidity risk and its policies for managing such risk were unchanged prior years.

26. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(c) Liquidity risk *(continued)*

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities which are based on contractual undiscounted cash flows:

	2024 Contractual undiscounted cash outflows				
	Within 1 year *HK$'000*	More than 1 year but less than 2 years *HK$'000*	More than 2 years but less than 5 years *HK$'000*	Total *HK$'000*	Carrying amount *HK$'000*
Lease liabilities	4,273	2,655	534	7,462	7,098
Trade and other payables (excluding contract liabilities)	18,266	–	–	18,266	18,266
	22,539	2,655	534	25,728	25,364

	2023 Contractual undiscounted cash outflows				
	Within 1 year *HK$'000*	More than 1 year but less than 2 years *HK$'000*	More than 2 years but less than 5 years *HK$'000*	Total *HK$'000*	Carrying amount *HK$'000*
Lease liabilities	4,411	4,381	27	8,819	8,358
Trade and other payables (excluding contract liabilities)	10,483	–	–	10,483	10,483
	14,894	4,380	27	19,302	18,841

26. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(d) Currency risk

The Group is exposed to currency risk primarily through sales and purchases which give rise to receivables, payables and cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk is primarily US$ and CNY.

The directors of the Company are of the opinion that the US$ is pegged against HK$ and the risk of movements in exchange rates between US$ and HK$ to be insignificant. Accordingly, no sensitivity analysis is performed on the movements in exchange rates between US$ and HK$.

No sensitivity analysis has been performed on the Group's financial assets and liabilities denominated in CNY as the directors of the Company are of opinion that the effect of possible change in CNY is not material to the Group.

(e) Fair value measurement

As at 31 December 2024 and 2023, the carrying amount of the Group's all other financial instruments carried at costs or amortised costs were also not materially different from their fair values.

(f) Financial instruments by category

The carrying amounts of each of the categories of financial instruments are at the end of the reporting period are as follows:

Financial assets

	2024	2023
	HK$'000	*HK$'000*
Financial assets measured at amortised cost:		
Trade and other receivables	**21,785**	11,344
Other financial assets	**93**	212
Cash and cash equivalents	**25,712**	20,227
	47,590	31,783

26. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(f) Financial instruments by category *(continued)*

Financial liabilities

	2024	2023
	HK$'000	*HK$'000*
Financial liabilities measured at amortised cost:		
Trade and other payables	**18,266**	10,483

27. MATERIAL RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in these consolidated financial statements, the Group entered into the following material related party transactions.

Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's executive directors and non-executive directors as disclosed in note 10 is as follows:

	2024	2023
	HK$'000	*HK$'000*
Short-term employee benefits	**3,047**	3,913
Post-employment benefits	**26**	122
	3,073	4,035

27. MATERIAL RELATED PARTY TRANSACTIONS *(continued)*

Included in prepayments rising from the ordinary course of business are amounts due from related party of the Group the detail of which is as follows:

	2024	2023
	HK$'000	*HK$'000*
Guangdong Zhong Zhao Industrial Group Company Limited** 廣東中兆實業集團有限公司		
Prepaid service fee	**3,204**	–

The directors of the Company are of the opinion that the above transactions were entered into during the Group's ordinary course of business and at terms agreed by both parties.

* Guangdong Zhong Zhao Industrial Group Company Limited ("Zhong Zhao") is owned as to 90% by Mr. Zhang Xueqin, one of the ultimate controlling shareholders of the Company and the executive director of the Company. Mr. Zhang Xueqin is a connected person of the Company under Rule 14A.07(1) of the Listing Rules, As such, Zhong Zhao is an associate of a connected person.

** For identification purposes only

28. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2024	2023
		HK$'000	*HK$'000*
Non-current assets			
Investments in subsidiaries	17	**14,004**	14,004
Amounts due from subsidiaries		**13,263**	19,284
		27,267	33,288
Current assets			
Other receivables		**177**	–
Cash and cash equivalents		**75**	162
		252	162
Current liability			
Accruals and other payables		**611**	607
		611	607
Net current liability		**(359)**	(445)
NET ASSETS		**26,908**	32,843
CAPITAL AND RESERVES			
Share capital	25(b)	**31,956**	31,956
Reserves	25(a)	**(5,048)**	887
TOTAL EQUITY		**26,908**	32,843

29. COMPARATIVE FIGURES

Certain financial figures in the consolidated financial statements have been represented to conform to current year's presentation.

FINANCIAL SUMMARY

	2024	2023	2022	2021	2020
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
RESULTS					
Revenue	**100,287**	79,207	94,234	98,114	112,747
Cost of sales and services	**47,863**	36,953	45,639	45,797	57,534
Gross profit	**52,424**	42,254	48,595	52,317	55,213
Gross profit margin	**52%**	53%	52%	53%	49%
Profit /(loss) for the year	**3,732**	(19,211)	1,126	(21,323)	(20,223)
Net profit/(loss) margin	**4%**	-24%	1%	-22%	-18%
ASSETS AND LIABILITIES					
Total assets	**93,932**	77,617	101,790	101,699	121,458
Total liabilities	**32,161**	19,387	23,859	20,257	20,140
Total equity	**61,771**	58,230	77,931	88,442	101,318