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KUANGCHI SCIENCE LIMITED

光啟科學有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 439)

**FINAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2024**

The board of directors (the “**Board**”) of KuangChi Science Limited (the “**Company**”) would like to announce the audited consolidated results of the Company and its subsidiaries for the year ended 31 December 2024 (the “**Year**”) together with the comparative figures for the same period in 2023 (“**FY2023**”).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2024

		2024	2023
	Note	HK\$'000	HK\$'000
Revenue	4	75,514	83,139
Cost of sales		<u>(54,771)</u>	<u>(68,463)</u>
Gross profit		20,743	14,676
Other income	5	14,373	2,754
Other gains and losses, net	5	10,767	10,869
Impairment loss on trade receivables		(6,507)	(5,872)
Reversal of impairment loss/(impairment loss) on contract assets		349	(530)
Selling and distribution expenses		(6,078)	(3,180)
Research and development expenses		(55,804)	(6,656)
Administrative expenses		<u>(31,236)</u>	<u>(21,646)</u>
Operating loss	6	(53,393)	(9,585)
Finance income		8,561	2,423
Finance costs		<u>(153)</u>	<u>(133)</u>
Finance income, net	7	<u>8,408</u>	2,290
Share of losses of an associate		(353)	–
Gain on dilution of investment in an associate		<u>994</u>	–
Loss before tax		(44,344)	(7,295)
Income tax expense	8	<u>(3,083)</u>	–
Loss for the year attributable to owners of the Company		<u>(47,427)</u>	<u>(7,295)</u>
Loss per share			
Basic (HK cents per share)	9	(7.70)	(1.18)
Diluted (HK cents per share)	9	<u>(7.70)</u>	<u>(1.18)</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2024

	2024 HK\$'000	2023 HK\$'000
Loss for the year		
attributable to owners of the Company	(47,427)	(7,295)
Other comprehensive income after tax:		
<i>Items that reclassified and may be reclassified to profit or loss:</i>		
Release of other reserves upon deregistration of a subsidiary	(2,618)	(715)
Exchange differences on translation of foreign operations	(45,997)	(43,123)
Share of other comprehensive income of an associate	(237)	–
	<u>(48,852)</u>	<u>(43,838)</u>
<i>Items that will not be subsequent reclassified to profit or loss:</i>		
Changes in fair value of financial assets at fair value through other comprehensive income (“FVOCI”) – gross	1,564,479	(113,432)
Less: Deferred tax	(234,672)	15,572
	<u>1,329,807</u>	<u>(97,860)</u>
Other comprehensive income, net of tax	<u>1,280,955</u>	<u>(141,698)</u>
Total comprehensive income for the year		
attributable to owners of the Company	<u>1,233,528</u>	<u>(148,993)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2024

	<i>Note</i>	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment		448,855	443,124
Investment properties		104,048	61,809
Right-of-use assets		64,714	69,082
Intangible assets		3	69
Investment in an associate	<i>11</i>	48,332	–
Financial assets at FVOCI	<i>12</i>	2,264,752	724,119
Other non-current assets	<i>13</i>	–	79,672
		<hr/>	<hr/>
Total non-current assets		2,930,704	1,377,875
CURRENT ASSETS			
Inventories		16,692	12,667
Contract assets		6,577	21,398
Trade and other receivables	<i>13</i>	94,257	106,305
Financial assets at fair value through profit or loss ("FVPL")		5,301	5,481
Loans receivables		–	–
Pledged bank deposits		841	868
Bank and cash balances		147,259	258,065
		<hr/>	<hr/>
		270,927	404,784
Asset classified as held for sale	<i>11</i>	–	45,591
		<hr/>	<hr/>
Total current assets		270,927	450,375
		<hr/>	<hr/>
Total assets		3,201,631	1,828,250

	<i>Note</i>	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
EQUITY			
Share capital		61,569	61,569
Other reserves		3,380,055	2,099,093
Accumulated losses		(714,242)	(666,815)
Total equity		<u>2,727,382</u>	<u>1,493,847</u>
LIABILITIES			
NON-CURRENT LIABILITIES			
Bank borrowings		69,291	93,575
Deferred tax liabilities		309,905	77,795
Total non-current liabilities		<u>379,196</u>	<u>171,370</u>
CURRENT LIABILITIES			
Trade and other payables	<i>14</i>	66,928	121,827
Contract liabilities		42	–
Deferred government grants		6,881	7,115
Bank borrowings		21,202	21,924
Current tax payable		–	12,167
Total current liabilities		<u>95,053</u>	<u>163,033</u>
Total liabilities		<u>474,249</u>	<u>334,403</u>
Total equity and liabilities		<u>3,201,631</u>	<u>1,828,250</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

1 GENERAL INFORMATION

KuangChi Science Limited (the “**Company**”) is a limited company incorporated in Bermuda and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The address of its registered office of the Company is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The principal place of its business is located at Unit 1104, 11/F, Leighton Centre, 77 Leighton Road, Causeway Bay, Hong Kong.

The Company is an investment holding company. The principal activities of the Company and its subsidiaries (together the “**Group**”) are research, and development and manufacturing of innovative products for future technology business and provision of other innovative technology service solution.

In the opinion of the directors of the Company, its immediate holding company is New Horizon Wireless Communication Limited which is incorporated in the British Virgin Islands (the “**BVI**”). Its ultimate holding company is 深圳大鵬光啟投資諮詢有限責任公司 which was established in the People’s Republic of China (the “**PRC**”). Its ultimate controlling party is Dr. Liu Ruopeng, who is also an executive director of the Company.

These consolidated financial statements are presented in Hong Kong dollars (“**HK\$**”), unless otherwise stated.

2 BASIS FOR PREPARATION

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

The HKICPA has issued certain new and revised HKFRS Accounting Standards 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.

The Group incurred losses of HK\$47,427,000 and HK\$7,295,000 for the years ended 31 December 2024 and 2023, respectively. In addition, as disclosed in note 15, the Group has a contingent liability in respect of ongoing litigation with maximum exposure of RMB103.5 million plus legal costs and interest as at 31 December 2024. In preparing these consolidated financial statements, the directors of the Company have given careful consideration to the impact of the current and anticipated future liquidity of the Group and the Company and the ability of the Group and the Company to attain profit and positive cash flows from operations in the immediate and longer term.

After taking into account the available financial resources, the directors believe that the Group will have sufficient working capital to finance its operations and to meet its financial liabilities and contingent liabilities (if realised) as and when they fall due in the foreseeable future. Accordingly, the directors consider that it is appropriate to prepare these consolidated financial statements on a going concern basis. Should the Group be unable to continue as a going concern, adjustments would have to be made to restate the values of assets to their recoverable amounts, to provide for any further liabilities which might arise and to classify non-current assets and liabilities as current assets and liabilities respectively. The effects of these potential adjustments have not been reflected in these consolidated financial statements.

3 ADOPTION OF NEW AND REVISED HKFRS ACCOUNTING STANDARDS

(a) Application of new and revised HKFRS Accounting Standards

The Group has applied the following amendments to standards and interpretation 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

*Adoption of Amendments to HKAS 1 “Classification of Liabilities as Current or Non-current” and Amendments to HKAS 1 “Non-current Liabilities with Covenants” (collectively the “**HKAS 1 Amendments**”)*

As a result of the adoption of the HKAS 1 Amendments, the Group changed its accounting policy for the classification of borrowings as below:

“Borrowings are classified as current liabilities unless, at the end of the reporting period, the Group has a right to defer settlement of the liability for at least 12 months after the reporting period.”

Covenants that the Group is required to comply with, on or before the end of the reporting period, are considered in classifying loan arrangements with covenants as current or non-current. Covenants that the Group is required to comply with after the reporting period do not affect the classification.”

This new policy did not result in a change in the classification of the Group’s borrowings. The Group did not make retrospective adjustments as a result of adopting HKAS 1 Amendments.

Except for the above, other amendments and interpretation listed above did not have any material impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(b) New and revised 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 standards and amendments to standards and interpretation, 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 on or after
Amendments to HKAS 21 and HKFRS 1 – Lack of Exchangeability	1 January 2025
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
HKFRS 19 – Subsidiaries without Public Accountability: Disclosures	1 January 2027
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 HKFRS 10 and HKAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined by the HKICPA

The directors of the Company are in the process of making an assessment of what the impacts of these new standards, amendments to standards and interpretation 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 following:

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 REVENUE AND SEGMENT REPORTING

(a) An analysis of the Group’s revenue for the year is as follows:

	2024 <i>HK\$’000</i>	2023 <i>HK\$’000</i>
Revenue from contracts with customers within the scope of HKFRS 15		
<i>Disaggregated by major products or service lines</i>		
Revenue recognised at a point in time		
– Sales of wearable smart helmets	2,047	3,287
– Sales of metal components products	62,972	22,693
Revenue recognised over time		
– Sales of artificial intelligent coverage system and related products	10,321	56,526
– Provision of technical support services based on artificial intelligence technology	174	633
	<u>75,514</u>	<u>83,139</u>

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

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) of sales of artificial intelligent coverage system and related products as at 31 December 2024 and 2023 and the expected timing of recognising revenue as follows:

	2024 <i>HK\$’000</i>	2023 <i>HK\$’000</i>
Within one year	<u>6,228</u>	<u>–</u>

The Group has applied the practical expedient in paragraph 121 of HKFRS 15 to its provision of technical support services based on artificial intelligence technology that the above information does not include information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the contracts for technical support services that had an original expected duration of one year or less.

(b) Segment information

HKFRS 8 “Operating Segments” requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the executive directors, the chief operating decision maker (the “CODM”), in order to allocate resources to the segments and to assess their performance.

The financial information provided to the CODM does not contain profit or loss information of each product line or each market segment and the CODM review the operating results of the Group on a consolidated basis. Therefore, the operation of the Group constitutes one single reportable segment and no further analysis of segments is presented.

Segment revenue and results

The financial information presented to the CODM is consistent with the consolidated statement of profit or loss. The CODM consider the Group’s loss for the year as the measurement of the segment results.

Geographical information

Information about the Group’s revenue from external customers is presented based on the location at which the goods delivered or the services were provided. Information about the Group’s non-current assets is presented based on the geographical locations of the assets.

	Revenue from external customers		Non-current assets*	
	2024 HK\$'000	2023 HK\$'000	2024 HK\$'000	2023 HK\$'000
PRC	<u>75,514</u>	<u>83,139</u>	<u>665,952</u>	<u>653,756</u>

* *Non-current assets exclude financial assets at FVOCI.*

Information about major customers

Revenue from customers contributing 10% or more of the total revenue of the Group for the years ended 31 December 2024 and 2023:

	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
Customer 1	73,096	26,617
Customer 2	–	32,577
Customer 3	–	19,529
	<u> </u>	<u> </u>

5 OTHER INCOME AND OTHER GAINS AND LOSSES, NET

	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
Other income		
Government grants	39	278
Consultancy service income	1,414	215
Dividend income from financial assets at FVOCI	11,275	–
Rental income from investment properties	1,963	2,036
Sundry income	(318)	225
	<u> </u>	<u> </u>
	<u>14,373</u>	<u>2,754</u>
Other gains and losses, net		
Exchange loss, net	(773)	(1,631)
Gain on deregistration of a subsidiary	2,618	11,749
Gain on disposal of property, plant and equipment	–	1,344
Property, plant and equipment written off	(14)	(104)
Gain on disposal of an investment property	13,168	–
Other receivables written off	–	(1,256)
Fair value losses on financial assets at FVPL	–	(605)
Trade and other payables written back	–	1,701
Government grants refund	(4,104)	–
Others	(128)	(329)
	<u> </u>	<u> </u>
	<u>10,767</u>	<u>10,869</u>

6 OPERATING LOSS

Operating loss has been arrived at after charging/(crediting):

	<i>Note</i>	2024 HK\$'000	2023 <i>HK\$'000</i>
Employee benefits expense		43,250	23,589
Cost of inventories sold		54,143	67,994
Cost of services		628	469
Inventories written-off		1,116	–
Amortisation of intangible assets (included in research and development expenses)		65	150
Amortisation of right-of-use assets		2,138	2,461
Auditor's remuneration		1,450	1,300
Gain on disposal of property, plant and equipment		–	(1,344)
Gain on disposal of an investment property		(13,168)	–
Property, plant and equipment written off		14	104
Depreciation of property, plant and equipment		70	45
Depreciation of investment properties		4,641	4,679
Direct operating expenses of investment properties that generate rental income (excluding depreciation)		764	639
Lease payments not included in the measurement of lease liabilities		285	68
Impairment loss on trade receivables	<i>13</i>	6,507	5,872
(Reversal of impairment loss)/impairment loss on contract assets	<i>13</i>	(349)	<u>530</u>

Cost of inventories sold includes employee benefit expenses and inventories written off of approximately HK\$23,844,000 (2023: HK\$9,899,000) and HK\$1,116,000 (2023: Nil) which are included in the amounts disclosed separately.

7 FINANCE INCOME, NET

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Finance income		
Interest income:		
– Short term and time deposits	<u>8,561</u>	<u>2,423</u>
Finance costs		
Interest expenses:		
– Lease liabilities	–	(9)
– Bank borrowings	<u>(7,373)</u>	<u>(9,208)</u>
	(7,373)	(9,217)
Amounts capitalised into construction in progress	<u>7,220</u>	<u>9,084</u>
Finance costs charged to profit or loss	<u>(153)</u>	<u>(133)</u>
Finance income, net	<u>8,408</u>	<u>2,290</u>

8 INCOME TAX EXPENSE

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Current income tax		
PRC Corporate Income Tax	<u>3,083</u>	<u>–</u>

Hong Kong profits tax is calculated at 16.5% (2023: 16.5%) on the estimated assessable profits for the year. No Hong Kong profits tax has been provided for both years as the Group has no assessable profit derived in Hong Kong.

PRC Corporate Income Tax (“CIT”) is calculated at a rate of 25% (2023: 25%), except for one PRC subsidiary with High and New Technology Enterprise Certificate that is subject to a reduced preferential CIT rate of 15% from 2022 to 2025 (2023: 15% from 2022 to 2025) according to the applicable CIT Law.

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

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Loss before tax	<u>(44,344)</u>	<u>(7,295)</u>
Tax at Hong Kong Profits Tax rate of 16.5%	(7,317)	(1,204)
Tax effect of different tax rates of subsidiaries operations in other jurisdictions and region	675	792
Expenses not deductible for tax purposes	352	4,661
Income not taxable for tax purposes	(418)	(5,838)
Tax effect of research and development tax incentive	(590)	(747)
Tax losses not recognised	17,048	3,071
Tax effect of temporary differences not recognised	(547)	1,246
Utilisation of tax losses previously not recognised	(5,963)	(1,893)
Under-provision for current year	<u>(157)</u>	<u>(88)</u>
Income tax expense	<u>3,083</u>	<u>–</u>

9 LOSS PER SHARE

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

Loss figures are calculated as follows:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Loss for the year attributable to owners of the Company for the purpose of basic and diluted loss per share	<u>(47,427)</u>	<u>(7,295)</u>

Number of shares is calculated as follows:

	2024 <i>'000</i>	2023 <i>'000</i>
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	<u>615,693</u>	<u>615,693</u>

For the years ended 31 December 2024 and 2023, the computation of diluted loss per share does not assume the exercise of the outstanding shares options issued because the exercise price of these options was higher than the average market price of the Company's shares.

The weighted average number of shares for calculating basic and diluted loss per share attributable to owners of the Company for the years ended 31 December 2024 and 2023 is adjusted on the assumption that a share consolidation of every ten existing ordinary shares into one consolidated share have been effective in the prior and current year.

10 DIVIDEND

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

11 INVESTMENTS IN AN ASSOCIATE

	2024 HK\$'000
Unlisted investment	
Share of net assets	14,626
Goodwill	<u>33,706</u>
	<u><u>48,332</u></u>

Details of the Group's associate at 31 December 2024 is as follows:

Name	Place of incorporation/ registration	Issued and paid up capital	Percentage of ownership interest/ voting power/ profit sharing	Principal activities
中誠欣信息諮詢 (深圳)有限公司 ("Zhong Chengxin")	PRC	HK\$14,577,259	29.4%	Provision for software development, data analysis and artificial intelligence solutions

In August 2023, the Group has entered into an agreement with Zhong Chengxin, a company incorporated in the PRC, to allot 30% interests of the enlarged capital of Zhong Chengxin, at a consideration of RMB45.0 million. As of 31 December 2023, the Group had paid the deposit for the subscription of HK\$49.3 million in advance. On 30 May 2024, the allotment of the shares in Zhong Chengxin to the Group was completed.

The Group has a right to nominate a director to the board of directors of Zhong Chengxin comprising three members, accordingly, the Group exercises significant influence over Zhong Chengxin.

During the year, an investor, a company incorporated in the PRC, has entered into an agreement with Zhong Chengxin and a wholly-owned subsidiary of the Company, and agreed to allot 2% interests of the enlarged capital of Zhong Chengxin at a consideration of RMB4.0 million. Upon the completion of this allotment, on 27 December 2024, the equity interests in Zhong Chengxin held by the Group was diluted to 29.4%. The increase in share of net assets of HK\$994,000 after the issuance of new capital net of dilution impact was recognised as a dilution gain in the consolidated statement of profit or loss.

The summarised financial information in respect of the Group's associate that is accounted for using the equity method is set out below:

At 31 December 2024

	<i>HK\$'000</i>
Current assets	50,094
Current liabilities	(347)
	<hr/>
Net assets	49,747
	<hr/>
Group's share of net assets	14,626
Goodwill	33,706
	<hr/>
Group's share of carrying amount of interests	48,332
	<hr/>

From date of acquisition to 31 December 2024

	<i>HK\$'000</i>
Revenue	1,072
Loss for the period	(1,178)
Other comprehensive income	(810)
Total comprehensive income	(1,988)
	<hr/>

As at 31 December 2024, the bank and cash balances of the Group's associate in the PRC denominated in Renminbi amounted to HK\$46.2 million (2023: Nil). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

As at 31 December 2024, the associates did not have any significant commitment or contingent liabilities (2023: Nil).

12 FINANCIAL ASSETS AT FVOCI

	<i>Note</i>	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Representing:			
Listed equity securities	<i>(a)</i>	2,264,752	724,119
Unlisted equity securities	<i>(b)</i>	<u>–</u>	<u>–</u>
		<u>2,264,752</u>	<u>724,119</u>

The fair values of listed equity securities are based on current bid prices.

As at 31 December 2024 and 2023, the carrying amounts of the listed equity securities are all denominated in RMB.

Notes:

(a) Listed equity securities

As at 31 December 2024, the Group hold 44,693,660 (2023: 44,693,660) ordinary shares of Kuang-Chi Technologies Co., Ltd. (“**KCT**”), representing 2.07% (2023: 2.07%) of the issued ordinary shares of KCT (“**KCT Shares**”). Dr. Liu Ruopeng is the controlling shareholder of Shenzhen Kuang-Chi Hezhong Technology Limited holds more than 5% shareholding of KCT. KCT is a company listed on the Shenzhen Stock Exchange. These investments are not held for trading, instead, they are held for long-term strategic purposes. The directors of the Company have elected to designate these investments in financial assets at FVOCI as they believe that recognising short-term fluctuations in these investments in profit or loss would not be consistent with the Group’s strategy of holding these investments for long-term purposes and realising their performance potential in the long run.

During the year ended 31 December 2023, the Group disposed of 11,589,200 ordinary shares of KCT in the open market through a series of transactions, while the proceeds were used for working capital purpose. The net proceeds from disposal were HK\$213,956,000.

(b) Unlisted equity securities

The unlisted equity investments represent the Group’s equity interest in the private entities. The Group has elected to designate these investments as financial assets at FVOCI because the investments are held for long-term strategic purpose.

As at 31 December 2024 and 2023, the Group had unlisted equity securities of SkyX Limited (“**SkyX**”). SkyX is a company incorporated in BVI and its principal place of business in Canada, and is principally engaged in development and commercialisation of SkyX aircrafts. The fair values of these financial instruments remained zero as at 31 December 2023 and 2024.

13 OTHER NON-CURRENT ASSETS/TRADE AND OTHER RECEIVABLES

	<i>Note</i>	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Trade receivables		77,635	143,040
Less: allowance for expected credit losses	<i>(b)</i>	<u>(12,975)</u>	<u>(59,164)</u>
Trade receivables, net	<i>(a), (d)</i>	64,660	83,876
Deposits and other receivables	<i>(c), (d)</i>	1,414	81,827
Consideration receivable		8	8
Prepayments to suppliers		9,572	1,807
Other prepayments		1,514	1,125
Value-added tax and other taxes recoverable		<u>17,089</u>	<u>17,334</u>
		<u>94,257</u>	<u>185,977</u>
Analysed as:			
Current assets		94,257	106,305
Non-current assets	<i>(c)</i>	<u>–</u>	<u>79,672</u>
		<u>94,257</u>	<u>185,977</u>

The Group did not hold any collateral over these balances as at 31 December 2024 (2023: Nil).

Notes:

- (a) The following is an aging analysis of trade receivables presented based on the date of invoice and net of allowance as at 31 December 2024 and 2023.

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
0 to 90 days	40,459	72,289
91 to 180 days	–	788
181 to 365 days	13,431	5,552
1 to 2 years	8,454	5,137
2 to 3 years	<u>2,316</u>	<u>110</u>
	<u>64,660</u>	<u>83,876</u>

The credit terms generally are within 60 days (2023: 30 days).

- (b) Movements in loss allowance account for the trade receivables and contract assets during the years ended 31 December 2024 and 2023 are as follows:

	Trade receivables <i>HK\$'000</i>	Contract assets <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2023	54,786	10,629	65,415
Impairment loss recognised	5,872	530	6,402
Currency translation differences	<u>(1,494)</u>	<u>(397)</u>	<u>(1,891)</u>
At 31 December 2023	<u>59,164</u>	<u>10,762</u>	<u>69,926</u>
At 1 January 2024	59,164	10,762	69,926
Impairment loss/(reversal of impairment loss) recognised	6,507	(349)	6,158
Bad debt written off	(51,690)	(10,110)	(61,800)
Currency translation differences	<u>(1,006)</u>	<u>(137)</u>	<u>(1,143)</u>
At 31 December 2024	<u>12,975</u>	<u>166</u>	<u>13,141</u>

As at 31 December 2023, the loss allowance for the trade receivables mainly included the provisions on Customer A, who is a state-owned enterprise. The outstanding balance due from Customer A was derived from the Cloud business in prior years and amounted to HK\$46,240,000 as at 31 December 2023, which have been fully impaired. Since the end of 2017, Customer A always defaulted its payments, and the Group had been continuously making regular contacts with Customer A for collection of the outstanding amount, but only partial settlement has been received up to the end of 2019. After taking into account of historical default rate in relation to the Cloud business, no repayment schedule being provided by Customer A and the worsen economic situation of the PRC, the directors of the Company are of the view that the outstanding balance was fully written off as at 31 December 2024.

- (c) The other non-current assets comprised of deposits for acquiring the following assets:

	<i>Note</i>	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
An associate	<i>11</i>	–	49,329
An investment property		<u>–</u>	<u>30,343</u>
		<u>–</u>	<u>79,672</u>

- (d) The carrying amounts of the Group's trade receivables are all denominated in RMB, while the carrying amounts of the Group's deposits and other receivables are mainly denominated in RMB.

14 TRADE AND OTHER PAYABLES

	<i>Note</i>	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Trade payables	(a), (b)	36,853	54,724
Accrued employee benefits		4,462	2,676
Receipt in advance from disposal of asset classified as held for sale		–	30,146
Value-added tax and other taxes payables		3,209	9,579
Other payables and accruals	(b)	8,902	10,704
Accrued construction costs		13,502	13,998
		66,928	121,827

Notes:

- (a) The following is an aging analysis of trade payables presented based on the invoice date at the end of the reporting period.

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
0 to 90 days	8,926	21,338
91 to 365 days	1,037	8,474
Over 1 year	26,890	24,912
	36,853	54,724

The average credit period on purchase of goods is 90 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit period.

- (b) The carrying amounts of the Group's trade payables are all denominated in RMB, while the carrying amounts of the Group's other payables and accruals are mainly denominated in RMB.

15 CONTINGENT LIABILITIES

In 2022, a subsidiary of the Group commenced litigation against a customer of a discontinued operation “Cloud” business for default payment of a sales contract in 2016 amounting to RMB46.5 million. At the same time, a claim of RMB103.5 million plus compensation was lodged against the subsidiary in relation to alleged non-performance under the sales contract by the customer asserting that the subsidiary had breached certain terms of the sales contract.

In 2023, the court decisions awarded in favor of the subsidiary, the customer is liable to repay the subsidiary of RMB44.0 million. After that, the customer has proceeded with an appeal.

In November 2024, an unfavourable second-instance judgement was handed down against the subsidiary in respect of the appeal made by the customer. However, after taking appropriate legal advice, the directors have decided to final appeal against the decision. If the decision is upheld, payment with accrued interest of approximately RMB107.4 million up to the date of this announcement will be required. The High People’s Court of Guangdong Province has acknowledged the application of appeal and is currently conducting retrial review, pending a final ruling. Based on the expert advice of a PRC legal counsel and the current status of the appeal proceeding, the Directors are of the view that it is not probable the final outcome of the appeal proceeding will result in a material adverse impact on the financial position and performance of the Group and conclude that no provision shall therefore be made.

MANAGEMENT DISCUSSION AND ANALYSIS

Performance Review and Prospects

The Company and its subsidiaries are mainly engaged in the provision of AI-empowered terminal products and integrated technical services and solutions in various vertical fields (“**AI Business**”) as well as the design, production and manufacturing of high-end industrial components (“**High-end Industrial Business**”). For the twelve months ended 31 December 2024 (the “**Year**”), the Group recorded a sale revenue of approximately HK\$75.5 million, representing a year-on-year slight decrease of 9.2%, and a net loss of HK\$47.4 million. Net loss fluctuated significantly, mainly due to the strategic investment in core research and development capabilities. The Group will continue to empower products to improve product competitiveness and lay the foundation for subsequent profit growth of the Group. In addition, the Group will also accelerate the promotion of comprehensive paperless and AI offices to systematically reduce operating costs and improve management efficiency.

Enhance the Expansion and Application of Core Business

As of 31 December 2024, the Group continued to deepen market expansion in core business sectors and comprehensively improved product design and iteration capabilities. Through the precise research and development system and smart manufacturing process optimization based on customers’ needs, the Group has successfully upgraded the operational efficiency of the High-end Industrial Business segment. Relying on the accumulation of application data in cross-industry customer scenarios, the Group continued to strengthen the technical iteration of AI’s underlying architecture and algorithm models, and simultaneously improved the construction of the big data platform. It is committed to providing customers with innovative solutions that are in-depth compliance with business regulatory norms and have full-process embedded value.

The Group has established the High-end Industrial Business as a strategic new growth pole, actively expanded market share and increased market penetration through differentiated competitive strategies. At present, the AI product matrix and its comprehensive solutions have been implemented in multi-dimensional scenarios in public security, industrial production and monitoring and other industries, forming a replicable commercial model. Based on the continuous accumulation of industry data assets, the Group will focus on promoting the in-depth extension of products and services, especially in the smart industrial testing sector, and significantly improving the testing and production synergy efficiency of industrial smart management systems by building a closed loop of technology research and development.

During the reporting period, the Group carried out a new generation of functional upgrades for its smart police helmet products, enabling the continuous delivery of multi-scenario customized solutions, which have been recognized by customer authorities in normal use. On the other hand, it is worth noting that smart firefighting helmets have broken the ice in the market and won the first batch of commercial orders. In view of the value of firefighting helmets in the field of emergency rescue, management has formulated a special expansion plan to accelerate the construction of a competitive foundation for relevant market segments through the inclination of research and development resources and the integration of channels.

With the enhancement of the synergy between core technology platforms and cross-industry solutions and the continuous expansion of the application scenarios of its products and solutions in various sectors, the Group is focusing on the establishment of new quality productivity driven by high-end industrial design and AI algorithms, and the in-depth fusion of AI algorithms and big models with the manufacturing enterprises, so as to facilitate the digital transformation of the industry. The Group will strictly follow the strategic approaches of prioritizing customer value and technology-empowering entities, continue to strengthen the internal governance structure, optimize resource allocation, and at the same time, through precise marketing strategies and after-sales service system upgrades, continue to enhance the competitiveness of the enterprise, and continue to offer high-quality products and outstanding services as well as solutions with higher quality and efficiency for its customers.

Manpower Development

With regard to manpower development, the Company strengthened the innovative talent training system and development mechanism to enhance the quality of the talent pool. The Group will uphold the key strategy of attracting and nurturing high-calibre and innovative employees, and introduce high-tech talents in AI algorithms, big data, electronic information, industrial design, smart manufacturing engineering, and other related fields from around the world. Internally, we have built an echelon training system and established a multi-channel promotion mechanism to accelerate talent growth. Externally, we have adopted measures such as jointly target training with universities and introducing external expert resources. As of 31 December 2024, the Group had a total of 179 full-time and part-time employees and consultants. The Group provides employees with competitive remuneration packages, including the share option scheme. The Group also provides attractive discretionary bonus payable to those with outstanding performance and contribution to the Group. Through the above mechanism, the Group can achieve dynamic matching of talent pool and business expansion.

FINANCIAL REVIEW

Revenue and operating performance

The Group's revenue decreased from approximately HK\$83.1 million for FY2023 to approximately HK\$75.5 million for the Year, a slightly decrease of approximately HK\$7.6 million or 9.2%. The decrease was mainly due to the decline in sales of the Group's artificial intelligence (AI) coverage systems and related products though compensated by the increase in sales of metal components products. Thus, the Company allocated additional resources to enhance its AI coverage systems and strengthen its competitiveness in the business environment.

The net loss of the Group increased by approximately HK\$40.1 million from approximately HK\$7.3 million for FY2023 to approximately HK\$47.4 million for the Year. Compared with the same period last year, the increase in net loss was mainly attributable to the Group's strategic investment in research and development of approximately HK\$55.8 million (FY2023:HK\$6.7 million).

Other results

On 22 April 2021, the Company granted 27,000,000 new share options to certain eligible employees under the share option scheme adopted by the Company on 31 July 2012, and the relevant share-based payment expenses for the Year were approximately HK\$7,000 (FY2023: HK\$351,000).

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The following is an extract of the independent auditor's report on the Company's consolidated financial statements for the year ended 31 December 2024:

In our opinion, except for the effect of the matter described in the Basis of Qualified Opinion section of our report, 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 Companies Ordinance.

Basis for Qualified Opinion

As detailed in note 40 to the consolidated financial statements, a subsidiary of the Group was involved in a litigation relating to alleged non-performance under a sales contract with a customer. In November 2024, the Dongguan Intermediate People’s Court (the “**Intermediate Court**”) overturned the first instance judgement in favour of the Group and ordered the subsidiary to repay the amount of RMB103.5 million plus legal costs to the customer and also dismissed the court order awarded in December 2023 that the customer has to settle the outstanding receivable of RMB44.0 million to the subsidiary (the “**Second-Instance Judgement**”). On 17 December 2024, the subsidiary filed an application of final appeal to the High People’s Court of Guangdong Province (the “**High Court**”). As at the date of this report, the High Court has acknowledged the application of final appeal but has not yet decided whether to accept the appeal to retrial.

Notwithstanding the Second-Instance Judgement of the Intermediate Court in November 2024 that the Group was requested to pay compensation of RMB103.5 million together with legal costs and accrued interest thereon, the directors of the Company have not made a provision for the legal claim in accordance with the requirements of Hong Kong Accounting Standard 37 “Provisions, Contingent Liabilities and Contingent Assets” (“**HKAS 37**”) on the grounds that, based on legal advice obtained by the Group, they consider it probable the High Court will accept the Group’s application of appeal and the Second-Instance Judgement will not be upheld on retrial. Accordingly, a contingent liability in respect of the litigation has been disclosed in the consolidated financial statements.

Considering that the case has been tried by two levels of the courts, the result of the Second-Instance Judgement in favour of the customer and the fact that the application of final appeal has not been accepted at the date of this report, there is significant uncertainty as to whether the Group will be able to successfully overturn the decision of the Intermediate Court through the retrial process. Accordingly, we have been unable to obtain sufficient appropriate audit evidence to determine whether adequate provision has been made for the claim arising from the litigation as at 31 December 2024 in accordance with HKAS 37. Any adjustments found to be necessary in respect of the provision for litigation claims would increase the Group’s losses for the year ended 31 December 2024 and reduce its net assets and total equity as at 31 December 2024.

MANAGEMENT’S RESPONSE TO QUALIFIED AUDIT OPINION

The Group entered into the “Cloud” sales and purchase contract with a state-owned enterprise (“**Company A**”) in December 2015, with a total contract sum of RMB150,000,000. The Group has fulfilled its obligations according to the contract, and recognized gains of RMB145,000,000 and received payment from Company A in a total amount of RMB103,500,000 in 2016. As Company A failed to pay the remaining balance according to the contract, the Group filed a litigation with the First People’s Court of Dongguan, Guangdong Province in 2022 to assert its legitimate rights and interests. In 2023, the court of first instance ruled in favor of the Group and decided that Company A shall have to pay compensation in an amount of RMB44,000,000 to the Group.

Subsequently, Company A filed an appeal. In November 2024, the second-instance judgment of the Intermediate People’s Court of Dongguan overturned the original ruling and decided that the Group shall have to return the amount of RMB103,500,000 received. In response to this overturning, upon careful assessment and based on professional legal advice obtained from its PRC legal advisers, the Group was of the view that the Second-Instance Judgment contained disputes over the application of law and the determination of facts, and has submitted a retrial application to the High People’s Court of Guangdong Province in accordance with the law. The High People’s Court of Guangdong Province has completed the filing of the retrial case and is currently conducting retrial review on the case, pending a final ruling.

Based on professional legal advice obtained from its PRC legal advisers and the fact that the retrial proceeding has been initiated, the management (including the executive directors and senior management) determined that there is no need to make provision for such contingent liability. The audit committee of the Company also supports this professional judgment after independently reviewing the case information and seeking sound legal analysis. The Company will pay close attention to the judicial process and disclose material developments as and when appropriate.

CAPITAL STRUCTURE

On 22 April 2021, the Board announced that the Company granted share options to certain eligible employees, subject to acceptance by the grantees, to subscribe for a total of 27,000,000 ordinary shares with a par value of HK\$0.01 each in the share capital of the Company under the share option scheme adopted by the Company on 31 July 2012.

Pursuant to the special general meeting held by the Company on 29 January 2024, an ordinary resolution was passed to approve the Share Consolidation where every ten (10) issued and unissued ordinary shares with a par value of HK\$0.01 each in the share capital of the Company be consolidated into one (1) ordinary share with a par value of HK\$0.10 each. The Share Consolidation took effect on 31 January 2024. Details please refer to the Company's announcements dated 21 December 2023 and 29 January 2024, and circular dated 12 January 2024.

As at 31 December 2024, the balance of issued ordinary shares was 615,692,886.

The Group finances its working capital requirements through a combination of funds generated from operations and borrowings.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2024, the total shareholders' funds of the Group amounted to approximately HK\$2,727,382,000 (2023: HK\$1,493,847,000), the total assets of approximately HK\$3,201,631,000 (2023: HK\$1,828,250,000) and the total liabilities of approximately HK\$474,249,000 (2023: HK\$334,403,000).

As at 31 December 2024, the Group had bank balances, time deposits and cash of approximately HK\$147,259,000 (2023: HK\$258,065,000) and the pledged bank deposits of approximately HK\$841,000 (2023: HK\$868,000). The gearing ratio as of 31 December 2024, is calculated as net debt divided by total capital, defined as the percentage of the total interest-bearing debt, including bank borrowings of approximately HK\$90,493,000 (2023: HK\$115,499,000), to total capital, was not applicable (2023: Nil) due to net cash.

As at 31 December 2024, the Group's total bank borrowings of approximately HK\$90,493,000 (2023: HK\$115,499,000), of which approximately HK\$21,202,000 (2023: HK\$21,924,000) and HK\$69,291,000 (2023: HK\$93,575,000) will be repayable within one year and after one year respectively, carried interest rate at the floating rates from 5.90% to 6.90% (2023: 6.25% to 7.00%) per annum.

Most of the assets, liabilities and transactions of the Group are primarily denominated in HK\$, RMB and US\$. The Group have not entered into any instruments on the foreign exchange exposure. The Group will closely monitor exchange rate movement and will take appropriate actions to reduce the exchange risk.

CAPITAL COMMITMENTS

As of 31 December 2024, the Group had a total capital commitment of HK\$50.9 million, contracted for but not yet incurred (as of 31 December 2023: HK\$44.1 million). Such capital commitments are expected to be funded by the Group's internal resources and/or borrowings.

CONTINGENT LIABILITIES

Save as disclosed in Note 15 to these financial statements, as at 31 December 2024, the Group had no other contingent liabilities (as at 31 December 2023: nil).

PLEDGE OF ASSETS

As at 31 December 2024, the right-of-use assets amounted to HK\$64,714,000 (2023: HK\$69,082,000) and construction-in-progress amounted to HK\$442,551,000 (2023: HK\$443,079,000) were pledged for the Group's bank borrowings. The bank deposits amounted to HK\$841,000 as at 31 December 2024 (2023: HK\$868,000) were pledged for the construction work and service contracts.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS OR DISPOSALS

KC Subscription in Kuang-Chi Technologies Co., Ltd. ("KCT")

KCT, a company established in the PRC and listed on the Shenzhen Stock Exchange (stock code: 002625), is principally engaged in developing innovative advanced technology and its core business is in metamaterial intelligent structure and equipment research, as well as the manufacture of seat function components for automobiles.

On 25 March 2015, the Group entered into a subscription agreement with KCT, which listed on the Shenzhen Stock exchange, pursuant to which KCT conditionally agreed to issue, and the Group conditionally agreed to subscribe for 42,075,736 new shares of KCT at the consideration of RMB300.0 million (equivalent to approximately HK\$345.0 million). On 11 November 2016, the Group obtained the approval from the China Securities Regulatory Commission for the subscription and certain conditions of the subscription agreement have been satisfied. The subscription right is a derivative that measured at fair value through profit or loss. During the year ended 31 December 2016, the Group recognised a gain of HK\$1,021.1 million on the initial recognition of the subscription right of such shares and a loss from changes in fair value of HK\$229.9 million. The subscription has been completed and the new shares was listed on the Shenzhen Stock Exchange on 13 February 2017 and was recognised as available-for-sale financial assets (“AFS”) on the same day. As at 13 February 2017, the fair value of the derivatives right of shares of KCT amounted to approximately HK\$1,419.7 million and hence the Group recognised a fair value gain of HK\$616.4 million upon the conversion of derivative in the consolidated statement of profit or loss. Subsequent to the completion of subscription on 13 February 2017, the Group held approximately 3.2% of the ordinary shares of KCT issued. The Board considers the Company has no significant influence over KCT and no right to appoint any director, and hence classified the investment in KCT as AFS investment at HK\$1,419.7 million which is the fair value of KCT as at 13 February 2017.

The Group disposed of a total of 15,245,891 KCT shares (“**KCT Disposal in 2021**”) on the open market through a series of transactions during the period from 20 January 2021 to 8 February 2021, at the aggregate consideration of approximately RMB385,718,000. The average selling price of KCT Disposal in 2021 was approximately RMB25.30. After the KCT Disposal in 2021, the net sale proceeds were approximately HK\$442,970,000, the Group recognised a fair value gain of approximately HK\$57,527,000 for the KCT Disposal in 2021 in other comprehensive income for the year ended 31 December 2021.

KCT declared dividend of RMB1.35 per every 10 KCT shares on 23 November 2022 and the Group received approximately RMB7,598,000 (equivalent to HK\$8,819,000) on 23 December 2022.

The Group disposed of a total of 11,589,200 KCT shares (“**KCT Disposal in 2023**”) on the open market through a series of transactions during the period from 9 February 2023 to 24 July 2023, at the aggregate consideration of approximately RMB202,625,000. The average selling price of KCT Disposal in 2023 was approximately RMB17.48. After the KCT Disposal in 2023, the net sale proceeds were approximately HK\$213,956,000, the Group recognised a fair value gain of approximately HK\$5,933,000 for the KCT Disposal in 2023 in other comprehensive income for the Year.

As at 31 December 2024, the Group held 44,693,660 ordinary shares of KCT, which represented approximately 2.07% of the KCT issued shares. As at 31 December 2024, the carrying amount of the share of KCT is HK\$2,264,752,000 (2023: HK\$724,119,000), which represented 70.7% (2023: 39.6%) of the total assets of the Group. For the Year, KCT declared dividend of RMB2.33 per every 10 KCT shares on 10 October 2024 and the Group received approximately RMB10,414,000 (equivalent to HK\$11,275,000) on 21 October 2024.

For the Year, the fair value gain, net of tax of HK\$1,329.8 million (FY2023: fair value loss, net of tax of HK\$97.9 million) was recognised in other comprehensive income.

Save as disclosed above, the Group did not have any other significant investments and there are no other material acquisition or disposal of subsidiaries and associated company during the Year.

EVENT AFTER THE REPORTING YEAR

There is no material subsequent event undertaken by the Group after 31 December 2024 and up to the date of this announcement.

FUTURE PLANS FOR MATERIAL INVESTMENT

The Group has no plan for any material investments or additions of capital assets as at the date of this announcement.

EMPLOYEES AND REMUNERATION POLICY

The emolument policy of the employees of the Group is set up by Remuneration Committee on the basis of their merit, qualifications and competence.

As at 31 December 2024, the Group had approximately 179 employees (2023: 128 employees). The Group provides competitive remuneration packages to employees with the share option scheme and the restricted shares award scheme. The Group also provides attractive discretionary bonus payable to those with outstanding performance and contribution to the Group.

CORPORATE GOVERNANCE PRACTICES

The Board acknowledges the importance of the highest standards of corporate governance as the Board believes that effective corporate governance practices are fundamental to enhance the shareholders' value and safeguard the interests of the shareholders. Accordingly, the Company has adopted sound corporate governance principles that emphasise effective internal control and accountability to all shareholders.

The Board is responsible for performing the corporate governance functions with the applicable code provisions of the Corporate Governance Code as set out in Appendix C1 to the Listing Rules (the “**CG Code**”). During the year under review, the Board reviewed the Company's corporate governance policies and practices, training and continuous professional development of directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Company's code of conduct, and the Company's compliance with the Code Provision and disclosure in the Corporate Governance Report.

Save as the deviation from the code provisions C.5.1 of the CG Code, the Company has complied with the CG Code during the year under review.

Code provision C.5.1 of the CG Code stipulates that the Board should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals. During the Year, a total of two regular meetings of the Board were held. The Board considers that the two meetings were sufficient to deal with matters of the Company. Apart from Board meetings, consent of directors on issues was also sought through circulating resolutions in writing.

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

As at 31 December 2024, there were no treasury shares (as defined in the Listing Rules) held by the Company.

During the Year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities (including sale of treasury shares).

DIVIDEND

No dividend was paid, declared or proposed during the Year, nor had any dividend been proposed for the Year (FY2023: Nil).

COMPLIANCE WITH THE MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules (“**Model Code**”) as its model code for securities transactions by Directors. Having made specific enquiries, all the Directors confirmed that they had complied with the Model Code during the Year.

REVIEW BY AUDIT COMMITTEE

The audit committee of the Company (“**Audit Committee**”) comprises three independent non-executive Directors of the Company. The Audit Committee has adopted terms of reference which are in line with the CG Code. The Audit Committee has reviewed the Group’s audited results for the Year and agreed with the accounting treatment adopted. The Audit Committee is satisfied with the Group’s internal control procedures and financial reporting disclosures.

REVIEW OF FINANCIAL STATEMENTS

The Audit Committee has reviewed the consolidated financial statements of the Group for the Year. Also, the figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the Year as set out in this announcement have been compared and agreed by the Company’s external auditor, RSM Hong Kong, to the amounts set out in the audited consolidated financial statements of the Group for the Year. The work performed by RSM Hong Kong in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by RSM Hong Kong on this results announcement.

PUBLICATION OF THE 2024 ANNUAL RESULTS AND ANNUAL REPORT

This results announcement is published on the Stock Exchange's website (www.hkexnews.hk) and the Company's website (www.kuangchiscience.com), respectively. The Company will make available the annual report of the Company for the Year to the shareholders of the Company in due course, which will also be published on the websites of the Company and the Stock Exchange.

By order of the Board
KuangChi Science Limited
Dr. Zhang Yangyang
Chairman and Executive Director

Hong Kong, 28 March 2025

As at the date of this announcement, the board of directors comprises four executive directors, namely Dr. Zhang Yangyang, Dr. Liu Ruopeng, Dr. Luan Lin and Dr. Ji Chunlin; one non-executive director namely Mr. Li Chiu Ho; and three independent non-executive directors, namely Dr. Wong Kai Kit, Mr. Choi Wing Koon and Dr. Wu Zhili.