Technovator

A LEADING SMART ENERGY SAVING SERVICES PROVIDER

ANNUAL REPORT 2024

Technovator
International Limited

(incorporated in Singapore with limited liability)

Stock Code: 1206

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors
Mr. Zhao Xiaobo (趙曉波)
Mr. Qin Bing (秦冰)
(appointed on 24 December 2024)
Mr. Wang Zhiqiang (王志強)
(appointed on 1 February 2024 and resigned on 24 December 2024)
Mr. Qin Xuzhong (秦緒忠)
(re-designated as a non-executive Director on 1 February 2024 and resigned on 26 August 2024)

Non-executive Directors
Mr. Li Chengfu (李成富) *(Chairman)*
(appointed on 26 August 2024)
Mr. Zeng Xuejie (曾學傑)
Ms. Zhang Yanhua (張艷華)
(appointed on 1 February 2024)
Mr. Qin Xuzhong (秦緒忠)
(re-designated as a non-executive Director on 1 February 2024 and resigned on 26 August 2024)
Mr. Liang Wuquan (梁武全)
(resigned on 1 February 2024)
Mr. Zhang Jian (張健)
(resigned on 1 February 2024)

Independent Non-executive Directors
Ms. Lu Yao (陸瑤)
Mr. Chia Yew Boon (謝有文)
Mr. Fan Ren Da Anthony (范仁達)

BOARD COMMITTEES

Audit Committee
Ms. Lu Yao *(Chairlady)*
Mr. Chia Yew Boon
Mr. Fan Ren Da Anthony

Nomination Committee
Mr. Chia Yew Boon *(Chairman)*
Mr. Fan Ren Da Anthony
Mr. Li Chengfu *(appointed on 26 August 2024)*
Mr. Qin Xuzhong *(resigned on 26 August 2024)*

Remuneration Committee
Mr. Fan Ren Da Anthony *(Chairman)*
Mr. Chia Yew Boon
Mr. Li Chengfu *(appointed on 26 August 2024)*
Mr. Qin Xuzhong *(resigned on 26 August 2024)*

Risk Management Committee
Mr. Fan Ren Da Anthony *(Chairman)*
Mr. Zhao Xiaobo
Mr. Qin Bing *(appointed on 24 December 2024)*
Mr. Chia Yew Boon
Mr. Li Chengfu *(appointed on 26 August 2024)*
Mr. Zeng Xuejie
Ms. Zhang Yanhua *(appointed on 1 February 2024)*
Ms. Lu Yao *(appointed on 29 May 2023)*
Mr. Qin Xuzhong *(resigned on 26 August 2024)*
Mr. Liang Wuquan *(resigned on 1 February 2024)*
Mr. Zhang Jian *(resigned on 1 February 2024)*
Mr. Wang Zhiqiang
(appointed on 1 February 2024 and resigned on 24 December 2024)

JOINT COMPANY SECRETARIES

Mr. Leung Lok Wai
Ms. Chan Wan Mei *(appointed on 20 December 2024)*
Ms. Cheok Hui Yee *(resigned on 28 June 2024)*

AUTHORISED REPRESENTATIVES

Mr. Zhao Xiaobo
Mr. Li Chengfu *(appointed on 26 August 2024)*
Mr. Qin Xuzhong *(resigned on 26 August 2024)*

REGISTERED OFFICE

9 Raffles Place
#26-01 Republic Plaza
Singapore 048619

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN SINGAPORE

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Singapore 048619

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Level 17
Silvercord Tower 2
30 Canton Road
Tsim Sha Tsui, Hong Kong

LEGAL ADVISER AS TO HONG KONG LAWS

Morgan, Lewis & Bockius

AUDITORS

KPMG
Public Interest Entity Auditor registered in accordance with the Accounting and Financial Reporting Council Ordinance
KPMG LLP

SINGAPORE PRINCIPAL SHARE REGISTRAR

Tricor Barbinder Share Registration Services
9 Raffles Place
#26-01 Republic Plaza
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HONG KONG SHARE REGISTRAR

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

COMPANY WEBSITE

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PRINCIPAL BANKERS

Agriculture Bank of China
Bank of Beijing
Bank of China
Bank of Communications
China CITIC Bank
China Construction Bank
China Merchants Bank
DBS Bank
Hua Xia Bank
Industrial and Commercial Bank of China
Standard Chartered Bank
The Hong Kong and Shanghai Banking Corporation Limited

INVESTOR RELATIONS CONTACT

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Chairman's Statement

Chairman's Statement

Dear Honorable Shareholders,

On behalf of the board of directors (the "Director") and the management, I am pleased to present to the shareholders the annual report on the development and operating results of Technovator International Limited ("Technovator" or "Company") and its subsidiaries (the "Group") for the year ended 31 December 2024.

In 2024, affected by stricter local government regulations on debt financing and a sustained decline in real estate industry investments, the Group's core business markets faced dual pressures of insufficient effective demand and intensified competition, which was further compounded by adverse factors such as the restructuring of global supply chains. The Group thus encountered the biggest operational challenge since its establishment. Against this backdrop, Technovator upheld its strategic determination to overcome difficulties. With all employees worked as one, the Group focused on enhancing core competitiveness and accelerating self-innovation to promote industry upgrading. It also strengthened overall collaboration in market development to continuously open up new tracks and establish operational strongholds. In addition, by rigorously developing delicacy management and making every effort to improve quality and efficiency, the Group ensured the stability of its revenue base amid the overall industry downturn. These efforts have laid a solid foundation for the Group's transformation and upgrading ahead of the new strategic cycle.

We have promoted high-end industrial development through significant breakthroughs in self-innovation

Targeting the strategic opportunities in the replacement with China's industrial internet, the Group intensively focused on clients' core demands for informatisation construction and cybersecurity protection. The self-developed "Kunlun" industrial internet platform has managed to complete the adaptability for domestic operating systems, databases, and hardware, which significantly enhanced its competitiveness in the participation of national-level strategic projects. While ensuring high reliability, the Group increased the proportion of core control products made in China through the successful delivery of IoT master control module developed in the country.

During the year, the Group obtained 7 patents, including 6 invention patents, with a total of 27 software copyrights. Besides, the research project on "Key Technologies and Applications of Intelligent Urban Rail and Fully Automated Operation Systems (智慧城軌與全自動運行系統關鍵技術及應用)", which Technovator Beijing participated in, was awarded "the Second Prize in the 2023 Urban Rail Transit Scientific & Technological Progress Awards (2023年度城市軌道交通科技進步二等獎)". The Project for the Integration of Comprehensive Monitoring of the Construction of the Second Phase of Chongqing Rail Transit Line 10 (重慶軌道交通10號綫二期工程綜合監控集成項目) also received the first prize in the "2023 Intelligent Building Design Competition (2023年度智能建築設計大賽活動)". In addition, the Data Standards for Urban Utility Tunnels（《城市綜合管廊數據規範》）in Beijing, which the Group took part in the drafting, has been released. Tongfang Energy Saving Engineering was successfully named in the sixth batch of National Specialised, Refined, Differentiated, and Innovated (SRDI) "Little Giant" Enterprise. Furthermore, the product Absorption Heat Exchanger for Deep Recycling of Flue Gas Waste Heat (《煙氣餘熱深度回收利用的吸收式換熱機組》) was listed in the Beijing Green and Low-Carbon Advanced Technologies Catalogue (2024 version) (《北京市綠色低碳先進技術推薦目錄（2024年版）) issued by the Beijing Municipal Commission of Development and Reform (北京市發改委).

We target to open up new tracks by seizing market opportunities and strengthening market synergy

Capitalising on opportunities from policies such as comprehensive digital transformation of cities and equipment renewal, the Group made a series of major breakthroughs in key sectors. For smart transportation business, the Group successfully acquired new business of rail transit equipment renewal, and completed the major overhaul project of the integrated monitoring system of Chongqing Rail Transit Line 6 (重慶6號綫綜合監控系統大修改造項目). The Group actively expanded its presence in the urban rail transit market and successfully won the bid for the project to supply integrated supervision and control equipment for Hangzhou-Deqing Intercity Railway Project (杭州至德清市域鐵路工程) (including the second and third phases of Line 10).

For smart energy business, the Group actively expanded its presence in contractual energy management business, signing the contract for Daqing Intelligent Heating Project, a contractual energy management project (大慶智慧供熱合同能源管理項目) with total contract sum of over RMB500 million, providing heat for over 320,000 households in an area of 38 million square meters. Leveraging its technical advantages in large temperature difference heat exchange units and long-distance heating control, the Group achieved a breakthrough in comprehensive utilisation of nuclear energy by servicing the Rongcheng Cross-regional Nuclear Heating Project (榮成跨區域核能供熱項目).

For smart building and complex business, the Group further expanded its market presence in the smart hospital segment. It successively signed contracts for projects in relation to the second phase of the University of Hong Kong – Shenzhen Hospital, first phase of West China Hi-Tech University Hospital, Sichuan University (成都高新區人民醫院一期), first phase of CNNC Changsha Oncology Hospital (中核長沙腫瘤醫院一期) and Beijing Nuclear Industry Hospital (北京核工業醫院). The Neosys IoT Control System was deployed in the second phase of Beijing Changgung Hospital (北京長庚醫院二期), deeply integrating three core systems of building automation, intelligent lighting and energy management, while connecting the special equipment management for medical gas supply, power distribution and UPS, aiming to create a smart operation benchmark project for tertiary hospitals.

The Group strengthened the industrial collaboration with CNNC, and offered tailored smart complex solutions for projects such as China Nuclear Power Operation Technology Innovation Research and Safeguard Base (中國核電運行技術創新研究與保障基地) and the Zhonghe Headway Smart Park (中核海得威園區). By leveraging its strengths in energy management, the Group developed the first smart energy-saving management system for nuclear power plants for Fuqing Nuclear Power (福清核電), driving green and low-carbon transformation in the nuclear industry.

We rigorously developed delicacy management to ensure high-quality project delivery

For smart energy business, the Group implemented Daqing Intelligent Heating Project, a contractual energy management project with sophistication, successfully completing the automatic control system for nearly 900 heat exchange systems across the entire network. Through precise control and scientific allocation for heat resource, fuel utilisation efficiency significantly improved during the heating season of the year with an estimated over 8% reduction in heat consumption, setting a benchmark for further expansion of the asset-light model for its energy operation business. The Zero-Carbon Park Project in Xinjiang A'er Tashi (新疆阿爾塔什零碳園區項目) was awarded the "Green Energy Star" First Prize by the China Energy Industry Development Agency (中國能源產業發展網). For smart transportation business, the Group contributed to the successful operation of first phase of Xi'an Metro Line 10, where the "Kunlun" platform enabled cloud-based data interconnectivity across networks, lines, stations, and trains, substantially enhancing operational efficiency. The Project for the Integration of Comprehensive Monitoring of the Construction of the Second Phase of Chongqing Rail Transit Line 10 (重慶軌道交通10號綫二期工程綜合監控集成項目) implemented by us received the first prize in the "2023 Intelligent Building Design Competition (2023年度智能建築設計大賽活動)" organised by China Construction Industry Association – Green Building and Intelligent Building branch (中國建築業協會綠色建造與智能建築分會). For smart building and complex business, the intelligent system deployed by the Group for Xiamen International Expo Center has formally launched, which established a model for digital transformation not only for Xiamen but also whole domestic exhibition industry. It also solidified the Group's reputation in smart exhibition construction.

In 2025, Technovator will seize the market opportunities brought by the "renewal and replacement (兩新)" and "significant strategies and critical fields (兩重)" policies. The Group will expand its presence in several segments including building and complex, urban rail transit and large-scale equipment renewal for centralised heating system, leaning on the support from "significant strategies and critical fields" policy to further consolidate key business advantages. Concurrently, the Group will increase its investments in R&D, accelerate the cultivation and recruitment of high-end technical talent, and underpin the comprehensive digital transformation of cities with AI+ industrial internet to advance green and low-carbon development. By actively exploring new application scenarios and building a second growth curve, the Group aims to inject momentum for high-quality growth during the 15th Five-Year Plan period.

Li Chengfu
Chairman

26 March 2025

Five Year Financial Summary

	2020	2021	2022	2023	**2024**
(RMB'000)					
Consolidated income statement					
Continuing operations					
Revenue	1,736,664	1,619,065	1,738,878	1,838,010	**1,829,233**
Cost of sales	(1,374,010)	(1,301,576)	(1,435,444)	(1,668,687)	**(1,684,040)**
Gross profit	362,654	317,489	303,434	169,323	**145,193**
Other revenue	48,385	38,200	33,404	27,778	**32,252**
Other net (loss)/gain	(1,203)	(17,999)	11,893	830	**(3,684)**
Selling and distribution costs	(89,981)	(103,532)	(81,452)	(63,320)	**(85,759)**
Administrative and other operating expenses	(153,237)	(172,438)	(195,176)	(225,833)	**(374,242)**
Financial expenses	(12,178)	(7,361)	(6,687)	(8,454)	**(10,557)**
Profit/(loss) before taxation	154,440	54,359	65,416	(99,676)	**(296,797)**
Income tax	(21,892)	(8,787)	(9,698)	(271)	**31,752**
Profit/(loss) for the year	132,548	45,572	55,718	(99,947)	**(265,045)**
Equity shareholders of the Company	130,601	45,307	55,127	(100,964)	**(265,908)**
Non-controlling interests	1,947	265	591	1,017	**863**
Profit/(loss) for the year	132,548	45,572	55,718	(99,947)	**(265,045)**
Basic earnings/(loss) per share (RMB)	0.1670	0.0579	0.0705	(0.1291)	**(0.3400)**
Diluted earnings/(loss) per share (RMB)	0.1670	0.0579	0.0705	(0.1291)	**(0.3400)**
Non-current assets	1,207,595	1,144,790	1,141,180	1,061,526	**1,071,444**
Current assets	3,672,330	3,655,135	4,148,614	4,486,800	**4,497,478**
Current liabilities	1,944,637	1,824,982	2,258,368	2,609,652	**2,887,395**
Net current assets	1,727,693	1,830,153	1,890,246	1,877,148	**1,610,083**
Total assets less current liabilities	2,935,288	2,974,943	3,031,426	2,938,674	**2,681,527**
Non-current liabilities	40,170	35,366	33,775	40,141	**48,561**
Total equity attributable to equity shareholders of the Company	2,877,491	2,921,727	2,980,325	2,880,190	**2,613,760**
Non-controlling interests	17,627	17,850	17,326	18,343	**19,206**
Total equity	2,895,118	2,939,577	2,997,651	2,898,533	**2,632,966**
Net assets per share (RMB)	3.70	3.76	3.83	3.71	**3.37**
Financial ratio					
Cost to income ratio	79.1%	80.4%	82.6%	90.8%	**92.1%**
Pre-tax profit/(loss) margin	8.9%	3.4%	3.8%	(5.4%)	**(16.2%)**
Return/(loss) on Equity	4.6%	1.6%	1.9%	(3.4%)	**(10.1%)**
Current ratio	1.9	2.0	1.8	1.7	**1.6**

GENERAL

In 2024, under the dual pressures of stricter local government regulations on debt financing and weak market demand, the overall investment in the target markets showed a contraction trend. The Group recorded revenue of approximately RMB1,829.2 million for the year, representing a slight decrease of 0.5% year-on-year, and maintained a stable market shares. The intensifying industry competition led to a significant decline in gross profit margin for the period and had a significant negative impact on net profit, which, coupled with the impact of the increase in impairment provision for certain projects, has resulted in a loss of approximately RMB265.0 million for the year. The Group will further promote lean management throughout the project lifecycle, focus on improving gross profit margin of the projects, and strengthen the management of project settlement and payment collection, thus laying a solid foundation for sustainable development of the Group.

BUSINESS REVIEW

Smart Transportation Business

The smart transportation business further consolidates its industry-leading position through deeply integrating cutting-edge technologies, promoting technological innovation and product iteration and upgrading.

During the year, the second and third phases of Wuhan Metro Line 11 (武漢地鐵11號綫二期、三期), of which the Group participated in the construction, were officially opened for operation. As the first case of migrating the integrated supervision and control system cloud platform for existing lines in China, this project innovatively established a smart management system featuring "three active centres (三活中心)", namely primary centre, backup centre, and testing centre. While ensuring the normal operation of the first phase of Line 11, the Group successfully completed the seamless migration of the integrated supervision and control system cloud platform for the second and third phases of the project and connected nine stations from the branch line into the original platform, achieving the centralised and efficient operation management. The success of this project not only provided a solid assurance for the high-standard construction and high-quality development of Wuhan rail transit, but also established a benchmark demonstration for the construction and transformation of similar urban rail transit projects in China.

For rail transit market in Changchun, the Group demonstrated robust growth and successively won the integrated supervision and control system projects for the first phase of Line 7, the first phase of Line 5 and the eastern extension of Line 2 of Changchun Rail Transit, realising a comprehensive coverage of the Changchun rail transit integrated supervision and control system market. Such series of achievements not only highlighted the Group's strong technical capabilities and industry influence, but also served as a testament to the Group's contributions to urban development and smart transportation construction.

During the year, the Group actively expanded its presence in the urban rail transit market and successfully won the bid for the project to supply integrated supervision and control equipment for Hangzhou-Deqing Intercity Railway Project (杭州至德清市域鐵路工程) (including the second and third phases of Line 10). This project will deeply integrate diversified smart systems and functions such as smart stations, smart maintenance, energy management, construction management and asset management into the conventional integrated supervision and control system. It strives to create a new generation of rail transit system with higher intelligence and operational efficiency, injecting new vitality into smart transportation construction.

Smart Building and Complex Business
In the field of smart building and complex, the Group continuously broadened its business scope and fortified its strategic cooperation with CNNC to promote industry innovation and development.

During the year, the Group won the bid of the Project for the Construction of Safe Campus and Technological Security System for the Tongzhou Campus of Renmin University of China (中國人民大學通州校區平安校園技防體系建設項目). This project focused on building a comprehensive, round-the-clock and smart video surveillance system, and deeply integrated security, fire protection and other systems. Through the campus digital twin platform, it integrated intelligent AI analysis functions such as identity identification, vehicle identification, behaviour recognition and security and fire protection linkage, and achieved a leapfrog upgrade from the existing analogue + digital campus security system to the smart prevention and control system, significantly improving the centralisation and deployment efficiency of campus management and setting up a new benchmark for smart campus security construction.

During the year, the Group actively expanded its business with CNNC and undertook the smart park project for China Nuclear Power Operation Technology Innovation Research and Safeguard Base (中國核電運行技術創新研究與保障基地). The project covered dozens of smart IoT systems, including smart lighting, security system, conference room system, integrated energy system, information release system and building control system. It aimed to create a new-generation of production and R&D base for nuclear power operation technology characterised by digitalisation and intelligence, injecting new momentum into the sustainable development of the nuclear power industry.

The Construction Project for Zhonghe Headway Smart Park (中核海得威智慧園區建設項目) is another important achievement of the Group in deepening the collaboration with CNNC. Relying on the Group's leading edge in smart integration technology, it innovatively created the "central brain" of the nuclear industry's smart park, realising the centralised control of various systems and facilities in the park. It utilised BIM modelling, digital twin, BI data visualisation and other cutting-edge technologies to build a three-dimensional visualisation cockpit, which significantly improved the smart and digital management level of the park, comprehensively improved the operational efficiency, and established a benchmark demonstration for the construction of similar smart parks.

Smart Energy Business
The Group continued to expand its presence in contractual energy management business in the smart energy sector to serve the green and low-carbon transformation of high-energy-consuming industries. Through continuous optimisation and innovation, the Group successfully won a number of contractual energy management projects in Longxi, Baotou and Tianshui, demonstrating its outstanding strength in driving energy transition and smart upgrades.

During the year, Daqing Intelligent Heating Project (大慶市智慧供熱項目), a contractual energy management project, achieved remarkable results, successfully completing the automatic control system for nearly 900 heat exchange systems across the entire network and facilitating the construction of the multi-heat sources networking of Daqing Thermal Power Group (大慶市熱力集團). By innovatively applying multi-heat sources networking technology, it effectively reduced the impact of single-heat source failure on the entire system, enhancing the stability of the heating system's operation.

The newly signed Rongcheng Nuclear Heating Supporting Pipeline and Facilities Construction Project (榮成市核能供熱配套管網及設施建設項目) marked a significant breakthrough for the Group in the nuclear heating sector. As the Group's first cross-regional new project for "nuclear waste heat + large temperature difference units + long-distance heating (核能餘熱+大溫差機組+長輸供熱)" application scenario, it fully demonstrated the Group's comprehensive technical advantages in nuclear heating, smart heating and system integration. The project will assist Rongcheng in achieving clean nuclear heating, providing more environmentally friendly and efficient heating services for local residents.

The Heating Project for Xincheng District and Saihan District in Hohhot (呼和浩特市新城區及賽罕區溫暖工程) signed by the Group is a key demonstration project for Inner Mongolia's "Heating Project (溫暖工程)". Through comprehensive smart upgrades of the heating system, it will strongly support the local area in providing safe, stable and high-quality heating services, increasing the warmth of public services with better heating services.

During the year, the Group continued to deepen the strategic synergy with CNNC in smart energy business. The first smart energy-saving management system for nuclear power plants was successfully launched in Fuqing Nuclear Power Plant Electricity-Saving Project (福清核電站廠用電節能項目), achieving a major breakthrough in the development of delicacy management for electric power use in a nuclear plant. Additionally, the Group signed contracts for Fuqing Nuclear Power Water Ecosystem R&D and Application Project (福清核電水生態系統研發及應用項目) and Xudabao Nuclear Power Plant Environment Monitoring Project (徐大堡核電廠環境監測項目), contributing to the Group's innovation, development and quality improvement in the smart energy business.

OUTLOOK

Technovator will uphold its strategic determination and adhere to the basic principle of pursuit of steady and progressive development. We will seize the opportunities brought by the "significant strategies and critical fields (兩重)" and "renewal and replacement (兩新)" policies to accelerate the commercialisation of its scientific and technological achievements through driving growth by innovation, increasing investment in R&D, and focusing on breakthroughs and iterations in key technologies. Emphasising quality improvement and efficiency enhancement, the Group will strengthen its project management, deepen its brand culture construction, and continuously enhance its capability on creating brand equity through high-quality products and services. Meanwhile, the Group will strengthen the market synergy with various business segments within CNNC, promote in-depth integration of industry, academia and research with Tsinghua University, and foster resource sharing and complementary advantages to form a powerful synergy, thereby enhancing the Group's overall competitiveness in complex and volatile market environments and continuously leading the industry towards high-quality and sustainable development.

FINANCIAL REVIEW

Revenue

In 2024, a competitive trend of "shrinking volume and declining price" has been seen in our target markets. To ease the pressures on our operation brought about by in-depth adjustment in the supply and demand structure, the Group optimised its market layout, strengthened the synergy mechanism with its strategic customers and strived to maintain its market shares. The Group recorded a net revenue of RMB1,829.2 million for the full year, representing a year-on-year decrease of 0.5%. The Group will further explore potential opportunities and continuously enhance its core competitiveness by integrating resources with innovation-driven forces and cultivating new business growth drivers.

Revenue by business segments

The table below sets forth the Group's revenue by business segments for the years indicated.

	2024		2023		
	Revenue (RMB'000)	**% of revenue**	Revenue (RMB'000)	% of revenue	Comparison
Smart transportation	**435,196**	**23.8%**	467,056	25.4%	-6.8%
Smart building and complex	**720,259**	**39.4%**	822,510	44.8%	-12.4%
Smart energy	**673,778**	**36.8%**	548,444	29.8%	22.9%
Total	**1,829,233**	**100%**	1,838,010	100%	-0.5%

Smart Transportation

In 2024, the smart transportation business achieved a revenue of approximately RMB435.2 million, representing a decrease of 6.8% from approximately RMB467.1 million for 2023. The decrease in revenue was mainly affected by the rescheduling of the tendering process and the delayed commencement of works by some owners during the first half of the year. Although the Group has actively speeded up the contract signing for the projects for which the Group has won the bids and the progress of delayed projects in the second half of the year, the overall revenue of this business segment still declined as compared to that of the previous year. During the year, the Group was deeply involved in the construction of rail transit in Chongqing and Changchun, focusing on the construction of key projects such as the integrated monitoring system for the first and second phases of Chongqing Rail Transit Line 6 (重慶軌道交通6號綫一、二期綜合監控系統), the project for the integrated monitoring system for the east extension of Line 6 (6號綫東延工程綜合監控系統項目), and the integrated supervision and control system for the first phase of Line 7, the first phase of Line 5 and the east extension of Line 2 of Changchun Rail Transit (長春市軌道交通7號綫一期、5號綫一期、2號綫東延綫工程綜合監控系統), for which progress has been made and settlement income has been recorded.

Smart Building and Complex

The smart building and complex business recorded a revenue of approximately RMB720.3 million, representing a year-on-year decrease of 12.4% from approximately RMB822.5 million in 2023. Facing the challenges brought about by the prolonged contraction in investment in its target markets, the Group has responded to the market changes with multiple initiatives, actively adjusted its market strategies and deepened the strategic synergy with CNNC to vigorously expand its footprint to emerging markets and cultivate new growth drivers. During the year, the Group achieved significant progress in projects related to public welfare sectors such as healthcare and education. Projects such as the Science City branch of the Fourth People's Hospital of Chongqing (重慶市第四人民醫院科學城院區), the Safe Campus Technology and Protection System Construction Project of Renmin University of China (Tongzhou Campus) (中國人民大學通州校區平安校園技防體系建設項目), the Super Computer Project for Northeastern University (東北大學超算項目) and the High-Performance Computer Group Project for Jilin University (吉林大學高性能計算機群), which have made solid contribution to the segment revenue. Meanwhile, in the nuclear power sector, projects such as the smart parks of China Nuclear Power Operation Technology Innovation Research and Safeguard Base and the Zhonghe Headway Smart Park Construction Project also achieved milestone progress and made contribution to the segment revenue.

Smart Energy

The smart energy business recorded a revenue of approximately RMB673.8 million in 2024, representing an increase of 22.9% from approximately RMB548.4 million for the corresponding period last year. The segment maintained its strong growth momentum, which was mainly attributable to the Group's technological innovation and market expansion in the heating supply sector. During the year, the Group, with its outstanding project execution capabilities, focused on progressing the implementation of several newly signed projects with landmark significance, such as the Daqing Intelligent Heating Project (大慶市智慧供熱項目), the Rongcheng Nuclear Heating Supporting Pipeline and Facilities Construction Project (榮成市核能供熱配套管網及設施建設項目), the Heating Project for Xincheng District and Saihan District in Hohhot (呼和浩特市新城區及賽罕區溫暖工程項目), and the Taiyuan Thermal Centralised Heating Networking Expansion and Renovation Phase II Project (太原熱力集中供熱聯網擴容改造二期), which have made significant contribution to the segment revenue. Meanwhile, the Group continued to carry out the construction of thermal power and clean heating infrastructure projects in Xinjiang Tianfu and Songyuan (新疆天富、松原熱電清潔供暖基礎設施建設項目), Guoneng Jilin Jiangnan Heat Network Demonstration Application (國能吉林江南熱網示範運用), and the construction projects of several new energy production enterprises under CNNC to boost the segment revenue.

Cost of sales

The Group's cost of sales increased by 0.9% from approximately RMB1,668.7 million in 2023 to approximately RMB1,684.0 million in 2024, which was mainly attributable to the decrease in gross profit margin.

Gross profit

Gross profit decreased by 14.2% from approximately RMB169.3 million in 2023 to approximately RMB145.2 million in 2024. Gross profit margin for the year was approximately 7.9%, representing a decrease of 1.3 percentage points as compared to that of the corresponding period last year. Against the backdrop of intensifying industry competition, in order to ensure its long-term development goals, the Group has optimised its market strategy and layout to enhance its long-term competitive edges in the market, which resulted in a certain degree of decline in the overall gross profit margin.

Other revenue

In 2024, the Group recorded other revenue of approximately RMB32.4 million, representing an increase of approximately 17.0% as compared to approximately RMB27.7 million of 2023, mainly attributable to the increase in interest income for EMC projects.

Selling and distribution costs

Selling and distribution costs of the Group for 2024 were approximately RMB85.8 million, representing a year-on-year increase of 35.5% as compared to approximately RMB63.3 million for 2023. Selling and distribution costs accounted for 4.7% (2023: 3.4%) of the revenue. The Group continued to deepen its market expansion strategies, increased investment in marketing resources and strengthened its competitive edge in the market, resulting in a substantial increase in selling costs.

Administrative and other operating expenses

Administrative and other operating expenses decreased by 2.4% from approximately RMB168.2 million for 2023 to approximately RMB164.2 million for 2024. A year-on-year decrease in administrative and other operating expenses was due to the Group's strengthening control on labour cost.

Impairment loss on trade and other receivables and contract assets

In 2024, the Group made provision for impairment loss on trade and other receivables and contract assets of approximately RMB210.0 million, representing a year-on-year increase of approximately 264.0% from approximately RMB57.7 million for 2023. The significant increase in impairment loss on trade and other receivables and contract assets as compared with the same period of last year was mainly due to the prolonged collection cycle of payments for projects caused by some customers' temporary delay in making payment as affected by changes in the industry environment. In addition, the aged receivables for some of the early projects increased as their scheduled payments were lagging behind. Having considered various factors such as the settlement cycle and payment collection arrangements, the Group increased the amount of provision for impairment accordingly. The Group will continue to promote the collection of payment and settlement arrangement for the projects to ensure stable operating cash flow.

Finance costs

Finance costs of the Group for 2024 were approximately RMB10.6 million, representing a year-on-year increase of 24.7% as compared to approximately RMB8.5 million for 2023. In response to the cash flow needs for the phases of the industry cycle and the business expansion arrangement, the Group moderately increased the amount of loans to ensure liquidity.

Income tax

Income tax decreased from approximately RMB0.3 million in 2023 to approximately RMB-31.8 million for the year, mainly attributable to the decrease in the income tax expense related to the recognition of deferred income tax assets resulted from the increase in the provision for impairment loss on trade and other receivables and contract assets.

Loss for the period

In 2024, the Group recorded the loss of approximately RMB265.0 million, as compared to the loss of approximately RMB99.9 million for 2023. Net profit margin decreased to approximately -14.5% for the year from -5.4% for the same period last year. The increase in loss and the decrease in net profit margin for the period were mainly attributable to the decrease in gross profit and increase in impairment losses.

The basic and diluted loss per share from continuing operations of the Group amounted to RMB0.3400 (2023: RMB0.1291).

Working capital and financial resources

The following table sets forth the Group's current assets and liabilities as at the dates indicated:

	As at 31 December 2024 (RMB'000)	As at 31 December 2023 (RMB'000)
Inventories	**1,363,757**	1,282,681
Trade and other receivables (Note 1)	**1,801,587**	1,864,577
Trade and other payables	**2,400,263**	2,222,978
Average inventory turnover days	**264**	246
Average trade receivables turnover days (Note 2)	**329**	290
Average trade payables turnover days (Note 2)	**437**	387

Note 1: Trade and other receivables included trade and other receivables and prepayments

Note 2: The calculation of turnover days excluded other receivables, other payables and related party amounts

The Group's inventories increased by 6.3% from approximately RMB1,282.7 million as at 31 December 2023 to approximately RMB1,363.8 million as at 31 December 2024. In order to accelerate the project progress, the Group prepared inventories in advance to ensure smooth progress of the projects, resulting in a year-on-year increase in inventory, and the inventory turnover days increased to approximately 264 days as compared to the corresponding period last year.

The Group's trade and other receivables amounted to approximately RMB1,801.6 million as at 31 December 2024, representing a decrease of 3.4% as compared to approximately RMB1,864.6 million as at 31 December 2023. The average trade receivables turnover days increased from 290 days for the corresponding period of last year to 329 days. The increase in turnover days was due to the further extension of the credit terms to the customers as affected by the intensifying competition in the industry.

The Group's trade and other payables increased by 8.0% from approximately RMB2,223.0 million as at 31 December 2023 to approximately RMB2,400.3 million as at 31 December 2024. The Group's average trade payables turnover days increased from approximately 387 days in 2023 to approximately 437 days in 2024. The Group did its best to secure more favourable credit terms, optimised payment cycle arrangements and enhanced the efficiency of fund use, which led to an increase in trade and other payables and the turnover days of the payables.

LIQUIDITY AND FINANCIAL RESOURCES

During the year, the Group financed its operations primarily through cash flow from operations and cash balance on hand. As at 31 December 2024, the Group had cash and cash equivalents of approximately RMB344.7 million, which accounted for 13.1% of the Group's net assets (31 December 2023: cash and cash equivalents of approximately RMB363.3 million).

As at 31 December 2024, the Group's indebtedness consisted of short-term bank loans of approximately RMB302.2 million with an average interest rate of 3.39% per annum, long-term bank loans of approximately RMB8.0 million with an interest rate of 3.80% per annum and secured borrowings of approximately RMB37.4 million with an interest rate of 4.74% per annum.

As at 31 December 2024, the Group's debts were primarily bank loans denominated in RMB. Cash and cash equivalents were primarily bank deposits and cash on hand denominated in RMB, USD, HKD and SGD, and deposits that were readily convertible into known amounts of cash.

As at 31 December 2024, the net cash of the Group was approximately RMB-2.9 million (31 December 2023: net cash of approximately RMB77.5 million). Gearing ratio, defined as loans and borrowings divided by total assets, was approximately 6.2% (31 December 2023: approximately 5.2%).

PLEDGE OF ASSETS

As at 31 December 2024, the Group pledged Xinjiang Tianfu South Thermal Power Plant (新疆天富南熱電廠) and the ancillary urban heating network renovation project and obtained secured borrowings of approximately RMB37.4 million with an interest rate of approximately 4.74%.

EXCHANGE RATE FLUCTUATION 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 related. The currencies exposed to this risk are primarily Singapore Dollars, Canadian Dollars, United States Dollars and Hong Kong Dollars.

However, as the Group's operations are mainly conducted in the PRC and the majority of the sales and purchases are transacted in RMB, the Directors are of the view that the foreign exchange risk did not have any material impact on the Group's financial performance during 2024, and the Group has not entered into any hedging arrangement for its foreign exchange risk. The Group will closely monitor the foreign currency movement and will assess the need to adopt any measures in relation to foreign exchange risk from time to time.

CONTINGENT LIABILITIES

As at 31 December 2024, the Group did not have any material contingent liabilities.

OFF-BALANCE SHEET ARRANGEMENTS

The Group did not have any special purpose entities that provided financing, liquidity, market risk or credit support to it or were engaged in leasing, hedging or research and development services with it. The Group did not enter into any derivative contracts that were indexed to the shareholders of the Group (the "**Shareholders**") and classified as Shareholders' equity, or that were not reflected in its financial statements. Moreover, the Group did not have any retained or contingent interest in such assets that were transferred to unconsolidated entities to provide credit, liquidity or market risk support service for such entities.

EMPLOYEE, TRAINING AND DEVELOPMENT

As at 31 December 2024, the Group had a total of 669 employees compared to 665 employees as at 31 December 2023. Total staff costs decreased from approximately RMB206.6 million in 2023 to approximately RMB168.5 million in 2024.

As a matter of policy, the Group remunerates its employees based on their performance, experience and prevailing industry practices, with all compensation policies and packages reviewed on a regular basis. The Company has adopted a share award scheme on 4 December 2015 for the purpose of providing incentives and rewards to eligible members of the scheme.

The Group provides regular training for its employees to keep them abreast of the Group's products, technology developments and the market conditions of its industry. The Group also offers additional training for frontline sales staff regarding each new product launch, so as to help them deliver more effective sales and promotion. In addition, the Group's senior management also attends conferences and exhibitions to broaden their knowledge of the industry.

MATERIAL ACQUISITIONS AND DISPOSALS

For the year ended 31 December 2024, the Group had no material acquisition or disposal of subsidiaries or associates.

SIGNIFICANT INVESTMENTS

For the year ended 31 December 2024, the Group had no significant investment, nor was there any plan authorised by the Board for other material investments or additions of capital assets as at 31 December 2024.

Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Zhao Xiaobo (趙曉波)

Aged 55, is an executive Director and chief executive officer of the Company, responsible for overall strategic planning and general management of the Group. He joined the Group in May 2005 and was appointed as a director on 26 May 2005 and was re-designated as an executive director on 12 April 2011. Mr. Zhao received his Bachelor's degree in Thermal Engineering from Tsinghua University in 1993 and Executive Master of Business Administration from Tsinghua University in 2005. Mr. Zhao was qualified as professor and researcher level senior engineer (教授研究員級高級工程師) in 2009.

Mr. Zhao joined Beijing Tsinghua Artificial Environmental Engineering Co. (清華人工環境工程公司), which was the predecessor of THTF (which is listed on the Shanghai Stock Exchange (stock code: 600100)) in 1993, and has worked in various departments within that company, responsible for R&D for product technology, software programming, solutions and sales, project management, as well as business strategies and planning. He had participated in many "intelligent building" projects, such as projects with the Beijing Hotel in the PRC and the Tehran Metro in Tehran, Iran. Mr. Zhao and such projects that he was involved in received various awards including the building low-carbon technology innovation award issued by Ministry of Science and Technology of the PRC (中華人民共和國科學技術部). Mr. Zhao was also previously an assistant to the president of THTF and a general manager of "Digital City Division" of THTF.

Mr. Qin Bing (秦冰)

Aged 48, has been appointed as an executive Director since 24 December 2024. He has been the general manager and the deputy secretary of the Party Committee of Tongfang Smart Energy Group Co., Ltd.* (同方智慧能源有限責任公司) since January 2025, as well as the chairman of the board of directors of Tongfang Energy Saving Engineering Technology Co., Ltd.* (同方節能工程技術有限公司) and Tongfang Kawasaki Advanced Energy-saving Machine Co., Ltd.* (同方節能裝備有限公司) since December 2022.

Mr. Qin started his career as a technical engineer at Digital City Technology Company under Tongfang Applied Information Systems Division (同方應用信息本部數字城市科技公司) in October 2005 and later served in various roles of this company, including the professional chief engineer of the department from July 2006 to February 2007, CCTV project manager from February 2007 to December 2007, the department engineering director from December 2007 to January 2009 and the deputy general manager of the project management centre and the manager of the first engineering department from January 2009 to March 2011. Mr. Qin demonstrated strong expertise and leadership in digital city engineering and energy conservation. He joined Tongfang Digital City Engineering Centre (同方數字城市本部工程中心) and acted as the deputy chief engineer and the deputy general manager of the project management centre from March 2011 to March 2013, as the deputy chief engineer and the manager of the second technology department from March 2013 to February 2016, and later as deputy executive general manager of the energy conservation company from February 2016 to November 2017. Mr. Qin then took on the role of the deputy general manager of the Tongfang Smart Energy Saving Division (同方智慧節能產業本部) and general manager of Tongfang Energy Saving Engineering Technology Co., Ltd. (同方節能工程技術有限公司) from November 2017 to December 2022, and the deputy general manager and a member of the Party Committee of Tongfang Smart Energy Group Co., Ltd.* (同方智慧能源有限責任公司) from December 2022 to January 2025. Mr. Qin obtained the Bachelor of Engineering from Tsinghua University in July 1999 and later received his doctorate in the same field from Tsinghua University in January 2005.

Mr. Qin was qualified as a professor-level senior engineer in April 2017 and has been recognised for his outstanding contributions as a technical specialist through various provincial and ministerial awards including, among others:

Time	Awards	Organization issuing the awards
October 2008	Third Prize for Excellent Investigation and Design	Tianjin Exploration and Design Association
March 2010	First Prize for Smart Building Design	China Engineering and Consulting Association
February and December 2013	Second Prize for Science and Technology Awards	Xinjiang Production and Construction Corps
January 2015	Second Prize for Smart Building Design	China Engineering and Consulting Association
October 2016	Elite Science and Technology Awards	Beijing Elite Housing Technology Funds
January 2019	Outstanding Entrepreneur in Energy Conservation	ESCO Committee of China Energy Conservation Association
2021	National Quality Engineering Award	China Association of Construction Enterprise Management

NON-EXECUTIVE DIRECTORS

Mr. Li Chengfu (李成富)

Aged 50, has been appointed as a non-executive Director since 26 August 2024. He has been the president and the deputy secretary of the Party Committee of Tsinghua Tongfang Co., Ltd.* (同方股份有限公司, a company listed on the Shanghai Stock Exchange (stock code: 600100)) since July 2023. Mr. Li has over ten years of experience in corporate management. He worked as the chief accountant of China Nuclear Industry Huaxing Construction Co., Ltd.* (中國核工業華興建設有限公司, a subsidiary of China Nuclear Engineering and Construction Corporation Limited* (中國核工業建設股份有限公司, a company listed on the Shanghai Stock Exchange (stock code: 601611), "China Nuclear E&C")) from March 2014 to September 2020. From September 2020 to July 2023, Mr. Li worked in China Nuclear Industry 22nd Construction Co., Ltd.* (中國核工業第二二建設有限公司, a subsidiary of China Nuclear E&C) and successively served as the general manager and the deputy secretary of its Party Committee from September 2020 to September 2021, and the chairman of the board of directors and the secretary of its Party Committee from September 2021 to July 2023.

Mr. Li obtained the Master of Business Administration from Jiangsu University in September 2008. He is a professor-level senior accountant accredited in August 2020. Mr. Li was accredited as the Honest Entrepreneur in Construction for the Year 2022 by China Association of Construction Enterprise Management (中國施工企業管理協會) in October 2022 and as the Outstanding Entrepreneur in Construction Industry in Wuhan for 2020-2021 by Wuhan Association of Construction Industry (武漢建築業協會) in November 2022. Mr. Li was a member of 13th Standing Committee of Committee of Chinese People's Political Consultative Conference (Hubei Province) and a deputy of Hubei Province Wuhan City Hanyang District 16th Municipal People's Congress.

Mr. Zeng Xuejie (曾學傑)

Aged 50, was appointed as a non-executive Director on 17 June 2021. Mr. Zeng has over 17 years of experience in management. He was the head of the planning and development department and secretary to the board of directors in Beijing Jingcheng Water Services Co., Ltd. (北京京城水務有限公司) from July 2004 to December 2007. From December 2007 to October 2009, he was the vice general manager of the asset management department of the China Sciences Group (Holding) Co., Ltd. From October 2009 to June 2015, he successively served as the general manager of the investment development business department, the head of the development and planning department, the head of the operations and management department and secretary to the board of directors in China Aviation International Construction and Investment Co., Ltd (中國航空國際建設投資有限公司). From June 2015 to January 2017, he was the head of the corporate development department, the secretary to the board of directors and assistant to the general manager in the Institute of Architecture Design and Research, CAS. From January 2017 to April 2020, he was the chief investment officer and the manager of the investment department of Tongfang Energy Saving Engineering Technology Co., Ltd., a wholly-owned subsidiary of the Company. From April 2020 to May 2023, he was the general manager of the investment development department of the Smart Energy Saving Division of THTF. From May 2023 to April 2024, he was the chief investment officer of the Carbon Neutrality Research Institute of Tongfang Smart Energy Co., Ltd.* (同方智慧能源有限責任公司). Since April 2024, he has been the general manager of the strategic development department of Tongfang Smart Energy Co., Ltd.* (同方智慧能源有限責任公司).

Mr. Zeng obtained a bachelor's degree in mechatronics from Hunan University (湖南大學) in July 1996 and a master's degree in managerial sciences and engineering from the Beijing University of Technology (北京工業大學) in July 2004. He was qualified as a senior economist and a consulting engineer (investment) in the PRC.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Zhang Yanhua (張艷華)

Aged 47, has been appointed as a non-executive Director since 1 February 2024.

Ms. Zhang has been the vice general manager and the president of the labour union of Tongfang Smart Energy Co., Ltd.* (同方智慧能源有限責任公司). Ms. Zhang joined THTF in June 2000 and successively worked as a business assistance and a manager in industry control department of Tsinghua Tongfang Control Engineering Division (清華同方控制工程公司) from June 2000 to May 2006. She then worked in Tongfang Applied Information Systems Division (同方應用信息系統本部) from May 2006 to January 2012 and in Tongfang Digital City Division Engineering Centre (同方數字城市產業本部工程中心) from January 2012 to November 2017. Ms. Zhang then served as the vice general manager and president of labour union of Tongfang Smart Energy Saving Division (同方智慧節能產業本部) from November 2017 to December 2022.

Ms. Zhang obtained a bachelor degree majoring in financial management from Peking University in January 2009 and the Executive Master of Business Administration (高級管理人員工商管理碩士) from Dongbei University of Finance & Economics (東北財經大學) in January 2015.

Dr. FAN Ren Da Anthony (范仁達)

Aged 64, was appointed as an independent non-executive Director on 8 September 2011. Dr. Fan is the chairman and managing director of AsiaLink Capital Limited and also an independent non-executive director of Neo-Neon Holdings Limited (stock code: 1868), Shanghai Industrial Urban Development Group Limited (stock code: 563), China Dili Group (stock code: 1387), CITIC Resources Holdings Limited (stock code: 1205), Haitong Securities Co., Ltd (stock code: 6837) and Semiconductor Manufacturing International Corporation (stock code: 981). Dr. Fan has been re-designated from an independent non-executive director to an executive director and resigned as the chairman of the remuneration committee and a member of each of the audit committee and the nomination committee of Tenfu (Cayman) Holdings Company Limited (stock code: 6868), a company listed on the Stock Exchange, with effect from 18 May 2021. He is also the Founding President of The Hong Kong Independent Non-Executive Director Association. Dr. Fan also serves as a non-executive director of Hilong Holding Limited (stock code: 1623). All of the said companies are listed on the Main Board of the Stock Exchange. Dr. Fan holds a master's degree in business administration from the United States of America and a PhD degree in Economics.

Mr. Chia Yew Boon (謝有文)

Aged 66, was appointed as an independent non-executive Director on 8 September 2011. He received his Diploma of Chemical Engineering from École européenne de Chimie, Polymères et Matériaux (ECPM) (formerly known as École Nationale Supérieure de Chimie de Strasbourg, France) in July 1983. Trilingual in English, French and Chinese, Mr. Chia has high level experience in sovereign wealth fund management, blockchain ecosystem investments, private equity, venture capital, investment banking, education, and government.

Before entering the financial sector, Mr. Chia worked for the Economic Development Board of the Singapore government in various capacities from 1985 to 1990. He then spent eight years in equity research and corporate finance with regional investment banks from 1990 to 1998. From 1999 to 2005, Mr. Chia served as the senior vice president at GIC Special Investments Pte Ltd, a subsidiary of the Government of Singapore Investment Corporation. From 2005 to 2007, he was the chief executive officer of EasyCall International Ltd, a company involved in tertiary education in China and Australia, which was previously listed on the Australian Securities Exchange (stock code: EZY) and Singapore Stock Exchange, and a director of Strategic Planning at Boustead Singapore Limited, an engineering and information technology services company whose shares are listed and traded on the Singapore Stock Exchange (stock code: SGX: F9D). Since April 2007, he has been an independent private equity and venture capital consultant.

Mr. Chia is the founder of Catalyst Advisors International, a company providing consulting services for private equity and venture capital projects. Mr. Chia serves as an advisor to Helicap, a fintech company developing sophisticated credit analytics tools for managing a highly successful private credit fund, building an online investment distribution platform, and plays a similar role in Helicap Labs (Helix), Helicap's spin-off that's building a platform to bridge DeFi liquidity and tokenised real world assets. In the blockchain space, he is also an advisor to Rosemoor Capital, a blockchain ecosystem venture capital investment manager with partners in New York and London.

Mr. Chia is also an independent non-executive director of EC World Asset Management Pte Ltd, which manages EC World Real Estate Investment Trust; EC World REIT is listed on the Singapore Stock Exchange (stock code: SGX: BWCU) and has a diversified portfolio of income-producing real estate used primarily for e-commerce, supply chain management and logistics purposes, with an initial geographic focus on China.

Ms. Lu Yao (陸瑤)

Aged 46, has been appointed as an independent non-executive Director since 29 May 2023.

Ms. Lu has extensive teaching and research experience in the field of economics and management. She has been working at the Department of Finance of School of Economics and Management, Tsinghua University (清華大學經濟管理學院) since December 2009 and has held various key positions, including: (i) assistant professor from December 2009 to December 2012; (ii) associate professor from December 2012 to December 2016; (iii) tenure-track associate professor from December 2016 to July 2020; (iv) tenure-track professor since July 2020; and (v) director of Financial Research Center since February 2024. Ms. Lu is also a member of China Society for Finance and Banking (中國金融學會), a member of China Finance and Accounting Academic Annual Conference (中國財務與會計學術年會), a member of Financial Quantitative Analysis and Computer Professional Committee of China Interdisciplinary Science Research Association (中國交叉科學研究會金融量化分析與電腦專業委員會), a researcher for several institutes and research centers of Tsinghua University and University of Michigan – Ann Arbor, and a member of editorial board of several academic journals, including Economic Management Journal, Corporate Governance: An International Review and Pacific-Basin Finance Journal. Ms. Lu was awarded the Yangtze River Scholar as a distinguished professor by the Ministry of Education of the People's Republic of China in 2024.

Ms. Lu has published 53 papers in top authoritative academic journals, such as Journal of Finance, Management Science, Journal of Financial Economics, Journal of Financial and Quantitative Analysis, Review of Economics and Statistics and Review of Finance and Journal of Corporate Finance. Besides, Ms. Lu has presided over 18 research projects, including key projects funded by Tsinghua University, the Ministry of Education, National Natural Science Foundation of China (國家自然科學基金委員會), People's Bank of China, Ministry of Industry and Information Technology of the People's Republic of China (中華人民共和國工業和信息化部) and State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會). Ms. Lu independently published a monograph titled "Company Mergers and Reorganizations".

Ms. Lu obtained a bachelor's degree in economics from Central University of Finance and Economics (中央財經大學) in 2000, a master's degree in statistics from Stern School of Business, New York University in 2003 and a doctor's degree in business economics from Ross School of Business, University of Michigan – Ann Arbor in 2009.

SENIOR MANAGEMENT

Mr. Zhao Xiaobo (趙曉波)

Please refer to the details set out above under the paragraph headed "Executive Directors".

Mr. Li Chengfu (李成富)

Please refer to the details set out above under the paragraph headed "Non-Executive Directors".

Mr. Qin Bing (秦冰)

Please refer to the details set out above under the paragraph headed "Executive Directors".

Mr. Leung Lok Wai (梁樂偉)

Aged 49, is the chief financial officer of the Group and a joint company secretary of the Company. He joined the Group in June 2010. Mr. Leung received his Bachelor's degree in accountancy from the Hong Kong Polytechnic University in December 1999. He is a member of Hong Kong Institute of Certified Public Accountants and a member of the Institute of Internal Auditors. He has over 20 years of experience in accounting, audit, due diligence and financial management, including transaction services in PricewaterhouseCoopers, group internal audit in Swire Group and audit assurance services in KPMG. Mr. Leung was also the company secretary of Neo-Neon Holdings Limited (stock code: 1868), which is listed on the main board of the Stock Exchange.

JOINT COMPANY SECRETARIES

Mr. Leung Lok Wai (梁樂偉), please refer to the details set out above under the paragraph headed "Senior Management".

Ms. Chan Wan Mei, aged 53, was appointed as a joint company secretary on 20 December 2024 to satisfy the requirement under the Singapore Companies Act 1967 that all companies incorporated in Singapore shall appoint a company secretary who must be residing locally in Singapore. Ms. Chan is a fellow member and a practising chartered secretary of the Chartered Secretaries Institute of Singapore. Ms. Chan has over 25 years of experience in corporate secretarial practice in Singapore. She is currently the co-head of the Corporate Secretarial team within the Corporate Team at Vistra Singapore.

Report of the Directors

The directors of the Company (the "Directors") have pleasure in presenting their report together with the audited financial statements for the year ended 31 December 2024.

PRINCIPAL ACTIVITIES

The Group is principally engaged in integrated urban energy saving services. Its business covers three major segments including smart transportation, smart building and complex and smart energy, providing the customers with smart energy management products, solutions and integrated services throughout their full life cycles.

BUSINESS REVIEW

The business review of the Group as at 31 December 2024 is set out under the section headed "Management Discussion and Analysis" of this annual report on pages 9 to 16.

ANALYSIS OF FINANCIAL KEY PERFORMANCE INDICATORS

For details of the key financial performance indicators to the performance of the Group's business, please refer to "Five Year Financial Summary" on page 8 of this annual report.

SUBSIDIARIES

Details of the principal subsidiaries of the Group as at 31 December 2024 are set out in note 14 to the financial statements.

FINANCIAL STATEMENTS

The loss 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 94 to 156 of this annual report.

DIVIDENDS

During 2024, the Company has not declared any dividend in respect of the financial year ended 31 December 2023. The Board does not recommend any final dividend for the year ended 31 December 2024.

RESERVES

Details of movements in reserves of the Company and the Group are set out in note 24 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 December 2024, the aggregate amount of reserves available for distribution to equity shareholders of the Company was RMB358,762,000 (2023: RMB371,561,000). Details of the reserves of the Company as at 31 December 2024 are set out in note 24 to the financial statements.

CHARITABLE DONATIONS

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

PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment of the Group for the year ended 31 December 2024 are set out in note 11 to the financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company during the year ended 31 December 2024 are set out in note 24 to the financial statements.

DIRECTORS

The Directors during the year ended 31 December 2024 and as at the date of this report were:

Executive Directors
Mr. Zhao Xiaobo (趙曉波)
Mr. Qin Bing (秦冰) (appointed on 24 December 2024)
Mr. Wang Zhiqiang (王志強) (appointed on 1 February 2024 and resigned on 24 December 2024)
Mr. Qin Xuzhong (秦緒忠) (re-designated as a non-executive Director on 1 February 2024 and resigned on 26 August 2024)

Non-executive Directors
Mr. Li Chengfu (李成富) (Chairman) (appointed on 26 August 2024)
Mr. Zeng Xuejie (曾學傑)
Ms. Zhang Yanhua (張艷華) (appointed on 1 February 2024)
Mr. Qin Xuzhong (秦緒忠) (re-designated as a non-executive Director on 1 February 2024 and resigned on 26 August 2024)
Mr. Liang Wuquan (梁武全) (resigned on 1 February 2024)
Mr. Zhang Jian (張健) (resigned on 1 February 2024)

Independent Non-executive Directors
Ms. Lu Yao (陸瑤)
Mr. Chia Yew Boon (謝有文)
Mr. Fan Ren Da Anthony (范仁達)

The Company has received annual confirmations of independence from each of the existing independent non-executive Directors. The Company considers that all the independent non-executive Directors are independent and that they have met the specific independence guidelines as set out in with Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

Mr. Zhao Xiaobo, Mr. Chia Yew Boon and Mr. Fan Ren Da Anthony entered into service contracts with the Company for an initial term of one year, commencing from 27 October 2011. Mr. Qin Bing entered into a service contract with the Company for an initial term of one year commencing from 24 December 2024. Mr. Li Chengfu entered into a service contract with the Company for an initial term of one year commencing from 26 August 2024. Mr. Zeng Xuejie entered into a service contract with the Company for an initial term of one year commencing from 17 June 2021. Ms. Zhang Yanhua entered into service contracts with the Company for an initial terms of one year commencing from 1 February 2024. Ms. Lu Yao entered into a service contract with the Company for an initial terms of one year commencing from 29 May 2023. Each of the service contracts are automatically renewed upon expiration and until terminated by either party upon a three-month prior written notice.

For the Directors newly appointed during the year ended 31 December 2024, each of Ms. Zhang Yanhua, Mr. Wang Zhiqiang and Mr. Qin Xuzhong obtained on 1 February 2024, Mr. Li Chengfu obtained on 22 August 2024, and Mr. Qin Bing obtained on 19 December 2024, before their appointments became effective, the legal advice referred to under Rule 3.09D of the Listing Rules as regards the requirements under the Listing Rules that are applicable to them as Directors and the possible consequences of making a false declaration or giving false information to the Stock Exchange and, each of them has confirmed that he/she understood his/her obligations as a Director.

In accordance with Article 104 of the Company's constitution (the "Constitution"), Mr. Fan Ren Da Anthony and Mr. Chia Yew Boon will retire from the Board at the forthcoming annual general meeting (the "AGM"). Mr. Fan Ren Da Anthony will not offer himself for re-election as Director after his retirement in order to devote more time to his other business commitments. Mr. Chia Yew Boon, being eligible, will offer himself for re-election. In accordance with Article 108 of the Constitution, Mr. Li Chengfu and Mr. Qin Bing shall hold the office until the AGM, being the next general meeting after their appointment, and shall then be eligible for re-election at the AGM.

No Director proposed for re-election at the AGM has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

REASONS FOR RESIGNATION

During the year ended 31 December 2024, (i) Mr. Wang Zhiqiang tendered his resignation as an executive Director and a member of the risk management committee of the Company with effect from 24 December 2024 due to adjustment of work arrangements; (ii) Mr. Qin Xuzhong tendered his resignation as a non-executive Director with effect from 26 August 2024 due to adjustment of work arrangements; and (iii) each of Mr. Liang Wuquan and Mr. Zhang Jian tendered resignation as a non-executive Director with effect from 1 February 2024 due to adjustment of work arrangements.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and senior management are set out on pages 17 to 24 of this annual report.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed below, there was no contract of significance to which the Company, its holding company, or any of its subsidiaries was a party, and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted during or at the end of the year ended 31 December 2024.

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

As at 31 December 2024, the Directors and the chief executive of the Company and their respective associates had the following interests or short positions in the Shares, underlying shares of the Company (the "Shares") and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of Laws of Hong Kong) (the "SFO")) which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, including interests and short positions which the Directors and the chief executive of the Company are taken and deemed to have under such provisions of the SFO, or which are required to be and are recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions of Directors of Listed Issuers (the "Model Code"):

Long Positions in the Company

Name of Director and chief executive	Capacity/Nature of interest	Number of Shares interested	Approximate percentage of interest in the issued share capital of the Company
Mr. Zhao Xiaobo	Beneficial owner	8,728,000	1.12%

Save as disclosed above, as at 31 December 2024, none of the Directors or the chief executive of the Company had or was deemed to have any interests or short position in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which had been recorded in the register maintained by the Company pursuant to section 352 of the SFO or which had been notified to the Company and the Stock Exchange pursuant to the Model Code.

At no time was the Company, its holding company, or any of its subsidiaries a party to any arrangements to enable the Directors and the chief executive of the Company (including their spouse and children under 18 years of age) to hold any interest or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO).

ARRANGEMENT FOR DIRECTORS TO PURCHASE SHARES OR DEBENTURES

At no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director of the Company or their respective spouses or minor children, or were such rights exercised by them, or was the Company, its holding company or any of its subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of the Company or any other body corporate.

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

So far as is known to any Director or chief executive of the Company, as at 31 December 2024, the persons or corporations (other than Director or chief executive of the Company) who had interest or short positions in the Shares and underlying Shares of the Company which were required to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO were as follows:

Name of Shareholders	Capacity/Nature of interest	Number of Shares interested	Approximate percentage of interest in the issued share capital of the Company
Tsinghua Tongfang Co., Ltd (同方股份有限公司)	Beneficial owner Interest in a controlled corporation[1]	92,000,000 194,330,142	11.76% 24.84%
Resuccess Investments Limited	Beneficial owner	194,330,142	24.84%

Note: Tsinghua Tongfang Co., Ltd (同方股份有限公司) ("THTF") is the sole shareholder of Resuccess Investments Limited and hence is deemed to be interested in all the Shares held by Resuccess Investments Limited.

Save as disclosed above, as at 31 December 2024, the Directors and the chief executive of the Company are not aware of any other person or corporation having an interest or short position in the Shares and underlying Shares of the Company which would require to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

SHARE AWARD SCHEME

The Company adopted a share award scheme (the "Share Award Scheme") on 4 December 2015 (the "Adoption Date"). A summary of the principal terms of the Share Award Scheme is set out as follows:

(i) Purpose of the Share Award Scheme

The purpose of the Share Award Scheme is to recognize the contributions by certain Selected Grantees and to incentivize them to remain with the Group and to motivate them to strive for the future development of the Group, and to attract suitable individuals with experience and ability for further development and expansion of the Group.

(ii) Participants

Under the rules of the Share Award Scheme, the individuals eligible to be granted award(s) thereunder include the following persons: (a) any Executive, any full-time or part-time employee, or a person for the time being seconded to work full-time or part-time for any member of the Group or of an Eligible Entity; and (b) a director or a proposed director (including an independent non-executive director) of any member of the Group or of an Eligible Entity.

(iii) The total number of shares available for issue under the Share Award Scheme and the percentage of the issued shares that it represents as at the date of the annual report

The maximum number of Shares in respect of which awards may be granted pursuant to the Share Award Scheme is 77,772,218, being 10% of the issued share capital of the Company as at the Adoption Date.

The total number of Shares available for issue under the Share Award Scheme is 77,772,218, being 9.94% of the issued shares (excluding any treasury Shares) as at the date of the annual report.

(iv) Maximum entitlement of each participant

The maximum number of Shares which may be subject to an award or awards to a Selected Grantee at any one time shall not in aggregate exceed 1% of the issued share capital of the Company as at the Adoption Date.

(v) Vesting period of Awards

Awarded Shares held by the Trustee upon the Trust and which are referable to a Selected Grantee shall vest to that Selected Grantee in accordance with a vesting schedule determined at the discretion of the Board, provided that the Selected Grantee remains at all times after the Reference Date and on each relevant Vesting Date(s) an Eligible Person. The Board may also, in its absolute discretion, determine the performance, operating and financial targets and other criteria, if any, to be satisfied by the Selected Grantee before the Awarded Shares can vest. For these purposes the Trustee should be informed by the Company for such revision on the Vesting Date and may treat the vesting schedule (which shall show the Awarded Shares prospectively vesting and actually vesting) as conclusive of the matters shown in that schedule and that, in the case of vested entitlements, the Selected Grantee in question remains a Grantee on the applicable Vesting Date (or any earlier deemed date under the terms of the Share Award Scheme).

(vi) Payment on acceptance of Award

None.

(vii) Basis of determining the purchase price

None.

(viii) The remaining life of the Share Award Scheme

Subject to any early termination as may be determined by the Board pursuant to the terms of the Share Award Scheme, the Share Award Scheme shall be valid and effective for a term of ten (10) years commencing on the Adoption Date. The remaining life of the Share Award Scheme shall be approximately eight months.

As at 31 December 2024, to the knowledge of the Company, there was no outstanding Awarded Shares under the Share Award Scheme which have not been vested to the selected grantees. The Company did not grant any share awards under the Share Award Scheme since the Adoption Date. The number of awarded shares available for grant under the Share Award Scheme at the beginning and the end of the financial year is 77,772,218 and 77,772,218, respectively.

The number of shares that may be issued in respect of options and awards granted under all schemes of the Company during the year ended 31 December 2024 divided by the weighted average number of shares of the relevant class in issue (excluding treasury shares) for the year ended 31 December 2024 is nil.

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

During the year ended 31 December 2024, neither the Company nor any of its subsidiaries has repurchased, sold or redeemed any of the Company's listed securities (including sale of any treasury Shares).

As at 31 December 2024, the Company held no treasury Shares.

CONNECTED TRANSACTION

During the year, there was no connected transaction required to be reported.

CONTINUING CONNECTED TRANSACTIONS

Connected persons

(a) Tsinghua Tongfang Co., Ltd. ("THTF"): THTF is a controlling shareholder of the Company (the "Controlling Shareholder") and is therefore a connected person of the Company under Rule 14A.11(1) of the Listing Rules.

(b) China National Nuclear Corporation ("CNNC"): CNNC is a controlling shareholder of THTF. As the result, CNNC is an associate of a connected person of the Company under Rule 14A.13(1) of the Listing Rules.

The continuing connected transactions

1. Sales of products to THTF from Technovator Beijing and such other parties procured by Technovator Beijing and agreed by THTF

On 27 December 2022, Tongfang Technovator International (Beijing) Co., Ltd. ("Technovator Beijing") and THTF entered into a sales agreement (the "2022 Sales Agreement") to commence a new term for the transactions contemplated under the sales agreement dated 24 October 2019, pursuant to which Technovator Beijing agreed to sell or procure such other parties agreed by THTF, including members of the Group, to sell intelligent energy saving related products, equipment and services, which include control security systems, fire alarm systems and energy saving equipment to THTF, its subsidiaries and their respective associates and affiliates from time to time (which includes CNNC and its subsidiaries) (the "Tongfang Group") for a term of three years from 1 January 2023 to 31 December 2025 and annual caps for the years ending 31 December 2023, 2024 and 2025, being RMB420.0 million, RMB460.0 million and RMB510.0 million, respectively. The price at which the Group sells such products to the Tongfang Group will be determined based on normal commercial terms after arm's length negotiation. The Group entered into the 2022 Sales Agreement to accommodate the business needs of the Group's non-core businesses. Further details of the 2022 Sales Agreement are set out in the announcement of the Company dated 27 December 2022 and the circular of the Company dated 31 January 2023.

For the year ended 31 December 2024, the Group sold products to Tongfang Group in the amount of approximately RMB257.3 million, which was within the approved cap of RMB460.0 million.

2. ***Purchase of raw materials from THTF and such other parties procured by THTF and agreed by Technovator Beijing to Technovator Beijing***

On 27 December 2022, Technovator Beijing and THTF entered into a purchase agreement (the "2022 Purchase Agreement") to commence a new term for the transactions contemplated under the purchase agreement dated 24 October 2019, pursuant to which THTF agreed to sell or procure such other parties agreed by Technovator Beijing, including members of the Tongfang Group, to sell wiring, lighting and other products, equipment and systems and services relating to the Group's business of energy management, energy saving and environmental protection to the Group for a term of three years from 1 January 2023 to 31 December 2025 and annual caps for the years ending 31 December 2023, 2024 and 2025, being RMB220.0 million, RMB250.0 million and RMB270.0 million, respectively. The price of such goods and services supplied by the Tongfang Group to the Group will be determined based on normal and commercial terms after arm's length negotiation, with reference to the prevailing market price of similar goods and services at the time of a particular transaction, and in any event no less favorable to the Group than those offered by independent third party suppliers to the Group. The Group entered into the 2022 Purchase Agreement to accommodate the business needs of the Group's non-core businesses. Further details of the 2022 Purchase Agreement are set out in the announcement of the Company dated 27 December 2022 and the circular of the Company dated 31 January 2023.

For the year ended 31 December 2024, the Group purchased such raw materials from Tongfang Group in the amount of approximately RMB104.4 million, which was within the approved cap of RMB250.0 million.

3. ***Provide to or receive from the Tongfang Group miscellaneous products and services***

On 27 December 2022, Technovator Beijing and THTF entered into a master agreement (the "2022 Master Agreement") to commence a new term for the transactions contemplated under the master agreement dated 24 October 2019, pursuant to which the Group may provide to or receive from the Tongfang Group miscellaneous products and services for a period of three years from 1 January 2023 to 31 December 2025 as may be required to satisfy the operational needs of the Group/Tongfang Group from time to time in the ordinary course of business of the Group with annual caps for the category of "provision of miscellaneous products and services by the Group to the Tongfang Group" for the years ending 31 December 2023, 2024 and 2025, being RMB20.0 million, RMB25.0 million and RMB30.0 million, respectively, and annual caps for the category of "receipt of miscellaneous products and services by the Group from the Tongfang Group" for the years ending 31 December 2023, 2024 and 2025, being RMB43.0 million, RMB48.0 million and RMB53.0 million, respectively. The Group entered into the 2022 Master Agreement to accommodate the business needs of the Group's non-core businesses. Further details of the 2022 Master Agreement are set out in the announcement of the Company dated 27 December 2022 and the circular of the Company dated 31 January 2023.

Pursuant to the 2022 Master Agreement, the miscellaneous products and services provided by the Group to Tongfang Group mainly include (i) rental services (including leasing of land and premises); (ii) research and development services and products (including technology licensing); (iii) the use of trademark license; and (iv) sharing of general administration and management support services but exclude any transactions contemplated under the 2022 Sales Agreement.

The miscellaneous products and services provided by Tongfang Group to the Group mainly include (i) rental services (including leasing of land, premises, machinery and equipment); (ii) research and development services and products (including technology licensing); (iii) the use of trademark license; and (iv) sharing of general administration and management support services, other than the Existing Trademark License Agreements and any transactions contemplated under the 2022 Purchase Agreement.

The prices at which the Group or the Tongfang Group provides such services will be based on the pricing mechanism as disclosed in the announcement of the Company dated 27 December 2022 and the circular of the Company dated 31 January 2023.

For the year ended 31 December 2024, the miscellaneous products and services provided by the Group to Tongfang Group amounted to approximately RMB0, which was within the approved cap of RMB25.0 million.

For the year ended 31 December 2024, the miscellaneous products and services provided by the Tongfang Group to the Group amounted to approximately RMB17.6 million, which was within the approved cap of RMB48.0 million.

4. ***The business arrangements with THTF with respect to the intelligent rail transit, building and urban heating network businesses***

On 27 December 2022, Technovator Beijing, Tongfang Energy Saving Engineering Technology Co., Ltd. ("Tongfang Energy Saving") and THTF entered into an business arrangements agreement (the "2022 Business Arrangements Agreement") to commence a new term for the transactions contemplated under the business arrangements agreement dated 24 October 2019, pursuant to which the parties agreed on the arrangements relating to the Intelligent Rail Transit, Building and Urban Heating Network Businesses for a term of three years from 1 January 2023 to 31 December 2025, including (i) for the projects (including new contracts or projects) which THTF continues to use its name for entering into such contracts and/or projects of the Intelligent Businesses that the legal rights and obligations of which cannot be directly transferred to the Group (the "Nominee Projects"), THTF will assign, sub-contract, delegate or in any other way the parties may mutually agree so that the Group will assume these contracts. The Group will be responsible for performing the work required by the Nominee Projects and entitled to the income from the Nominee Projects. To the extent that the legal rights of THTF under the contracts in respect of any Nominee Projects have not been assigned to the Group, or for any other reasons THTF receives any payment from the customers of any Nominee Projects for any income generated, THTF is required to pay such amount to the Group no later than the balance sheet date of the month in which such amount is received without any additional compensation. THTF undertakes to assist the Group to take up the Nominee Projects without any additional compensation, including but not limited to providing any necessary information to the Group and handling the relevant project completion and settlement procedures as necessary; (ii) If debtors of the Nominee Projects settle debts by paying THTF, THTF is required to pay such amount to the Group no later than the balance sheet date of the month in which such amount is received without any additional compensation; (iii) THTF will act as the party to supply contracts to procure materials or services from third party suppliers for the Nominee Projects and will procure the necessary materials and services from the relevant third party suppliers for the Group upon instruction by the Group, and the Group is required to reimburse THTF for the amount paid by THTF; (iv) THTF agrees that the debts which are part of the liabilities of the Nominee Projects that have not been assumed by the Group as the consent from the creditors has not been obtained, THTF will continue to satisfy such debts. In the event that THTF is required to settle such debt with the relevant third party creditors, the Group is required to reimburse THTF for such amount no later than the balance sheet date of the month in which such amount is paid by THTF; and (v) THTF will continue to support the Group on the continual development and expansion of the Intelligent Businesses. THTF agrees to provide support and cooperation for the Group for the Intelligent Businesses upon reasonable request from the Group including cooperating with the Group to develop new projects and business opportunities in respect of these businesses, being a party to the relevant agreements to facilitate the Group's conducting of these businesses if necessary, and providing the required information and assistance to complete the relevant projects, in manners similar to the support to be provided by THTF as set out in paragraphs (i) to (iv) above. Such new sales, procurement or project contracts if to be signed by THTF, all of the terms shall be negotiated by the Group. By virtue of the arrangements as set out above, to the extent that any Nominee Projects are not capable to be assigned to the Group, THTF will continue to act as the party to such agreements, and will transfer any payments it receives from the relevant customers of these businesses to the Group without any additional charges. As for new project or contracts that it is necessary or desirable for THTF to be a contracting party, THTF may cooperate with the Group in the performance of such contracts for the relevant customers, and transfer any payments it receives from the relevant customers of the Intelligent Businesses to the Group without any additional charges.

The prices for new sales contracts to which THTF will act as the party will be negotiated with third party customers based on the price range as indicated by the prices charged by THTF (including those Nominee Projects signed in name of THTF) in at least two projects within the past 12 months with scope of services undertaken and/or for past sale of products by the relevant Intelligent Business which most closely resembles the requirements of the new sales contract concerned. The prices for the purchase of material and/or services to be procured under supply contracts subject to the 2022 Business Arrangements will be negotiated with third party suppliers based on the prices paid by THTF (including those Nominee Projects signed in name of THTF) in at least two purchases within the past 12 months for similar material and/or services.

The annual caps for the transactions contemplated under the 2022 Business Arrangements Agreement is RMB1,200.0 million, RMB1,260.0 million and RMB1,160.0 million for the payments to be transferred by THTF to the Group, and RMB980.0 million, RMB1,030.0 million and RMB950.0 million for payments to be transferred by the Group to THTF for the years ending 31 December 2023, 2024 and 2025, respectively. Further details of the 2022 Business Arrangements Agreement are set out in the announcement of the Company dated 27 December 2022 and the circular of the Company dated 31 January 2023.

For the year ended 31 December 2024, the payments transferred by THTF to the Group pursuant to the 2022 Business Arrangements amounted to approximately RMB661.8 million, which was within the approved annual cap of RMB1,260.0 million.

For the year ended 31 December 2024, the payments transferred by the Group to THTF pursuant to the 2022 Business Arrangements amounted to approximately RMB513.7 million, which was within the approved annual cap of RMB1,030.0 million.

The independent non-executive directors of the Company have reviewed these continuing connected transactions and confirmed that such transactions were:

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

(ii) conducted either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Group than terms available to or from Independent Third Parties; and

(iii) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

The Company's auditor, KPMG, was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "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, KPMG, has issued his unqualified letter containing his findings and conclusions in respect of the continuing connected transactions disclosed by the Group in this annual report in accordance with Rule 14A.56 of the Listing Rules.

Details of the significant related party transactions undertaken in the normal course of business are provided under note 27 to the financial statements. None of these related party transactions constitute connected transaction or continuing connected transactions as defined under the Listing Rules that is required to be disclosed, except for those described in the sections headed "Connected Transaction" and "Continuing Connected Transactions" in this report, in respect of which the disclosure requirements in accordance with Chapter 14A of the Listing Rules have been complied with.

CONTRACTS WITH CONTROLLING SHAREHOLDERS

Other than the continuing connected transactions set out above, no contract of significance has been entered into between the Company or any of its subsidiaries and the Controlling Shareholders during the year ended 31 December 2024.

NON-COMPETE UNDERTAKINGS

Each of the Controlling Shareholders has confirmed to the Company of his/her compliance with the non-compete undertakings provided to the Company under the Non-competition Agreement (as defined in the prospectus of the Company dated 17 October 2011). The independent non-executive Directors of the Company have reviewed the status of compliance and confirmed that all the undertakings under the Non-competition Agreement have been complied with by the Controlling Shareholders.

DIRECTORS' INTEREST IN COMPETING BUSINESS

None of the Directors is or was interested in any business apart from the Group's business that competes or competed or is or was likely to compete, either directly or indirectly, with the Group's business at any time during the year ended 31 December 2024 and up to and including the date of this annual report.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Constitution or the laws of Singapore where the Company is incorporated applicable to the Company.

EMOLUMENT POLICY

The Group's emolument policies are based on the merit, qualifications and competence of individual employees and are reviewed by the remuneration committee periodically.

The emoluments of the Directors are recommended by the remuneration committee of the Company and are decided by the Board, having regard to the Group's operating results, individual performance and comparable market statistics.

None of the Directors waived any emoluments during the year.

PENSION SCHEME

The employees of the Group's subsidiaries which operate in China are required to participate in defined contribution central pension schemes operated by the local municipal government. The subsidiaries of the Group are required to contribute certain percentages of its payroll costs to the central pension schemes. The contributions are charged to the consolidated income statements as they become payable in accordance with the rules of the central pension scheme. No forfeited contribution is available to reduce the contribution payable in future years.

For the Group's subsidiaries in countries other than the PRC, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

The Group has no other material obligation for the payment of pension benefits beyond the annual contributions described above.

PERMITTED INDEMNITY PROVISION

Since 1 January 2024 up to and including 31 December 2024, the Company had taken out appropriate corporate liability insurance for its Directors. As of the date of this report, such corporate liability insurance remained effective.

MAJOR CUSTOMERS AND SUPPLIERS

Aggregate sales attributable to the Group's largest and five largest customers for the year ended 31 December 2024 were 7.2% (2023: 5.8%) and 24.1% (2023: 20.2%) of the Group's total sales respectively.

Aggregate purchases attributable to the Group's largest and five largest suppliers for the year ended 31 December 2024 were 3.7% (2023: 2.2%) and 11.7% (2023: 9.9%) of the Group's total purchases respectively.

At no time during the year ended 31 December 2024, did a Director, his/her close associate(s) or a Shareholder, which to the knowledge of the Director owns more than 5% of the Company's share capital, have an interest in any of the Group's five largest customers and suppliers.

AUDITORS

KPMG was the external auditor of the Company in Hong Kong and KPMG LLP was the registered auditor of the Company in Singapore during the year ended 31 December 2024, whose term will end at the conclusion of the forthcoming AGM. During the three preceding financial years, there was no change in the external auditor in Hong Kong and the auditor in Singapore of the Company.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors as at the date of this annual report, the Company has maintained the prescribed public float of not less than 25% of the Company's issued Shares as required under the Listing Rules for the year ended 31 December 2024.

BANK LOANS

Details of bank loans of the Group as at 31 December 2024 are set out in note 20 to the financial statements.

PRINCIPAL RISKS AND UNCERTAINTIES

A number of factors may affect the results and business operations of the Group, some of which are inherent to energy saving industry and some are from external sources. For further details, please refer to the section headed "Management Discussion and Analysis".

RELATIONSHIPS WITH EMPLOYEES, SUPPLIERS AND CUSTOMERS

For details of relationship with the employees, customers and suppliers, please refer to the paragraphs headed "Emolument Policy" and "Major Customers and Suppliers" in this section.

ENVIRONMENTAL POLICIES AND PERFORMANCE

Our Group is specialized in providing energy saving and environmentally-friendly products. The Group has obtained the ISO14001 Environmental Management System Certification of the China Quality Certification Centre, which is an international standard on the operation of an environmental management system. In addition, we are committed to building an environmentally-friendly corporation that pays close attention to conserving energy. We strive to operate in compliance with the relevant environmental regulations and rules. During the year ended 31 December 2024 and up to the date of this report, the Group does not have any violation of relevant environmental regulations and rules which gives rise to significant impact to the Group's development, performance and businesses.

See also the "Environmental, Social and Governance Report – Environment Protection" in this report for more information.

COMPLIANCE WITH LAWS AND REGULATIONS

Our Group shall comply with relevant laws and regulations in the jurisdictions where the Group operates. The Group's operations are mainly carried out by the Company's subsidiaries in the PRC. Accordingly, our operations shall comply with relevant laws and regulations in the PRC. During the year ended 31 December 2024 and up to the date of this report, the Group does not have any violation of relevant laws and regulations which gives rise to significant impact to the Group's development, performance and businesses.

FIVE-YEAR 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 8 of this annual report.

On behalf of the Board

Li Chengfu
Chairman

26 March 2025

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company is committed to maintaining and promoting high corporate governance standards. The Board believes that good corporate governance is conducive to enhancing overall performance and accountability and is essential in modern corporate administration. The Board of Directors continuously observes the principles of good corporate governance in the interests of Shareholders and devotes considerable effort to identifying and formalizing best practice.

Throughout the year ended 31 December 2024, the Company complied with all code provisions and, where appropriate, adopted the recommended best practices as set out in the Corporate Governance Code in Appendix C1 to the Main Board Listing Rules (the "Corporate Governance Code"), except for deviation from C.5.1 of the Corporate Governance Code regarding the number of board meetings held, the details of which are set out in the paragraph headed "Meetings" below in this report.

Set out below is a detailed discussion of the corporate governance practices adopted and observed by our Company during the year.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix C3 of the Rules Governing the Listing of Securities regarding securities transactions by the Directors. Any employee, director or employee of a subsidiary or the Group (the "Relevant Employees") who, because of their office or employment, are likely to possess inside information in relation to the Company or its securities are also subject to compliance with the Model Code. Having made specific enquiry with all Directors, all Directors confirmed that they have complied with the required standard set out in the Model Code and its code of conduct regarding directors' securities transactions during the year ended 31 December 2024. No incident of non-compliance of the Model Code by the Relevant Employees was noted by the Company during the Reporting Period.

BOARD OF DIRECTORS

Board Composition
The directors during the year ended 31 December 2024 and as at the date of this annual report were:

Executive Directors
Mr. Zhao Xiaobo (趙曉波)
Mr. Qin Bing (秦冰) (appointed on 24 December 2024)
Mr. Wang Zhiqiang (王志強) (appointed on 1 February 2024 and resigned on 24 December 2024)
Mr. Qin Xuzhong (秦緒忠) (re-designated as a non-executive Director on 1 February 2024 and resigned on 26 August 2024)

Non-executive Directors
Mr. Li Chengfu (李成富) (Chairman) (appointed on 26 August 2024)
Mr. Zeng Xuejie (曾學傑)
Ms. Zhang Yanhua (張艷華) (appointed on 1 February 2024)
Mr. Qin Xuzhong (秦緒忠) (re-designated as a non-executive Director on 1 February 2024 and resigned on 26 August 2024)
Mr. Liang Wuquan (梁武全) (resigned on 1 February 2024)
Mr. Zhang Jian (張健) (resigned on 1 February 2024)

Independent Non-executive Directors
Ms. Lu Yao (陸瑤)
Mr. Chia Yew Boon (謝有文)
Mr. Fan Ren Da Anthony (范仁達)

The Board takes overall responsibility to oversee all major matters of the Group, including the formulation and approval of all policy matters, overall strategic development of the Group, monitoring and controlling the Group's operation and financial performance, internal control and risk management systems. The Directors have to make decisions objectively in the interests of the Company.

The day-to-day management, administration and operation of the Group are delegated to the chief executive officer and the senior management of the Company. The delegated functions and work tasks are periodically reviewed. Approvals have to be obtained from the Board prior to any significant transactions entered into by the aforesaid officers.

The Board is well balanced with the Directors having sound industry knowledge, extensive corporate and strategic planning experience and/or expertise relevant to the business of the Group. The executive Directors and independent non-executive Directors bring a variety of experience and expertise to the Company. Biographical information of the Directors is set out in the section headed "Directors and Senior Management" of this annual report. To the best knowledge of the Company, there is no financial, business or family relationship among the members of the Board.

The Company has subscribed appropriate and sufficient insurance coverage on Directors' liabilities in respect of legal actions taken against Directors arising out of corporate activities.

Board meetings were held from time to time to discuss the business strategies of the Group; monitor financial and operational performance; approve the annual and interim results of the Group; and discuss the corporate governance functions of the Board.

CONTINUOUS PROFESSIONAL DEVELOPMENT FOR DIRECTORS

The Directors have been informed of the requirement under Code Provision C.1.4 of the Corporate Governance Code regarding continuous professional development. According to the records maintained by the Company, the current Directors received the following training by attending briefings, seminars, conferences or reading materials with an emphasis on the roles, functions and duties of a director of a listed company in compliance with the requirement of the Corporate Governance Code on continuous professional development during the year ended 31 December 2024:

	Corporate Governance/ Updates on Laws, Rules and Regulations		Accounting/Financial/ Management or Other Professional Skills	
Name of Director	**Read materials**	**Attended seminars briefings**	**Read materials**	**Attended seminars briefings**
Executive Directors				
Mr. Zhao Xiaobo (趙曉波)	✓	✓	✓	✓
Mr. Qin Bing (秦冰) (appointed on 24 December 2024)	✓	✓	✓	✓
Mr. Wang Zhiqiang (王志強) (appointed on 1 February 2024 and resigned on 24 December 2024)	N/A	N/A	N/A	N/A
Non-executive Directors				
Mr. Li Chengfu (李成富) *(Chairman)* (appointed on 26 August 2024)	✓	✓	✓	✓
Mr. Zeng Xuejie (曾學傑)	✓	✓	✓	✓
Ms. Zhang Yanhua (張艷華) (appointed on 1 February 2024)	✓	✓	✓	✓
Mr. Qin Xuzhong (秦緒忠) (re-designated as a non-executive Director on 1 February 2024 and resigned on 26 August 2024)	N/A	N/A	N/A	N/A
Mr. Liang Wuquan (梁武全) (resigned on 1 February 2024)	N/A	N/A	N/A	N/A
Mr. Zhang Jian (張健) (resigned on 1 February 2024)	N/A	N/A	N/A	N/A
Independent non-executive Directors				
Ms. Lu Yao (陸瑤)	✓	✓	✓	✓
Mr. Chia Yew Boon (謝有文)	✓	✓	✓	✓
Mr. Fan Ren Da Anthony (范仁達)	✓	✓	✓	✓

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The roles of chairman and the chief executive officer are segregated. Mr. Li Chengfu is the chairman of the Company and Mr. Zhao Xiaobo is the chief executive officer of the Company. The chairman is responsible in leading the Board in forming the Group's strategies and policies and for organizing the business of the Board, ensuring its effectiveness and setting its agenda. The chief executive officer is directly in charge of the daily operations of the Group and is accountable to the Board for the financial and operational performance of the Group.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Independent non-executive Directors have played a significant role in the Board by bringing their independent judgment at the Board meetings and scrutinizing the Group's performance. Their views carry significant weight in the Board's decisions. In particular, they bring an impartial view to bear on issues of the Group's strategy, performance and control. All independent non-executive Directors possess extensive academic, professional and industry expertise and management experience and have provided their professional advice to the Board. The independent non-executive Directors provide independent advice on the Group's business strategy, results and management so that all interests of Shareholders can be taken into account, and the interests of the Company and its Shareholders can be protected. The Group has established mechanism to ensure independent views and input are available to the board.

The Board has three independent non-executive Directors with one of them, Mr. Fan Ren Da Anthony, possessing appropriate professional qualifications or accounting or related financial management expertise in compliance with the requirements set out in Rules 3.10(1) and (2) and 3.10A of the Listing Rules.

The Company has received annual confirmations of independence from each of the existing independent non-executive Directors. Based on the content of such confirmations, the Company considers that all the independent non-executive Directors are independent and that they have met the specific independence guidelines as set out in with Rule 3.13 of the Listing Rules.

BOARD DIVERSITY POLICY

The Board adopted a board diversity policy (the "Board Diversity Policy") in August 2013. The Company recognises and embraces the benefits of diversity of Board members. While all Board appointments will continue to be made on a merit basis, the Company will ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the needs of the Company's business. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, experience (professional or otherwise), skills and knowledge. The nomination committee will review the board diversity from time to time to ensure its continued effectiveness.

The Board consists of six male members and two female members, aging from 46 to 66 years old. Based on the membership and composition of the Board, the nomination committee considers that the Board has a balanced mix of experiences, including management and strategic development, finance and accounting experiences in addition to relevant industry knowledge. Furthermore, the Board has a good mix of new and experienced Directors, who have valuable knowledge and insights of the Group's business over the years, while the new Directors are expected to bring in fresh ideas and new perspective to the Group.

With regards to gender diversity on the Board, having at least one female representation, the Company recognizes the particular importance of gender diversity and will continue to promote gender diversity of the Board. To ensure gender diversity of the Board in the long run, the Company will identify and select female individuals with a diverse range of skills, experience and knowledge from time to time, and maintain a list of such female individuals, which will be reviewed by the nomination committee periodically. The Company also intends to promote gender diversity across workforce when recruiting staff, including senior management. The Company has a gender ratio of 2:1 in the workforce (including senior management) and will identify and select female employees to maintain greater diversity in the work force. The Company currently has two female directors on the Board and will endeavour to maintain at least one female director on the Board at all times. The decision will be based on merit and contribution that the selected candidates will bring to our Board.

MEETINGS

The Board meets regularly either in person or through electronic means of communications. The number of the Board meetings and general meetings held and the attendance of each Director at these meetings for the year ended 31 December 2024 are set out as follows:

	Board Meeting	General Meeting
No. of meetings held	2	1
No. of meetings attended		
Executive Directors		
Mr. Zhao Xiaobo (趙曉波)	2	1
Mr. Qin Bing (秦冰) (appointed on 24 December 2024)	N/A	N/A
Mr. Wang Zhiqiang (王志強) (appointed on 1 February 2024 and resigned on 24 December 2024)	2	0
Non-executive Directors		
Mr. Li Chengfu (李成富) *(Chairman)* (appointed on 26 August 2024)	1	N/A
Mr. Zeng Xuejie (曾學傑)	2	0
Ms. Zhang Yanhua (張艷華) (appointed on 1 February 2024)	2	0
Mr. Qin Xuzhong (秦緒忠) (re-designated as a non-executive Director on 1 February 2024 and resigned on 26 August 2024)	1	0
Mr. Liang Wuquan (梁武全) (resigned on 1 February 2024)	N/A	N/A
Mr. Zhang Jian (張健) (resigned on 1 February 2024)	N/A	N/A
Independent non-executive Directors		
Ms. Lu Yao (陸瑤)	1	0
Mr. Chia Yew Boon (謝有文)	2	0
Mr. Fan Ren Da Anthony (范仁達)	1	1

The Company has continued its best effort to fulfill the Code Provision, including but not limited to C.5.1 of the Corporate Governance Code which provides 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, although only two regular Board meetings were held for approving the Group's interim financial performance and annual financial performance, the Directors had frequent communication with each other during the year to discuss the overall operation and strategy of the Group, and actively exchanged their views on the performance of the Group. As such, the Directors are considered to be provided in a timely manner with appropriate information to make informed decisions and perform their duties and responsibilities.

All Directors are provided with relevant materials relating to the matters brought before the meetings. They have separate and independent access to the senior management and the joint company secretaries of the Company at all times and may seek independent professional advice at the Company's expense. All Directors have the opportunity to include matters in the agenda for Board meetings. Notices of at least 14 days of Board meetings are given to the Directors and Board procedures complied with the Constitution, as well as relevant rules and regulations.

JOINT COMPANY SECRETARIES

Mr. Leung Lok Wai ("Mr. Leung") and Ms. Chan Wan Mei ("Ms. Chan") are the current joint company secretaries of the Company.

Ms. Cheok Hui Yee resigned as a joint company secretary of the Company on 28 June 2024 and Ms. Chan was appointed on 20 December 2024. Details of the biography of Mr. Leung and Ms. Chan are set out in the section headed "Directors and Senior Management" of the annual report of which this corporate governance report forms part. The joint company secretaries have been informed of the requirements under Rule 3.29 of the Listing Rules. Both Mr. Leung and Ms. Chan had attained no less than 15 hours of relevant professional training during the year ended 31 December 2024.

APPOINTMENTS, RE-ELECTION AND REMOVAL OF DIRECTORS

Each of the executive Directors, non-executive Directors and independent non-executive Directors of the Company has entered into a service contract with the Company for a specific term, and is subject to retirement by rotation and re-election at an annual general meeting at least once every three years in accordance with the Constitution. The Constitution provides that any Director appointed by the Board to fill a casual vacancy in the Board or as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. For more details of the service contract of each of the Directors, please refer to the section headed "Report of the Directors" of this annual report.

TERM OF APPOINTMENT OF NON-EXECUTIVE DIRECTORS

Mr. Chia Yew Boon and Mr. Fan Ren Da Anthony entered into service contracts with the Company for an initial term of one year, commencing from 27 October 2011. Mr. Zeng Xuejie entered into a service contracts with the Company for an initial term of one year commencing from 17 June 2021. Ms. Lu Yao entered into a service contract with the Company for an initial terms of one year commencing from 29 May 2023. Ms. Zhang Yanhua entered into service contracts with the Company for an initial terms of one year commencing from 1 February 2024. Mr. Li Chengfu entered into a service contract with the Company for an initial term of one year commencing from 26 August 2024. All the service contracts of non-executive Directors and independent non-executive Directors are automatically renewed upon expiration and may be terminated by either party upon a three-month prior written notice.

BOARD COMMITTEES

The Board has established (i) audit committee; (ii) remuneration committee; (iii) nomination committee; and (iv) risk management committee, with defined terms of reference. The terms of reference of the board committees which explain their respective roles and the authority delegated to them by the Board are available on the websites of the Company and the Stock Exchange. The Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice and other assistance in appropriate circumstances, at the Company's expenses.

AUDIT COMMITTEE

The Company established an audit committee pursuant to a resolution of the Directors passed on 8 September 2011 in compliance with Rule 3.21 and Rule 3.22 of the Listing Rules. The primary duties of the audit committee are to make recommendation to the Board on the appointment and removal of external auditors, review the financial statements and material advice in respect of financial reporting, and oversee the internal control procedures of the Company. The audit committee currently consists of three members, namely, Ms. Lu Yao, Mr. Fan Ren Da Anthony and Mr. Chia Yew Boon, all of whom are independent non-executive Directors. Ms. Lu Yao is the chairlady of the audit committee. None of the members of the Audit Committee is a former partner of the existing external auditors of the Company.

During the year ended 31 December 2024, the Audit Committee mainly performed the following duties:

– reviewed the Group's unaudited interim results for the six months ended 30 June 2024 and the audited annual results for the year ended 31 December 2024, met with the external auditors to discuss such interim results and annual results (without the Company's management being present), and was of the opinion that the preparation of the relevant financial statements complied with the applicable accounting standards and requirements and that adequate disclosure has been made;

– reviewed the accounting principles and practices adopted by the Group, and recommended the appointment of the external auditors;

– reviewed the effectiveness of the Group's internal audit function;

– reviewed the effectiveness of the Group's internal control systems on all major operations of the Group, which was considered effective and adequate; and

– assisted the Board in meeting its responsibilities for maintaining an effective system of internal control.

During the year ended 31 December 2024, two meetings were held by the Audit Committee. The attendance record of each member of the Audit Committee at the meetings of the Audit Committee is set out below:

Name of Director	Attendance of Audit Committee Meetings
Ms. Lu Yao *(Chairlady)*	2
Mr. Fan Ren Da Anthony	2
Mr. Chia Yew Boon	2

There had been no disagreement between the Board and the Audit Committee during the financial year ended 31 December 2024.

REMUNERATION COMMITTEE

The Company established a remuneration committee on 8 September 2011 with written terms of reference. The primary duties of the remuneration committee are to make recommendation to the Board on the overall remuneration policy and structure relating to all Directors and senior management of the Company, review remuneration, and ensure none of the Directors determine their own remuneration. The remuneration of a Director is determined with reference to his duties and responsibilities with the Company and the prevailing market situation. The remuneration committee currently consists of three members, namely, Mr. Chia Yew Boon and Mr. Fan Ren Da Anthony (both are independent non-executive Directors) and Mr. Li Chengfu (a non-executive Director). Mr. Fan Ren Da Anthony is the chairman of the remuneration committee.

During the year ended 31 December 2024, the Remuneration Committee mainly performed the following duties:

– assessed the performance of the Directors and senior management; and

– reviewed the Group's remuneration policy and the remuneration package of the executive Directors and senior management for the year of 2023 and made recommendations to the Board.

During the year ended 31 December 2024, one meeting was held by the Remuneration Committee. The attendance record of each member of the Remuneration Committee at the meetings of the Remuneration Committee is set out below:

Name of Director	Attendance of Remuneration Committee Meetings
Mr. Fan Ren Da Anthony *(Chairman)*	1
Mr. Li Chengfu (appointed on 26 August 2024)	N/A
Mr. Chia Yew Boon	1
Mr. Qin Xuzhong (resigned on 26 August 2024)	1

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

Remuneration bands (HKD'000)	Number of persons
0–1,000	1
1,000–1,500	1

Further particulars regarding Directors' remuneration and the five highest paid employees as required to be disclosed pursuant to Appendix D2 to the Listing Rules are set out in notes 8 and 9 to the financial statements.

NOMINATION COMMITTEE

The Company established a nomination committee on 8 September 2011 with written terms of reference. The primary duties of the nomination committee are to review the structure, size and composition of the Board on a regular basis and to recommend to the Board the suitable candidates for directors after consideration of the nominees' independence and quality in order to ensure the fairness and transparency of all nominations. The nomination committee will also give consideration to the Board Diversity Policy when identifying suitably qualified candidates to become members of the Board, and the Board will review the Board Diversity Policy, so as to develop and review measurable objectives for implementing the Board Diversity Policy and to monitor the progress on achieving these objectives. The nomination committee currently consists of Mr. Chia Yew Boon and Mr. Fan Ren Da Anthony (both are independent non-executive Directors) and Mr. Li Chengfu (a non-executive Director). Mr. Chia Yew Boon is the chairman of the nomination committee.

The Company recognizes and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level as an essential element in maintaining the Company's competitive advantage and enhancing its ability to attract, retain and motivate employees from the widest possible pool of available talents.

The Board Diversity Policy was adopted by the Company, pursuant to which the nomination committee is responsible for reviewing the Board composition by considering a number of aspects, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge, and industry and regional experience. The nomination committee would discuss periodically and, where necessary, agree on the measurable objectives for achieving diversity on the Board and recommend them to the Board for adoption. The Company aims to maintain an appropriate balance of diversity perspectives that are relevant to the Company's business growth.

During the year ended 31 December 2024, the Nomination Committee mainly performed the following duties:

– reviewed the annual confirmation of independence submitted by the independent non-executive Directors and assessing their independence;

– reviewed the structure, size and composition of the Board during the year;

– discussed the policy for the nomination of directors, which includes the nomination procedures and the process and criteria adopted to select and recommend candidates for directorship; and

– selected and recommended candidates for directorship during the year.

During the year ended 31 December 2024, one meeting was held by the Nomination Committee. The attendance record of each member of the Nomination Committee at the meetings of the Nomination Committee is set out below:

Name of Director	Attendance of Nomination Committee Meetings
Mr. Chia Yew Boon *(Chairman)*	1
Mr. Li Chengfu (appointed on 26 August 2024)	N/A
Mr. Fan Ren Da Anthony	1
Mr. Qin Xuzhong (resigned on 26 August 2024)	1

RISK MANAGEMENT COMMITTEE

The Company established a risk management committee on 29 March 2016 with written terms of reference. The primary duties of the risk management committee are to consider the risk management strategies of the Company, review the risk management system of the Group, assess the risks from major decisions and to consider solutions for significant risks, have periodic assessment on the Group's risk profile and risk management capabilities, make recommendations on the improvement of the Group's risk management systems, consider major investigations findings on risk management matters and management's response to these findings, oversee the Group's risk management systems on an ongoing basis, ensure that a review of the effectiveness of the risk management systems of the Group has been conducted at least annually and report to shareholders that it has done so in its Corporate Governance Report. As of the date of this annual report, the risk management committee consists of all the Directors of the Board, namely, Mr. Zhao Xiaobo and Mr. Qin Bing (both are executive Directors), Mr. Li Chengfu, Mr. Zeng Xuejie and Ms. Zhang Yanhua (all are non-executive Directors), and Ms. Lu Yao, Mr. Chia Yew Boon and Mr. Fan Ren Da Anthony (all are independent non-executive Directors). Mr. Fan Ren Da Anthony is the chairman of the risk management committee.

During the year ended 31 December 2024, the Risk Management Committee mainly performed the following duties:

– assess and review the effectiveness of the risk management system of the Group which was considered effective and adequate; and

– assisted the Board in meeting its responsibilities for maintaining an effective system of risk management.

During the year ended 31 December 2024, one meeting was held by the Risk Management Committee. The attendance record of each member of the Risk Management Committee at the meeting of the Risk Management Committee is set out below:

Name of Director	Attendance of Risk Management Committee Meetings
Mr. Zhao Xiaobo	1
Mr. Qin Bing (appointed on 24 December 2024)	N/A
Mr. Wang Zhiqiang (appointed on 1 February 2024 and resigned on 24 December 2024)	1
Mr. Li Chengfu *(Chairman)* (appointed on 26 August 2024)	N/A
Mr. Zeng Xuejie	1
Ms. Zhang Yanhua (appointed on 1 February 2024)	1
Mr. Qin Xuzhong (re-designated as a non-executive Director on 1 February 2024 and resigned on 26 August 2024)	1
Mr. Liang Wuquan (resigned on 1 February 2024)	N/A
Mr. Zhang Jian (resigned on 1 February 2024)	N/A
Ms. Lu Yao	0
Mr. Chia Yew Boon	1
Mr. Fan Ren Da Anthony	1

CORPORATE GOVERNANCE FUNCTION

The Company's corporate governance function is carried out by the Board pursuant to a set of written terms of reference adopted by the Board in compliance with Code Provision A.2.1 of the Corporate Governance Code, which include (a) to develop and review the Company's policies and practices on corporate governance and make recommendations to the board; (b) to review and monitor the training and continuous professional development of the Directors and senior management of the Group; (c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; (d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees of the Group and the Directors; and (e) to review the Company's compliance with the Corporate Governance Code and disclosure in the corporate governance report. The Board has held meetings from time to time to: (a) review the Company's policies and practices on corporate governance; (b) to review and monitor the training and continuous professional development of the Directors; and (c) to review the Company's compliance with the Corporate Governance Code and disclosure in the corporate governance report.

CONSTITUTION

There has been no significant change in the Company's constitutional documents during the year ended 31 December 2024.

FINANCIAL REPORTING

The Board, supported by the chief financial officer and the finance department, is responsible for the preparation of the financial statements of the Company and the Group for each financial year which shall give a true and fair view of the financial position, performance and cash flow of the Group for that period. The directors acknowledge their responsibilities for preparing the accounts of the Company. The Board is not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern.

The responsibilities of KPMG, the Company's external auditors in Hong Kong, on the financial statements are set out in the section headed "Independent Auditor's Report" in this annual report.

EXTERNAL AUDITORS' REMUNERATION

The Company has re-appointed KPMG as the external auditor in Hong Kong and appointed KPMG LLP as the Company's registered auditor in Singapore during the year ended 31 December 2024. The external auditors are refrained from engaging in non-audit services except for specific approved items. The Audit Committee reviews the external auditor's statutory audit scope and non-audit services and approves its fees. For the year ended 31 December 2024, the total fee paid/payable in respect of audit and non-audit services provided by the Company's external auditors (including any entity that is under common control, ownership or management with the external auditors or any entity that a reasonable and informed third party having knowledge of all relevant information would reasonably conclude as part of the external auditors nationally or internationally) is set out below:

	RMB'000
Audit and audit-related services	3,730
Non-audit services	126
	3,856

INTERNAL CONTROLS AND RISK MANAGEMENT

The Board is responsible for ensuring the reliability and effectiveness of the Group's internal control systems on, among other things, financial, operational and compliance controls (including handling and dissemination of inside information), and the risk management system. In particular, regarding the controls for handling and dissemination of inside information, the employees, senior management and the Directors of the Company who possesses or handles inside information are reminded of the inside information requirements under the Listing Rules and the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong). The Directors, with the assistance of Mr. Leung Lok Wai, a joint company secretary of the Company, and the internal audit department of the Company, are responsible to ensure that inside information, if any, is kept confidential and disseminated to the public to avoid a false market in the listed shares of the Company as and when necessary. The Company may also seek professional advice to consider the dissemination of inside information to the public as and when necessary to ensure the Company will comply with the requirements under Listing Rules and the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong). The internal control and risk management systems are designed to provide reasonable, but not absolute assurance against misstatement or loss, and to manage risks of failure in the Group's operational systems. The Group's internal control systems and risk management systems are reviewed at least annually.

The Board together with the audit committee and the risk management committee have reviewed the effectiveness of the Group's risk management, internal control and ESG risks systems on all major operations of the Group during the year under review.

The Group has an internal audit function carried out by the Group's internal audit department. The Group's internal control department has reported internal control fact findings to the Board and no major issues but areas for improvement have been identified. All of the recommendations from the Group's internal control department will be properly followed up by the Group to ensure that they are implemented within a reasonable period of time. Similar process has been carried out for the risk management systems. The Board and the audit committee considered that the key areas of the Group's internal control systems, including the adequacy of resources, qualifications and experience of our accounting and financial reporting staff, training programmes and budget of the Company's accounting, internal audit, financial reporting functions, as well as those relating to the Company's ESG performance and reporting, are reasonably implemented and effective and adequate. The Board and the risk management committee considered that the key areas of the risk management, including the identification, measuring and evaluation new risks, and the ongoing monitoring of existing business and operation risks identified to be effective and adequate. As such, the Board is of the view that the Group has fully complied with provisions of the Corporate Governance Code regarding internal control and risk management systems in general for the year ended 31 December 2024.

SHAREHOLDERS' RIGHTS

How Shareholders can convene an extraordinary general meeting and put forward proposals at Shareholders' meetings

Under the Constitution, Directors may in general, whenever they think fit, convene extraordinary general meetings. Under Section 176 of the Companies Act 1967 of Singapore (the "Singapore Companies Act"), however, directors of the Company must notwithstanding anything in its Constitution, on the requisition of shareholders holding not less than 10% of the total number of paid-up shares of a company at the date of the deposit of the requisition, immediately proceed to convene an extraordinary general meeting to be held as soon as practicable but in any case not later than 2 months after receipt by the company of the requisition. In addition to the said right of requisition, two or more shareholders holding not less than 10% of the total number of issued shares of a company (excluding treasury shares) may also call a meeting of the company.

Procedures by which enquiries may be put to the Board

Shareholders may send their enquiries and concerns to the Board by addressing them to Mr. Leung Lok Wai, a Joint Company Secretary by mail at the Company's principal place of business in Hong Kong or by email at paddy_leung@thtf.com.cn. Mr. Leung Lok Wai will forward communications relating to matters within the Board's direct responsibilities to the Board and communications relating to ordinary business matters, such as suggestions, inquiries and customer complaints, to the chief executive officer of the Company.

COMMUNICATIONS WITH SHAREHOLDERS

The management endeavours to maintain effective communications with the Shareholders and potential investors. To enable shareholders and other stakeholders to exercise their rights in an informed manner based on a good understanding of the Group's operations, businesses and financial information, the Company adopted the shareholders communication policy which aims to ensure that shareholders and other stakeholders at large are provided with ready, equal, regular and timely access to material information about the Group. The policy also sets out a number of ways to ensure effective and efficient communication with shareholders and other stakeholders is achieved.

The Company meets the Shareholders at the annual general meeting, publish interim and annual reports on the websites of the Company and the Stock Exchange, and release press releases on the Company's website to keep the Shareholders and potential investors abreast of the Group's business and development. At the annual general meeting, Directors (or their delegates as appropriate) are available to meet Shareholders and answer their enquiries. In respect of each matter to be considered at the annual general meeting and other general meetings, including the re-election of Directors, a separate resolution will be proposed by the chairman of the Board. The chairman of the Board and the chairmen of the Board Committees and, in their absence, other members of the respective committees, will be available at the annual general meeting and the other general meetings to meet with the Shareholders and answer their enquiries. The Company will also invite representatives of the auditor of the Company to attend the annual general meeting of the Company to answer Shareholders' questions about the conduct of the audit, the preparation and content of the auditor's report, the accounting policies and auditor's independence. As such, the Board is of the view that the shareholders communication policy has been properly implemented and effective and the Group has fully complied with provisions of the Corporate Governance Code regarding communication with shareholders in general for the year ended 31 December 2024.

DIVIDEND POLICY

The Company has adopted a dividend policy (the "Dividend Policy"). According to the Dividend Policy, in deciding whether to declare or recommend dividends, the Board shall consider the Company's ability to pay dividends, which will depend upon, among other things:

- the actual and expected financial results of the Group;
- cashflow of the Group;
- financial conditions of the Group;
- Shareholders' interests;
- general business conditions and strategies;
- the current and future operations of the Group;
- future business plans of the Group;
- liquidity and capital requirements of the Group;
- taxation considerations;
- amount of distributable profits;
- contractual restrictions;
- statutory and regulatory restrictions under Singapore laws, any applicable laws, rules and regulations and the Company's Constitution; and
- any other factors the Board may deem relevant.

The Board will review and reassess the Dividend Policy and its effectiveness in its sole and absolute discretion on a regular basis or as required.

Environmental, Social and Governance Report

ABOUT THE REPORT

This report is the ninth Environmental, Social and Governance Report (the "Report") published by Technovator International Limited. The Report focuses on the Group's efforts and contributions to environmental, social and governance. We hope that through the publication of the Report, we will strengthen communication and liaison with our stakeholders.

The board of directors and all the directors of the Group hereby assure that the contents of the Report do not contain any false representations, misleading statements or material omissions and assume joint and several liability for the truthfulness, accuracy and completeness of the contents.

Designation and Interpretation
For the purposes of easy reference and readability, the expressions "Technovator", the "Group" or the "group" used herein refer to "Technovator International Limited".

Scope of the Report
Unless otherwise stated, the qualitative and quantitative information disclosed herein cover all subsidiaries and branches of Technovator. There are no significant changes in the scope of the Report as compared with that in 2023.

Reporting Period
The Environmental, Social and Governance Report of the Group is prepared on annual basis, with the reporting period from 1 January 2024 to 31 December 2024.

Basis of Preparation
The Report has been prepared in accordance with the requirements of the Environmental, Social and Governance Reporting Guide (the "ESG Reporting Guide") as set out in Appendix C2 of the Listing Rules of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Access to the Report
The Chinese and English versions of the Report can be downloaded from the website of the Stock Exchange (http://www.hkexnews.hk). The Report is published in both Chinese and English. Should there be discrepancies between the two versions, the Chinese version shall prevail.

CONCEPTS AND MANAGEMENT ON ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

The Group attaches great importance to the issues related to environmental, social and governance (ESG) performs its corporate social responsibilities proactively and is committed to establish itself as an outstanding corporate citizen in China. The Group also recognises the importance of good corporate governance and risk management processes, including the management of ESG matters that are critical to sustainable development.

The board of directors of the Group is the highest decision-making body for ESG management which is responsible for guiding the Group's sustainability direction, setting the Group's overall vision, objectives and management strategy for sustainable development, regularly reviewing ESG materiality issues, and discussing and identifying ESG risks and opportunities. It considers the management and enhancement of key issues as part of ESG's annual strategic task which is taken into account as part of the formulation of the Group's overall strategy in order to monitor issue management and performance. The board of directors reviews the Group's annual ESG report every year, and the Group's joint company secretaries organise various departments, including relevant departments such as human resources department, general management department, operations and management department, logistics and purchasing department, production and manufacturing department, safety and quality department and chief engineer office, to jointly form an ESG working group (the "ESG Working Group"), and gradually improve the ESG governance structure. The working group has established statistical processes of relevant data for the core ESG management areas of the Group in order to disclose information on environmental, social and governance accurately and completely. The Group identifies the priority of ESG issues through communication with stakeholders and the materiality assessment of ESG issues in order to clarify the direction for the Group's sustainable development.

STAKEHOLDERS ENGAGEMENT AND RESPONSE TO THE ESG REPORTING PRINCIPLES OF THE STOCK EXCHANGE

Stakeholders Engagement

Combining the business model with internal and external communication, the Group has identified the major types of stakeholders which have mutual influence with its corporate operations and determined the ESG focus areas for the Group through analysing the concerns of stakeholders in combination with the environmental, social and governance impact caused by the Group's own operations.

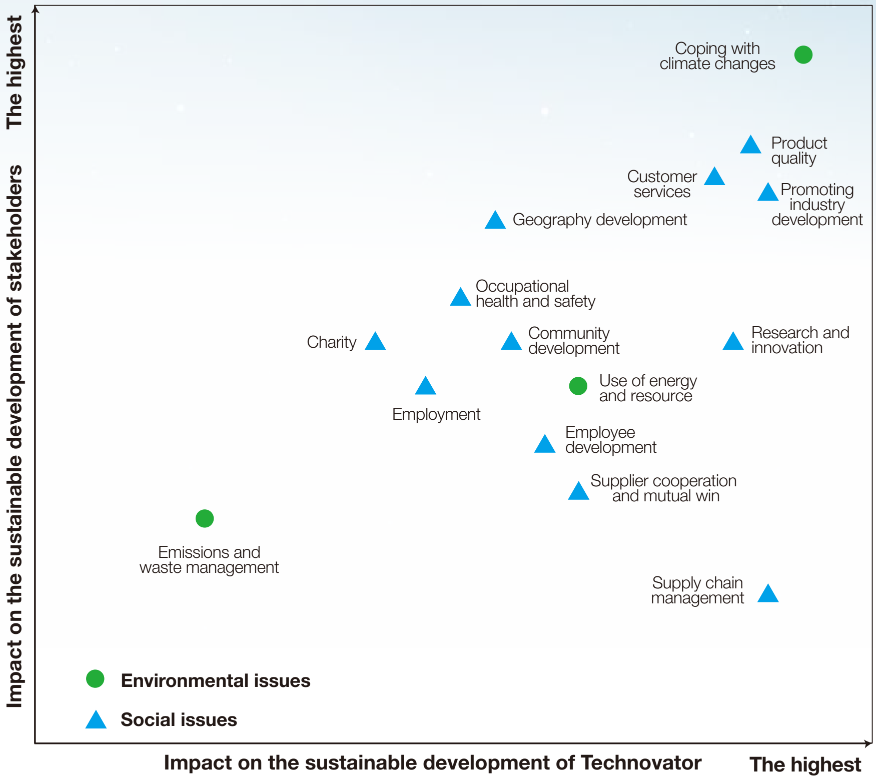
The major types of stakeholders of the Group include:

Stakeholders	Demands and expectations	Communication and participation	The Group's response
Government and Supervision Authorities	– Comply with laws and regulations – Promote technology advancement – Serve for the national economy and people's livelihood	– Visit reception – Report submission – Company website – Negotiation and cooperation	Strictly comply with relevant laws and regulations; promote technology advancement; vigorously advocate energy conservation and emission reduction
Shareholders	– Maintain good business performance – Compliance operation – Information disclosure	– Company announcement – Project report – Visit reception	Endeavour to improve performance and generate profits; improve environmental and social responsibility management; disclose information in full in a truthful manner
Customers	– Provide high quality products and services – Satisfy customers' various demands	– Regular communication with customers – Customers' satisfaction survey – Customers' complaint handling and feedback	Provide sufficient, reliable and eco-friendly energy-saving products and services to fully meet customers' needs
Employees	– Protect employees' rights and interest – Guarantee occupational health – Focus on training and development – Work-life balance	– Employees' meeting – Employees' suggestions platform	Strictly observe the terms of labour contracts; improve the system of the congress of employees; improve the salary and employee security system; provide avenues for vocational advancement and training
Suppliers and Partners	– Open, fair and impartial purchasing – Honour contracts – Mutual and win-win benefit	– Signing contracts pursuant to laws – Open tendering – Project cooperation	Adhere to open and transparent business principles and processes; actively fulfil contracts and agreements; facilitate mutual visits and communication
Community	– Participate in community's development – Support public activities – Assist educational business	– Community activities involvement – Interview and communication	Extensively organise and actively participate in public welfare; build harmonious and civilised communities; assist in the development of education

Response to the ESG Reporting Principles of the Stock Exchange

Materiality: In order to further identify the key areas of practices and information disclosure for corporate ESG, enhance the pertinence and responsiveness of the report, the Group has initiated the identification procedures for material issues and has decided the materiality level of each issue with the principle of materiality to clarify the extent and boundary of the disclosure, ensuring a more accurate and complete disclosure of information related to the operation management of the Group.

Identification procedures of issues on environmental, social and governance
Sources of Issues
– Analysis of multi-media information – Benchmarking research of international and domestic peers – Internationally-recognised sustainable development guidelines – Suggestions from the management of the Group – Analysis and recommendations from internal and external experts
Screening Criteria
– The Group's values, policies, strategies and long-term and short-term goals – Relevant laws, regulations, international treaties or voluntary agreements – Benchmarking results of peers – Demands and expectations explicitly expressed by stakeholders – Suggestions from the management and the social responsibility management team of the Group
Results of Materiality Assessment
Through the identification process, the Group has identified the environmental, social and governance issues related to its sustainable development, and made judgments on the materiality level of each issue, the results of which are as follows:



Material Matrix of ESG Issues of Technovator

Principle of Quantitative: In accordance with "Key Performance Indicator" requirements in the Environmental, Social and Governance Reporting Guide set out in Appendix C2 under the Listing Rules and Guidance of the Stock Exchange, the Group discloses quantitative indicators related to the "environmental" and "social" categories and makes explanation on immaterial indicators.

Principle of Balance: The Report discloses the efforts to achieve objectivity and impartiality that truly reflect the effectiveness and practice of the Group's 2024 ESG work, and discloses the issues encountered and the improvement measures for such issues in a responsible manner.

Principle of Consistency: The Report follows a consistent method of information statistics, and the scope of the information statistics in 2024 is consistent with 2023, with certain indicators being disclosed for two consecutive years since 2023.

§1 COPING WITH CLIMATE CHANGES

At present, abnormal climate phenomena such as global warming remain a global concern. The goal of carbon peak and the vision of carbon neutrality put up by the PRC means that stricter requirements are being placed on coping with climate change, promoting low carbon development and building an ecological civilisation. As a leading urban smart energy-saving service provider in the PRC, by performing the corporate responsibility of "conserving energy for the country and saving resources for the people", the Group consistently provides "Intelligence + Energy Saving" solutions for urban development in fields such as smart transportation, smart building and complex and smart energy so as to promote the smart, green and healthy development of cities to provide people with a safe, comfortable, energy-saving and sustainable smart environment to cope with the challenges posed by climate change. The Group has set out our efforts and future direction for tackling climate change by the areas of governance, strategy, risk management, and distinction between indicators and targets.

Governance

In terms of governance, the board of directors is the highest decision-making body for ESG management which is responsible for guiding the Group's sustainability direction as well as discussing and identifying ESG risks and opportunities, including those related to coping with climate change. The ESG Working Group is formed by the collaboration among various departments to jointly identify and study the impact of climate change on our operations. With reference to the TCFD (the Task Force on Climate-related Financial Disclosures) Framework, we gradually carried out status quo review, strategy formulation, risk management, identification and management of indicators and targets in relation to the possible risks and opportunities faced by the Group as a result of climate change.

Strategies

Climate-related risks include risks in relation to the transition to a low-carbon economy (hereinafter referred to as the "Transition Risks") and risks in relation to the physical impact of climate change (hereinafter referred to as the "Physical Risks"). Among them, the Transition Risks may be classified into policy and legal risks, technical risks, market risks and reputational risks, while the Physical Risks include acute risks (extreme weather conditions such as typhoons and floods) and chronic risks (changes in climate pattern such as persistently high temperatures).

Our measures on addressing climate change focus not only on preventing risks, but also on proactive identification of opportunities. The Group provides "Intelligence + Energy Saving" solutions for urban development and is dedicated to promoting the smart, green and sustainable development of cities:

In the field of smart transportation, the Group has intensively explored the informatisation, intellectualisation as well as energy-saving and carbon reduction of smart transportation with our business covering various fields including urban rail transit, intercity railway and lightweight passenger transport system. Following the solid implementation of the "renewal and replacement (兩新)" and "significant strategies and critical fields (兩重)" policies, the transportation sector saw an appreciable acceleration in the renewal and upgrading of large-scale equipment. The Group further expanded its business in the renovation and upgrading of the integrated monitoring and control systems, and the ventilation and air-conditioning systems for existing lines of urban rail transit, serving the intelligent and green renovation and upgrading of the nation's transportation sector.

The smart transportation business of the Group further consolidates its industry-leading position through deeply integrating cutting-edge technologies, promoting technological innovation and product iteration and upgrading. During the reporting period, the second and third phases of Wuhan Metro Line 11 (武漢地鐵11號線二期、三期) were officially opened for operation. As the first rail transit line in China to realise the migration of cloud platform for the existing lines, while ensuring the normal operation of the first phase of Line 11, we successfully completed the seamless migration of the integrated supervision and control system cloud platform for the second and third phases of the project and connected nine stations from the branch line into the original platform, achieving the centralised and efficient operation management. This project innovatively established a smart management system featuring "three active centres (三活中心)", namely primary centre, backup centre, and testing centre, which not only represented a more comprehensive layout of the rail transit network in Wuhan, but also strongly promoted the optimisation and upgrading of the industries in the region and the expansion of urban areas, providing a solid support for the high-standard construction and high-quality development of Wuhan rail transit.

During the reporting period, the Group successfully won the bid for the project to supply integrated supervision and control equipment for Hangzhou-Deqing Intercity Railway Project (杭州至德清市域鐵路工程) (including the second and third phases of Line 10). This project will deeply integrate diversified smart systems and functions such as smart stations, smart maintenance, energy management, construction management and asset management into the conventional integrated supervision and control system. It strives to create a new generation of rail transit system with higher intelligence and operational efficiency, injecting new vitality into smart transportation construction.

In the field of smart building and complex, the Group is constantly committed to developing its building energy-saving business and actively cooperates with the state in promoting the dual-control of carbon emissions and construction of zero-carbon parks. The Group will further focus on the demand on low-carbon transformation from high energy consuming buildings and parks, promote in-depth coupling of the advantageous business scenarios of smart buildings and complexes with comprehensive energy services, provide comprehensive solutions for smart, energy-saving and energy utilisation as well as energy-carbon operation services, so as to accelerate the creation of a new benchmark for zero-carbon parks.

During the reporting period, the Group won the bid of the Project for the Construction of Safe Campus and Technological Security System for the Tongzhou Campus of Renmin University of China (中國人民大學通州校區平安校園技防體系建設項目). This project focused on building a comprehensive, round-the-clock and smart video surveillance system, and deeply integrated security, fire protection and other systems. Through the campus digital twin platform, it integrated intelligent AI analysis functions such as identity identification, vehicle identification, behaviour recognition and security and fire protection linkage, and achieved a comprehensive upgrade of the campus security system from the existing analogue + digital mode to the smart prevention and control system. By adopting advanced technology for system integration, the project has significantly improved the centralisation management and deployment efficiency of the campus, and set a new benchmark for campus security and safety.

The Group undertook the smart park project for China Nuclear Power Operation Technology Innovation Research and Safeguard Base (中國核電運行技術創新研究與保障基地). The project covered dozens of smart IoT systems, including smart lighting, security system, conference room system, integrated energy system, information release system and building control system. Through the implementation of the project, we helped to create a new-generation of production and R&D base for nuclear power operation technology characterised by digitalisation and intelligence, injecting new momentum into the sustainable development of the nuclear power industry. In addition, by giving full play to the advantages of the Group in data collection and analysis and system integration technology, the Construction Project for Zhonghe Headway Smart Park (中核海得威智慧園區建設項目) has successfully created the "central brain" of the smart park and realised the centralised control of the smart systems and facilities in the park. It utilised 3D modelling, digital twin, BI data visualisation and other cutting-edge technologies to build the "data cockpit" of the park, which significantly improved the smart and digital management level of the park, comprehensively improved the operational efficiency, and laid a solid foundation for the digital transformation of the park.

During the reporting period, the Group signed one more contract for the Dongsheng Park Intelligent Project (東升園智能化項目), with a total GFA of approximately 238,300 square meters. As an extension of the artificial intelligence industry cluster, it was planned to establish as a base for accelerating the expansion of high-tech industries. We used more than 20 intelligent subsystems such as security systems and building equipment management systems, from scientific cable layout planning to the construction of a high-speed and stable network, from the establishment of a reliable and safe park to precise management of building control, and to visual energy consumption monitoring, efficiently empowering the smart and green upgrade of the park. The project also introduced a number of innovative products such as smart light poles as information nodes to achieve refined management of the park from point to point and ensure safe and low-consumption operations of the park in an all-round and three-dimensional manner.

In the field of smart energy, the Group has worked intensively in the field of central heating intelligence and is committed to energy saving and efficiency enhancement, with its business extensively covering hundreds of urban heating networks, and has successfully established a comprehensive industrial chain covering the entire process from energy production, transmission and distribution to consumption. As a pioneer in the heating automation industry with deep insight into heating production, transmission and distribution systems, the Group has fully integrated intelligent and information technology to embed cutting-edge heating concepts and advanced control logic into each heating segment. In the field of heating energy-saving, the Group has built up a profound energy-saving service system for the whole industry chain, and accumulated comprehensive advantages in various aspects of energy conservation, such as core technology, hardware equipment and software products, continuously leading the industry towards a new journey of high-efficiency and intelligent development.

The Daqing Intelligent Heating Project (大慶智慧供熱項目), a contractual energy management project, was the Energy Management Contract (EMC) project with the largest heating network and the largest number of heat sources undertaken by the Group as of the end of the reporting period. In 2024, the total heating supply of the project covered 38 million square meters, serving more than 320,000 users. By introducing advanced smart heating systems, the project has successfully achieved joint network scheduling of multiple heat sources such as cogeneration, large-scale coal combustion and industrial waste heat. In the heating season for 2023-2024, we successfully secured a high-quality heating supply to meet the demand from the people through smart heating precision control, scientific heat source scheduling and refined management, achieving a heat saving rate of 7%, equivalent to more than 45,000 tons of standard coal, with significant energy-saving benefits.

On 24 July 2024, the first smart energy-saving management system for nuclear power plants jointly developed by the Group and Fuqing Nuclear Power was officially launched. Leveraging the intelligent management platform created by advanced technologies such as the IoT, GIS space services, big data and artificial intelligence and rooted on a solid foundation of safety, we are able to coordinate with the operation and production of nuclear power plants to achieve safer, more efficient and flexible power-saving goals. This system can be introduced to and used in various nuclear power plants, so as to promote the digital and intelligent development of the nuclear power energy-saving segment of the Group.

On 20 August 2024, the Group signed a 10-year cooperation agreement with Baotou Thermal Power (Group) Company (包頭市熱力（集團）公司) for the EMC project of smart heating and energy-saving transformation to jointly promote the transformation and upgrading of the energy structure of Baotou, which has comprehensively open up a new chapter of cooperation. Take the construction of smart heating as the starting point, we will further realise refined adjustment of the heating network through the smart heating management and control platform, and in-depth optimisation of the heating network system to effectively improve the energy utilisation efficiency, so as to create a new paradigm of smart heat supply for Baotou city with coordinated scheduling, flexible control and comprehensive digital intelligent management and control, and establish a demonstration model for the transformation of smart heating.

In 2024, the Group successfully signed the contract for the construction project of relay station and pressure isolation station of the Rongcheng Nuclear Heating Supporting Pipeline and Facilities Construction Project (榮成市核能供熱配套管網及設施建設項目). As the Group's first new project for nuclear energy + large temperature difference heat pump + long-distance heating supply (核能+大溫差熱泵+長輸供熱) application scenario, it fully reflects our comprehensive advantages in the fields such as nuclear heating, smart heating, heat pump equipment, and system integration. Based on the improvement of comprehensive energy efficiency of nuclear power, the Group improved its operation and management through intelligence to satisfy the energy demand of surrounding industrial parks. It used absorption large temperature difference heat pump technology to expand the coverage of nuclear power heating supply, reduce carbon emissions from heating supply companies and realise clean heating through nuclear energy utilisation in Rongcheng city, providing strong support for the integrated development of "zero-carbon nuclear energy" heating in Jiaodong Peninsula, Shandong Province.

In 2024, Technovator built up its core capabilities of "clean energy, digital and intelligent energy conservation" with "intelligence + energy conservation", consolidated and strengthened its advantages in smart and energy-saving industries, and expanded its comprehensive energy innovation business. Focusing on energy conservation services, it firmly grasped all aspects from energy production, energy transmission and distribution, energy consumption to intelligent energy operations, and aims to achieve its practical goals of intelligent improvement of the energy system, energy conservation and emission reduction to help people save resources, help the country save energy, and help achieve sustainable social development.

Risk Management

In response to climate change, we put emphasis on capturing development opportunities, identified and assessed Physical Risks and Transition Risks to drive the sustainable development of the Group. We combined our "Internet + Energy" model with cloud platform to integrate urban resources in an all-round way and promoted the smart, green and healthy development of cities to provide people with a safe, comfortable, energy-saving and sustainable smart environment. At the same time, we improved the relevant risk management and target-setting system to promote high-quality and green development.

Indicators and Targets

The Group has identified and monitored the indicators related to coping with climate changes, and has conducted annual statistics and disclosure of relevant data, including:

- energy (gasoline and power) consumption;

- greenhouse gas emissions (including Scope 1 and Scope 2).

The Group emits direct greenhouse gases (Scope 1) during the use of official vehicles, while indirect greenhouse gas (Scope 2) indirect comes from production and power consumption in offices. Since indirect greenhouse gases account for a large proportion of the Group's total greenhouse gases, the Group indirectly reduced greenhouse gas emissions through advocating electricity saving.

Greenhouse gas[1]	2024	2023
Direct greenhouse gas (ton carbon dioxide equivalence)	38.12	61.07
Indirect greenhouse gas (ton carbon dioxide equivalence)	1,922.34	2,549.45
Total greenhouse gases (ton carbon dioxide equivalence)	1,960.46	2,610.52
Greenhouse gas emission intensity (ton carbon dioxide equivalence/ RMB10,000 revenue)	0.011	0.014

We will continue to focus on the impact of climate change on the Group's business, fully respond to policy requirements, further improve strategy formulation, risk management, identification and management of indicators and targets, and work together with all sectors to cope with climate change and achieve sustainable development together.

1 Greenhouse gas emissions are calculated as follows:
Direct greenhouse gases emissions: the Company's energy consumption multiplied by the corresponding emission factors, with the emission factors referring to ① China Energy Statistical Yearbook (《中國能源統計年鑒》) and ② IPCC 2006 (《IPCC2006》);
Indirect greenhouse gas emissions: the Group's purchased electricity and heat consumption multiplied by the corresponding emission factors, with the emission factors referring to "Notice on Reporting and Verification of Greenhouse Gas Emissions for Certain Key Industries from 2023-2025" (《關於做好2023—2025年部分重點行業企業溫室氣體排放報告與核查工作的通知》) issued by the Ministry of Ecology and Environment;
Total greenhouse gas emissions: sum of direct and indirect greenhouse gas emissions.

§2 LEADING INDUSTRY INNOVATION

§2.1 Innovation on Research and Development

Innovation is a core element of the Group's continuous advancement in the industry. Focusing on the frontier of energy conservation technologies and with its core competence of technological innovation and its knowledge and innovation-oriented approach, the Group performs the corporate responsibility of "saving energy for the country and saving resources for the people". This concept is not only highly aligned with the industry development trend of "Internet + Energy Saving", but also has ignited a strong impetus to promote the technology innovation and R&D in the industry, thereby making contribution to the smart, green and healthy development of cities. The Group keeps maintaining the momentum of innovation with in-depth insights into domestic and international market demand, technology development trends in the industry and cross-industry application scenarios, and maintains close communication and cooperation with relevant government departments, tertiary institutions and industry research institutes to grasp the national technological development trends and lead the industry development.

During the year, the Group achieved significant R&D results in multiple aspects:

- ➢ The original intention of the localisation of Neosys, a key scientific research task of the year, was to ensure supply chain security. This process also promoted the improvement of product performance, system security and increased the level of international recognition. By upgrading from TI's ARM chip to a domestically-produced CPU, the computing speed of Neosys main control module has increased by more than 2 times. By embedding a state's cryptographic algorithm chip, Neosys innovatively realised encrypted communication at the level of the building edge control system. It also helped to achieve substitution of foreign products through BACnetIP gateway development and BTL certification.

- ➢ With integrated and total factor technology, HiOS smart hospitals support platform has facilitated hospitals' digital transformation. In 2024, HiOS was selected into the Group's "white list" of the second batch of scientific and technological achievements for follow-up investment and follow-up loan. HiOS, as a multi-business operation system for hospitals, met the hospital's complex and changeable application needs and business scenarios, and created an online and offline integration, cloud-edge-end coordination, and hyper-converged open medical service ecosystem. Through the digital twin platform, open application platform, medical smart digital platform, medical IoT platform and medical hyper-converged platform, it created a digital base for hospitals, provided the four intelligent interactive scenario services of intelligent medical care, intelligent management, intelligent service and intelligent scientific research, and facilitated digital transformation of healthcare institutions. HiOS management platform will achieve the exchangeability of the underlying data through the integration of a number of sub-platforms such as hospital intelligent integrated management platform, logistics integrated management platform, information integrated management platform and hospital intelligent IoT management platform. Through the connection of information flows of the hospital's business data, operation data and logistics management data, it achieved the construction of intellectualisation and informationisation and the operation goals of hospitals. In 2024, the Group maintained its cooperation with a number of hospitals, including the University of Hong Kong-Shenzhen Hospital, Changsha Tumor Hospital (長沙腫瘤醫院), Chongqing Fourth Hospital (重慶第四醫院) and Chengdu Hi-Tech Zone Hospital (成都高新區醫院).

- The Group actively promoted the AI-empowered industry of the Kunlun digital platform. Through planning and carrying out a series of research and development and application of industry big data, edge AI and intelligent agent, Technovator was committed to becoming a key backbone for digital intelligence transformation of the Group and the society, the realisation of the value of data elements and the application of AI in industries. Among them, "Prospect Star Map" is a management and control solution for total factors in intelligent exhibition based on a universal large model and reflects Technovator's ability to deeply integrate AI technology with the needs of the large exhibition industry. The platform software was unveiled at the China International Fair for Investment & Trade, Xiamen in 2024, and its application was actively being promoted in Xiamen's exhibition.

The Group attaches great importance to cultivating talents in scientific and technological innovation and has brought together a number of experts from Tsinghua University. In order to further encourage employees to be engaged in innovation and R&D, the Group allows and encourages all frontline staff members to submit R&D project proposals to a panel of technical, market and finance experts organised by the Technology Research Institute for assessment, and after approval, they will receive R&D fund to conduct the R&D activities. In addition, the Group encouraged its staff members to write academic papers for publication, and rewarded, commended and promoted R&D teams that noticeably promoted business innovation of the Group. In 2024, the Group has a total of 202 R&D personnel and invested an aggregate of approximately RMB96.75 million in R&D activities.

In the future, the Group will continue to upgrade its building parks, smart healthcare and smart transportation businesses on the back of its digital transformation supported by Kunlun digital platform. We initiated a number of scientific research activities such as Neosys AI-specific controller development and AI ecology construction to enhance the accessibility and flexibility of Neosys controller applications by attaching embedded configurations, cloud-based simulation tools and additional IoT protocols such as MQTT. Leveraging on our technological advantages and synergies in energy and equipment management, the Group leads and advocates the construction and application of zero-carbon parks and green rail transit.

§2.2 Protection of Intellectual Property

Protection of intellectual property is indispensable for innovative R&D, and effective management of intellectual property is beneficial to protecting technological and innovative achievements and strengthening the competitiveness of enterprises. The Group fully respects the intellectual property of others, while firmly committed to protecting our own intellectual property rights from being infringed. The Group strictly complies with the Patent Law of the People's Republic of China (《中華人民共和國專利法》), the Copyright Law of the People's Republic of China (《中華人民共和國著作權法》), the Trademark Law of the People's Republic of China (《中華人民共和國商標法》) and other laws and regulations, and based on relevant provisions, formulated internal management systems such as the Administrative Measures for Intellectual Property Rights (《知識產權管理辦法》) to assist all business units in actively commercialising their scientific and technological achievements. The Group encourages scientific and technological innovations by clearly setting out the target number of invention patents to be granted and providing bonuses and awards to inventors, and has engaged specialists to assist in patent applications. As the responsible management department of intellectual property, the Technology Research Institute of the Group centrally coordinates all intellectual property applications of each business unit, and the Group has set up an intellectual property specialist position to carry out the management work as required.

In 2024, the Group obtained 3 patents during the year, totalling 50 patents as of the end of 2024, and obtained 25 software copyrights during the year, totalling 126 software copyrights as of the end of the year.

§2.3 Leading Industry Development

As an important promoter of domestic energy-saving service industry and a leading enterprise in science and technology service industry, the Group actively cooperates with scientific research institutions and invests in the R&D of national scientific research projects. The Group also participates in industrial communication and research established by various organisations to promote the construction of an industrial standard system, making a commitment to drive industry development and progress.

In terms of formulating industry standards, the Group has been actively participating in the construction of the intelligent building industry standard system, including the standards in the field of intelligent buildings and electrical, metro, heating and air conditioning and building energy conservation, data centre, utility tunnel, BIM, and urban fire-fighting monitoring. The Group participated in the compilation of approximately 20 national and industrial standards, and actively promoted the healthy development of the industry.

- On 1 January 2024, the Technical Requirements for Safety of Building Control System in Smart Building (《智慧建築樓宇控制系統安全技術要求》) and the Technical Rules for Numerical Simulation of Thermal Environment in Data Centres (《數據中心熱環境數值模擬技術細則》) which the Group had participated in the drafting were issued.

- On 1 February 2024, the Technical Guideline for Integrated Energy System on the User Side of the Energy Internet (《能源互聯網用戶側綜合能源系統技術導則》) which the Group had participated in its drafting was issued, and became effective on 1 April 2024.

- On 1 March 2024, the Building Information Model (BIM) Intelligent Design and Delivery Standards (《建築信息模型(BIM)智能化設計交付標準》) which the Group had participated in its drafting became effective.

- On 25 March 2024, the Data Standards for Urban Utility Tunnels (《城市綜合管廊數據規範》) which the Group had participated in its drafting was issued, and became effective on 1 July 2024.

- On 5 August 2024, the Technical Guidelines for Regional Low Carbon Energy Systems (《區域低碳能源系統技術導則》) which the Group had participated in its drafting was issued and became effective.

- On 12 October 2024, the Group participated in the drafting of Building Automation and Control System-Commissioning and Testing (《建築自動化和控制系統調適、檢測》).

As a leading enterprise in science and technology service industry, Technovator has achieved high quality, intelligence and diversification with its outstanding innovation and digital intelligence capabilities, strong market competitiveness and customer service satisfaction. Technovator has achieved numerous industry accolades as the industry benchmark for another year. Some of the awards and honours obtained by the Group in 2024 were as follows.

Awarded Unit	Awards and honours
Tongfang Technovator Int (Beijing) Co., Ltd.	Second Prize of the 2023 Urban Rail Transit Scientific and Technological Progress Award – Key Technologies and Applications of Smart City Rail and Fully Automated Operation System from China Association of Metros Intelligent Building Solution Type II – Techcon IBS 5.0 Smart Park Comprehensive Management Platform Solution from China Construction Industry Association – Green Building and Intelligent Building branch 2023 Top 10 Brands with Products of Craftsmanship for Building Equipment Management System in the Smart Building Industry of China 2023 Top 10 Excellent Brands of Smart Control Platform for Building Parks in the Smart Building Industry of China Intelligent Building Solution Type II – Waste Heat Recovery Data Centre Solution from China Construction Industry Association – Green Building and Intelligent Building branch Intelligent Building Solution Type I – Urban Rail Transit Station – Digital Twinning-Based Intelligent Operation Management Platform Solution from China Construction Industry Association – Green Building and Intelligent Building branch First Prize of the 2023 Intelligent Building Design Competition – Project for the Integration of Comprehensive Monitoring of the Construction of the Second Phase of Chongqing Rail Transit Line 10 2024 Most Influential Brands in the Smart Building Industry in China (Product Units, Engineering Units) Third Prize in the Key Terminal Application Track of the 2nd Energy Electronics Industry Innovation Competition
Tongfang Energy Saving Engineering Technology Co., Ltd.	National SRDI "Little Giant" Enterprise The "2023 Energy Conservation Service Industry Enterprise Contribution Award • Clean Heating Service Excellent Enterprise" awarded by China Energy Conservation Association 2024 Science and Technology Progress Award for Energy Saving and Emission Reduction of Innovation Awards (Energy Conservation Service Industry) from China Energy Conservation Association Beijing's Top 100 Enterprises in Digital Economy First prize of the "Green Energy Star", the unique and iconic brand event in the energy industry The "Innovation Breakthrough Award of the Knowledge Resources Data Industry Innovation Centre" awarded by the Shanghai Data Exchange Top 100 Beijing Municipal's SRDI Enterprises Top 100 Construction Enterprises in Beijing Top 6 in the 9th Tsinghua Alumni Innovation Competition (Energy Technology)

§3 ENVIRONMENT PROTECTION

Environment protection and energy conservation is an obligatory social responsibility and also the foundation for enterprises to achieve green development and operation. The Group's production and operation involve the production and manufacturing of smart controllers and intelligent heating system related products. As an unconventional high energy consuming company, despite the fact that environmental issues have not been identified as important to the Group in the materiality assessment, the Group values the importance of environmental protection in its daily operations and development, with energy conservation, emission reduction and recycling of resources as its environmental objectives during the course of its business operation.

The Group is always strictly in compliance with relevant laws and regulations such as the Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》), the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste (《中華人民共和國固體廢棄物污染環境防治法》) and the Law of the People's Republic of China on Conserving Energy (《中華人民共和國節約能源法》). The Group formulated environmental management systems for processing and manufacturing business (such as PCB) in its production and operation, which includes the Rules Governing Identification of Environmental Factors and Determination of Important Factors (《環境因素識別、重要因素確定管理制度》), the Rules Governing Environmental Targets, Indicators and Programs (《環境目標、指標和方案管理制度》), the Rules Governing Environmental Monitoring and Conformance Evaluation (《環境監測與合規性評價管理制度》), and the Rules Governing Noncompliance and Rectification Measures on Environment (《環境不符合、糾正措施管理制度》), enabling the Group to dynamically assess the impact of its business on the environment and resources and continue to strengthen its environmental management and control and improve its environmental management system. The Group has obtained the ISO 14001 Environmental Management System Certification and will continue to improve the environmental compliance risk management in its operation, formulate measures to promote environmental-friendly and sustainable development and establish a good corporate social image.

In 2024, there were no breaches of relevant environmental laws and regulations that had a material impact on the Group.

§3.1 Emission Management

The enterprises under the Group follow a policy of source control, end-of-pipe treatment and technological innovation, and actively pursue technological improvements in all aspects to reduce emissions and waste generation. With an environmental objective of reducing pollutants emission in the course of business operation, the Group actively promoted green environmental protection development philosophy, and continuously enhanced the emission management, so as to reduce the generation of emission from source.

The Group does not involve the emission of industrial waste gas in its production and operation. Small amounts of waste gas are emitted during the use of official vehicles, while waste water is mainly generated from production and office operations. The Group reduced indirect waste gas emissions through standardising the use of official vehicles. The waste water emitted by the Group does not contain special pollutants, and will be discharged to the sewage treatment plant for treatment and purification through the municipal pipe network in the place where it operates.

Type of exhaust gas	2024	2023
Sulphur dioxide (kg)	**0.26**	0.41
Nitrogen oxides (kg)	**6.59**	5.92
Particulate matter (kg)	**0.48**	0.44

The Group attaches particular importance to waste management. In the process of product development and production, we identify hazardous waste from the source, and endeavour to reduce the impact of wastes on the environment as much as possible. Hazardous wastes discharged by the Group include tin dross generated during production and operation, used toner and ink cartridges from office activities. Non-hazardous wastes are mainly metal packages, wires and waste cardboard boxes generated during production, and used papers from office activities. With an environmental objective of reducing pollutants emission (including waste) in the course of business operation, the Group actively promoted green environmental protection development philosophy, and actively recycled the recyclable non-hazardous waste so as to reduce its impact on environment.

Some of the Group's offices cooperate with printing equipment providers in the place where they operate and the printing equipment providers are responsible for collecting and re-filling the used ink cartridges so as to recycle them, which can reduce waste. Hazardous wastes are disposed of by qualified third party, while non-hazardous wastes are recycled by the Group and classified and collectively disposed of by the environmental hygiene department. Metal packages, wires and waste cardboard boxes that can be re-used are recycled and used by the Group in the corresponding process to reduce waste.

	Type of waste	2024	2023
Hazardous waste	Tin dross (ton)	**0.48**	0.47
	Used toner cartridges (kg)	**14.40**	16.80
	Used ink cartridges (kg)	**2.30**	2.35
	Total hazardous waste (kg)	**496.70**	489.15
	Discharge density of hazardous waste (kg/RMB10,000 revenue)	**0.003**	0.003
Non-hazardous waste	Metal packages (ton)	**0.28**	0.27
	Wires (ton)	**0.13**	0.14
	Cardboard boxes (ton)	**0.65**	0.60
	Papers[2](ton)	**4.31**	71.28
	Total non-hazardous waste (ton)	**5.37**	72.29
	Discharge density of non-hazardous waste (kg/RMB10,000 revenue)	**0.029**	0.393

2 As the Group continues to promote green office, the amount of used paper generated during the reporting period was significantly reduced as compared with that of last year.

§3.2 Use of Resources

The enterprises under the Group follow a policy of source control, end-of-pipe treatment and technological innovation, and actively pursue technological improvements in all aspects to increase recycling and continuously improve the efficiency of the use of natural resources and minimise the impact of their operations on the environment and natural resources.

The main energy and resources consumed by the Group during its operation include: electric energy, gasoline, water resources, office supplies and packaging materials. Gasoline is mainly used for driving motor vehicles, and electric energy is mainly used for the Group's office and operating facilities. For production and manufacture and office activities, the Group's water resources all came from the municipal pipeline network, without difficulty in water sourcing. In addition, office supplies such as paper are consumed during the Group's office activities.

Types of resources	2024	2023
Power consumption (kWh)	**3,370,760**	4,178,742
Total gasoline consumption (L)	**17,385.54**	27,851.78
Comprehensive energy consumption ('000 kWh)	**3,522.71**	4,422.14
Comprehensive energy consumption intensity (1000 kWh/RMB10,000 revenue)	**0.02**	0.02
Water consumption (m^3)	**40,502**	35,137
Water consumption intensity (m^3/RMB10,000 revenue)	**0.221**	0.191

With an environmental objective of saving energy and recycling of resources (including reducing water consumption) in the course of business operation, the Group actively practices energy and resource saving and promotes the concept of green and energy-saving office by taking the following measures:

- an online office system has been implemented, paper approval has been replaced by an OA approval system, office printing has been reduced, and double-sided printing and the use of used paper are encouraged;
- portable air conditioners have been placed in some offices and meeting rooms to address the issue of overtime work over the weekends in summer, which not only solved the air conditioning issue for overtime work and ad-hoc meetings over the weekends as there were no need to turn on the air conditioning on the whole floor, but also reduced the waste of energy;
- intelligent light control is used on certain floors of the office area. After the working hours, lights in the office area and meeting rooms will be automatically turned off. Sensor lights are used in meeting rooms and such lights will be automatically turned off when there is no one in the meeting room, which will avoid the waste of energy;
- water-saving signs are posted over the sinks to enhance the awareness of water saving;
- the inspection of water appliances in the office area has been strengthened to prevent "spraying, seeping, dripping and leaking" of water (跑、冒、滴、漏).
- the management of official vehicles has been strengthened, under which, among others, each official car has been assigned a dedicated fuel card. Use of official cars is not encouraged unless for handling special external business affairs. Meetings held in multiple places are encouraged to be jointly held via video conference to reduce business trips; and employees are encouraged to use green transportation.

The packaging materials of the Group's products mainly include cardboard boxes, plastics and fillers. We strictly followed relevant national requirements and recycled certain packaging materials, so as to reduce the use of product packaging materials in the production process and reduce pollutant emissions.

Types of packaging materials	2024	2023
Cardboard boxes (ton)	5.50	5.00
Plastics (ton)	0.02	0.02
Fillers (ton)	0.02	0.02
Total consumption amount of packaging materials (ton)	5.54	5.04
Consumption of recycled packaging materials (ton)	0.12	0.11
Consumption density of packaging materials (kg/RMB10,000 revenue)	0.030	0.027

§4 CARING FOR EMPLOYEES

For an enterprise, employees are the core element of its sustainable development and an important component of its core competitiveness, and the people-oriented development and operation philosophy serves as the important prerequisite for an enterprise's sustainable development. Through well-established employment system, harmonious staff relationship, decent working environment, reasonable incentives and protection of employees' interest, an enterprise may create strong in-house cohesion and work together with its employees for mutual growth.

§4.1 Equal Employment

The Group strictly complies with laws and regulations of the place where it operates such as the Labour Law of the People's Republic of China (《中華人民共和國勞動法》), the Labour Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》), the Regulations on Prohibiting Use of Child Labour (《禁止使用童工規定》), the Employment Ordinance (《僱傭條例》) of Hong Kong and the Employment Act (《就業法案》) of the Republic of Singapore. With reference to its own conditions, the Group has formulated and improved its systems and measures, including the Management Measures for Staff Recruitment (《招聘管理制度》), the Welfare Management System (《福利管理制度》), the Enterprise Annuity Management System (《企業年金管理制度》), the Employee Complaint Management System (《員工申訴管理制度》), the Employee Care and Subsidy Management (《員工關懷與補助管理》) and the Internship Student Management System (《實習學生管理制度》), specifying the requirements of the ages and working hours of applicants to avoid child labour and forced labour. The purposes of such systems are to establish a sound inventive mechanism, devise a scientifically reasonable distribution system, protect legal rights of the staff, so as to mobilise the enthusiasm and creativity of them, boost their efficiency and improve business benefits of the Group, accommodating the sustainable development demands of the enterprise.

Recruitment and dismissal

Upholding the principles of fairness, impartiality and openness, the Group recruits law-abiding talents who are suitable for the position by means of internal or community recruitment. The Group conducts exit interview with each staff member before he/she leaves the Company in order to ascertain the reasons for his/her resignation and realise continuous improvement and optimisation. For employees in severe violations of labour discipline or the regulations of the Company, with gross breach of duty or malpractice, causing significant damage to the Company or being held criminally liable, the Group will take action to dismiss them. There was no dismissal of employees by the Group for the above-mentioned behaviours in 2024.

Equal opportunity, diversity and anti-discrimination

The Group adheres to the principles of gender equality and equal pay for equal work, enters into labour contracts with all employees in accordance with the laws, and strictly implements various labour protection policies, to ensure all employees of different ethnicity, race, gender, religion and culture backgrounds enjoy equal employment opportunities and labour protection. In 2024, the Group did not have any material non-compliance issues in respect of the laws and regulations on employment, recruitment and dismissal, promotion, equal opportunity and anti-discrimination.

Remuneration

The Group insists on the principles of making distribution according to performance, responsibility and contribution, and setting position-based remuneration that is subject to adjustment according to position change and the same pay for the same position. In accordance with the regulations of the system of the Group, there will be a reasonable increase in the salary of employees per annum. In 2024, the Group did not commit any irregularities in remuneration packages.

Working hours and leaves

The Group strictly complies with the laws and regulations in relation to employees' working hours and leaves stipulated by the government at each level, reasonably arranges employees' work and rest time. The Group implements a standard working hour system which arranges employees to work five days per week and eight hours per day, and to be entitled to paid day-offs on weekends and statutory holidays. Employees are entitled to enjoy paid annual leave, paternity leave, marriage leave and funeral leave in accordance with the laws, while female employees can also enjoy a half-day leave in the International Working Women's Day on 8 March, breastfeeding leave and maternity leave. In 2024, the Group did not commit any irregularities on working hours, or day-offs and leaves. The Group strictly complies with relevant laws and regulations of the PRC, and there was no child labour or forced labour nor any violence of relevant laws.

Benefits

The Group complies with the requirements in national and local laws and regulations, and makes contribution in full to basic pension insurance, basic medical insurance, unemployment insurance, work-related injury insurance, maternity insurance and housing provident fund when due each month for all employees. In 2024, the social insurance coverage rate of the Group's employees was 100%.

While providing competitive compensations, the Group also offers benefits such as meal allowance, heating allowance, labour insurance and high temperature subsidy, weddings and maternity gifts and reimbursement of medical expenses for employees' children, and employees who meet certain requirements can participate in the corporate annuity plan. In addition, we also provide employees with group business accident insurance and supplemental medical insurance, organise birthday parties and retirement parties, provide all kinds of holiday benefits including those for Women's Day, Mid-Autumn Festival and Spring Festival, and other fringe benefits such as labour insurance, high temperature subsidy, reimbursement of medical expenses for employees' children, group business accident insurance and supplemental medical insurance.

Staff Birthday Party and Retirement Party

Employee Care

With "people centrism" firmly in mind, the Group cares for every staff member. We have created an employee letter box for better understanding of the needs of employees, provide institutional protection, and practical and meaningful financial help for the basic needs of employees who have difficulties in livelihood, or suffered from sickness. In addition to helping the staff to solve substantive issues, the Group also organised love and care activities to console employees in need, such as giving away medical consultation cards to the employees struggled with family hardship and poor health, so as to establish a corporate culture of mutual support and care, boost the corporate cohesion and enhance employees' sense of well-being.

During the reporting period, the Group has a total workforce of 669, with an employee turnover rate of 8.5%. Set out below is the staff employment by type and their turnover:

	As of 31 December 2024			As of 31 December 2023	
Age	Number of employees	Proportion of total employees	Turnover rate in 2024	Proportion of total employees	Turnover rate in 2023
Under 30 years old (30 years old exclusive)	81	12.1%	16.0%	10.7%	29.6%
30-50 years old (50 years old exclusive)	511	76.4%	6.1%	74.0%	8.9%
50 years old and above	77	11.5%	16.9%	15.3%	7.8%

	As of 31 December 2024			As of 31 December 2023	
Gender	Number of employees	Proportion of total employees	Turnover rate in 2024	Proportion of total employees	Turnover rate in 2023
Male	440	65.8%	9.8%	66.5%	9.5%
Female	229	34.2%	6.1%	33.5%	13.9%

	As of 31 December 2024			As of 31 December 2023	
Region	Number of employees	Proportion of total employees	Turnover rate in 2024	Proportion of total employees	Turnover rate in 2023
Mainland	662	99.0%	8.6%	98.8%	11.0%
Hong Kong, Macao and Taiwan	1	0.1%	0	0.3%	0
Overseas	6	0.9%	0	0.9%	16.7%

	As of 31 December 2024		As of 31 December 2023	
Level	Number of employees	Proportion of total employees	Number of employees	Proportion of total employees
Senior management	15	2.2%	22	3.3%
Middle-level management	99	14.8%	84	12.6%
General staff	555	83.0%	559	84.1%

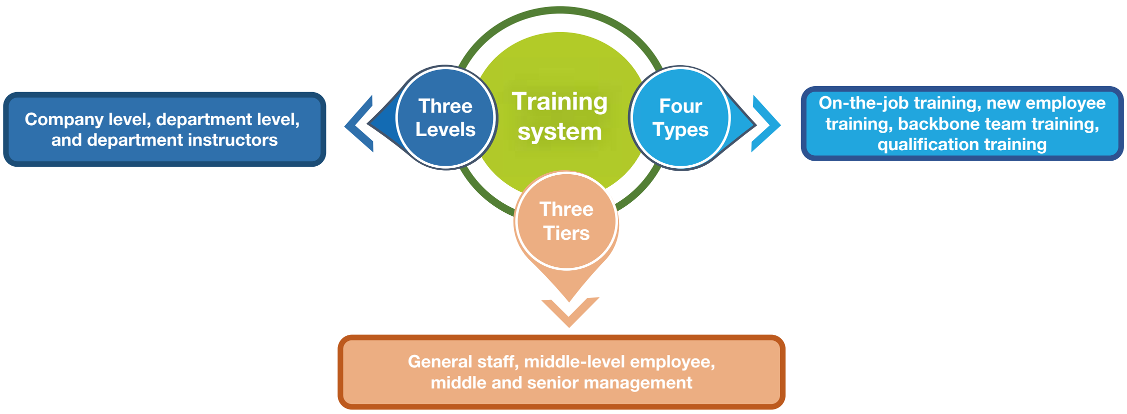
Note: The "senior management" in this report refers to employees at the general manager level of the Group and Mr. Zhao Xiaobo, a Director of the Group.

§4.2 Staff Development and Training

Talents are the core competitiveness for enterprises. Adhering to the principle of mutual development for the enterprise and employees, the Group made efforts to provide broad career platform and room for development for its employees by setting up training systems for talent development and ensuring a smooth career ladder for their promotion.

The Group established the Performance Appraisal Management System (《績效考核管理制度》), which takes the business performance as the core, comprehensively considers employees' potential capability and developmental needs, and specifies the promotion process for employees to ensure that all employees enjoy a fair and smooth promotion opportunities. The Group classified its job positions into five categories, namely management, management services, technical, marketing and operation based on the requirements of its business development, and subdivided its functional departments and development systems based on employees' work experience and knowledge.

The Group formulated and implemented the Training Management System (《培訓管理制度》) and developed a training system featuring "Three Levels", "Four Types" and "Three Tiers". Trainings purposely cover aspects of corporate management, leadership, qualification certification, skills training and corporate culture, so as to improve the knowledge and skill level of employees, highlight key talents cultivation and provide a sound basis for the improvement of the Group's operation. Furthermore, the Training Management System also provides training mechanism and training information feedback in a bid to improve the training efficiency and refine employees' training work.



Training Management System of the Group

In accordance with the Training Management System, the Group takes the development goal and employees' actual needs as the starting point while the Human Resources Department designs targeted training development plan for different ranks and types of employees according to the annual strategy, operation plan and coordinated resources of the Group.

- For new employees, the Group conducts a group induction training once a month, while mentors are assigned to offer one-to-one induction training for new employees, and the training coverage rate of new employees is 100%.

- For the whole staff, a "micro classroom" live broadcast in the "Ding Talk" office group is held once a month in order to improve their professional quality. Meanwhile, the Group offers further education, qualification and regular trainings, and specialised trainings to its staff.

- For senior leaders and key talents reserve, the Group cooperates with a number of external training institutions to provide employees with external training courses based on their positions. During the year, the Group arranged relevant staff members to attend training sessions held by the Ministry of Housing and Urban-Rural Development.

- For newly-promoted managers and key talent reserve, the Group will hold basic management training courses to support the talent echelon construction of the Group. The Group effectively urges employees to complete their self-learning courses, and adopts multiple measures to empower individual promotion.

In terms of professional qualification and occupational title, the Group organises and provides training to its employees on a regular basis, and encourages them to take qualification examinations to obtain qualification certificates. In 2024, employee training hours of the Group were 13,764 hours.

The percentage of the employees trained and training hours per capita by gender are as follows:

	2024		2023	
Gender	**Percentage of the employees trained**	**Training hours per capita (hour)**	Percentage of the employees trained	Training hours per capita (hour)
Male	**98.8%**	**22.85**	93.9%	13.76
Female	**97.1%**	**18.22**	91.8%	12.02

The percentage of the employees trained and training hours per capita by the class of employee are as follows:

	2024		2023	
Class	**Percentage of the employees trained**	**Training hours per capita (hour)**	Percentage of the employees trained	Training hours per capita (hour)
Senior management	**80.0%**	**20.73**	63.6%	10.04
Middle-level management	**92.0%**	**46.83**	84.5%	39.38
General staff	**97.6%**	**17.09**	95.6%	9.12

§4.3 Occupational Health and Safety

Safety production and employee's health are strong guarantee for stable operation of an enterprise. The Group pays high attention to employee's health and safety, implements safety production and occupational disease prevention, and is committed to providing a healthy and safe production environment and work place for its employees. It strictly abides by relevant laws and regulations, such as the Safety Production Law of the People's Republic of China (《中華人民共和國安全生產法》) and the Occupational Disease Prevention Law of the People's Republic of China (《中華人民共和國職業病防治法》), implements the safety management policy of safety-led, prevention-oriented and comprehensive management, and carries out the responsibility system for production safety. The Group formulated, among others, the Administrative Measures for Safe Work Production (《安全生產工作管理辦法》), the Inspection System for Safe Production (《安全生產檢查制度》), the Post Safety Operation Rules (《崗位安全操作規程》), the Provision and Management System for Labour Protection Equipment (《勞動防護用品配備和管理制度》), the Management System for Dangerous Work (《危險作業管理制度》), and the Reward and Punishment System for Safe Work (《安全生產獎勵和處罰制度》) to ensure the standards of operation, equipment and management in the production process. It has continuously improved occupational health and safety performance by taking effective management measures to prevent loss from accidents.

Implement responsibility and strict management

As the centralised management department for safe production of the Group, the manufacturing department has signed responsibility letters for fire control and safe production management with each rank of staff in the manufacturing base, the person-in-charge of the base and the responsible persons of the departments, then the departments and the teams, and finally the teams and individual team members, to establish the principle that safety management must attached to production management and the responsible person should be held accountable.

Safety officers should be appointed for the manufacturing bases, and those officers are responsible for the arrangement, deployment, supervision and summarisation of safe production work in the office area. A base safety officer is the responsible person for the safe production of a manufacturing base, while a safety officer is responsible for the safe production of such manufacturing base, and the base senior leader is the first responsible person for safe production. The manager of each department is the responsible person for the work safety of his/her department, and the designated personnel is directly responsible for safe production.

Strengthen safety publicity and education to improve the safety awareness of employees

Employees' safety awareness and their ability and sense of identifying potential source of danger are directly related to production safety. As such, we must do a good job of publicity and education and standardise the safe production operations of employees to achieve safe production, and let employees understand that "I am required to be safe, thus I want to be safe, and I will be safe" (要我安全到我要安全、我會安全), and truly realise "do not hurt others, do not hurt themselves, not be hurt by others" (不傷害他人、不傷害自己、不被他人傷害) to transform the safety behaviours from passive acceptance to conscious and active actions and lay a solid foundation for production safety. We actively provide safety education and training to our employees, including the three-level safety orientation education, and employees in special positions are required to hold necessary certificates. The Group implements a regular safety meeting system, organises safety week and safety month activities, and rolls out safety publicity activities.

Strengthen safety inspection and safety rectification

To eliminate safety hazards, make safety precautions, provide safe and reliable working environment for employees and enhance their sense of security, the Group makes hard efforts in the renovation and rectification of safety facilities and increases safety rectification and rectification efforts. The Group carries out the maintenance of its production equipment and facilities as required. Special equipment is registered and filed in accordance with national requirements, and tested on a regular basis. Fire-fighting equipment is also installed and tested on a regular basis. Emergence exits are provided in workshops and dedicated personnel are assigned to manage hazardous chemicals. The Group has established a safety checklist for safe production and performs regular safety inspection, holiday inspection, seasonal inspection, electrical equipment safety inspection and temporary random inspection. If any problem is found, a notice of inspection and rectification will be issued in time. If the problem cannot be corrected, preventive measures shall be formulated and incorporated into the rectification plan, and measures will be formulated and implemented step by step, which ensures the normal operation of the Company's safe production. The Group strictly implements internal policies such as the Management System for Safe Use of Electricity (《安全用電管理制度》), the Protection Measures for Electricity Leakage of Equipment and Circuit (《設備、電路中的漏電保護措施》), the Special Equipment and Operator Management System (《特種設備及操作人員管理制度》), and the Management System for Hazard Identification, Risk Assessment and Measure Implementation (《危險源辨識、風險評價、確定措施管理制度》). It conducted risk management and hazard investigation in an orderly manner, formed a target-monitoring-evaluation-improved occupational health management model and carried out detailed and process-based safety management for all aspects of production and operation.

Safe production emergency management

Safety prevention and emergency work are the fundamental guarantees for achieving safe production. The Group has formulated the Fire-fighting Facilities Management System (《消防設施管理制度》) on the basis of strict compliance to the Fire Protection Law of the People's Republic of China (《中華人民共和國消防法》). In addition, the Group organises employees to carry out fire emergency drills on a regular basis, and carries out effective safety supervision on daily production and operation as well as major holiday fire inspections. For the emergency preparation, the Group formulated, among others, the QES Emergency Preparedness and Corresponding System (《QES應急準備和相應制度》), the Emergency Rescue Plan for Production Safety Accident (《生產安全事故應急救援預案》), the Emergency Preparedness and Response Plan for Mechanical Injury (《機械傷害應急準備與響應預案》), the Emergency Preparedness and Response Plan for Injury Accidents (《傷害事故應急準備與響應預案》) to standardise the emergency response measures, improve employees' emergency response and rescue capabilities, and ensure life and property safety.

Occupational health protection

In the aspect of occupational hazards prevention and control, the Group formulated a series of systems, including the Management System for Objectives and Solutions of Occupational Health and Safety (《職業健康安全目標和方案管理制度》) and the Management System for Occupational Health and Safety Performance Monitoring and Compliance Evaluation (《職業健康安全績效監測與合規性評價管理制度》) in accordance with the requirements of governance. The Group clearly defines the responsibilities for occupational disease prevention and control of various departments and positions to facilitate the implementation of occupational disease prevention and management in order to facilitate the goal of creating a safety, healthy and pleasant working environment for employees. The Group formulated and issued the Provision and Management System for Labour Protection Equipment (《勞動防護用品配備和管理制度》) and Administrative Measures for Work-Related Injuries and Accidents (《工傷事故管理辦法》) to regulate the types and replacement cycles of labour protection equipment for all positions and specify the work-related accident response process and support arrangements. The occupational hazards faced by our staff are mainly dust, waste gas and steam in the production department. We implement 5S management to ensure the control of production lighting, dust and noise to reduce occupational hazards. The Group regularly provides employees with gloves, masks and other protective equipment, and installs fire-fighting appliances with inspection on a regular basis and electrostatic dischargers and other labour protection equipment, posts safety warning signs and sets up safety barriers to safeguard their safety and health. At the same time, the Group has developed various emergency plans for hazards such as fire, mechanical injury and electric shock. In addition, the Group provides its employees with free health check-ups annually and monitors their health condition on a regular basis.

In 2024, there was no instance of material non-compliance in providing safe working environment and protecting employees from occupational hazards. No fatal or serious production accident occurred and the hours of work injury loss was zero, and there were no fatal accidents occurred concerning safe production responsibilities in both 2022 and 2023.

§5 PRODUCT RESPONSIBILITY

§5.1 Supply Chain Management

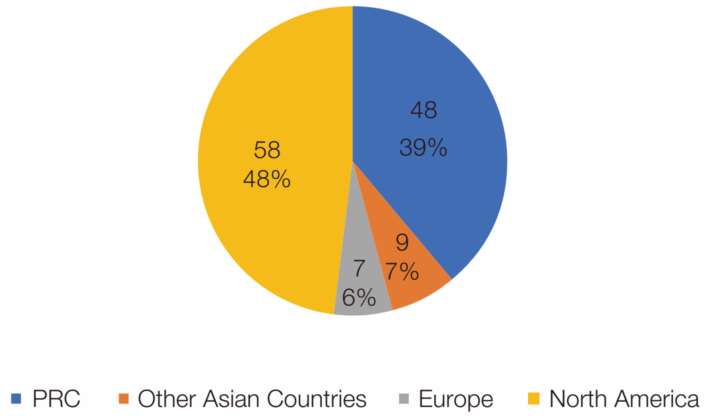
The sincere cooperation of our suppliers has been an important guarantee for our on-going operation. The Group upholds an open, fair and impartial principal and attaches importance to the communication with our suppliers in a bid to establish a long-term and win-win relationship with them, jointly undertake product responsibility and strengthen quality assurance.

The Group has formulated the Supplier Management and Control Procedure (《供貨商管理控制程序》). It specifies the duties and responsibilities of procurement related departments such as purchasing department, quality management department, and storage and distribution department, and provides the basic requirements and workflow for the selection, assessment and management of suppliers. The Group has also instituted the List of Suppliers Information and Evaluation (《供應商資料及評價表》). From the aspects of enterprise qualification, performance capability, product quality and after-sales service, we will carry out supplier evaluation. Based on the evaluation results, supplier access and exit will be implemented in accordance with the regulations so as to control the quality of the source. If necessary, site inspection will be conducted on the manufacturers who are admitted to the suppliers list of the Group for the first time in order to exercise stringent risks control. All suppliers are evaluated and reviewed by the Group in accordance with this evaluation method.

The Group has passed ISO 14001:2015 Environmental Management System certification and strictly abides by QC080000 electronic and electrical originals and products hazardous substances process management system. Most of the Group's products are exported to Europe and need to comply with RoHS (Restriction of Hazardous Substances) standards, REACH (Registration, Evaluation, Authorisation and Restriction of Chemicals) standards and WEEE (Waste Electrical and Electronic Equipment) Directive. Therefore, the Group strengthens the evaluation and management on the suppliers of RoHS and REACH raw materials and auxiliary materials, and specifies that raw material suppliers should be authorised agents, and the materials supplied should be produced and packaged by the original manufacturers so that they can be traced back to their origins. The suppliers with good and high reputation, and complete set of certificates for the quality management and environmental management system will be given priority in selection process to reduce environmental and social risks in the supply chain and strengthen quality assurance. In order to effectively ensure that suppliers' products meet the requirements of HSF (Hazardous substances free) and that the product quality, price, lead time, and the degree of coordination on hazardous substances reduction meet the requirements of the Group's hazardous substances process management system, the Group has formulated the Procedures for Control on Product Procurement Process (《產品採購過程控制程序》) to standardise the procurement process, reduce operational risks, and achieve standardised management of global multichannel supply in terms of procurement of raw materials, ancillary materials, suppliers, as well as logistics, trade and other service providers. For finished product suppliers, the Group prioritises suppliers that have passed the Environmental Management System (ISO 14001) and Occupational Health and Safety Management System (OHSAS18001) certification.

During the reporting period, the Group had 122 suppliers and the distribution of suppliers is as follows:

Geographical Distribution of the Group's Suppliers in 2024



§5.2 Product Quality

The Group adheres to the idea of "Quality Comes First" in all workplaces and strictly complies with the Product Quality Law of the People's Republic of China (《中華人民共和國產品質量法》). It established quality management system and electrical appliance harmful substances management system based on the Group's actual situations and in accordance with ISO 9001:2005 Quality Management System (《質量管理體系》), QC080000 (IECQ-HSPM) Process Management System for Electronic and Electrical Originals and Products Hazardous Substances (《電子與電器原件和產品有害物質過程管理體系》) and other requirements, and passed the third-party system certification. At the same time, the Group instituted an effective quality management structure according to the requirements of quality management system by setting up a centralised department at the management layer and a quality control position at the project implementation layer to fully implement product quality assurance work. With the extensive application of AI, our Group paid more attention to data quality in product quality management in recent years and established the standards on meta data collection and data quality in relevant industry.

In conjunction with the need for our products to meet not only the requirements of highly reliable management of public facilities, but also the specificities of the environment in which the equipment operates, the Group strictly implements quality control measures, including formulating the Management System for Consistency of Certified Products (《認證產品一致性管理制度》), the QES Rectification Measures Management System (《QES糾正措施管理制度》), the Management System for Unqualified Products Output (《產品不合格輸出管理制度》) and Management System for Unqualified Projects Output (《工程不合格輸出管理制度》), so as to ensure the product's specific electromagnetic environment and application scenarios. In order to clarify product and engineering eligibility criteria in the aspects of design, purchasing, producing process and delivery, and standardise treatment of potentially unqualified products and unqualified projects, the interface between market demand and R&D tasks is facilitated to ensure that customer needs are met by deploying a cross-departmental R&D management environment. At the same time, we follow the cycle of Plan (P), Do (D), Check (C) and Action (A) for quality management to carry out product work in an orderly, effective and continuous manner. In terms of software research and development, on 20 November 2024, the Group passed the CMMI, namely Capability Maturity Model Integration, International Certification, and obtained the highest level of CMMI-DEV Level 5 certificate evaluated by the Carnegie Mellon Software Engineering Institute (SEI), which is valid for 3 years.

Based on CMMI model, the Group is able to effectively handle more complicated software problems and the R&D process is fully traceable, achieving further benefit from parallel progress of software engineering, coordination of multi-disciplines and process improvement, which marks that the Group's software development, quality management and process improvement has been at the forefront of the world. Product testing is independent of product development. In the stage of product design, parallel test plans are designed, and testing can be further divided into two independent processes of testing and verification according to needs. As for key products and major projects, R&D personnel will be dispatched to provide on-site support and collect first-hand information in a timely manner so as to solve the problems swiftly. For the confidential system of the product, through the Group's participation in confidential projects, we have accumulated experience in the development of confidential systems and the selection of confidential application components. In order to meet the needs of more application scenarios, we plan to strengthen our R&D efforts in both security detection and real-time response of our products in the future, including: meeting the security protection needs of national critical infrastructure and meeting the needs of unmanned rail vehicles. Meanwhile, in September 2024, the ezISCS platform (cloud version) of Yizhong Rail Transit Integrated Monitoring System (易眾軌道交通綜合監控系統) developed by the Group has passed stringent third-party audits and professional evaluations, obtaining the Safety Integrity Level (SIL) 2 certification. This demonstrates that the quality and safety of our cloud-based Integrated Monitoring System have reached globally advanced standards.

Benefited from the comprehensive product quality management process, no product was recalled for safety and health reasons in 2024. No material non-compliance incidents occurred on health and safety matters relating to the products and services provided.

We strictly comply with national laws and regulations such as the Advertising Law of the People's Republic of China (《中華人民共和國廣告法》), the Measures on the Administration of Internet Advertising (《互聯網廣告管理方法》), and Anti-unfair Competition Law of the People's Republic of China (《中華人民共和國反不正當競爭法》), as well as the systems, handbooks and documents such as CNNC's standardised language for press and promotion and the handbook for common errors, to ensure accurate words and expressions are used. We are responsible for the veracity of the contents of the advertisements. All promotional material and source material are downloaded from authorised design platforms for production without infringing others' intellectual property rights, so as to ensure the legitimacy and compliance of advertisement placement. In 2024, the Group did not experience any non-compliance incidents that had material impact on us in the placement of promotional advertisements. There was no violation of relevant laws and regulations relating to advertisements and trademarks that have material impact on the Group.

§5.3 Customer Service

Customers are the foundation in the survival and development of companies. The customers of the Group are mainly enterprises. Therefore, the Group insists on customer-oriented approach, takes effective feedbacks from customers as driving force of our continual progress and development and adheres to improving customer satisfaction in order to establish long-term and amiable relationships with customers. The Group formulated Customer Service Management System (《客服管理制度》) and provided the product after-sales service hotline and mailbox to our customers. In integrated management department, customer service officer is on duty to answer enquiries from customers. Upon receiving customers' complaint, the integrated management department will coordinate and liaise with the manufacturing department on a timely basis, follow up the handling progress, and send a quality feedback form to the customer for his/her feedback after the completion of the handling progress in order to make sure that every complaint is handled properly. If our products are found to have quality problems, customers can fill in the quality feedback form and send it to our customer service officers by email. If it is necessary to return the product to the factory for maintenance after communication between the technical personnel and the customer, the customer will be informed by a customer service officer to deliver the defect product (including the list of defect product) to the designated service centre of the Group for maintenance service.

In 2024, the Group received one complaint on deviation from customer's requirements after the components were assembled and soldered. The Group actively cooperated with the customer and the finished product supplier to handle the complaint, and timely assisted the finished product supplier to improve its work process according to customers' comments. The Group resolved all customer complaints and customer satisfaction surveys showed 100% satisfaction. Due to the nature of our business, the Group does not directly provide products and services to individual customers, so it does not involve customer personal data or privacy protection.

§6 ANTI-CORRUPTION

An honest and upright working environment is an essential guarantee for an enterprise to achieve a long-term development. The Group is devoted to fighting against any kind of corruptions. It strictly abides by the national laws and regulations, including the Supervision Law of the People's Republic of China (《中華人民共和國監察法》), the Criminal Law of the People's Republic of China (《中華人民共和國刑法》), the Anti-Money Laundering Law of the People's Republic of China (《中華人民共和國反洗錢法》), the Rules on Supervision and Enforcement for Discipline Inspection Authority (《紀律檢查機關監督執工作規則》) and the Rules on Supervision and Enforcement for Regulation Authorities (《監察機關監督執法工作規定》). The Group always maintains a "zero tolerance" attitude towards acts of corruption. With the mind set of being responsible to customers, honest to the Company, non-corrupt, accountable, pragmatic and down to earth, the Group has continuously strengthened its organisational structure and team building, and improved its internal management system and supervision mechanism. In the Group's management system compilation and staff manual, we have clearly required all staff to act with fairness and integrity. The Group also signed an integrity agreement with each employee to enhance employees' vigilance against corruption and further standardise their conduct.

The internal control department of the Group is responsible for anti-corruption and regularly checks the internal control and management documents and systems of the Group. It pays close attention to the update of relevant national laws and regulations, and revises relevant internal control and anti-corruption management systems based on the requirements of laws and regulations. The Group brings the work of anti-corruption into all kinds of important meetings of the Group, takes it as an important matter in the training of the Group's internal control and management, and strengthens the anti-corruption promotion and education through the billboard. It requires all employees to act with fairness and honesty so as to create a cultural atmosphere of incorruptibility and integrity. In 2024, our accumulated training hours for anti-corruption was 608 hours. In terms of anti-corruption, no violation with material impact on the Group occurred, nor were there any cases of corruption or corruption-related litigation. In cooperation with our suppliers, the Group expressly prescribes the anti-corruption clauses through relevant contracts and annexes.

The Group also set up internal reporting channels, including mailbox, telephone hotline and e-mail, and provided anti-corruption channels for cooperative suppliers. Employees and suppliers can report corruption and bribery anonymously or in real name through these channels which are supervised and managed by the internal control department of the Group. If there is case of improper act reported, the Group will initiate a response process and the case will be timely reported to the responsible person of the department or the management of the Group and be strictly and thoroughly investigated. For the privacy protection of whistle-blowers, the Group completely conceals all the information of the whistle-blowers when handling the reported cases, and will not provide the reported evidence to the person being reported or any other content that may disclose the information of the whistle-blowers. During the year, the Group did not receive any report related to corruption and violation of the integrity practice policy.

§7 COMMUNITY PARTICIPATION

As a responsible enterprise citizen, the Group has been actively responding to the national call by honestly fulfilling its social responsibilities and is committed to promoting harmonious and win-win situation in communities. By fully capitalising on its own strengths and advantages, the Group practically cared for people's livelihood needs for air-conditioning and heating by adopting measures such as guaranteed heating supply time.

In order to effectively solve the problems facing by the public in their daily life, Youyi Heating, a subsidiary of the Group, visited residents in their homes to provide targeted assistance. In the process of an assistance, we thoroughly checked the operating conditions of the heating appliances in a resident's flat, focusing on the circulation of the heated household air generated from the heating appliances. After professional equipment inspection and testing, we identified uneven distribution of the geothermal pipes in his flat, along with clogged filters. In order to ensure this family to have a warm winter, we immediately cleaned the filters, and afterward, we continued to pay close attention to this family, provided necessary help and support to make them truly feel our care and warmth.

The Group always shoulders the fulfilment of social responsibility and prioritises it both in mind and actions. This assistance activity has not only effectively alleviated the pressure on the underprivileged brought about by the need for heating services and solved their clear and present difficulties in time, but also practically safeguarded their basic living standards and enhanced their sense of gain and happiness.

SEHK ESG REPORTING CODE CONTENT INDEX

Aspect	Contents	Corresponding Sections in the Report
Part B: Mandatory Disclosure Requirements		
	A Statement from the Board	A Statement from the Board
	Reporting Principles	About the Report
	Reporting Boundary	About the Report
Part C: "Comply or explain" Provisions		
A1 Emissions		
A1	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	3. Environment Protection
A1.1	The types of emissions and respective emissions data.	3.1 Emission Management
A1.2	Repealed 1 January 2025	3.1 Emission Management
A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	3.1 Emission Management
A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	3.1 Emission Management
A1.5	Description of emission target(s) set and steps taken to achieve them.	3.1 Emission Management
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.	3.1 Emission Management
A2 Use of Resources		
A2	General Disclosure Policies on the efficient use of resources, including energy, water and other raw materials.	3.2 Use of Resources
A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	3.2 Use of Resources
A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	3.2 Use of Resources
A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	3.2 Use of Resources
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.	3.2 Use of Resources
A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	3.2 Use of Resources

Aspect	Contents	Corresponding Sections in the Report
A3 The Environment and Natural Resources		
A3	General Disclosure Policies on minimising the issuer's significant impacts on the environment and natural resources.	3. Environment Protection
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	3. Environment Protection
A4 Climate Change		
A4	Repealed 1 January 2025	1. Coping with Climate Changes
A4.1	Repealed 1 January 2025	1. Coping with Climate Changes
B1 Employment		
B1	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	4.1 Equal Employment
B1.1	Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	4.1 Equal Employment
B1.2	Employee turnover rate by gender, age group and geographical region.	4.1 Equal Employment
B2 Health and Safety		
B2	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	4.3 Occupational Health and Safety
B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	4.3 Occupational Health and Safety
B2.2	Lost days due to work injury.	4.3 Occupational Health and Safety
B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	4.3 Occupational Health and Safety

Aspect	Contents	Corresponding Sections in the Report
B3 Development and Training		
B3	General Disclosure Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities. Note: Training refers to vocational training. It may include internal and external courses paid by the employer.	4.2 Staff Development and Training
B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	4.2 Staff Development and Training
B3.2	The average training hours completed per employee by gender and employee category.	4.2 Staff Development and Training
B4 Labour Standards		
B4	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	4.1 Equal Employment
B4.1	Description of measures to review employment practices to avoid child and forced labour.	4.1 Equal Employment
B4.2	Description of steps taken to eliminate such practices when discovered.	4.1 Equal Employment
B5 Supply Chain Management		
B5	General Disclosure Policies on managing environmental and social risks of the supply chain.	5.1 Supply Chain Management
B5.1	Number of suppliers by geographical region.	5.1 Supply Chain Management
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	5.1 Supply Chain Management
B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	5.1 Supply Chain Management
B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	5.1 Supply Chain Management

Aspect	Contents	Corresponding Sections in the Report
B6 Product Responsibility		
B6	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	5. Product Responsibility
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	5.2 Product Quality
B6.2	Number of products and service related complaints received and how they are dealt with.	5.3 Customer Service
B6.3	Description of practices relating to observing and protecting intellectual property rights.	2.2 Protection of Intellectual Property
B6.4	Description of quality assurance process and recall procedures.	5.2 Product Quality
B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Explained
B7 Anti-corruption		
B7	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	6. Anti-corruption
B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	6. Anti-corruption
B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	6. Anti-corruption
B7.3	Description of anti-corruption training provided to directors and staff.	6. Anti-corruption

Aspect	Contents	Corresponding Sections in the Report
B8 Community Investment		
B8	General Disclosure Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	7. Community Participation
B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	7. Community Participation
B8.2	Resources contributed (e.g. money or time) to the focus area.	7. Community Participation
Part D: Climate-related Disclosures		
D-I Governance	The governance body(ies) responsible for oversight of climate-related risks and opportunities	1. Coping with Climate Changes
D-II Strategy	Climate-related risks and opportunities	1. Coping with Climate Changes
D-III Risk Management	The processes and related policies it uses to identify, assess, prioritise and monitor climate-related risks	1. Coping with Climate Changes
D-IV Metrics and Targets	Greenhouse gas emissions	1. Coping with Climate Changes

Independent Auditor's Report

Independent auditor's report
to the shareholders of Technovator International Limited
(Incorporated in Singapore with limited liability)

OPINION

We have audited the consolidated financial statements of Technovator International Limited ("the Company") and its subsidiaries ("the Group") set out on pages 94 to 156 which comprise the consolidated statement of financial position as at 31 December 2024, the consolidated income statement, the consolidated income statement and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes, comprising material accounting policy information and other explanatory information.

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

BASIS FOR OPINION

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

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTERS *(Continued)*

Accounting for construction projects

Refer to note 3 to the consolidated financial statements and the accounting policies on page 114.

The Key Audit Matter	How the matter was addressed in our audit
The Group's revenue for the year ended 31 December 2024 from construction projects totalled RMB1,460 million, which accounted for 80% of the total revenue for the year. The construction projects of the Group are primarily energy saving projects relating to transportation, building and industrial businesses. Revenue from construction projects is recognised in proportion to the stage of completion of the project, measured by comparing the costs incurred up to the reporting date to the total forecast costs at completion of the project when the control of the goods is regarded as being transferred over time under HKFRS 15, with reference to written documentation from customers indicating their acceptance of the work performed to reporting date on projects. Based on the nature of construction activities, revenue and profit or loss recognised on a project in progress at the reporting date is highly dependent on management's estimation of the total costs required to complete the project and the percentage of work completed at the reporting date.	Our audit procedures to assess accounting for construction projects included the following: • obtaining an understanding of the entity and its environment and assessing the design, implementation and operating effectiveness of management's key internal controls in relation to accounting for construction projects; • inspecting contracts on a sample basis to obtain an understanding of the key terms and risks associated with individual projects and the accounting implications thereof; • recalculating management's calculations of the percentage of completion at the reporting date and revenue recognised for each project by comparing the key inputs in the calculations, including total project revenue, costs incurred to date and amounts invoiced to date, with project terms, invoices issued and vendor invoices, on a sample basis; • examining written documentation from customers indicating their acceptance of the work performed to reporting date on projects, with reference to related third party engineers' certification of work completed, if any, on a sample basis;

KEY AUDIT MATTERS *(Continued)*

Accounting for construction projects *(Continued)*
Refer to note 3 to the consolidated financial statements and the accounting policies on page 114.

The Key Audit Matter	How the matter was addressed in our audit
We identified accounting for construction projects as a key audit matter because a significant degree of management judgement is required to be exercised, based on the latest progress of each project, particularly in estimating the future costs to complete a project which could be subject to management bias.	• challenging management's estimations of the expected future costs required to complete individual projects by comparing costs to be incurred with signed subcontractor projects and by benchmarking with similar estimations for comparable projects, on a sample basis, and assessing if there was any indication of management bias in the estimations; • assessing the reliability of management's projects cost forecasting process and whether there is any indication of management bias by comparing the actual costs for projects completed during the current year to forecasts made at the prior year end and enquiring of management for reasons for any material differences between the estimations and the actual outcome; • identifying possible onerous projects by comparing the latest budgeted costs, taking into consideration the actual costs incurred up to 31 December 2024, with the project revenue for individual projects, on a sample basis, and assessing if any provision for foreseeable losses was required when the budgeted costs exceeded the project revenue; and • assessing the related disclosures in the consolidated financial statements with reference to the requirements of the prevailing accounting standards.

KEY AUDIT MATTERS *(Continued)*

Valuation of contract assets and trade receivables

Refer to notes 16 and 17 to the consolidated financial statements and the accounting policies on page 111.

The Key Audit Matter	How the matter was addressed in our audit
The Group's contract assets and trade receivables arise from the Group's construction projects. As at 31 December 2024, the aggregate amount of contract assets and trade receivables totalled RMB2,540 million. The Group measures loss allowances on contract assets and trade receivables at amounts equal to lifetime expected credit losses (the "ECL") using a provision matrix which involves significant management judgement in estimating loss rate and adjusting factors that are specific to the debtors and an assessment of both the current and forecast industries in which they operate at the reporting date. At 31 December 2024, the Group recognised loss allowances for contract assets and trade receivables of RMB403 million. We identified the valuation of contract assets and trade receivables as a key audit matter because of the significance of the contract assets and trade receivables balance and because the estimation of ECL is inherently subjective and involves a significant degree of management judgement.	Our audit procedures to assess the valuation of contract assets and trade receivables included the following: • obtaining an understanding of the entity and its environment and assessing the design, implementation and operating effectiveness of management's key internal controls relating to credit control and the estimation of the ECL; • obtaining an understanding on the methods, key assumptions and data of the ECL model adopted by management, including the basis of the historical loss rates, historical transition rates and recalculating the historical loss rates and historical transition rates in the ECL model; • assessing the relevance and reliability of the ageing report by comparing the details in the ageing report with relevant underlying documents, including goods delivery notes, completion reports for construction services and payment terms as set out in the contracts with customers, on a sample basis; and • assessing the related disclosures in the consolidated financial statements with reference to the requirements of the prevailing accounting standards.

KEY AUDIT MATTERS *(Continued)*

Assessment of the potential impairment of Property, plant and equipment and Intangible assets
Refer to notes 11 and 12 to the consolidated financial statements and the accounting policies on page 110.

The Key Audit Matter	How the matter was addressed in our audit
As at 31 December 2024, the carrying values of the Group's Property, Plant and Equipment ("PP&E") and intangible assets amounted to RMB61 million and RMB576 million, respectively. The Group's PP&E and intangible assets are allocated to relevant cash generating units ("CGUs") for the purpose of assessing if there is any impairment as at 31 December 2024. When it is determined that indicators of potential impairment of PP&E and intangible assets exist, management compares the carrying amount of the CGU with its recoverable amount, which is estimated by discounted cash flow forecast, to determine the amount of impairment, if any. The preparation of discounted cash flow forecasts involves the exercise of significant management judgement, particularly in estimating forecast revenue, forecast cost of sales, forecast expenses and the discount rates applied.	Our audit procedures to assess the potential impairment of PP&E and intangible assets included the following: • obtaining an understanding of the entity and its environment and assessing the design, implementation and operating effectiveness of management's key internal controls relating to impairment assessment of PP&E and intangible assets; • assessing management's identification of indicators of potential impairment of the PP&E and intangible assets; • assessing the methods adopted by management in the preparation of the discounted cash flow forecasts, and management's identification of CGUs and the allocation of assets and liabilities to each CGU with reference to our understanding of the Group's business and the requirements of the prevailing accounting standards; • challenging the key assumptions adopted in the discounted cash flow forecasts, including forecast revenue, forecast cost of sales, forecast expense by comparing these inputs with the historical results of each CGU and economic and industry forecasts; • comparing key financial data, including revenue, cost of sales and expenses, in the discounted cash flow forecasts with the budgets;

KEY AUDIT MATTERS *(Continued)*

Assessment of the potential impairment of Property, plant and equipment and Intangible assets *(Continued)*
Refer to notes 11 and 12 to the consolidated financial statements and the accounting policies on page 110.

The Key Audit Matter	How the matter was addressed in our audit
We identified assessment of the potential impairment of PP&E and intangible assets as a key audit matter because of the impairment assessments involve the exercise of significant judgement in estimating the inputs in the impairment assessment model, which can be inherently uncertain and could be subject to management bias in their selection.	• involving our internal valuation specialists on a sample basis to assess whether the discount rates applied in the discounted cash flow forecast were within the range adopted by other companies in the same industry and/or comparable to external market data; • comparing the actual results for the current year with the forecasts prepared in the prior year to assess the reliability of management's forecasting process and whether there is any indication of management bias; • performing sensitivity analyses of the key assumptions adopted by management to assess what changes thereto, either individually or collectively, would result in a different conclusion being reached and assessing whether there were any indicators of management bias in the selection of key assumptions; and • assessing the disclosures in the consolidated financial statements in respect of the impairment assessment of PP&E and intangible assets with reference to the requirements of the prevailing accounting standards.

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The directors 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 FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The directors are assisted by the Audit Committee 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. This report is made solely to you, as a body, 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.

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Ho Ying Man Simon.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

26 March 2025

Consolidated Income Statement

For the year ended 31 December 2024
(Expressed in Renminbi ("RMB"))

	Note	2024 RMB'000	2023 RMB'000
Revenue	3, 4	**1,829,233**	1,838,010
Cost of sales		**(1,684,040)**	(1,668,687)
Gross profit		**145,193**	169,323
Other revenue	5(a)	**32,405**	27,714
Other net (loss)/gain	5(b)	**(3,684)**	830
Selling and distribution costs		**(85,759)**	(63,320)
Administrative and other operating expenses		**(164,224)**	(168,183)
Impairment loss on trade and other receivables and contract assets		**(210,018)**	(57,650)
Share of profits or losses of an associate		**(153)**	64
Loss from operations		**(286,240)**	(91,222)
Finance costs	6(a)	**(10,557)**	(8,454)
Loss before taxation		**(296,797)**	(99,676)
Income tax	7(a)	**31,752**	(271)
Loss for the year		**(265,045)**	(99,947)
Loss attributable to:			
Equity shareholders of the Company		**(265,908)**	(100,964)
Non-controlling interests		**863**	1,017
Loss for the year		**(265,045)**	(99,947)
Loss per share	10		
Basic (RMB)		**(0.3400)**	(0.1291)
Diluted (RMB)		**(0.3400)**	(0.1291)

The accompanying notes form part of these financial statements.

Consolidated Income Statement and Other Comprehensive Income

For the year ended 31 December 2024
(Expressed in Renminbi ("RMB"))

	Note	2024 RMB'000	2023 RMB'000
Loss for the year		**(265,045)**	(99,947)
Other comprehensive income for the year			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of overseas subsidiaries, net of nil tax		**(522)**	829
Total comprehensive income for the year		**(265,567)**	(99,118)
Attributable to:			
Equity shareholders of the Company		**(266,430)**	(100,135)
Non-controlling interests		**863**	1,017
Total comprehensive income for the year		**(265,567)**	(99,118)

The accompanying notes form part of these financial statements.

Consolidated Statement of Financial Position

At 31 December 2024

(Expressed in Renminbi ("RMB"))

	Note	31 December 2024 RMB'000	31 December 2023 RMB'000
Non-current assets			
Property, plant and equipment	11	**60,709**	81,746
Interests in an associate		**–**	3,596
Intangible assets	12	**576,200**	584,638
Financial assets measured at amortised cost	13	**376,039**	343,796
Deferred tax assets	22	**58,496**	47,750
		1,071,444	1,061,526
Current assets			
Inventories	15	**1,363,757**	1,282,681
Contract assets	16	**987,448**	976,224
Trade and other receivables	17	**1,687,280**	1,748,170
Prepayments		**114,307**	116,407
Cash and cash equivalents	18	**344,686**	363,318
		4,497,478	4,486,800
Current liabilities			
Trade and other payables	19	**2,400,263**	2,222,978
Contract liabilities	16	**148,360**	73,582
Loans and borrowings	20	**308,982**	275,846
Lease liabilities	21	**921**	1,934
Income tax payable		**28,869**	35,312
		2,887,395	2,609,652
Net current assets		**1,610,083**	1,877,148
Total assets less current liabilities		**2,681,527**	2,938,674

	Note	31 December 2024 RMB'000	31 December 2023 RMB'000
Non-current liabilities			
Deferred tax liabilities	22	**3,383**	22,389
Deferred income	23	**6,580**	7,120
Loans and borrowings	20	**38,598**	10,000
Lease liabilities	21	**–**	632
		48,561	40,141
NET ASSETS		**2,632,966**	2,898,533
CAPITAL AND RESERVES			
Share capital	24	**1,189,968**	1,189,968
Reserves		**1,423,792**	1,690,222
Total equity attributable to equity shareholders of the Company		**2,613,760**	2,880,190
Non-controlling interests		**19,206**	18,343
TOTAL EQUITY		**2,632,966**	2,898,533

Approved and authorised for issue by the board of directors on 26 March 2025.

Zhao Xiaobo	)	
	)	*Directors*
Qin Bing	)	

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2024

(Expressed in Renminbi ("RMB"))

	Attributable to equity shareholders of the Company								
	Share capital RMB'000 Note 24 (c)	Statutory reserves RMB'000 Note 24 (d)(i)	Translation reserve RMB'000 Note 24 (d)(ii)	Other reserves RMB'000 Note 24 (d)(iii)	Special reserves RMB'000 Note 24 (d)(v)	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2023	1,189,968	191,566	44,150	(537,048)	–	2,091,689	2,980,325	17,326	2,997,651
Changes in equity for 2023:									
(Loss)/profit for the year	–	–	–	–	–	(100,964)	(100,964)	1,017	(99,947)
Other comprehensive income	–	–	829	–	–	–	829	–	829
Total comprehensive income for the year	–	–	829	–	–	(100,964)	(100,135)	1,017	(99,118)
Appropriation to reserves	–	2,716	–	–	–	(2,716)	–	–	–
Appropriation of safety production fund	–	–	–	–	486	(486)	–	–	–
Utilisation of safety production fund	–	–	–	–	(454)	454	–	–	–
Balance at 31 December 2023	1,189,968	194,282	44,979	(537,048)	32	1,987,977	2,880,190	18,343	2,898,533

	Attributable to equity shareholders of the Company								
	Share capital RMB'000 Note 24 (c)	**Statutory reserves RMB'000 Note 24 (d)(i)**	**Translation reserve RMB'000 Note 24 (d)(ii)**	**Other reserves RMB'000 Note 24 (d)(iii)**	**Special reserves RMB'000 Note 24 (d)(v)**	**Retained profits RMB'000**	**Total RMB'000**	**Non-controlling interests RMB'000**	**Total equity RMB'000**
Balance at 1 January 2024	**1,189,968**	**194,282**	**44,979**	**(537,048)**	**32**	**1,987,977**	**2,880,190**	**18,343**	**2,898,533**
Changes in equity for 2024:									
(Loss)/profit for the year	**-**	**-**	**-**	**-**	**-**	**(265,908)**	**(265,908)**	**863**	**(265,045)**
Other comprehensive income	**-**	**-**	**(522)**	**-**	**-**	**-**	**(522)**	**-**	**(522)**
Total comprehensive income for the year	**-**	**-**	**(522)**	**-**	**-**	**(265,908)**	**(266,430)**	**863**	**(265,567)**
Appropriation to reserves	**-**	**2,209**	**-**	**-**	**-**	**(2,209)**	**-**	**-**	**-**
Appropriation of safety production fund	**-**	**-**	**-**	**-**	**1,636**	**(1,636)**	**-**	**-**	**-**
Utilisation of safety production fund	**-**	**-**	**-**	**-**	**(1,668)**	**1,668**	**-**	**-**	**-**
Balance at 31 December 2024	**1,189,968**	**196,491**	**44,457**	**(537,048)**	**-**	**1,719,892**	**2,613,760**	**19,206**	**2,632,966**

The accompanying notes form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2024

(Expressed in Renminbi ("RMB"))

	Note	2024 RMB'000	2023 RMB'000
Operating activities			
Loss for the year		**(265,045)**	(99,947)
Adjustments for:			
Income tax		**(31,752)**	271
Depreciation	6(c)	**22,591**	31,220
Amortisation of intangible assets	6(c)	**100,825**	82,597
Impairment losses on trade and other receivables and contract assets		**210,018**	57,650
Impairment losses on property, plant and equipment	6(c)	**–**	24,528
Impairment losses/(reversals) on prepayments	6(c)	**1,743**	(98)
Finance costs	6(a)	**10,557**	8,454
Interest income	5(a)	**(29,488)**	(24,587)
Share of profits or losses of an associate		**153**	(64)
Net gain on disposal of an associate		**(956)**	–
Net gain on disposal of property, plant and equipment	5(b)	**(199)**	–
Net (gain)/loss on debt restructure		**103**	230
Foreign exchange (loss)/gain, net		**(1,066)**	68
Changes in working capital:			
Increase in inventories		**(81,076)**	(91,492)
Increase in trade and other receivables		**(71,781)**	(78,010)
Increase in contract assets		**(120,239)**	(158,311)
Increase in trade and other payables		**197,845**	364,928
Increase/(decrease) in contract liabilities		**74,778**	(34,298)
Decrease in deferred income		**(540)**	(126)
Cash generated from operations		**16,471**	83,013
Income tax paid		**(4,834)**	(10,914)
Net cash generated from operating activities		**11,637**	72,099

Consolidated Cash Flow Statement

For the year ended 31 December 2024
(Expressed in Renminbi ("RMB"))

	Note	2024 RMB'000	2023 RMB'000
Investing activities			
Payments for the purchase of property, plant and equipment		(2,005)	(5,411)
Expenditure on intangible assets		(91,249)	(100,424)
Interest received		29,488	24,587
Proceeds from disposal of investment in an associate		4,399	–
Net cash used in investing activities		(59,367)	(81,248)
Financing activities			
Capital element of lease rentals paid	18(b)	(2,432)	(2,420)
Interest element of lease rentals paid	18(b)	(92)	(139)
Proceeds from loans and borrowings	18(b)	345,131	264,528
Repayment of loans and borrowings	18(b)	(303,776)	(236,186)
Other borrowing costs paid	18(b)	(10,254)	(8,114)
Decrease/(increase) in restricted deposit		3,546	(1,307)
Net cash generated from financing activities		32,123	16,362
Net (decrease)/increase in cash and cash equivalents		(15,607)	7,213
Cash and cash equivalents at the beginning of the year		354,783	346,812
Effect of foreign exchange rate changes		521	758
Cash and cash equivalents at the end of the year	18	339,697	354,783

The accompanying notes form part of these financial statements.

1 GENERAL INFORMATION

Technovator International Limited (the "Company") was incorporated in Singapore on 25 May 2005 under the name of "Technovator Int Private Ltd." as an exempted company with limited liability under the Singapore Companies Act 1967. The name of the Company was changed to Technovator International Limited on 8 September 2011. The Company and its subsidiaries hereinafter are collectively referred to as the "Group". Technovator is principally engaged in integrated and comprehensive urban smart energy saving services. Its business covers three major segments including smart transportation, smart buildings and complex and smart energy, providing the customers with smart energy management products, solutions and integrated services throughout their full life cycles. The details of the subsidiaries directly or indirectly owned by the Company are set out in note 14.

The controlling shareholder of the Company is Tsinghua Tongfang Co., Ltd. ("THTF"). On 30 December 2019, State-owned Assets Supervision and Administration Commission of the State Council ("SASAC") approved Tsinghua Holding Co., Ltd. ("Tsinghua Holding"), the single largest shareholder of THTF, to transfer its directing holding shares of THTF to China National Nuclear Corporation Capital Holdings Co., Ltd. (formerly known as China Nuclear Engineering Capital Holdings Limited, "CNNC Capital"). CNNC Capital is the wholly owned subsidiary of China National Nuclear Corporation ("CNNC"). On 31 December 2019, the ultimate controlling shareholder of THTF has changed from the Ministry of Education of the People's Republic of China ("PRC") to SASAC.

2 MATERIAL ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance. These 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. Material accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain amendments to HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2(c) 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 accounting period reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2024 comprise the Company and its subsidiaries and the Group's interests in associates.

The measurement basis used in the preparation of the financial statements is the historical cost basis.

Non-current assets and disposal groups held for sale are stated at lower of carrying amount and fair value less costs to sell.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

2 MATERIAL ACCOUNTING POLICIES *(Continued)*

(b) Basis of preparation of the financial statements *(Continued)*

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

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 29.

(c) Changes in accounting policies

The HKICPA has issued the following amendments to HKFRSs that are first effective for the current accounting period of the Group:

- Amendments to HKAS 1, *Presentation of financial statements – Classification of liabilities as current or non-current* (“2020 amendments”) and amendments to HKAS 1, *Presentation of financial statements – Non-current liabilities with covenants* (“2022 amendments”)

- Amendments to HKFRS 16, *Leases – Lease liability in a sale and leaseback*

- Amendments to HKAS 7, *Statement of cash flows and HKFRS 7, Financial instruments: Disclosures – Supplier finance arrangements*

None of these developments have had a material effect on how the Group’s results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, 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. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Intra-group balances and transactions, and any unrealised income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated. 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.

For each business combination, the Group can elect to measure any non-controlling interests (“NCI”) either at fair value or at the NCI’s proportionate share of the subsidiary’s net identifiable assets. NCI are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. NCI in the results of the Group are presented on the face of the consolidated income statement and the consolidated income statement and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between NCI and the equity shareholders of the Company. Loans from holders of NCI and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with notes 2(n) and 2(o), depending on the nature of liability.

2 MATERIAL ACCOUNTING POLICIES *(Continued)*

(d) Subsidiaries and non-controlling interests *(Continued)*

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

When the Group loses control of a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in the income statement. Any interest retained in that former subsidiary is measured at fair value when control is lost.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 2(j)).

(e) Associates

An associate is an entity in which the Group or the Company has significant influence, but not control or joint control, over the financial and operating policies.

An interest in an associate is accounted for using the equity method. They are initially recognised at cost, which includes transaction costs. Subsequently, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income ("OCI") of those investees, until the date on which significant influence ceases.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method, together with any other long-term interests that in substance form part of the Group's net investment in the associate, after applying the ECL model to such other long-term interests where applicable (see note 2(j)(i)).

Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealized gains, but only to the extent there is no evidence of impairment.

In the Company's statement of financial position, an investment in an associate is stated at cost less impairment losses (see note 2(j)).

(f) Other investments in debt and equity securities

The Group's and the Company's policies for investments in securities, other than investments in subsidiaries and associates, are set out below:

Investments in securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at financial assets measured at FVPL for which transaction costs are recognised directly in the profit or loss. These investments are subsequently accounted for as follows, depending on their classification.

2 MATERIAL ACCOUNTING POLICIES *(Continued)*

(f) Other investments in debt and equity securities *(Continued)*

(i) Non-equity investments

Non-equity investments are classified into one of the following measurement categories:

– amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Expected credit losses, interest income calculated using the effective interest method (see note 2(t)(vi)), foreign exchange gains and losses are recognised in the profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

– FVOCI – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses are recognised in profit or loss and computed in the same manner as if the financial asset was measured at amortised cost. The difference between the fair value and the amortised cost is recognised in OCI. When the investment is derecognised, the amount accumulated in OCI is recycled from equity to profit or loss.

– FVPL if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

Currently, the Group does not have financial assets classified as FVPL or FVOCI.

(ii) Equity investments

An investment in equity securities is classified as FVPL, unless the investment is not held for trading purposes and on initial recognition the Group makes an irrevocable election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in OCI. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. If such election is made for a particular investment, at the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings and not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognised in profit or loss as other income (see note 2(t)(v)).

(g) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 2(j)).

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components).

2 MATERIAL ACCOUNTING POLICIES *(Continued)*

(g) Property, plant and equipment *(Continued)*

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

Depreciation is calculated to write off the cost or valuation 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, and is generally recognised in profit or loss.

The estimated useful lives for the current and comparative periods are as follows:

– Leasehold improvements	The shorter of the remaining term of the lease or 5 years
– Furniture and fittings	5 to 10 years
– Computers and office equipment	3 to 10 years
– Plant and machinery	5 to 12 years
– Motor vehicles	5 to 10 years
– Leasehold land and buildings	Remaining lease term

Depreciation methods, useful lives and residual values are reviewed annually and adjusted if appropriate.

(h) Intangible assets (other than goodwill)

Expenditure on an internal research and development projects is distinguished between the expenditures during the research phase and expenditures during the development phase. Research activities involve original and planned investigation undertaken with the prospect of gaining new scientific or technical knowledge and understanding. Development activities involve a plan or design for the production of new or substantially improved materials, devices, products or processes before the start of commercial production or use.

Expenditure on research activities is recognised in the income statement as incurred. Development expenditure is capitalised only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the resulting asset. Otherwise, it is recognised in profit or loss as incurred. Capitalised development expenditure is subsequently measured at cost less accumulated amortisation and any accumulated impairment losses.

Where the Group enters into service concession arrangements under which the Group constructs, uses and operates certain assets for the provision of public services, construction revenue and costs are recognised in profit or loss by reference to the stage of completion at the end of reporting period while the fair value of construction service is capitalised initially as service concession assets in the statement of financial position and amortised on a straight-line basis over the shorter of the assets' useful lives and the period in which the service concession assets are expected to be available for use by the Group. Service concession assets are carried on the statement of financial position at cost less accumulated amortisation and impairment losses, if any (note 2(j)).

2 MATERIAL ACCOUNTING POLICIES *(Continued)*

(h) Intangible assets (other than goodwill) *(Continued)*

Other intangible assets, including patents and trademarks, that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses (see note 2(j)).

Expenditure on internally generated goodwill and brands is recognised in profit or loss as incurred.

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives. Other than certain trade name which has indefinite useful life, if any, and is generally recognised in profit or loss.

The estimated useful lives for the current and comparative periods are as follows:

– Patents and technology know-how	5 years
– Service concession assets	20-23 years

Amortisation methods, useful lives and residual values are reviewed annually and adjusted if appropriate.

(i) Leased assets

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

(i) As a lessee

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for leases that have a short lease term of 12 months or less and leases of low-value items such as laptops and office furniture. When the Group enters into a lease in respect of a low-value item, the Group decides whether to capitalise the lease on a lease-by-lease basis. If not capitalised, the associated lease payments are recognised in the income statement 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 recognised using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability, and are charged to profit or loss as incurred.

2 MATERIAL ACCOUNTING POLICIES *(Continued)*

(i) Leased assets *(Continued)*

(i) As a lessee *(Continued)*

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 adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and 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, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see notes 2(g) and 2(j)).

Refundable rental deposits are accounted for separately from the right-of-use assets in accordance with the accounting policy applicable to investments in non-equity securities carried at amortised cost (see notes 2(f)(i), 2(t)(vi) and 2(j)(i)). Any excess of the nominal value over the initial fair value of the deposits is accounted for as additional lease payments made and is included in the cost of right-of-use assets.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it 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 lease modification, which means a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract, if such modification 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.

(ii) As a lessor

The Group determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. Otherwise, the lease is classified as an operating lease.

When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. The rental income from operating leases is recognised in accordance with note 2(t)(iv).

When the Group is an intermediate lessor, the sub-leases are classified as a finance lease or as an operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Group applies the exemption described in note 2(i)(i), then the Group classifies the sub-lease as an operating lease.

2 MATERIAL ACCOUNTING POLICIES *(Continued)*

(j) Credit losses and impairment of assets

(i) Credit losses from financial instruments and contract assets

The Group recognises a loss allowance for expected credit losses ("ECL"s) on:

– financial assets measured at amortised cost (including cash and cash equivalents, trade and other receivables, and long-term receivables); and

– contract assets (see note 2(l));

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Generally, credit losses are measured as the present value of all expected cash shortfalls between the contractual and expected amounts.

The expected cash shortfalls are discounted using the following rates if the effect is material:

– fixed-rate financial assets, trade and other receivables and contract assets: effective interest rate determined at initial recognition or an approximation thereof; and

– variable-rate financial assets: current effective interest rate.

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

ECLs are measured on either of the following bases:

– 12-month ECLs: these are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months); and

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

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-months ECLs:

– financial instruments that are determined to have low credit risk at the reporting date; and

– other financial instruments (including loan commitments issued) for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs.

2 MATERIAL ACCOUNTING POLICIES *(Continued)*

(j) Credit losses and impairment of assets *(Continued)*

(i) Credit losses from financial instruments and contract assets *(Continued)*

Significant increases in credit risk

When determining whether the credit risk of a financial instrument (including a loan commitment) has increased significantly since initial recognition and when measuring ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment, that includes forward-looking information.

ECLs are remeasured at each reporting date 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, except for investments in non-equity securities that are measured at FVOCI (recycling), for which the loss allowance is recognised in OCI and accumulated in the fair value reserve (recycling) does not reduce the carrying amount of the financial asset in the statement of financial position.

Credit-impaired financial assets

At each reporting date, 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 being more than 90 days past due;

– the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;

– it is probable that the debtor will enter bankruptcy or other financial reorganisation; 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 or contract asset is written off to the extent that there is no realistic prospect of recovery. This is generally the case when the Group otherwise 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.

2 MATERIAL ACCOUNTING POLICIES *(Continued)*

(j) Credit losses and impairment of assets *(Continued)*

(ii) Impairment of other non-current assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than property carried at revalued amounts, inventories and other contract costs, contract assets and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units ("CGU"s).

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs of disposal. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. An impairment loss is reversed only to the extent that the resulting carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognised.

(k) Inventories and other contract costs

(i) Inventories

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

Cost is calculated using the weighted average cost formula and comprises all cost of purchase 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.

2 MATERIAL ACCOUNTING POLICIES *(Continued)*

(k) Inventories and other contract costls *(Continued)*

(ii) Other contract costs

Other contract costs are either the incremental costs of obtaining a contract with a customer or the costs to fulfil a contract with a customer which are not capitalised as inventory (see note 2(k)(i)), property, plant and equipment (see note 2(g)) or intangible assets (see note 2(h)).

Incremental costs of obtaining a contract e.g. sales commission, are capitalised if the costs relate to revenue which will be recognised in a future reporting period and the costs are expected to be recovered. Other costs of obtaining a contract are expensed when incurred.

Costs to fulfil a contract are capitalised if the costs relate directly to an existing contract or to a specifically identifiable anticipated contract; generate or enhance resources that will be used to provide goods or services in the future; and are expected to be recovered. Otherwise, costs of fulfilling a contract, which are not capitalised as inventory, property, plant and equipment or intangible assets, are expensed as incurred.

Capitalised contract costs are stated at cost less accumulated amortisation and impairment losses. Amortisation of capitalised contract costs is recognised in the income statement when the revenue to which the asset relates is recognised (see note 2(t)).

(l) Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue (see note 2(t)) before being unconditionally entitled to the consideration under the terms in the contract. Contract assets are assessed for ECLs (see note 2(j)(i)) and are reclassified to receivables when the right to the consideration becomes unconditional (see note 2(m)).

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue (see note 2(t)). A contract liability is also recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such latter cases, a corresponding receivable is also recognised (see note 2(m)).

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see note 2(t)).

(m) Trade and other receivables

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

Trade receivables that do not contain a significant financing component are initially measured at their transaction price. Trade receivables that contain a significant financing component and other receivables are initially measured at fair value plus transaction costs. All receivables are subsequently stated at amortised cost (see note 2(j)(i)).

2 MATERIAL ACCOUNTING POLICIES *(Continued)*

(n) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less transaction costs. Subsequently, these borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with note 2(v).

(o) Trade and other payables

Trade and other payables are initially recognised at fair value. Subsequent to initial recognition, Trade and other payables are stated at amortised costs unless the effect of discounting would be immaterial, in which case they are stated at invoice amounts.

(p) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and other 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. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement. Cash and cash equivalents are assessed for ECL (see note 2(j)(i)).

(q) Employee benefits

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

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Obligations for contributions to defined contribution retirement plans are expensed as the related service is provided.

(ii) Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring.

2 MATERIAL ACCOUNTING POLICIES *(Continued)*

(r) Income tax

Income tax expense comprises current tax and deferred tax. It is recognised in the income statement except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI.

Current tax comprises the estimated tax payable or receivable on the taxable income or loss for the year and any adjustments to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects any uncertainty related to income taxes. It is measured using tax rates enacted or substantially enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

– temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences;

– temporary differences related to investment in subsidiaries and associates to the extent that the Group is able to control the timing of reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and

– those related to the income taxes arising from tax laws enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development.

The Group recognised deferred tax assets and deferred tax liabilities separately in relation to its lease liabilities and right-of-use assets.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Deferred tax assets and liabilities are offset only if certain criteria are met.

2 MATERIAL ACCOUNTING POLICIES *(Continued)*

(s) Provisions, contingent liabilities

Generally provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability.

A provision for onerous contracts is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract, which is determined based on the incremental costs of fulfilling the obligation under that contract and an allocation of other costs directly related to fulfilling that contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract (see note 2(j)(ii)).

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

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, a separate asset is recognised for any expected reimbursement that would be virtually certain. The amount recognised for the reimbursement is limited to the carrying amount of the provision.

(t) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods or the provision of services.

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 such as value added tax or other sales taxes.

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

(i) Sale of goods

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates and excluding value added tax or other sales taxes. Revenue is recognised when the customer takes possession of and accepts the products which is taken to be the point in time when the final testing of goods is completed at the customers' premises and there is no continuing management involvement with the goods.

2 MATERIAL ACCOUNTING POLICIES *(Continued)*

(t) Revenue and other income *(Continued)*

(ii) Service fee income

Service fee income is recognised when services are rendered to customers. For consulting service, the service fee income is recognised on a straight-line basis over the service period. For after-sales services, service fee income is deferred over the warranty period or when services are rendered to customers if the after-sales services are not covered by the warranty period.

(iii) Construction projects

The Group's construction activities under construction contracts with customers create or enhance an asset controlled by the customers.

When the outcome of a construction project can be reasonably measured, revenue from the contract is recognised over time during the construction process using the cost-to-cost method. Under the cost-to-cost method, revenue is recognised based on the proportion of the actual costs incurred relative to the estimated total costs to provide a faithful depiction of the transfer of those services, with reference to written documentation from customers indicating their acceptance of the work performed to reporting date on projects.

The likelihood of the Group earning contractual bonuses for early completion or suffering contractual penalties for late completion are taken into account in making these estimates, such that revenue is only recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The Group applies the most likely amount approach to estimate such variable consideration by considering the single most likely amount in a limited range of possible consideration amount, taking into account the Group's current progress and future performance expectations compared to the agreed completion timeline.

When the outcome of the project cannot be reasonably measured, revenue is recognised only to the extent of contract costs incurred that are expected to be recovered.

If at any time the costs to complete the project are estimated to exceed the remaining amount of the consideration under the project, then a provision is recognised in accordance with the policy set out in note 2(s).

(iv) Rental income from operating leases

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the lease.

(v) Dividends

Dividend income is recognised in profit or loss on the date on which the Group's right to receive payment is established.

2 MATERIAL ACCOUNTING POLICIES *(Continued)*

(t) Revenue and other income *(Continued)*

(vi) Interest income

Interest income from bank deposits is recognised using the effective interest method. In calculating interest income, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired). However, for financial assets that have become credit-impaired, subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

(vii) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them.

Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred.

Grants that compensate the Group for the cost of an asset are recognised as income in profit or loss on a systematic basis over the useful life of the asset.

(u) Translation of foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of group companies at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary assets and liabilities that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss.

The assets and liabilities of foreign operations are translated into Hong Kong dollars at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into Hong Kong dollars at the exchange rates at the dates of the transactions.

Foreign currency differences are recognised in OCI and accumulated in the exchange reserve, except to the extent that the translation difference is allocated to NCI.

When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the exchange reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. On disposal of a subsidiary that includes a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation that have been attributed to the NCI shall be derecognised, but shall not be reclassified to profit or loss. If the group disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to NCI. When the group disposes of only part of an associate or joint venture while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

2 MATERIAL ACCOUNTING POLICIES *(Continued)*

(v) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

(w) Related parties

(i) A person, or a close member of that person's family, is related to the Group if that person:

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

(b) has significant influence over the Group; or

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

(ii) An entity is related to the Group if any of the following conditions applies:

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

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

(c) both entities are joint ventures of the same third party.

(d) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.

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

(f) the entity is controlled or jointly-controlled by a person identified in (i).

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

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

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

2 MATERIAL ACCOUNTING POLICIES *(Continued)*

(x) Segment reporting

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

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

3 REVENUE

The Group are principally engaged in integrated and comprehensive urban smart energy saving services. Its business covers three major segments including smart transportation, smart building and complex and smart energy, providing the customers with smart energy management products, solutions and integrated services throughout their full life cycles.

(a) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by service lines is as follows:

	2024 RMB'000	2023 RMB'000
Revenue from smart transportation business	435,196	467,056
Revenue from smart building and complex business	720,259	822,510
Revenue from smart energy business	673,778	548,444
	1,829,233	1,838,010

Disaggregation of revenue from contracts with customers by the timing of revenue recognition and by geographic markets is disclosed in notes 4(a) and 4(c) respectively.

(b) Revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date

As at 31 December 2024, the aggregated nominal contract amount allocated to the remaining performance obligations under the Group's existing contracts is approximately RMB3,540,319,000 (2023: RMB3,561,744,000). This amount represents revenue expected to be recognised in the future from construction projects entered into by the customers with the Group. The Group will recognise the expected revenue in future when or as the work is completed.

The above amount also does not include any amounts of additional consideration that the Group may earn in the future by meeting the conditions set out in the Group's construction projects with the customers, unless at the reporting date it is highly probable that the Group will satisfy the conditions for earning the additional consideration.

4 SEGMENT REPORTING

The Group manages its businesses by divisions. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following three reportable segments. No operating segments have been aggregated to form the following reportable segments:

Smart transportation business ("STB"): It comprises a series of proprietary software and hardware products and systems for rail transit such as Integrated Supervision and Control System ("ISCS"), Building Automation System ("BAS") for rail transit and safety door system, providing integrated solutions with full life cycles ranging from planning, procurement, installation and commissioning to aftersales service.

Smart building and complex business ("SBB"): It provides integrated intelligence solutions and efficiency management services, namely integrated energy consumption monitoring, energy-saving consultation and reformation services and integration and product supply of intelligence system for buildings, aimed at different building and complex and rendering full life-cycle services of which reduces energy consumption and operating costs of buildings.

Smart energy business ("SEB"): It comprises a series of leading technologies such as regional energy planning, integrated utilisation of industrial waste heat recovery technology, heat pump technology, independent temperature and humidity control technology and variable air rate technology applied in the energy cascade utilisation as well as optimisation and transformation of energy system. The Group possess self-owned core leading technologies (in the field of urban heating network) such as heating network & heating source monitoring and optimal regulation, distributed variable frequency heating technology, cooling and heating network balancing technology, combined multi-heat sources heating technology.

(a) Information about reportable segments

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results attributable to each reportable segment on the following bases:

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments. However, other than reporting inter-segment sales of products, assistance provided by one segment to another, including sharing of assets and technical know-how, is not measured.

The measure used for reporting segment results is profit or loss before income tax adjusted for items not specifically attributed to individual segments, such as finance cost, depreciation and amortisation, and certain allocated head office and corporate expenses/(gains). Segment profit or loss is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

In addition to receiving segment information concerning segment results, management is provided with segment information concerning revenue (including inter-segment sales), interest income and impairment losses. Inter-segment pricing is determined on a consistent basis using market benchmarks.

Segment assets and liabilities are not regularly reported to the Group's senior executive management and therefore information of reportable segment assets and liabilities are not presented in the consolidated financial statements.

4 SEGMENT REPORTING *(Continued)*

(a) Information about reportable segments *(Continued)*

Disaggregation of revenue from contracts with customers by timing of revenue recognition, as well as information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2024 and 2023 is set out below:

	STB		SBB		SEB		Total	
	2024	2023	**2024**	2023	**2024**	2023	**2024**	2023
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Disaggregated by timing of revenue recognition								
Point in time	**16,477**	13,863	**130,207**	133,954	**78,280**	99,892	**224,964**	247,709
Over time	**418,719**	453,193	**590,052**	688,556	**595,498**	448,552	**1,604,269**	1,590,301
Revenue from external customers	**435,196**	467,056	**720,259**	822,510	**673,778**	548,444	**1,829,233**	1,838,010
Inter-segment revenue	**–**	–	**–**	–	**–**	–	**–**	–
Reportable segment revenue	**435,196**	467,056	**720,259**	822,510	**673,778**	548,444	**1,829,233**	1,838,010
Reportable segment (loss)/profit	**(106,227)**	7,382	**(118,844)**	(5,760)	**75,046**	33,506	**(150,025)**	35,128
Interest income	**897**	2,037	**375**	1,684	**28,216**	20,866	**29,488**	24,587
Impairment loss on trade and other receivables and contract assets	**(76,201)**	(17,076)	**(111,469)**	(26,587)	**(22,348)**	(13,987)	**(210,018)**	(57,650)
Impairment loss on property, plant and equipment	**–**	–	**–**	–	**–**	(24,528)	**–**	(24,528)
Impairment reversals/(loss) on prepayments	**(344)**	899	**(569)**	1,583	**(830)**	(2,384)	**(1,743)**	98

(b) Reconciliations of reportable segment profit or loss

	2024	2023
	RMB'000	RMB'000
Profit		
Reportable segment (loss)/profit	**(150,025)**	35,128
Depreciation and amortisation	**(123,416)**	(113,817)
Finance costs	**(10,557)**	(8,454)
Unallocated head office and corporate expenses	**(12,799)**	(12,533)
Consolidated loss before taxation	**(296,797)**	(99,676)

(c) Geographic information

For the year ended 31 December 2024, as the Group does not have material operations outside the PRC, no geographic segment information is presented.

5 OTHER REVENUE AND OTHER NET (LOSS)/GAIN

(a) Other revenue

	2024 RMB'000	2023 RMB'000
Government grants	1,719	2,931
Interest income	29,488	24,587
Others	1,198	196
	32,405	27,714

(b) Other net (loss)/gain

	2024 RMB'000	2023 RMB'000
Net foreign exchange gain	1,126	702
Net loss on disposal of property, plant and equipment	199	–
Tax and overdue fine	(4,500)	–
Others	(509)	128
	(3,684)	830

6 LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

(a) Finance costs

	2024 RMB'000	2023 RMB'000
Interest on loans and borrowings	10,465	8,315
Interest on lease liabilities (Note 18(b))	92	139
	10,557	8,454

(b) Staff costs

	2024 RMB'000	2023 RMB'000
Salaries and other benefits	147,075	181,482
Contributions to defined contribution retirement schemes	21,422	25,140
	168,497	206,622

6 LOSS BEFORE TAXATION *(Continued)*

(b) Staff costs *(Continued)*

Staff costs include directors' and senior management's remuneration (notes 8 and 27(d)).

Pursuant to the relevant labour rules and regulations in the PRC, the Group's PRC subsidiaries participate in a defined contribution retirement scheme (the "Scheme") organised by the local authorities whereby the subsidiaries are required to make contributions to the Scheme at 16% of the eligible employees' salaries from 1 May 2019. Contributions to the Scheme vest immediately.

For the Group's subsidiaries in countries other than the PRC, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Save for the above, the Group has no other material obligation for payment of retirement benefits beyond the contributions described above.

(c) Other items

	2024 RMB'000	2023 RMB'000
Cost of inventories (Note 15(b))	**1,535,213**	1,488,376
Research and development expenses	**22,131**	18,394
Amortisation of intangible assets (Note 12)	**100,825**	82,597
Depreciation (Note 11)		
– owned property, plant and equipment	**20,048**	28,993
– right-of-use assets	**2,543**	2,227
Impairment losses/(reversals)		
– property, plant and equipment	**–**	24,528
– prepayment	**1,743**	(98)
Auditors' remuneration		
– audit services	**3,730**	3,700
– non-audit services	**126**	126

7 INCOME TAX

(a) Income tax in the consolidated income statement represents:

	2024 RMB'000	2023 RMB'000
Current tax		
Provision for the year	**2,534**	11,899
(Over)/under-provision in respect of prior years	**(4,534)**	127
	(2,000)	12,026
Deferred tax		
Origination and reversal of temporary differences (Note 22(a))	**(29,752)**	(11,755)
	(31,752)	271

(b) Reconciliation between income tax expense and (loss)/profit before taxation at applicable tax rates:

	Notes	2024 RMB'000	2023 RMB'000
Loss before taxation		**(296,797)**	(99,676)
Expected tax calculated at the respective tax rates	(i)/(ii)	**(73,481)**	(23,931)
Tax effect on non-deductible expenses		**3,312**	13,500
Effect of tax concession	(iii)	**(5,640)**	(1,309)
Tax effect of unused tax losses and temporary differences		**48,591**	11,884
(Over)/under-provision in respect of prior years		**(4,534)**	127
Actual income tax expense		**(31,752)**	271

Notes:

(i) The Company is subject to Singapore corporate income tax at 17% for the years ended 31 December 2024 and 2023. No provision for Singapore income tax was made because the Company sustained tax losses for the years ended 31 December 2024 and 2023.

(ii) The subsidiaries of the Group established in the PRC are subject to PRC corporate income tax ("CIT") rate of 25% for the years ended 31 December 2024 and 2023.

The subsidiary of the Group established in the Cayman Islands is not subject to any income tax pursuant to the rules and regulations of the Cayman Islands.

The subsidiary of the Group established in Hong Kong is subject to Hong Kong profits tax rate of 16.5% for the years ended 31 December 2024 and 2023.

(iii) Tongfang Technovator Int (Beijing) Co., Ltd. ("Technovator Beijing") is recognised as a high and new technology enterprise and is eligible to enjoy a preferential tax rate of 15% until December 2026.

Tongfang Energy Saving Engineering Technology Co., Ltd. ("Tongfang Energy Saving") is recognised as a high and new technology enterprise and is eligible to enjoy a preferential tax rate of 15% until December 2025.

Tongfang Technovator Software (Beijing) Co., Ltd. ("Tongfang Software") is recognised as a high and new technology enterprise and is eligible to enjoy a preferential tax rate of 15% until December 2024.

8 DIRECTORS' REMUNERATION

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

	Year ended 31 December 2023					
	Directors' fees RMB'000	Salaries, allowances and benefits in-kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Sub-total RMB'000	Total RMB'000
Executive directors						
Zhao Xiaobo	–	602	613	–	1,215	1,215
Qin Xuzhong	–	–	–	–	–	–
Non-executive directors						
Zeng Xuejie	–	–	–	–	–	–
Liang Wuquan	–	–	–	–	–	–
Zhang Jian	–	–	–	–	–	–
Independent non-executive directors						
Fan Ren Da Anthony	326	–	–	–	326	326
Chia Yew Boon	326	–	–	–	326	326
Chen Hua (resigned on 29 May 2023)	106	–	–	–	106	106
Lu Yao (appointed on 29 May 2023)	151	–	–	–	151	151
	909	602	613	–	2,124	2,124

8 DIRECTORS' REMUNERATION *(Continued)*

	Year ended 31 December 2024					
	Directors' fees RMB'000	Salaries, allowances and benefits in-kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Sub-total RMB'000	Total RMB'000
Executive directors						
Zhao Xiaobo	–	592	287	–	879	879
Qin Xuzhong (resigned on 1 February 2024)	–	–	–	–	–	–
Wang Zhiqiang (appointed on 1 February 2024; resigned on 24 December 2024)	–	–	–	–	–	–
Qin Bing (appointed on 24 December 2024)	–	–	–	–	–	–
Non-executive directors						
Zeng Xuejie	–	–	–	–	–	–
Liang Wuquan (resigned on 1 February 2024)	–	–	–	–	–	–
Zhang Jian (resigned on 1 February 2024)	–	–	–	–	–	–
Zhang Yanhua (appointed on 1 February 2024)	–	–	–	–	–	–
Qin XuZhong (appointed on 1 February 2024; resigned on 26 August 2024)	–	–	–	–	–	–
Li Chengfu (appointed on 26 August 2024)	–	–	–	–	–	–
Independent non-executive directors						
Fan Ren Da Anthony	333	–	–	–	333	333
Chia Yew Boon	333	–	–	–	333	333
Lu Yao	259	–	–	–	259	259
	925	592	287	–	1,804	1,804

During the years ended 31 December 2024 and 2023, there were no amounts paid or payable by the Group to the directors, supervisors or any of the five highest paid individuals set out in Note 9 below as an inducement to join or upon joining the Group or as compensation for loss of office.

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, one (2023: one) is a director whose emoluments are disclosed in note 8. The aggregate of the emoluments in respect of the other individuals are as follows:

	2024 RMB'000	2023 RMB'000
Salaries and other benefits	2,431	2,404
Discretionary bonuses	1,750	1,640
	4,182	4,044

The emoluments of the four (2023: four) individuals with the highest emoluments are within the following bands:

	2024 Number of Individuals	2023 Number of Individuals
HK$500,001 – HK$1,000,000	1	1
HK$1,000,001 – HK$1,500,000	3	2
HK$1,500,001 – HK$2,000,000	–	1

10 LOSS PER SHARE

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

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to ordinary equity shareholders of the Company of RMB265,908,000 (2023: loss of RMB100,964,000) and the weighted average number of ordinary shares of 782,192,189 (2023: 782,192,189) in issue during the year, calculated as follows:

Weighted average number of ordinary shares:

	2024 Number of shares	2023 Number of shares
Issued ordinary shares at 1 January	782,192,189	782,192,189
Effect of purchase of own shares	–	–
Weighted average number of ordinary shares at 31 December	782,192,189	782,192,189

(b) Diluted loss per share

There were no dilutive potential shares outstanding during the years ended 31 December 2024 and 2023.

11 PROPERTY, PLANT AND EQUIPMENT

(a) Reconciliation of carrying amount

	Leasehold improvements RMB'000	Furniture and fittings RMB'000	Computers and office equipment RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Leasehold land and buildings RMB'000	Construction in progress ("CIP") RMB'000	Total RMB'000
Cost:								
At 1 January 2023	20,788	3,201	9,942	417,189	6,328	8,716	18,768	484,932
Additions	17	188	311	39	–	2,998	5,127	8,680
Transfer in/(out)	–	–	–	14,747	–	–	(14,747)	–
Disposals	(1,303)	–	(8)	(70,909)	(329)	(3,922)	–	(76,471)
Exchange adjustments	11	11	9	–	3	24	–	58
At 31 December 2023 and 1 January 2024	19,513	3,400	10,254	361,066	6,002	7,816	9,148	417,199
Additions	–	437	447	1,121	–	793	–	2,798
Disposals	(17)	–	(295)	(27,205)	(186)	(871)	–	(28,574)
Exchange adjustments	–	10	9	–	2	22	–	43
At 31 December 2024	19,496	3,847	10,415	334,982	5,818	7,760	9,148	391,466
Accumulated depreciation and impairment:								
At 1 January 2023	9,677	1,744	7,790	326,327	5,290	4,740	–	355,568
Charge for the year	533	227	739	27,337	157	2,227	–	31,220
Impairment loss	–	–	–	15,526	–	–	9,002	24,528
Written back on disposals	(1,303)	–	(8)	(70,362)	(301)	(3,922)	–	(75,896)
Exchange adjustments	11	10	8	–	1	3	–	33
At 31 December 2023	8,918	1,981	8,529	298,828	5,147	3,048	9,002	335,453
At 1 January 2024	8,918	1,981	8,529	298,828	5,147	3,048	9,002	335,453
Charge for the year	654	517	488	18,258	131	2,543	–	22,591
Written back on disposals	–	–	(278)	(26,050)	(115)	(871)	–	(27,314)
Exchange adjustments	–	9	8	–	1	9	–	27
At 31 December 2024	9,572	2,507	8,747	291,036	5,164	4,729	9,002	330,757
Net book value:								
At 31 December 2023	10,595	1,419	1,725	62,238	855	4,768	146	81,746
At 31 December 2024	9,924	1,340	1,668	43,946	654	3,031	146	60,709

For the year ended 31 December 2023, impairment loss amounting to RMB24,528,000 was recognised in SEB segment relate to certain Energy Management Contract projects. The primary factors resulting in the impairment losses were due to the termination of the project, and evidence that indicate the carrying amounts was lower than their recoverable amounts. The impairment loss has been included in "Administrative and other operating expenses" in the consolidated income statement. During the year 2024, due to one of Energy Management Contract projects was transferred, so the relevant impairment provision of RMB7,363,000 was written back.

11 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

(b) Right-of-use assets

The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

	31 December 2024 RMB'000	31 December 2023 RMB'000
Leasehold land and buildings, carried at depreciated cost	**3,031**	4,768

The analysis of expense items in relation to leases recognised in the income statement is as follows:

	2024 RMB'000	2023 RMB'000
Depreciation charge of right-of-use assets by class of underlying asset:		
– Leasehold land and buildings	**2,543**	2,227
Interest on lease liabilities (Note 6(a))	**92**	139
Expense relating to short-term leases	**7,572**	7,882

During the year, additions to right-of-use assets were RMB793,000, which is comprised of leasehold buildings.

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in notes 18(c) and 21, respectively.

12 INTANGIBLE ASSETS

	Trade name RMB'000	Patents and technology know-how RMB'000	Service concession assets RMB'000	Total RMB'000
Cost:				
At 1 January 2023	4	608,906	203,506	812,416
Additions	–	98,125	10,503	108,628
Disposals	–	(17,875)	–	(17,875)
At 31 December 2023	4	689,156	214,009	903,169
At 1 January 2024	4	689,156	214,009	903,169
Additions	–	92,350	37	92,387
Disposals	–	(2,202)	–	(2,202)
At 31 December 2024	4	779,304	214,046	993,354
Accumulated amortisation:				
At 1 January 2023	–	224,384	29,425	253,809
Charge for the year	–	76,362	6,235	82,597
Written back on disposals	–	(17,875)	–	(17,875)
At 31 December 2023	–	282,871	35,660	318,531
At 1 January 2024	–	282,871	35,660	318,531
Charge for the year	–	91,592	9,233	100,825
Written back on disposals	–	(2,202)	–	(2,202)
At 31 December 2024	–	372,261	44,893	417,154
Net book value:				
At 31 December 2023	4	406,285	178,349	584,638
At 31 December 2024	4	407,043	169,153	576,200

The amortisation charge for the year is included in "Cost of sales" and "Administrative and other operating expenses" in the consolidated income statement.

12 INTANGIBLE ASSETS *(Continued)*

The Group has entered into a service concession arrangement with certain government authorities in the PRC on a Build-operate-transfer ("BOT") basis in respect of its heating or power supplying service. Pursuant to the service concession arrangement contracts, the Group (i) is responsible for the construction of the underlying assets, and the acquisition of the related facilities and equipment; (ii) has the contractual obligations to maintain the infrastructure at a specified level of serviceability and also maintain the infrastructure to an acceptable level of working conditions before handing over the infrastructure to the grantors; and (iii) is entitled to operate the underlying assets upon completion for a specified concession period for 20 to 30 years by charging user or grantors of the public service. The Group will not hold any residual interest in the underlying assets upon expiration of the concession period. As such, the service concession arrangement contracts are accounted for as service concession arrangements and an intangible asset was recognised at an amount equal to the fair value of the consideration for provision of construction service upon initial recognition.

13 FINANCIAL ASSETS MEASURED AT AMORTISED COST

	2024 **RMB'000**	2023 RMB'000
Long-term receivables	**616,902**	580,635
Less: current portion of long-term receivables	**(240,863)**	(236,839)
	376,039	343,796

As at 31 December 2024, certain items of financial assets measured at amortised cost with net carrying amount of RMB37,412 (2023: Nil) were pledged to secure interest-bearing. Other borrowings granted to the Group as disclosed in Note 20.

The remaining balance of long-term receivables mainly represent trade receivables of certain construction projects which are repayable by instalments over a 2 to 13 years period.

14 INVESTMENTS IN SUBSIDIARIES

The following list contains the particulars of the Company's principal subsidiaries at 31 December 2024.

Name of company	Place and date of incorporation/ establishment	Principal country of operation	Particulars of issued and fully paid up share/registered capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
Technovator Beijing	Beijing, PRC 7 August 2006	PRC	USD83,000,000	100%	100%	–	Design, manufacturing and marketing of building automation solutions
Tongfang Energy Saving	Beijing, PRC 21 June 2002	PRC	RMB231,812,167	100%	–	100%	Energy management services, marketing of heating power equipment
Tongfang Software	Beijing, PRC 22 November 2013	PRC	RMB10,000,000	100%	–	100%	Software development, technology development, marketing, service and consulting

All the above subsidiaries were established as limited liability companies in the PRC.

15 INVENTORIES

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

	31 December 2024 RMB'000	31 December 2023 RMB'000
Raw materials	**234,176**	401,357
Work in progress	**13,492**	10,920
Finished goods	**1,116,089**	870,404
	1,363,757	1,282,681

(b) The analysis of the amount of inventories recognised as an expense and included in the consolidated income statement is as follows:

	2024 RMB'000	2023 RMB'000
Carrying amount of inventories sold	**1,535,213**	1,488,376

16 CONTRACT ASSETS AND CONTRACT LIABILITIES

(a) Contract assets

	31 December 2024 RMB'000	31 December 2023 RMB'000
Contract assets		
Arising from performance under construction projects	**987,448**	976,224
Receivables from contracts with customers within the scope of HKFRS 15, which are included in "Trade and other receivables" (Note 17)	**1,617,432**	1,669,643

Typical payment terms which impact on the amount of contract assets recognised are as follows:

– Construction projects

The Group's construction projects include payment schedules which require stage payments over the construction period once milestones are reached. These payment schedules prevent the build-up of significant contract assets.

(b) Contract liabilities

	31 December 2024 RMB'000	31 December 2023 RMB'000
Contract liabilities		
Construction projects		
Billings in advance of performance	**148,360**	73,582

16 CONTRACT ASSETS AND CONTRACT LIABILITIES *(Continued)*

(b) Contract liabilities *(Continued)*

Typical payment terms which impact on the amount of contract liabilities recognised are as follows:

– Construction projects

When the Group receives a deposit before the production activity commences this will give rise to contract liabilities at the start of a contract, until the revenue recognised on the project exceeds the amount of the deposit. The amount of deposit, if any, was negotiated on a case by case basis with customers.

Movements in contract liabilities

	2024 RMB'000	2023 RMB'000
Balance at 1 January	**73,582**	107,880
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the period	**(38,375)**	(66,365)
Increase in contract liabilities as a result of billing in advance of construction activities	**113,153**	32,067
Balance at 31 December	**148,360**	73,582

The amount of contract liabilities expected to be recognised as income after more than one year is RMB64,091,000 (2023: RMB31,299,000).

17 TRADE AND OTHER RECEIVABLES

	2024 RMB'000	2023 RMB'000
Trade debtors due from related parties	161,821	273,971
Other trade debtors	1,651,168	1,547,848
Bills receivable	64,917	30,061
Less: Allowance for doubtful debts	(260,474)	(182,237)
	1,617,432	1,669,643
Other receivables		
– amounts due from related parties	2,054	1,697
– amounts due from third parties	103,241	89,656
Less: Allowance for doubtful debts	(35,447)	(12,826)
	1,687,280	1,748,170

All of the trade and other receivables are expected to be recovered or recognised as expense within one year.

Ageing analysis

Included in trade and other receivables are trade debtors and bills receivable (net of allowance for doubtful debts) with the following ageing analysis as of the end of the reporting period:

	2024 RMB'000	2023 RMB'000
Current	1,548,031	1,618,425
Less than 1 month past due	2,127	5,368
More than 1 month but less than 3 months past due	1,179	6,131
More than 3 months but less than 12 months past due	44,960	25,729
More than 12 months past due	21,135	13,990
	69,401	51,218
	1,617,432	1,669,643

Trade debtors and bills receivable are due within 1–180 days from the date of billing. Further details of the Group's credit policy are set out in note 25(a).

18 CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents comprise:

	2024 RMB'000	2023 RMB'000
Deposit with banks and other financial institutions	4,989	8,535
Cash at bank and in hand	339,697	354,783
Cash and cash equivalents in the consolidated statement of financial position	344,686	363,318
Restricted deposit	(4,989)	(8,535)
Cash and cash equivalents in the consolidated cash flow statement	339,697	354,783

(b) Reconciliation of liabilities arising from financing activities

	Loans and borrowings RMB'000 (Note 20)	Lease liabilities RMB'000 (Note 21)	Total RMB'000
At 1 January 2023	190,424	1,772	192,196
Changes from financing cash flows:			
Proceeds from loans and borrowings	264,528	–	264,528
Repayment of loans and borrowings	(236,186)	–	(236,186)
Capital element of lease rentals paid	–	(2,420)	(2,420)
Interest element of lease rentals paid	–	(139)	(139)
Other borrowing costs paid	(8,114)	–	(8,114)
Total changes from financing cash flows	20,228	(2,559)	17,669
Exchange adjustments	–	30	30
Other changes:			
Increase in lease liabilities from entering into new leases during the year	–	3,184	3,184
Bank loans arising from supplier finance arrangement (Note 20(d))	72,379	–	72,379
Interest expenses	8,315	139	8,454
Others	(5,500)	–	(5,500)
Total other changes	75,194	3,323	78,517
At 31 December 2023	285,846	2,566	288,412

18 CASH AND CASH EQUIVALENTS *(Continued)*

(b) Reconciliation of liabilities arising from financing activities *(Continued)*

	Loans and borrowings RMB'000 (Note 20)	Lease liabilities RMB'000 (Note 21)	Total RMB'000
At 1 January 2024	285,846	2,566	288,412
Changes from financing cash flows:			
Proceeds from loans and borrowings	345,131	–	345,131
Repayment of loans and borrowings	(303,776)	–	(303,776)
Capital element of lease rentals paid	–	(2,432)	(2,432)
Interest element of lease rentals paid	–	(92)	(92)
Other borrowing costs paid	(10,254)	–	(10,254)
Total changes from financing cash flows	31,101	(2,524)	28,577
Exchange adjustments	–	(6)	(6)
Other changes:			
Increase in lease liabilities from entering into new leases during the year	–	793	793
Bank loans arising from supplier finance arrangement (Note 20(d))	20,168	–	20,168
Interest expenses	10,465	92	10,557
Total other changes	30,633	885	31,518
At 31 December 2024	347,580	921	348,501

(c) Total cash outflow for leases

Amounts included in the cash flow statement for leases comprise the following:

	2024 RMB'000	2023 RMB'000
Within operating cash flows	7,572	7,882
Within financing cash flows	2,432	2,420
	10,004	10,302

These amounts relate to the following:

	2024 RMB'000	2023 RMB'000
Leasehold land and buildings	10,004	10,302

19 TRADE AND OTHER PAYABLES

	2024 RMB'000	2023 RMB'000
Trade and bills payables due to related parties	86,816	100,601
Other trade and bills payables	2,089,130	1,942,390
	2,175,946	2,042,991
Other payables and accruals		
– amounts due to related parties	26,262	21,383
– amounts due to third parties	198,055	158,604
Financial liabilities measured at amortised cost	2,400,263	2,222,978

All of the above balances are expected to be settled within one year or are repayable on demand. Included in trade and other payables are trade and bills payables with the following ageing analysis as of the end of reporting period:

	2024 RMB'000	2023 RMB'000
By date of invoice:		
Within 3 months	1,268,761	1,393,654
More than 3 months but within 6 months	220,719	79,559
More than 6 months but within 12 months	132,774	83,810
More than 12 months	553,692	485,968
	2,175,946	2,042,991

20 LOANS AND BORROWINGS

(a) The analysis of carrying amount of loans and borrowings is as follows:

	2024 RMB'000	2023 RMB'000
Bank loans		
– unsecured and unguaranteed	**302,068**	276,846
– guaranteed	**8,100**	9,000
	310,168	285,846
Other borrowings		
– secured	**37,412**	–
	347,580	285,846

(b) At the end of reporting period, loans and borrowings were repayable as follows:

	2024 RMB'000	2023 RMB'000
Within 1 year or on demand	**308,982**	275,846
After 1 year but within 3 years	**38,598**	10,000

(c) The amounts of banking facilities and the utilisation at the end of reporting period are set out as follows:

	2024 RMB'000	2023 RMB'000
Unsecured banking facilities	**700,000**	1,010,000

At 31 December 2024, the facilities were utilised to the extent of RMB348,197,000 (2023: RMB285,846,000).

At 31 December 2024, the other borrowings of the group were secured by financial assets measured at amortised cost with an aggregate carrying value of RMB37,412,000 (2023: Nil).

At 31 December 2024, none of the Group's banking facilities are subject to the fulfilment of covenants.

(d) Bank loans arising from supplier finance arrangements:
As included in unsecured and unguaranteed bank loans, RMB49,729,000 mainly represents supplier finance arrangements.

The Group has entered into certain reverse factoring arrangements with banks, under which the Group obtained extended credit in respect of the invoice amounts owed to certain suppliers.

In the consolidated statement of financial position, the Group has presented the payables to the banks under these arrangements as "Loans and borrowings", in view of the nature and function of such liabilities when compared with the group's trade payables to suppliers. As at 31 December 2024, the carrying amount of financial liabilities under these arrangements amounted to RMB49,729,000 (31 December 2023 RMB72,379,000), RMB49,729,000 of which suppliers have received payments from the banks.

21 LEASE LIABILITIES

At 31 December 2024, the lease liabilities were repayable as follows:

	2024 RMB'000	2023 RMB'000
Within 1 year	921	1,934
After 1 year but within 2 years	–	632
	921	2,566

22 INCOME TAX IN THE STATEMENT OF FINANCIAL POSITION

(a) Deferred tax assets and liabilities recognised

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

	Credit loss allowance and impairment loss RMB'000	Receipts by instalment RMB'000	Right-of-use assets RMB'000	Lease liabilities RMB'000	Total RMB'000
At 1 January 2023	(39,289)	25,683	315	(315)	(13,606)
(Credited)/charged to the consolidated income statement (Note 7(a))	(8,461)	(3,294)	256	(256)	(11,755)
At 31 December 2023	(47,750)	22,389	571	(571)	(25,361)
At 1 January 2024	(47,750)	22,389	571	(571)	(25,361)
(Credited)/charged to the consolidated income statement (Note 7(a))	(31,104)	1,352	(404)	404	(29,752)
At 31 December 2024	(78,854)	23,741	167	(167)	(55,113)
Offset amount	20,358	–20,358	(167)	167	–
	(58,496)	3,383	–	–	(55,113)

	2024 RMB'000	2023 RMB'000
Represented by:		
Deferred tax assets	(58,496)	(47,750)
Deferred tax liabilities	3,383	22,389
	(55,113)	(25,361)

22 INCOME TAX IN THE STATEMENT OF FINANCIAL POSITION *(Continued)*

(b) Deferred tax assets not recognised

At 31 December 2024, in accordance with the accounting policy set out in note 2(r), the Company did not recognise deferred tax assets in respect of unused tax losses of RMB244,309,000 (2023: RMB231,647,000) and the Group did not recognise deferred tax assets in respect of unused tax losses of RMB569,516,000 (2023: RMB357,206,000), as it is not probable that future taxable profits against which the losses can be utilised will be available to the relevant tax entities. The tax losses of the Company do not expire under tax legislation. The remaining unrecognised tax losses of RMB321,423,000 will not expire until after 2025.

(c) Deferred tax liabilities not recognised

At 31 December 2024, no deferred tax liability was recognised on the taxable temporary differences in respect of the tax that would be payable on the distribution of the undistributed profits of certain subsidiaries of the Company amounting RMB1,432,549,000 (2023: RMB1,682,969,000), as the Group controls the dividend policy of these subsidiaries and it has been determined that it is probable that such profits will not be distributed in the foreseeable future.

According to the CIT Law and its implementation rules, non-PRC-resident enterprises are levied withholding tax at 10%, subject to any double tax treaty relief, on dividends from their PRC-resident investees for earnings accumulated beginning on 1 January 2008. According to the double tax treaty between the PRC and Singapore, the dividend withholding tax rate could be reduced to 5% provided that a Singapore parent company is the “beneficial owner” and holds directly at least 25% of the equity interest of a PRC company. Distributions of earnings generated prior to 1 January 2008 are exempt from such withholding tax.

23 DEFERRED INCOME

Deferred income of the Group mainly represents subsidies relating to the construction of property, plant and equipment, which would be recognised in other revenue on a straight-line basis over the expected useful life of the relevant assets.

24 CAPITAL, RESERVES AND DIVIDENDS

(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:

	Share capital RMB'000 Note 24(c)	Translation reserve RMB'000 Note 24(d)(ii)	Retained profits RMB'000	Total equity RMB'000
At 1 January 2023	1,189,968	179,516	384,094	1,753,578
Loss for the year	–	–	(12,533)	(12,533)
Other comprehensive income	–	29,688	–	29,688
At 31 December 2023	1,189,968	209,204	371,561	1,770,733

	Share capital RMB'000 Note 24(c)	**Translation reserve RMB'000 Note 24(d)(ii)**	**Retained profits RMB'000**	**Total equity RMB'000**
At 1 January 2024	**1,189,968**	**209,204**	**371,561**	**1,770,733**
Loss for the year	**–**	**–**	**(12,799)**	**(12,799)**
Other comprehensive income	**–**	**26,331**	**–**	**26,331**
At 31 December 2024	**1,189,968**	**235,535**	**358,762**	**1,784,265**

(b) Dividends

There were no dividends payable to equity shareholders attributable to the previous financial year, and no dividends were approved and paid during 2024 and 2023.

(c) Share capital

	2024		2023	
	Number of shares	**Amounts RMB'000**	Number of shares	Amounts RMB'000
Ordinary shares issued and fully paid:				
At 1 January	**782,192,189**	**1,189,968**	782,192,189	1,189,968
Shares repurchased and cancelled	**–**	**–**	–	–
At 31 December	**782,192,189**	**1,189,968**	782,192,189	1,189,968

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.

(i) There were no shares issued by the Company during 2024 and 2023.

24 CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(d) Nature and purpose of reserves

(i) Statutory reserves

Transfers from retained profits to statutory reserves are made in accordance with the relevant PRC rules and regulations and the articles of association of the Company's PRC subsidiaries and were approved by the respective board of directors.

The subsidiaries in the PRC are required to appropriate 10% of its after-tax profit, as determined in accordance with the PRC accounting rules and regulations, to the general reserve fund until the statutory reserve balance reaches 50% of the registered capital. The transfer to this reserve must be made before distribution of a dividend to equity owners.

The statutory reserve can be utilised to offset prior year's losses or converted into capital of the subsidiary.

(ii) Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 2(u).

(iii) Other reserves

Other reserves are resulted from transactions with equity holders in their capacity as equity holders. The balance comprises capital reserve movements arising from difference between fair value of consideration paid and the net assets acquired in a business combination under common control or the amount by which the non-controlling interests are adjusted to reflect the changes in its interests in the subsidiary.

(iv) Distributable reserves

At 31 December 2024, the aggregate amount of reserves available for distribution to equity shareholders of the Company was RMB358,762,000 (2023: RMB371,561,000).

(v) Special reserves

According to relevant PRC rules and regulations, the Group is required to transfer an amount to specific reserve for the safety production fund based on the contract amount. The amount of safety production fund utilised would be transferred from the specific reserve back to retained profits.

25 FINANCIAL RISK MANAGEMENT AND FAIR VALUES

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group's exposure 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 and other receivables and contract assets. Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. The Group's exposure to credit risk arising from cash and cash equivalents and bills receivables is limited because the counterparties are banks and financial institutions with high credit standing, for which the Group considers having low credit risk.

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

In respect of trade receivables, other receivables and contract assets, individual credit evaluations are performed on all customers and debtors requiring credit over a certain amount. These evaluations focus on the customer's and debtor's past history of making payments when due and current ability to pay, and take into account information specific to the customer and debtor as well as pertaining to the economic environment in which the customer and debtor operates. The Group requires certain customers to pay deposits upfront and the remaining trade receivables are due within 1-180 days from the date of billing. Normally, the Group does not obtain collateral from customers.

The Group has no significant concentration of credit risk in industries or countries in which the customers operate. Significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At 31 December 2024, 3.9% (2023: 4.6%) and 7.9% (2023: 11%) of the total trade and other receivables and contract assets was due from the Group's largest customer and the five largest customers respectively.

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

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables and contract assets:

(i) Analysis of contract assets for which credit loss allowance is provided on an individual basis:

	2024		
	Expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
Contract assets with individual provision for bad debts	**100.00%**	**94,153**	**(94,153)**

Description of contract assets for which credit loss allowance is provided on an individual basis. The Group considered the reasonable and evidenced information (including forward-looking information) available in relation to the counterparty, assessed the expected credit losses and accrued loss allowance.

25 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)*

(a) Credit risk *(Continued)*

(ii) Analysis of accounts receivable and contract assets for which credit loss allowance is provided on a portfolio basis:

Provision on portfolio basis:

	2024		
	Expected loss rate %	**Gross carrying amount RMB'000**	**Loss allowance RMB'000**
Current (not past due)	**3.26%**	**2,620,943**	**(85,464)**
Less than 1 year past due	**51.71%**	**99,952**	**(51,686)**
More than 1 year but less than 2 years past due	**69.11%**	**40,318**	**(27,863)**
More than 2 years but less than 3 years past due	**74.89%**	**27,878**	**(20,877)**
More than 3 years past due	**98.65%**	**124,595**	**(122,916)**
		2,913,686	**(308,806)**

	2023		
	Expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
Current (not past due)	1.89%	2,614,101	(49,514)
Less than 1 year past due	24.00%	48,985	(11,756)
More than 1 year but less than 2 years past due	62.00%	29,326	(18,182)
More than 2 years but less than 3 years past due	87.00%	20,377	(17,728)
More than 3 years past due	99.83%	118,724	(118,527)
		2,831,513	(215,707)

25 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)*

(a) Credit risk *(Continued)*

Movement in the loss allowance account in respect of trade receivables and contract assets during the year is as follows:

	2024 RMB'000	2023 RMB'000
Balance at 1 January	**215,707**	162,374
Amounts written-off during the year	**–**	–
Impairment losses recognised during the year	**187,252**	53,333
Balance at 31 December	**402,959**	215,707

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

– origination of new trade receivables net of those settled resulted in an increase in loss allowance of RMB170,033,000; and

– increase in the gross carrying amounts of trade receivables past due over 2 years but less than 3 years, resulted in an increase in loss allowance of RMB3,149,000.

(b) Liquidity risk

The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants of each company and its relationship with finance providers, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The Group's operations are project-focused and as such, liquidity requirements and cash flow positions are subject to fluctuations and market exposures. In assessing its liquidity risks, the Group considered their cash flows and projects within the next 12 months. At the date of issue of these financial statements, the management believes that the Group will be able to generate adequate cash flows to fund its operations and to meet its various obligations and undertakings issued. The Group's liquidity positions may be adversely affected if the management's expectations may not materialise as actual performance or if the execution of projects are affected by unanticipated development.

The following table details the remaining contractual maturities at the end of reporting periods of the Group's non-derivative financial liabilities, which are based on:

– contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the date the Group is contractually required to pay, or if the counterparty has the choice of when the amount should be paid (irrespective of the fulfilment of covenants), the earliest date the group can be required to pay; and

– expected undiscounted cash flows provided to the group's key management personnel and the date the group is expected to pay, shown as adjustments to the contractual undiscounted cash flows if the timing and/or amount to the cash flows are expected to be different from the contractual undiscounted cash flows.

25 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)*

(b) Liquidity risk *(Continued)*

	2024 Undiscounted cash flow				
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 3 years RMB'000	Total RMB'000	Balance sheet carrying amount RMB'000
Trade and other payables measured at amortised costs	2,400,263	–	–	2,400,263	2,400,263
Loans and borrowings	312,660	8,514	37,570	358,744	347,580
Lease liabilities	944	–	–	944	921
	2,713,867	8,514	37,570	2,759,951	2,748,764

	2023 Undiscounted cash flow				
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 3 years RMB'000	Total RMB'000	Balance sheet carrying amount RMB'000
Trade and other payables measured at amortised costs	2,222,978	–	–	2,222,978	2,222,978
Loans and borrowings	277,872	–	11,029	288,901	285,846
Lease liabilities	2,009	645	–	2,654	2,566
	2,502,859	645	11,029	2,514,533	2,511,390

25 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)*

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises primarily from interest bearing long-term receivables, loans and borrowings that expose the Group to cash flow interest rate risk and fixed rates that expose the Group to fair value interest rate risk. The Group's interest rate profile as monitored by management is set out in (i) below.

(i) Interest rate profile

The following table, as reported to the management of the Group, details the interest rate risk profile of the Group's borrowings at the end of the reporting period:

	Notional amount	
	2024	2023
	RMB'000	RMB'000
Fixed rate borrowings:		
Lease liabilities	**921**	2,566
Bank loans	**144,168**	146,946
	145,089	149,512
Variable rate borrowings:		
Bank loans	**203,412**	138,900
Less: interest bearing long-term receivables	**54,222**	54,222
	149,190	84,678

(ii) Sensitivity analysis

At 31 December 2024, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's profit after tax and retained profits by approximately RMB1,259,000 (2023: decreased/increased RMB710,000).

The sensitivity analysis above relates to the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of the reporting period, and the impact on the Group's profit after tax (and retained profits) is estimated as an annualised impact on interest exposure or income of such a change in interest rates. The analysis is performed on the same basis for 2023.

25 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(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 related. The currencies giving rise to this risk are primarily Singapore Dollars, Canadian Dollars, United States Dollars and Hong Kong Dollars.

(i) Exposure to currency risk

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in RMB translated using the spot rate at the year end date. Differences resulting from the translation of the financial statements of foreign operations into the Group's presentation currency are excluded.

	2024 Exposure to foreign currencies (expressed in RMB)		
	Singapore Dollars RMB'000	**United States Dollars RMB'000**	**Hong Kong Dollars RMB'000**
Trade and other receivables	**364**	**17,179**	**–**
Cash and cash equivalents	**1,826**	**68**	**2,050**
Trade and other payables	**(1,009)**	**–**	**(3,025)**
Net exposure arising from recognised assets and liabilities	**1,181**	**17,247**	**(975)**

	2023 Exposure to foreign currencies (expressed in RMB)		
	Singapore Dollars RMB'000	United States Dollars RMB'000	Hong Kong Dollars RMB'000
Trade and other receivables	349	18,459	–
Cash and cash equivalents	1,234	1,335	2,265
Trade and other payables	(1,047)	–	(1,893)
Net exposure arising from recognised assets and liabilities	536	19,794	372

25 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)*

(d) Currency risk *(Continued)*

(ii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's profit after tax (and retained profits) that would arise if foreign exchange rates to which the Group has significant exposure at the end of reporting period had changed at that date, assuming all other risk variables remained constant.

	2024		2023	
	Increase/ (decrease) in foreign exchange rates	**Effect on profit after tax and retained profits RMB'000**	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profits RMB'000
Singapore Dollars	**5%**	**49**	5%	22
	(5)%	**(49)**	(5)%	(22)
United States Dollars	**5%**	**733**	5%	838
	(5)%	**(733)**	(5)%	(838)
Hong Kong Dollars	**5%**	**(40)**	5%	15
	(5)%	**40**	(5)%	(15)

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group's entities' profit after tax and retained profits measured in the respective functional currencies, translated into RMB at the exchange rate ruling at the end of reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of reporting period, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis is performed on the same basis for 2023.

(e) Fair values

(i) Financial assets and liabilities measured at fair value

There were no financial instruments measured at fair value at the end of the reporting periods.

(ii) Fair values of financial instruments carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair value at 31 December 2024.

26 COMMITMENTS

Commitments outstanding at 31 December 2024 not provided for in the financial statements were as follows:

	2024 RMB'000	2023 RMB'000
Contracted for	196,380	198,508

27 MATERIAL RELATED PARTY TRANSACTIONS

(a) Name and relationship with related parties

During the years ended 31 December 2024 and 2023, transactions with the following parties are considered as related party transactions:

Name of parties
THTF* (同方股份有限公司)
Tongfang Kawasaki Advanced Energy-saving Machine Co., Ltd.* (同方節能裝備有限公司)
Tsinghua Tongfang Artificial Environment Co., Ltd.* ("Tongfang Artificial") (同方人工環境有限公司)
Beijing Tongfang Property Management Co., Ltd.* (北京同方物業管理有限公司)
NUCTECH Co., Ltd.* (同方威視技術股份有限公司)
Wuxi Tongfang Artificial Environment Co., Ltd.* (無錫同方人工環境有限公司)
Beijing Yirenyiben Information Technology Co., Ltd.* (北京壹人壹本信息科技有限公司)
Tongfang Computer (Suzhou) Co., Ltd.* (同方計算機(蘇州)有限公司)
Tongfang Industrial Co., Ltd.* (同方工業有限公司)
Beijing Tongfang Software Co., Ltd.* (北京同方軟件有限公司)
Tongfang Smart Energy Co., Ltd.* (同方智慧能源有限責任公司)

* The official name of these entities is in Chinese. The English translation of the name is for reference only.

THTF is the controlling shareholder of the Company, incorporated in the PRC and produces financial statements available for public use. Other related parties listed above are subsidiaries of THTF or CNNC.

27 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(b) Material related party transactions

Particulars of material related party transactions during the years ended 31 December 2024 and 2023 are as follows:

	2024 RMB'000	2023 RMB'000
Sales to THTF and its subsidiaries	**171,974**	139,922
Purchases from THTF and its subsidiaries	**96,157**	119,592
Receipt for miscellaneous products and services from THTF and its subsidiaries	**17,609**	16,296
Payments transferred by THTF to the Group	**661,766**	681,421
Payments transferred by the Group to THTF	**513,686**	371,172
Sales to CNNC and its subsidiaries	**85,300**	77,448
Purchases from CNNC and its subsidiaries	**8,216**	919

Other than the above related party transactions, certain trademarks are used by the Group in the PRC licensed by THTF at nil consideration.

(c) Amounts due from/(to) related parties

At 31 December 2024 and 2023, the Group had the following material related party balances:

	2024 RMB'000	2023 RMB'000
Trade and other receivables due from THTF and its subsidiaries	**163,874**	250,176
Trade and other payables due to THTF and its subsidiaries	**(113,077)**	(121,589)
Trade and other receivables due from CNNC and its subsidiaries	**34,534**	25,492
Trade and other payables due to CNNC and its subsidiaries	**(328)**	(395)

27 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(d) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's executive directors as disclosed in note 8 and certain of the highest paid employees as disclosed in note 9, is as follows:

	2024 RMB'000	2023 RMB'000
Short-term employee benefits	**1,842**	2,182

Total remuneration was included in "staff costs" (see note 6(b)).

(e) The related party transactions in respect of sales, purchases, payments transferred by THTF to the Group, payments transferred by the Group to THTF, and receipts of miscellaneous products and services above constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are provided in the reports of the directors. The related party transaction in respect of financial assistance received from THTF constitutes a continuing connected transaction as defined in Chapter 14A of the Listing Rules, however, they are exempt from the disclosure requirements in Chapter 14A of the Listing Rules.

(f) Transactions with other state-controlled entities in the PRC

The controlling shareholder of the Company, THTF, is a state-controlled enterprise controlled by the PRC government. Apart from transactions with THTF and its subsidiaries and associate which were disclosed in note 27(a) above, the Group also has transactions with other state-controlled entities, included but not limited to the following:

- sales of products and provision of services;
- purchase of materials; and
- bank deposits and borrowings.

28 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	31 December 2024 RMB'000	31 December 2023 RMB'000
Non-current assets			
Property, plant and equipment		534	983
Intangible assets		4	4
Investments in subsidiaries		1,778,866	1,760,408
		1,779,404	1,761,395
Current assets			
Trade and other receivables		8,309	411
Cash and cash equivalents		19,826	32,126
		28,135	32,537
Current liabilities			
Trade and other payables		22,803	22,319
Lease liabilities		471	439
		23,274	22,758
Net current assets		4,861	9,779
Total assets less current liabilities		1,784,265	1,771,174
Non-current liabilities			
Lease liabilities		–	441
		–	441
NET ASSETS		1,784,265	1,770,733
CAPITAL AND RESERVES	24		
Share capital		1,189,968	1,189,968
Reserves		594,297	580,765
TOTAL EQUITY		1,784,265	1,770,733

Approved and authorised for issue by the board of directors on 26 March 2025.

	)	
Zhao Xiaobo	)	*Directors*
Qin Bing	)	
	)	

29 ACCOUNTING ESTIMATES AND JUDGEMENTS

Key sources of estimation uncertainty

The Group believes the following critical accounting policies involve the significant judgements and estimates used in the preparation of the financial statements.

Information about assumptions and estimation uncertainties that may have a significant risk of resulting in a material adjustment in the year ending 31 December 2024 are included in the following notes:

(i) Construction projects

As explained in policy note 2(t), revenue from construction projects are recognised over time. Such revenue and profit recognition on uncompleted projects is dependent on estimating the total outcome of the project, as well as the work done to date. Based on the Group's recent experience and the nature of the manufacturing and construction activities undertaken by the Group, the Group has made estimates of the point at which it considered the work was sufficiently advanced such that the outcome of the contract can be reasonably measured. Until this point is reached the related contract assets disclosed in note 16 do not include profit which the Group might eventually realise from the work done to date. In addition, actual outcomes in terms of total cost or revenue may be higher or lower than estimated at the end of the reporting period, which would affect the revenue and profit recognised in future years as an adjustment to the amounts recorded to date.

(ii) Valuation of contract assets and trade receivables

The management measures loss allowances on contract assets and trade receivables at amounts equal to lifetime ECL using a provision matrix which involved significant management judgement in estimating loss rate and adjusting factors that are specific to the debtors and an assessment of both the current and forecast industries in which they operate at the reporting date.

(iii) Impairment losses of non-current assets

In considering the impairment losses that may be required for certain of the Group's assets which include property, plant and equipment, lease prepayments and intangible assets, recoverable amount of the asset needs to be determined. The recoverable amount is the greater of the fair value less costs to sell and the value in use. It is difficult to precisely estimate selling price because quoted market prices for these assets may not be readily available. In determining the value in use, expected cash flow generated by the asset are discounted to their present value, which requires significant judgment relating to items such as level of revenue and amount of operating costs. The Group uses all readily available information in determining an amount that is reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of items such as revenue and amount of operating costs.

29 ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

Information about other judgements made and estimates applied are included in the following notes:

(i) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and distribution expenses. These estimates are based on the current market condition and historical experience of selling products of similar nature. It could change significantly as a result of competitor actions in response to changes in market conditions. Management reassesses these estimations at the end of the reporting period to ensure inventory is shown at the lower of cost and net realisable value.

(ii) Depreciation

Items of property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual value. The management reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation expense to be recorded during any reporting period. The useful lives are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

(iii) Income tax

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. The management carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of these transactions is reconsidered periodically to take into account all changes in tax legislations. Deferred tax assets are recognised for deductible temporary differences and unused tax losses. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profit will be available against which they can be utilised, management's judgement is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax assets to be recovered.

Deferred tax liability was not recognised in respect of the withholding income tax that would be payable on the distribution of retained profits of the Company's subsidiaries as the Company considers that it is probable that such profits will not be distributed in the foreseeable future. Any changes in dividend policy may result in the recognition of the related deferred tax liabilities.

(iv) Development costs

Critical judgement by the Group's management is applied when deciding whether the recognition requirements for development costs have been met. This is necessary as the economic success of any product development is uncertain and may be subject to future technical problems at the time of recognition. Judgements are based on the best information available at the end of the reporting period. In addition, all internal activities related to the research and development of new products is continuously monitored by the Group management.

(Expressed in RMB unless otherwise indicated)

30 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE DURING THE YEAR ENDED 31 DECEMBER 2024

Up to the date of issue of these financial statements, the HKICPA has issued a number of new or amended standards, which are not yet effective for the year ended 31 December 2024 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKAS 21, *The effects of changes in foreign exchange rates – Lack of exchangeability*	1 January 2025
Amendments to HKFRS 9, *Financial instruments* and HKFRS 7, *Financial instruments: disclosures – Amendments to the classification and measurement of financial instruments*	1 January 2026
Annual improvements to HKFRSs – 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

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