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LEADWAY TECH
高維科技

Leadway Technology Investment Group Limited
高維科技投資集團有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 2086)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2023

HIGHLIGHTS

- Revenue of the Group for the year ended 31 December 2023 decreased by 16% to HK$79.2 million (2022: HK$94.2 million).
- Gross profit of the Group for the year ended 31 December 2023 decreased by 13% to HK$42.3 million (2022: HK$48.6 million).
- The Group recorded a loss for the year of HK$19.2 million (2022: profit of HK$1.1 million) for the year ended 31 December 2023.
- The Board did not recommend payment of the final dividend for the year ended 31 December 2023.

RESULTS

The board of directors (the "Board") of Leadway Technology Investment Group Limited (the "Company") hereby announce the consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2023 together with the comparative figures for the corresponding period in 2022.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
for the year ended 31 December 2023 (Expressed in Hong Kong dollars)

	Notes	**2023** **$'000**	2022 $'000
Revenue	3	**79,207**	94,234
Cost of sales and services		**(36,953)**	(45,639)
Gross profit		**42,254**	48,595
Other income	4	**1,515**	2,138
Selling and distribution costs		**(9,154)**	(7,998)
Research and development expenses		**(17,532)**	(12,911)
Administrative expenses		**(36,002)**	(28,470)
(Loss)/profit from operations		**(18,919)**	1,354
Finance costs	5(a)	**(292)**	(228)
(Loss)/profit before taxation	5	**(19,211)**	1,126
Income tax	6	**–**	–
(Loss)/profit for the year attributable to the equity shareholders of the Company		**(19,211)**	1,126
(Losses)/earnings per share	7		
Basic		**(6.012) cents**	0.352 cents
Diluted		**(6.012) cents**	0.352 cents

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2023 (Expressed in Hong Kong dollars)

	2023	2022
	$'000	*$'000*
(Loss)/profit for the year	**(19,211)**	1,126
Other comprehensive income for the year (after tax)		
Item that will not be reclassified to profit or loss:		
Remeasurement of defined benefit obligations	**43**	(122)
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of foreign operations	**(533)**	(4,515)
Total comprehensive income for the year	**(19,701)**	(3,511)
Attributable to:		
Equity shareholders of the Company	**(19,701)**	(3,511)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2023 (Expressed in Hong Kong dollars)

	Notes	2023 $'000	2022 $'000
Non-current assets			
Property, plant and equipment		**10,373**	7,556
Intangible assets		**7,383**	7,324
Defined benefits obligations		**228**	177
		17,984	15,057
Current assets			
Inventories		**26,811**	29,404
Trade and other receivables	8	**11,880**	16,654
Other financial assets		**212**	209
Current tax recoverable		**503**	497
Cash and cash equivalents		**20,227**	39,969
		59,633	86,733
Current liabilities			
Trade and other payables	9	**11,029**	19,814
Lease liabilities		**4,107**	3,085
		15,136	22,899
Net current assets		**44,497**	63,834
Total assets less current liabilities		**62,481**	78,891
Non-current liabilities			
Lease liabilities		**4,251**	960
NET ASSETS		**58,230**	77,931
CAPITAL AND RESERVES			
Share capital		**31,956**	31,956
Reserves		**26,274**	45,975
TOTAL EQUITY ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY		**58,230**	77,931

NOTES

(Expressed in Hong Kong dollars unless otherwise indicated)

1 GENERAL INFORMATION

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

The consolidated financial statements for the year ended 31 December 2023 comprise the Company and its subsidiaries (together referred to as the "Group").

2.1 BASIS OF PREPARATION

The final results set out in this announcement do not constitute the consolidated financial statements of the Group for the year ended 31 December 2023 but are extracted therefrom. The 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"), accounting principles generally accepted in Hong Kong and the applicable disclosure requirements of the Hong Kong Companies Ordinance. The financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The 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 2.2 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 the financial statements.

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

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.

The Group's cash and cash equivalents of HK$20,227,000 as at 31 December 2023 may not be sufficient to finance its future working capital and financing requirements in full in view of the net outflow of cash and cash equivalents of HK$19,742,000 for the year ended 31 December 2023. This condition indicates the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern.

The directors assessed the Group's ability to continue as a going concern, taking into account the Group's current cash and cash equivalents balances and the expected operating cash flows of the Group for at least the next twelve months from the end of the current reporting period.

In determining the Group's ability to operate as a going concern, the Group has to exercise judgement and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the cash flow projections in next twelve months from the end of the financial period and period beyond the management's assessment; (2) the appropriate key assumptions to be applied in estimating the cash flow projections including forecast sales orders and budgeted costs and expenses; and (3) the availability of alternative source of funding other than operating cash inflows. Changing the assumptions and estimates could materially affect the going concern assessment. Notwithstanding the above, whether the Group is able to achieve its cash flow projections incorporate assumptions about future events and conditions which are subject to inherent uncertainties due to the various challenges of the economic conditions that influenced the Group's product demand and order fulfilment capabilities.

Assuming that the Group is able to generate sufficient cash inflows from future operations, the Group will be able to meet its liabilities as and when they fall due for at least the next twelve months from the end of the current reporting period. Accordingly, the directors concluded that it is appropriate to prepare the consolidated financial statements on a going concern basis. The consolidated financial statements do not include any adjustments relating to the carrying amounts and reclassification of assets and liabilities that might be necessary should the Group be unable to continue as a going concern.

2.2 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued the following new and amended HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

- HKFRS 17, *Insurance contracts*
- Amendments to HKAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*
- Amendments to HKAS 1, *Presentation of financial statements* and HKFRS Practice Statement 2, *Making materiality judgements: Disclosure of accounting policies*
- Amendments to HKAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*
- Amendments to HKAS 12, *Income taxes: International tax reform – Pillar Two model rules*

None of these developments have had a material effect on how the Group's result 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.

New HKICPA guidance on the accounting implications of the abolition of the MPF-LSP offsetting mechanism

In June 2022 the Hong Kong SAR Government (the "Government") gazetted the Hong Kong Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the "Amendment Ordinance"), which will come into effect from 1 May 2025 (the "Transition Date"). Once the Amendment Ordinance takes effect, an employer can no longer use any of the accrued benefits derived from its mandatory contributions to mandatory provident fund ("MPF") scheme to reduce the long service payment ("LSP") in respect of an employee's service from the Transition Date (the abolition of the "offsetting mechanism"). In addition, the LSP in respect of the service before the Transition Date will be calculated based on the employee's monthly salary immediately before the Transition Date and the years of service up to that date.

In July 2023, the HKICPA published "Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong" that provides accounting guidance relating to the offsetting mechanism and the abolition of the mechanism. In particular, the guidance indicates that entities may account for the accrued benefits derived from mandatory MPF contributions that are expected to be used to reduce the LSP payable to an employee as deemed contributions by that employee towards the LSP.

These developments do not have a material effect on how the Group's result and financial position for the current or prior periods have been prepared or presented.

3 REVENUE AND SEGMENT REPORTING

(a) Revenue

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

(i) *Disaggregation of revenue*

	2023	2022
	$'000	*$'000*
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by timing of revenue recognition		
– Point in time	**79,123**	94,150
– Over time	**84**	84
	79,207	94,234

Disaggregation of revenue from contracts with customers by geographic markets is disclosed in notes 3(b).

The Group's customer base is diversified and no individual customer with whom transactions have exceeded 10% of the Group's revenue.

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

At 31 December 2023 and 31 December 2022, there are no transaction prices allocated to the remaining performance obligations under the Group's existing contracts.

(b) Segment reporting

The Group's management assesses the performance and allocates the resources of the Group as a whole, as all of the Group's activities are considered to be primarily the development, sales and distribution of smart card products, software and hardware and the provision of smart card related services. The management considers there is only one operating segment and, accordingly, no operating segment information is presented.

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

	Revenue from external customers		**Specified non-current assets**	
	2023	2022	**2023**	2022
	$'000	*$'000*	***$'000***	*$'000*
Europe	**35,812**	55,766	**–**	–
Asia Pacific	**29,943**	28,916	**17,756**	14,880
The Americas	**11,687**	7,448	**–**	–
Middle East and Africa	**1,765**	2,104	**–**	–
	79,207	94,234	**17,756**	14,880

4 OTHER INCOME

	2023	2022
	$'000	*$'000*
Interest income	**800**	450
Sundry income	**599**	264
Government subsidies*	**116**	1,424
	1,515	2,138

* The government subsidies granted to the Group mainly comprised the followings:

(i) The Group successfully applied for Employment Support Scheme subsidy during 2022, $1,111,000 was granted by the Hong Kong government under the anti-epidemic fund. The purpose of the subsidy was to provide financial support to employers to retain employees who might otherwise be made redundant.

(ii) The Group successfully applied for research and development subsidy from government in Shenzhen, the mainland China of $116,000 (2022: $243,000). The purpose of the subsidy is to encourage innovation by granting financial assistance to commercial entities whose research and development projects meet certain criteria.

5 (LOSS)/PROFIT BEFORE TAXATION

(Loss)/profit before taxation is arrived at after charging/(crediting):

	2023	2022
	$'000	*$'000*
(a) Finance costs:		
Interest on lease liabilities	**292**	228

	2023	2022
	$'000	*$'000*
(b) Staff costs:		
Contributions to defined contribution retirement plans	**2,286**	1,795
Income recognised in respect of a defined benefit retirement plan	**(4)**	(15)
Total retirement costs	**2,282**	1,780
Salaries, wages and other benefits	**40,671**	37,931
	42,953	39,711
Less: amount capitalised into development costs	**(2,799)**	(6,390)
	40,154	33,321

	2023	2022
	$'000	*$'000*
(c) Other items:		
Amortisation of intangible assets	**2,158**	3,406
Depreciation		
– property, plant and equipment	**1,984**	1,700
– right-of-use assets	**4,399**	4,086
Impairment losses		
– trade receivables	**3,701**	73
– intangible assets	**695**	–
Auditors' remuneration	**1,003**	1,410
Net loss/(gain) on disposal of property, plant and equipment	**19**	(14)
Net foreign exchange gain	**(612)**	(4,233)
Cost of inventories	**36,451**	45,187

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(a) Taxation in the consolidated statement of profit or loss represents:

(i) No provision for Hong Kong Profits Tax has been made in the financial statements for years ended 31 December 2023 and 2022 as the Group has sustained losses for taxation purpose.

(ii) No provision for Philippines Income Tax has been made in the financial statements for years ended 31 December 2023 and 2022 as the Group has sustained losses for taxation purpose.

(iii) No provision for Chinese Mainland Corporate Income Tax has been made in the financial statements for years ended 31 December 2023 and 2022 as the Group has sustained losses for taxation purpose.

(iv) Taxation for other entities is charged at the appropriate current rates of taxation ruling in the relevant tax jurisdictions.

7 (LOSSES)/EARNINGS PER SHARE

(a) Basic (losses)/earnings per share

The calculation of basic losses per share is based on losses attributable to ordinary equity shareholders of the Company of $19,211,000 (2022: earnings per share is based on profits attributable to ordinary equity shareholders of the Company of $1,126,000) and the weighted average of 319,565,000 (2022: 319,565,000) ordinary shares in issue for the year ended 31 December 2023.

(b) Diluted (losses)/earnings per share

Diluted (losses)/earnings per share for the year ended 31 December 2023 and 2022 are the same as the basic (losses)/earnings per share as there are no dilutive potential ordinary shares.

8 TRADE AND OTHER RECEIVABLES

	2023	2022
	$'000	*$'000*
Trade receivables, net of loss allowance	**6,662**	10,545
Other receivables	**5,218**	6,109
	11,880	16,654

The amount of the Group's other receivables, deposits and prepayments expected to be recovered or recognised as expense after more than one year is $265,000 (2022: $1,695,000). All of the other trade and other receivables are expected to be recovered or recognised as expense within one year.

As of the end of the reporting period, the ageing analysis of trade receivables, based on the invoice date and net of loss allowance, is as follows:

	2023	2022
	$'000	*$'000*
Within 1 month	**6,076**	8,056
1 to 2 months	**584**	760
2 to 3 months	**2**	520
3 to 12 months	**–**	1,209
	6,662	10,545

Trade receivables are generally due within 7 days to 3 months from the date of billing.

9 TRADE AND OTHER PAYABLES

	2023	2022
	$'000	*$'000*
Trade payables	**6,338**	10,161
Accruals	**4,145**	5,223
Receipt in advance from customers	**546**	4,430
	11,029	19,814

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

	2023	2022
	$'000	*$'000*
Within 1 month	**2,613**	6,199
1 to 3 months	**3,361**	3,962
3 months to 1 year	**364**	–
	6,338	10,161

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

DIVIDEND

The Board did not recommend payment of the final dividend, for the year ended 31 December 2023 (2022: Nil).

The declaration, payment and amount of future dividend will be decided by the Board and will depend upon, among other things, the Group's results of operations, capital requirements, cash flows, general financial condition and such other factors as the Board may consider important.

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from Wednesday, 22 May 2024 to Monday, 27 May 2024, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for attendance of annual general meeting, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Tuesday, 21 May 2024.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the year ended 31 December 2023, the Group's revenue decreased by 16% to HK$79.2 million (2022: HK$94.2 million); gross profit was HK$42.3 million (2022: HK$48.6 million) with a gross profit margin of 53% (2022: 52%). The year ended with a net loss of HK$19.2 million (2022: profit of HK$1.1 million). Earnings before interest, tax, depreciation, and amortisation (EBITDA) recorded a loss of HK$10.4 million (2022: profit of HK$10.5 million). Basic losses per share for the year was HK6.012 cents (2022: earnings per share of HK0.352 cents).

Revenue

The Group's revenue experienced a decline of 16%, decreasing from HK$94.2 million in 2022 to HK$79.2 million in 2023. This decline of HK$15.0 million was primarily attributed to the impact of the war and economic downturn in the European region, where revenue decreased from HK$55.8 million in 2022 to HK$35.8 million in 2023. The disruptions caused by the war and economic downturn significantly affected our product shipment schedule and contributed to the decline in total sales revenue.

Gross Profit Margin

The Group's gross profit margin was 53% during the year (2022: 52%) with no material fluctuation noted for both years.

Operating Expenses

Total operating expenses for the Group rose by 27% to HK$62.7 million from HK$49.4 million in 2022. The increase is mainly attributable to the following factors:

(i) staff costs increased by HK$6.8 million as more staff were recruited during the year for overseas marketing development in order to penetrate into overseas markets. Besides, there is decrease in capitalisation of staff salaries as development costs since more new products of the Group are in research stage during the year; and

(ii) net exchange gain decreased by HK$3.6 million due to a more stable exchange rate of Renminbi against Hong Kong dollar for the year, resulting in a smaller extent of decrease of Renminbi denominated payable balances and hence a smaller net exchange gain for the year.

Statement of Financial Position

As of 31 December 2023, the Group's net assets stood at HK$58.2 million, compared to HK$77.9 million the previous year. The decline of HK$19.7 million primarily stemmed from the net loss of HK$19.2 million and movement in exchange reserve of HK$0.5 million during the year.

DIVIDEND POLICY

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

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

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

BUSINESS REVIEW

In 2023, the Group continued to fortify its presence in the financial technology and smart living sectors, maintaining its focus on providing cutting-edge contactless readers, smart cards, and associated devices. Throughout the year, we encountered various challenges that influenced product demand and our production capabilities. The global landscape, still reeling from the effects of novel coronavirus disease ("COVID-19"), combined with ongoing geopolitical tensions, notably impacted our operational efficiency and market strategies. Nevertheless, the Group's adaptability and strategic initiatives allowed us to navigate these complexities with resilience.

Our dedication to broadening our product range and enhancing core offerings was evident in the successful launch of new products such as PocketKey and USB NFC Reader IV, among others. These introductions reflect our continuous effort to meet evolving customer needs and strengthen our market position against intense industry competition.

To further our market reach and foster growth, the Group actively participated in key industry events, including RFID Journal Live! in the United States, Seamless Asia 2023 in Singapore, and Trustech 2023 in France. These platforms not only showcased our technological advancements but also enabled us to connect with potential partners and customers, reinforcing our standing as a leader in the technology sector.

The response to our new products and participation in these events has been overwhelmingly positive, underscoring the industry's recognition of us as a reliable supplier and innovator. This feedback bolsters our confidence in our strategic direction and product roadmap, propelling us toward future successes.

In light of the adverse global issues, such as the post-COVID-19 status and geopolitical tensions, the Group has taken proactive measures to mitigate their impact. This includes diversifying our market focus, revising our pricing strategy, and reducing product costs, ensuring our resilience and sustained growth in a volatile environment.

As we look to the future, our strategy remains focused on innovation, market expansion, and operational excellence. By continuing to develop and launch new products, entering untapped markets, and enhancing our competitive edge, we are poised to navigate the challenges and seize the opportunities that lie ahead, driving forward our mission to innovate and excel in the financial technology and smart living industries.

PROSPECTS

In the face of a rapidly evolving technological landscape, the Group has strategically focused its efforts on capturing the burgeoning market for contactless payment solutions. This pivot is reflective of our adaptive approach to market dynamics and our commitment to innovation within the financial technology and smart living industries.

2023 was a hallmark year for us, as we were recognized as a finalist for The Best New Product Category at the 2023 RFID Journal Awards for our WalletMate Mobile Wallet NFC Reader. This recognition, alongside our strategic participation in premier tradeshows like RFID Journal Live! and Seamless Asia, underscores our dedication to excellence and our role as pioneers in the smart card technology domain.

Our comprehensive marketing strategy, aimed at enhancing our brand presence and engaging our customer base, was meticulously executed through diverse channels. From tradeshows to digital marketing campaigns, we have spared no effort in promoting our innovative product lineup, including the introduction of cutting-edge offerings like PocketKey and USB NFC Reader IV, among others.

Looking ahead, the Group is poised for growth, buoyed by the positive market response to our new products and our proactive engagement in significant industry events. The setting up of our Japan office during 2023 marks a strategic expansion in our global footprint, signaling promising development opportunities and a forward-looking perspective on our operational capabilities.

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

As we forge ahead, the Group remains optimistic about the future, anchored by our strategic initiatives and the unwavering commitment of our management team. Our vision for the future is clear – to continue to lead in the financial technology and smart living sectors, driving innovation and delivering value to our shareholders and customers alike.

RISK FACTORS

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

Operation Risk

Reliance on a limited number of large customers

Sales to the top five customers accounted for 23% of the Group's revenue for the year ended 31 December 2023 (2022: 25%). The risk of relying on limited number of customers is not high. We keep maintaining a pool of customers to minimise the risks of over-reliance on few key customers. However, there is no assurance that the demand for the products of the Group from these customers can be maintained in the future. In the event that the demand from them decreases significantly and the Group is unable to find replacement customers on terms acceptable to the Group, performance of the Group may be adversely affected.

Reliance on manufacturers

The Group does not own any production facilities. We subcontract substantially all of our production activities to external manufacturers in the mainland China. During the year ended 31 December 2023, the Group engaged three (2022: three) manufacturers for manufacturing smart card, all of them were engaged by the Group for at least over 5 years. The Group also engaged three (2022: three) manufacturers for manufacturing smart card reader both in the mainland China and Hong Kong. The Group will continue sourcing suitable partners to secure the manufacturing of smart card and smart card reader.

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

Ability to attract and retain skilled engineers

Our success heavily relies on the skills and dedication of our engineering team. As of the end of 2023, 37% (2022: 39%) of our full-time employees were engineers, with 60% (2022: 67%) having been with the Group for over five years. The industry's competitive landscape for attracting and retaining such talent poses a continuous challenge. Failure to secure and motivate skilled engineers could negatively impact our operations and growth.

Shortage of integrated circuit ("IC") chips

The global shortage of IC chips presented significant challenges to our production capabilities. In 2023, we adapted by spot-buying materials in the open market and diversifying our IC chips suppliers to enhance future supply flexibility. Although the situation has stabilised, any future fluctuations could impact our ability to maintain continuous production.

Business Risk

Rapid technological changes

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

Relatively high capital expenditure on new products and services

The introduction of new products and services in response to rapid changes in technology, industry standards and customer preferences require substantial capital expenditure. During the year ended 31 December 2023, the Group recorded HK$2.9 million (2022: HK$6.6 million) on development costs of new products and services. The relative high level of capital expenditure may have an adverse impact on the financial resources of the Group. In the event that the new products and services do not achieve market acceptance or there is substantial delay in the process, the performance and growth prospects of the Group may be adversely affected.

Financial Risk

Maintain financial stability

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

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

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group has consistently maintained a robust liquidity position. As of 31 December 2023, our cash and cash equivalents experienced a decrease to HK$20.2 million from HK$40.0 million the previous year, reflecting a strategic allocation towards development projects and operational enhancements. The Group's net assets saw a reduction to HK$58.2 million from HK$77.9 million as of 31 December 2022, primarily due to our focused investment in innovation and market expansion efforts.

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

GEARING RATIO

The Group's gearing ratio, calculated by reference to the ratio of total borrowings to total equity attributable to the owners of the Company as of 31 December 2023, was 0% (2022: 0%).

DISPOSALS AND ACQUISITIONS

During the year ended 31 December 2023, the Group did not have any material disposals or investments of subsidiaries and affiliated companies.

FUTURE PLANS RELATING TO MATERIAL INVESTMENT OR CAPITAL ASSET

As of 31 December 2023, the Group did not have any capital commitment related to the acquisition of property, plant, and equipment, nor any plan authorised by the Board for other substantial investment or additions of capital assets.

EXPOSURE TO EXCHANGE RATE FLUCTUATIONS

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

PLEDGE OF ASSETS

As of 31 December 2023, the Group did not pledge any of its material assets (2022: nil).

CONTINGENT LIABILITIES

As of 31 December 2023, the Company had no significant contingent liabilities (2022: nil).

EMPLOYEES AND REMUNERATION POLICIES

As of 31 December 2023, the Group had 113 (2022: 122) full-time employees. Staff costs for the year amounted to HK$40.2 million (2022: HK$33.3 million). The Group's remuneration policies and packages continue to be tailored to the individual qualifications, performance, experience, and prevailing industry conditions. Additionally, the Group remains committed to enhancing employee capabilities and market knowledge through various training sessions.

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

During the year ended 31 December 2023, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares.

CORPORATE GOVERNANCE CODE

During the year ended 31 December 2023, the Company has adopted the code provisions set out in the Corporate Governance Code (the "CG Code") contained in Appendix C1 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The directors of the Company are of the opinion that the Company has compiled with the code provisions set out in the CG Code for the year ended 31 December 2023, except the following:

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

Details of the Company's corporate governance principles and processes will be available in the 2023 annual report.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix C3 to the Listing Rules. Having made specific enquiry of all directors, all directors have complied with the required standard as set out in the Model Code and its code of conduct regarding directors' securities transactions by the directors adopted by the Company for the year ended 31 December 2023.

REVIEW OF ANNUAL RESULTS BY AUDIT COMMITTEE

The audit committee of the Company has reviewed the annual results of the Group for the year ended 31 December 2023 with the management and recommended its adoption by the Board. The financial figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2023 as set out in the preliminary announcement have been compared by the Group's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's draft consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by the auditor.

EXTRACT OF DRAFT INDEPENDENT AUDITOR'S REPORT

As disclosed in Note 2.1 to the consolidated financial statements reported in this announcement, the Group's cash and cash equivalents of HK$20,227,000 as at 31 December 2023 may not be sufficient to finance its future working capital and financing requirements in full in view of the net outflow of cash and cash equivalents of HK$19,742,000 for the year ended 31 December 2023. This condition indicates the existences of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern.

The directors assessed the Group's ability to continue as a going concern, taking into account the Group's current cash and cash equivalents balances and the expected operating cash flows of the Group for at least the next twelve months from the end of the current reporting period.

The Company's auditor has indicated to the Company that, if at the time of approval of the Group's consolidated financial statements the conditions continue to indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern, then it expects to draw attention to this matter in the draft auditor's report in the form set out below:

Opinion

"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 2023 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.

Material uncertainty related to going concern

We draw attention to the consolidated financial statements which indicates that the Group's cash and cash equivalents amounted of HK$20,227,000 as at 31 December 2023, may not be sufficient to finance its future working capital and financing requirements in full in view of the net outflow of cash and cash equivalents of HK$19,742,000 for the year ended 31 December 2023. As stated in Note 2.1, this condition, along with other matters set forth in Note 2.1, indicate the existence of material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter."

ANNUAL REPORT AND FURTHER INFORMATION

This announcement can be found on the Company's website (www.leadwayinv.com) and the Stock Exchange's website (www.hkexnews.hk). The 2023 annual report will be despatched to all shareholders and made available on the respective websites of the Company and the Stock Exchange in due course.

By order of the Board of
Leadway Technology Investment Group Limited
Mai Zhaoping **Zhang Xueqin**
Co-chairmen

Hong Kong, 27 March 2024

As at the date of this announcement, the Board comprises five executive directors, namely Mr. Mai Zhaoping, Mr. Zhang Xueqin, Ms. Mai Qiqi, Mr. Chan Chun Leung and Ms. Xu Tingting, two non-executive directors, namely Mr. Mai Ziye and Mr. Lam Chi Wai and four independent non-executive directors, namely Dr. Lin Tat Pang, Mr. Lai Chi Leung, Mr. Zhang Dingfang and Mr. Gu Tianlong.