NICHE-TECH GROUP LIMITED
駿碼科技集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8490)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

The board (the "**Board**") of directors (the "**Directors**") of Niche-Tech Group Limited (the "**Company**") is pleased to announce the audited annual consolidated results of the Company and its subsidiaries (together as the "**Group**") for the year ended 31 December 2021.

This announcement, containing the full text of the 2021 annual report of the Company, complies with the relevant requirements of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the "**GEM Listing Rules**") in relation to information to accompany preliminary announcements of the annual results. Printed version of the 2021 annual report of the Company containing the information required by the GEM Listing Rules will be dispatched to the shareholders of the Company in due course.

By Order of the Board
Niche-Tech Group Limited
Chow Bok Hin Felix
Executive Chairman and Executive Director

Hong Kong, 24 March 2022

As at the date of this announcement, the executive Directors are Mr. Chow Bok Hin Felix, Professor Chow Chun Kay Stephen and Mr. Shi Yiwu, non-executive Director is Mr. Li Chiu Fan, and the independent non-executive Directors are Professor Ng Wang Wai Charles, Mr. Tai Chun Kit and Mr. Poon Lai Yin Michael.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain on the GEM's website at http://www.hkgem.com on the "Latest Listed Company Information" page for a minimum period of seven days from the date of its publication. This announcement will also be published on the Company's website at http://www.nichetech.com.hk.

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

This report, for which the board (the "Board") of directors (the "Directors") of Niche-Tech Group Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM (the "GEM Listing Rules") for the purpose of giving information with regard to the Company and its subsidiaries (together, the "Group"). The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Chow Bok Hin Felix *(Executive Chairman)*
Professor Chow Chun Kay Stephen
Mr. Shi Yiwu

Non-executive Directors

Mr. Li Chiu Fan *(Appointed on 8 March 2021)*
Mr. Ma Yung King Leo *(Resigned on 8 March 2021)*

Independent Non-executive Directors

Professor Ng Wang Wai Charles
Mr. Tai Chun Kit
Mr. Poon Lai Yin Michael

AUDIT COMMITTEE

Mr. Poon Lai Yin Michael *(Chairman)*
Professor Ng Wang Wai Charles
Mr. Tai Chun Kit

REMUNERATION COMMITTEE

Professor Ng Wang Wai Charles *(Chairman)*
Mr. Chow Bok Hin Felix
Mr. Tai Chun Kit
Mr. Poon Lai Yin Michael

NOMINATION COMMITTEE

Mr. Chow Bok Hin Felix *(Chairman)*
Professor Chow Chun Kay Stephen
Professor Ng Wang Wai Charles
Mr. Tai Chun Kit
Mr. Poon Lai Yin Michael

COMPANY SECRETARY

Mr. Tsoi Kin Lung

AUTHORISED REPRESENTATIVES

Mr. Chow Bok Hin Felix
Mr. Tsoi Kin Lung

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 208, 2/F., Lakeside 1, Phase Two
Hong Kong Science Park, Pak Shek Kok
New Territories, Hong Kong

LEGAL ADVISER

Kwok Yih & Chan

AUDITOR

Gary Cheng CPA Limited
Registered Public Interest Entity Auditors

PRINCIPAL BANKERS

Bank of Communication Co., Ltd., Hong Kong Branch
Hang Seng Bank Limited
United Overseas Bank Limited

REGISTERED OFFICE

Windward 3,
Regatta Office Park
P.O. Box 1350
Grand Cayman KYI-1108, Cayman Islands

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Ocorian Trust (Cayman) Limited
Windward 3,
Regatta Office Park
P.O. Box 1350
Grand Cayman KYI-1108, Cayman Islands

HONG KONG SHARE REGISTRAR

Boardroom Share Registrars (HK) Limited
2103B, 21/F, 148 Electric Road
North Point, Hong Kong

WEBSITE

http://www.nichetech.com.hk

STOCK CODE

8490

Dear Shareholders,

On behalf of the board (the "**Board**") of directors (the "**Directors**") of Niche-Tech Group Limited (the "**Company**") and its subsidiaries (collectively the "**Group**"), I am delighted to present the annual results of the Group for the year ended 31 December 2021 (the "**Review Year**" or "**2021**").

OVERVIEW

With the effective control of novel coronavirus ("**COVID-19**"), the global market is recovering gradually. During the Review Year, the Group recorded a 45.2% increase in revenue to approximately HK$249.0 million from approximately HK$171.6 million for the year ended 31 December 2020 (the "**Previous Year**" or "**2020**") despite the challenging environment. Gross profit increased by 69.8% to approximately HK$58.3 million for the Review Year from approximately HK$34.4 million for the Previous Year while the gross profit margin improved to 23.4% for the Review Year from 20.0% for the Previous Year. Profit attributable to the owners of the Company for the Review Year was approximately HK$6.8 million. EBITDA for the Review Year was approximately HK$29.3 million (2020: HK$4.5 million). The Board has therefore proposed a final dividend of HK0.190 cents per Share, subject to approval by the shareholders of the Company.

Nevertheless, the COVID-19 crisis still exists, and the international situation is also turbulent. Under this challenging and unstable business environment, the Group has actively taken various cost control actions and adopted flexible business approaches, to maintain the continuous development of the Group. During the Review Year, the Group has continued to enhance its R&D capability and develop its product to capture the market opportunities.

FORWARD

Along with the introduction of COVID-19 vaccines and the implementation of economic recovery measures, the global economic market is showing signs of recovery. The Group believes that the demand for high efficiency power electronic products and the rapid development of 5G networks, AI, cloud computing, Industry 4.0 and new energy vehicles will be the key growth drivers of semiconductor industry. In addition, with the effective control of COVID-19 and constant support by the People's Republic of China (the "**PRC**" or "**China**") government, we believe the semiconductor industry will return to growth path soon and drive the demand of semiconductor packaging materials market. Looking ahead, the Group will continuously seek new business cooperation and explore product proxy related to electronic products and 5G technology to grasp the new opportunities arising from the latest trend. The Directors believe that the Group's established position in the electronic packaging materials industry, together with its competitive strengths and flexible business strategies, will overcome the impact of COVID-19 and contribute more revenue growth to the Group, and generate maximum return to the holders (the "**Shareholders**") of the shares (the "**Shares**") of the Company.

APPRECIATION

I would like to take this opportunity to express my gratitude to you and the customers, suppliers and business partners who trust and maintain faithful to the Group. I would also like to extend by sincere thanks to the management and staff of the Group for their diligence, dedication, and contribution throughout the years.

Mr. Chow Bok Hin Felix
Executive Chairman and Executive Director

Hong Kong, 24 March 2022

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is an established semiconductor packaging materials manufacturer specializing in the development, manufacture, and sales of the bonding wire and encapsulant with headquarters in Hong Kong and production facilities in Shantou, the PRC. During the Review Year, the Group continued to sell its products directly to more than 400 customers, including renowned manufacturers of LEDs, camera modules, and ICs primarily in the PRC.

During the Review Year, although the widespread COVID-19 is still affecting the export demand of semiconductor products, the domestic demand is picking up gradually. The Group's total sales revenue and gross profit of 2021 increased by approximately 45.2% and 69.8% as compared to those of 2020, respectively.

The Group has continued to focus on the innovation of semiconductor packaging materials for advanced semiconductors, aiming to capture the opportunities to be generated from the expected market recovery.

FUTURE STRATEGIES AND PROSPECTS

The Group remains positive about the industry and the Group's future development. The demand of semiconductors is estimated to increase soon considering the rapid development in the 5G network and the growing trend of big data processing. According to SEMI, the growth rate of the global semiconductor material market is expected to reach 8.8% in 2022, and the overall scale will reach a record high of US$601 billion.

As a reputable technology-focused manufacturer, the Group is well equipped with the capabilities of keeping abreast of the latest industry trend through continuous R&D capabilities. In 2022, the Group will continue to develop advanced semiconductor packaging materials and enrich its product mix, to grab the opportunities arising from the expected market recovery. In addition, the Group's two new Die Attach Adhesive products, namely LED Insulation Adhesive and LED Electrical Conductive Adhesive will be able to be used by the semiconductor and 5G industries after modification. With the rapidly growing 5G networks, the Group is investing more resources on developing upstream packaging materials for the 5G industry and is expected to make it become another growing momentum for the Group.

Although the pandemic has been gradually under control, the multiple mutated viruses shows that the pandemic will not be completely over in the coming year. Regarding the ongoing pandemic crisis, we expect the global macroeconomic environment to remain unstable in the coming year. Amid the challenges, the Group will continue to carry out its proven business strategies and expand customer base by delivering high-quality and advanced products to meet their changing needs. In addition, to cope with the macroeconomic uncertainties aroused by the global continuous breakout of COVID-19, the Group will take effective cost control measures, such as streamlining the sales process and improving production efficiency, to raise the economic efficiency of the Group and sustain its long-term business growth.

FINANCIAL OVERVIEW

Revenue

The Group's revenue principally represents income derived from its main products, namely bonding wire and encapsulant. During the Review Year, the Group recorded a revenue of approximately HK$249.0 million, increased by 45.2% from approximately HK$171.6 million in 2020. The increase in the revenue of both bonding wire and encapsulant products was due to the strong customer demand from both Semi-conductor and LED Industries which resulted in strong demand of the products of the Group, benefiting from the recovery of the PRC market from the impact of COVID-19.

Cost of Sales and Gross Profit

The Group's cost of sales mainly comprises of direct material costs, direct labor costs and manufacturing overhead. During the Review Year, the Group recorded cost of sales of approximately HK$190.7 million (2020: approximately HK$137.2 million), which was in line with the increase in revenue. The gross profit of the Group increased by 69.8% from approximately HK$34.4 million for the Previous Year to approximately HK$58.3 million for the Review Year. Gross profit margin improved to approximately 23.4% for the Review Year from approximately 20.0% for the Previous Year. During the Review Year, better product mix and strong new product sales resulted in the improvement on the gross profit margin of the Group.

Other Income, Gains and Losses

Other income, gains and losses recorded a net gain of approximately HK$0.6 million for the Review Year (2020: net gain of approximately HK$2.9 million). The decrease was mainly due to the combined effects of (i) an one-off government subsidy of approximately HK$2.0 million from the PRC government as a support in respect of the unemployment insurance to enterprises for stabilising employment; and (ii) net loss on disposal of plant and equipment of approximately HK1.0 million during 2020. No similar event were recognized during the Review Year.

Expenses

Selling and distribution expenses increased to approximately HK$14.0 million during the Review Year (2020: approximately HK$10.1 million) mainly due to the increase in shipment cost resulting from the increase in sales volume.

Administrative expenses for the Review Year slightly increased by approximately HK$0.5 million to approximately HK$33.2 million (2020: approximately HK$32.7 million).

Profit (loss) for the year

Summing up the combined effects of the foregoing, profit attributable to owners of the Company for the Review Year was approximately HK$6.8 million (2020: loss of approximately HK$14.1 million).

HUMAN RESOURCES MANAGEMENT

As at 31 December 2021, the Group employed 182 full-time employees (2020: 173). The remuneration of employees is presented in Note 9 to the consolidated financial statements. Based on the Group's remuneration policy, the employees' remuneration is determined with reference to the experience and qualifications of the individual's performance. The Group also ensures that all employees are provided with adequate training and continued professional opportunities according to their needs.

FINANCIAL RESOURCES, LIQUIDITY AND CAPITAL STRUCTURE

The Group finances its operations primarily through cash generated from operating activities and interest-bearing bank borrowing. The Group recorded net current assets of approximately HK$129.6 million as at 31 December 2021 (31 December 2020: approximately HK$124.8 million). As at 31 December 2021, the Group's current ratio was approximately 2.8 (31 December 2020: approximately 3.3) and the Group's gearing ratio (the total borrowings divided by the total equity of the Group at the end of the Review Year) was approximately 14.7% (31 December 2020: approximately 14.2%). The Group's variable-rate bank borrowings carried interest at 3.05% (2020: 3.05%) over Hong Kong Interbank Offered Rate per annum. The effective interest rate was 3.36% as at 31 December 2021 (31 December 2020: 3.61%). The Group's fixed-rate borrowings carried interests at effective rates (which were also the contracted rates) at 2.92% per annum as at 31 December 2021 (31 December 2020: 3.24%). As at 31 December 2021, the Group's bank borrowings and bank overdraft amounted to approximately HK$35.8 million (31 December 2020: approximately HK$32.9 million) which were secured by corporate guarantee provided by the Company. As at 31 December 2021, the Group had total bank facilities of approximately HK$40.0 million (31 December 2020: approximately HK$98.9 million). As at 31 December 2021, the capital structure of the Group consisted of equity attributable to owners of the Company of approximately HK$243.2 million (31 December 2020: approximately HK$232.1 million), comprised of issued share capital and reserves.

ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

There were no material acquisitions and disposals of subsidiaries, associates and joint ventures for the Review Year.

EXPOSURE TO FOREIGN EXCHANGE RISK

The Group's income, cost of sales, administrative expenses, investments and borrowings are mainly denominated in US$, HK$ and RMB. Fluctuations of the exchange rates of RMB could affect the operating costs of the Group. Currencies other than RMB were relatively stable during the Review Year. The Group currently does not have a foreign currency hedging policy. However, the management will continue to monitor foreign exchange exposure and will take prudence measure to minimize the currency translation risk. The Group will consider hedging significant foreign currency exposure should the need arise.

CHARGE ON ASSETS

As at 31 December 2021, there was no significant pledge on the Group's assets (31 December 2020: Nil).

DIVIDEND

On 9 August 2021, the Board has declared an interim dividend of HK$0.00295 per Share amounting to approximately HK$2.1 million for the six months ended 30 June 2021 (six months ended 30 June 2020: nil). The dividend was paid on 3 September 2021.

The Board recommends the payment of a final dividend of HK$0.00190 per Share in respect of the year ended 31 December 2021, representing a total payment of approximately HK$1.3 million (2020: nil).

CONTINGENT LIABILITIES

As at 31 December 2021, the Group did not have any material contingent liabilities or guarantees (31 December 2020: Nil).

SEGMENT INFORMATION

Segment information for the Group is presented as disclosed on note 5 to the consolidated financial statements.

SIGNIFICANT INVESTMENTS AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

During the Review Year, the Group has not made any significant investments or material acquisitions and disposal of subsidiaries. Save as disclosed in this annual report, there was no plan for other material investments or additions of capital assets during the Review Year.

EVENT AFTER THE REPORTING PERIOD

The Directors are not aware of any significant event after the reporting period for the Group and up to the date of this report.

COMPARISON BETWEEN BUSINESS OBJECTIVES AND ACTUAL BUSINESS PROGRESS

The following table is a comparison between the Group's business objectives as set out in the prospectus dated 17 May 2018 regarding the Listing (the "**Prospectus**") and the Group's actual business progress for the period from the Listing Date to 31 December 2021.

Business objectives	Actual business progress up to 31 December 2021
Expand production capacity and upgrade manufacturing facilities	
– Acquire machineries and equipment and upgrade manufacturing facilities for new production lines	The Group had upgraded and expanded the production lines and related facilities both of G&S bonding wire and encapsulant in 2019, which commenced commercialized production in 2020. The Group had continued to add related machineries at the bottleneck of production line to meet the demand of customers' orders since 2020.
– Acquire machineries and equipment for quality control	The Group acquired and installed certain equipment to enhance the quality control over the production process and finished products' inspection for both bonding wire and encapsulant products during the Review Year.
– Acquire or invest on bonding wire business or related business	N/A
Devote R&D resources	
– Acquire machineries and equipment for R&D enhancement	The Group had purchased certain machineries and equipment for the improvement of existing R&D facilities during the Review Year.
– Engage external consultants for R&D projects	The Group had engaged an assistant professor from Anhui University of Technology as our R&D consultants to assist in our R&D activities for the new encapsulant projects. The Group also had engaged a professor from National Cheng Kung University (Taiwan) and an expert in metal materials as our R&D consultants to assist in our R&D activities for the new Bonding wire projects. On the other hand, the Group had engaged the third party to assist new project in the field of Solar Energy.
– Acquire new intellectual property or develop new intellectual property	The Group had purchased IPs of bonding wire to enrich its product categories during 2021.
Increase sales and marketing activities	The Group engaged a personnel relation advisor to perform branding and digital marketing work.
General working capital	The Group relocated its headquarter to Hong Kong Science Park and hired R&D expert and related personnel after Listing. Additional working capital was required as a result of increase in production capacity.

The progress of the utilisation of proceeds from the Listing has been delayed due to the following two aspects:

(i) Due to the unprecedented COVID-19 pandemic, the economic activities and demand of semiconductors slowed down globally in the first half of 2020. Unavoidably, the demand of the export of semiconductor packaging materials of the Group's customers declined notably, which has affected the Group's sales orders and production during the year 2020.

(ii) The Sino-U.S. trade tensions have continued and uncertainties are still surrounding the global economy and bringing negative impact to the industries and exporters.

Under such circumstances, the export business of the Group's customers went slack and the demand of the Group's products decreased inevitably.

USE OF PROCEEDS FROM THE LISTING

The net proceeds from the Listing received by the Company were approximately HK$83.5 million (after deduction of Listing expenses). The net proceeds had been intended to be used in accordance with the proposed implementation plans as disclosed under the section headed "Statement of Business Objectives and Use of Proceeds" in the Prospectus. Since the Shares have been listed on GEM for over three years and having considered the changes in the business environment, in order to utilise the net proceeds in a more effective way and to facilitate efficient management of the Company's financial resources, the Board has resolved to reallocate the unutilised net proceeds on 30 July 2021. Details of the change in the use of the net proceeds at 30 July 2021 and the utilisation of the net proceeds from the Listing to 31 December 2021 are as follows:

	Original allocation of net proceeds HK$ million	Change in allocation of net proceeds at 30 July 2021 HK$ million	Utilised net proceeds up to 31 December 2021 HK$ million	Unutilised revised net proceeds as at 31 December 2021 HK$ million	Expected timeline for the proposed application of the unutilised net proceeds (Note 1)
Expand production capacity and upgrade manufacturing facilities					
– Acquire or invest on bonding wire business or related business	–	19.4	–	19.4	1 January 2022 to 31 December 2022
– Acquire machineries and equipment for quality control	3.4	0.7	(4.1)	–	–
– Acquire machineries and equipment and upgrading manufacturing facilities for new production lines	41.9	(20.1)	(20.0)	1.8	1 January 2022 to 31 December 2022
Devote R&D resources					
– Acquire new intellectual property or develop new intellectual property	–	10.2	(10.0)	0.2	1 January 2022 to 31 December 2022
– Acquire machineries and equipment for R&D enhancement	19.5	(8.3)	(8.2)	3.0	1 January 2022 to 31 December 2022
– Engage external consultants for R&D projects	5.9	(1.9)	(3.0)	1.0	1 January 2022 to 31 December 2022
Increase sales and marketing activities	5.9	–	(4.2)	1.7	1 January 2022 to 31 December 2022
General working capital	6.9	–	(6.9)	–	
Total	83.5	–	(56.4)	27.1	

As at 31 December 2021, approximately HK$56.4 million out of the net proceeds from the Listing had been used. The majority of the unused net proceeds have been placed as interest bearing deposits with licensed banks in Hong Kong.

Note:

1. The expected timeline for utilising the remaining unused net proceeds is based on the best estimation of the future market conditions made by the Group. It will be subject to change based on the current and future development of market conditions.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. CHOW Bok Hin Felix (周博軒) ("Mr. Chow"), aged 40, is the founder of the Group, and was appointed as an executive Director and the executive chairman on 21 February 2017 of the Board. He is primarily responsible for the overall management, strategic planning, operations and development of the Group. Mr. Chow is the son of Professor Chow, an executive Director.

Mr. Chow has over 19 years of experience in the electronics materials industry. He founded the Group in April 2006 and was appointed as a director of Niche-Tech Kaiser (Shantou) Limited ("**Niche-Tech Shantou**"). Mr. Chow was listed as one of the 200 Most Promising Young Chiu Chow Entrepreneurs in 2012. He was appointed as a member of the Shantou Provincial Committee of the Chinese People's Political Consultative Conference since 2005. He has also been a member of the China Overseas Friendship Association since 2019.

Mr. Chow obtained a Bachelor of Arts degree from the University of Southern California in the United States in May 2011. He also furthered his studies by completing an Entrepreneurial Masters Programme hosted by the Massachusetts Institute of Technology Enterprise Forum and Entrepreneurs' Organisation in May 2009. He is currently studying the Doctor of Business Administration (DBA) Programme at the City University of Hong Kong.

Professor CHOW Chun Kay Stephen (周振基) ("Professor Chow"), *GBS, SBS, BBS, JP*, aged 67, is the co-founder of the Group and was appointed as an executive Director on 21 February 2017. He is primarily responsible for the overall strategic planning and development of the Group. Professor Chow is the father of Mr. Chow, an executive Director and the executive chairman of the Board.

Professor Chow has over 40 years of experience in the electronics materials industry. He co-founded the Group in April 2006 and was appointed as a director of Niche-Tech Shantou. He is also the director of Niche-Tech Holdings Limited. Professor Chow served as the president of the Chiu Chow Chamber of Commerce from 2012 to 2014, the chairman of the Tung Wah Group of Hospitals from 2001 to 2002 and the council chairman of the Hong Kong Academy for Performing Arts from 2016 to 2021.

Professor Chow was awarded the Gold Bauhinia Star in 2017, the Silver Bauhinia Star in 2008 and the Bronze Bauhinia Star in 2002. He was also appointed Justice of the Peace in 2004.

Professor Chow obtained a Doctor of Philosophy degree from the University of Hong Kong in December 2003. He also obtained a bachelor's degree in management and a master's degree in business administration from Golden Gate University in the United States in June 1979 and June 1981, respectively.

Mr. SHI Yiwu (石逸武) ("Mr. Shi"), aged 39, is an executive Director on 6 September 2017 and the general manager of Niche-Tech Shantou. He is primarily responsible for the overall management, sales and marketing of our production factory in Shantou.

Mr. Shi has over 15 years of experience in the electronics materials industry. He joined the Group as a R&D project supervisor of Niche-Tech Shantou in May 2007. He was then promoted to deputy manager of the R&D department of Niche-Tech Shantou in February 2008 and R&D director of the chemical department of Niche-Tech Shantou in December 2014. Mr. Shi was further promoted to the general manager of Niche-Tech Shantou in May 2016 and has been holding this position since then. Prior to joining the Group, Mr. Shi had worked as a processing engineer in Shengyi Technology Co., Ltd. from July 2005 to January 2007.

Mr. Shi graduated from Guangdong University of Technology in the PRC with a bachelor's degree in polymer material and engineering in July 2005.

NON-EXECUTIVE DIRECTOR

Mr. LI Chiu Fan (李超凡) ("Mr. Li"), aged 64, was appointed as a non-executive Director on 8 March 2021. He is primarily responsible for the overall strategic planning of the Group.

Mr. Li, is a member of The Association for Taxi Industry Development and is well-known for his expertise in taxi fleet management. Mr. Li was one of awardees of the Ten Outstanding Young Persons Selection in 1995. He has been a founding chairman of The Association of Industries and Commerce of N.E. New Territories Limited since 1995. He is one of the chairmen of The Association for Taxi Industry Development. He is currently a director of Blue Plus Technology Limited and At Home Network Technology Limited.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Professor NG Wang Wai Charles (吳宏偉) ("Professor Ng"), aged 60, was appointed as an independent non-executive Director on 8 May 2018. He is primarily responsible for providing independent advice to the Board.

Professor Ng has been a chair professor of Civil and Environmental Engineering at the Hong Kong University of Science and Technology ("**HKUST**") since 2011. Currently, he is the Vice-President of HKUST (Guangzhou) and the Dean of HKUST Fok Ying Tung Graduate School. He was the Associate Vice-President for Research and Graduate Studies between 2014-2017 and for Research and Development from 2017 to 2020. After obtaining his Doctorate of Philosophy degree from the University of Bristol in the United Kingdom in January 1993, he joined the University of Cambridge as a post-doctoral research associate between 1993 and 1995. He returned to Hong Kong joining HKUST as an assistant professor in 1995 and became a chair professor in 2011.

Professor Ng was elected an Overseas Fellow by Churchill College of the University of Cambridge in 2005, a Fellow of the Hong Kong Academy of Engineering Sciences in 2008, Changjiang Scholar (Chair Professorship in Geotechnical Engineering) by the Ministry of Education of the PRC in 2010, and a Fellow of Royal Academy of Engineering in 2020.

Professor Ng received the R. M. Quigley Award from the Canadian Geotechnical Society in 2007, 2012 and 2016, the 2020 National Natural Science Second Class Award by the State Council of China (中國國家2020年度自然科學獎二等獎), the 2015 Scientific Technological Advancement Second Class Award (中國國家2015年度科技進步獎二等獎) from the Ministry of Science and Technology of the PRC and the 2013 Scientific Advancement Technological First Class Award from the Ministry of Education of the PRC (中國教育部2013年度科技進步獎一等獎).

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. TAI Chun Kit (戴進傑) ("Mr. Tai"), aged 39, was appointed as an independent non-executive Director on 8 May 2018. He is primarily responsible for providing independent advice to the Board.

Mr. Tai has extensive experience in marketing retail management and brand development. Mr. Tai has been the Chairman of Hong Kong Food Investment Holdings Limited ("**HKFIHL**"), a company listed on the Main Board of the Stock Exchange (stock code: 60) since 2021. He joined the HKFIHL in 2012 and has been an executive director since May 2013. He is in charge of corporate and policy planning of HKFIHL. Mr. Tai has also been the managing director of Four Seas Mercantile Holdings Limited ("**FSMHL**"), a company listed on the Main Board of the Stock Exchange (stock code: 374) since 2018. FSMHL is a food enterprise with trading, manufacturing and retailing of snack foods and drinks, and restaurants in Hong Kong and the PRC. Mr. Tai is responsible for new business planning and the development of FSMHL's business associated with overseas brands. Mr. Tai joined FSMHL in 2004 and was appointed as the executive director in 2017.

Mr. Tai obtained a Bachelor of Business Administration degree from the City University of Hong Kong in July 2004.

Mr. POON Lai Yin, Michael (潘禮賢) ("Mr. Poon"), aged 50, was appointed as an independent non-executive Director of the Company on 28 June 2019, and is the chairman of the Audit Committee and a member of the Remuneration Committee and a member of Nomination Committee of the Company.

Mr. Poon has over 20 years of experience in corporate management, financial reporting, business advisory, auditing and accounting. From March 1995 to February 1997, he worked in Chan Chak Chung & Co. and his last position was audit senior. From March 1997 to June 1999, he worked in Ho & Au Yeung and his last position was audit semi-senior. From November 2000 to March 2002, he served as senior accountant in Arthur Anderson & Co., which was merged into PricewaterhouseCoopers in 2002. Mr. Poon obtained a bachelor's degree in administrative studies from York University, Canada in June 1995 and a master's degree in practicing accounting from Monash University, Australia in July 1998. Mr. Poon has been a fellow member of HKICPA since July 2009, and a member with CPA Australia since March 2000 respectively. Mr. Poon passed the qualification examination of Asset Management Association of China (中國證券投資基金業協會從業資格考試) in 2016. From April 2019 to February 2020, Mr. Poon has been a Licensed Representative for Type 6 (advising on corporate finance) regulated activity of Canfield Corporate Finance Company Limited, a licensed corporation. Mr. Poon has been an independent non-executive director of China Uptown Group Company Limited, (the shares of which are listed on the main board of the Stock Exchange with stock code: 2330) since November 2006, an independent non-executive director of Smartac International Holdings Limited (formerly known as Smartac Group China Holdings Limited, the shares of which are listed on the Main Board of the Stock Exchange with stock code: 395) since January 2010, an executive director of Huakang Biomedical Holdings Company Limited (the shares of which are listed on the GEM of the Stock Exchange with stock code: 8622) since August 2017. From February 2016 to July 2017, Mr. Poon was an alternative director of Vincent Medical Holdings Limited (the shares of which are listed on the Main Board of the Stock Exchange with stock code: 1612). From August 2017 to April 2019, Mr. Poon was an independent non-executive director of Cityneon Holdings Limited (the shares of which were listed on the main board of the Singapore Exchange Limited with stock code: 5HJ. SGX and were delisted with effect from 1 February 2019). Mr. Poon has also been an independent non-executive director of Teamway International Group Holdings Limited (the shares of which are listed on the Main Board of the Stock Exchange with stock code: 1239) since March 2019 and an independent non-executive director of LFG Investment Holdings Limited (the shares of which are listed on the Main Board of the Stock Exchange with stock code: 3938) since September 2019.

SENIOR MANAGEMENT

Mr. TSOI Kin Lung (蔡建龍), aged 46, was appointed as the company secretary of the Group on 28 June 2019. Mr. Tsoi joined the Company in April 2019. He is in charge of the company secretarial work of the Group.

Mr. Tsoi has over 20 years of experience in financial management, corporate finance and auditing. He is an associate member of the Hong Kong Institute of Certified Public Accountants. He holds a Bachelor's Degree in Business Administration from The Chinese University of Hong Kong in 1998. Mr. Tsoi was a financial controller and company secretary of a company listed on the Main Board of the Stock Exchange.

Mr. LUO Yongxiang (羅永祥), aged 36, is the R&D director of the Group. Mr. Luo joined the Group on 7 September 2009. He is responsible for overseeing the R&D of new chemical products. From 2009 to 2016, Mr. Luo was responsible for the examination of engineering projects in the chemical department.

Mr. Luo has over 12 years of experience in researching on new micro-electronic materials with high attainments, especially epoxy, silicone and acrylate. Mr. Luo has also made publications including Chinese Journal of Scientific and Technical Periodicals in 2016 and Electronics and Packaging, a magazine published in Wuxi City, Jiangsu Province in 2012 and 2013.

Mr. Luo obtained a bachelor's degree in engineering from South China University of Technology in July 2009. He also started studying a master's degree in chemical engineering in March 2013 at Shantou University in the PRC.

Mr. HUANG Peng (黃鵬), aged 42, is the production director of the Group. Mr. Huang joined the Group on 10 February 2011. He is responsible for the production and information management of the Group.

Mr. Huang has over 11 years of experience in researching on the informationisation, standardisation and production of advanced enterprise management systems. Prior to joining the Group, Mr. Huang had worked as an administrative personnel responsible for production management in China Circuit Technology (Shantou) Corporation, a subsidiary of Guangdong Goworld Co., Ltd., a company listed on the Shenzhen Stock Exchange (stock code: 000823), from 2004 to 2011.

Mr. Huang graduated from Huazhong University of Science and Technology in the PRC with a bachelor's degree in administration (online education) in January 2014.

COMPANY SECRETARY

Mr. TSOI Kin Lung has been the company secretary of the Company since 28 June 2019. Mr. Tsoi is ordinarily resident in Hong Kong. Please refer to the paragraphs headed "Biographical Details of Director and Senior Management" above of his qualifications and experience.

For the year ended 31 December 2021, Mr. Tsoi has complied with the GEM Listing Rules by taking not less than 15 hours of relevant professional training.

COMPLIANCE OFFICER

Mr. SHI Yiwu is the compliance officer of the Company. Please refer to the paragraphs headed "Biographical Details of Directors and Senior Management" above of his qualifications and experience.

CORPORATE GOVERNANCE REPORT

The Board is pleased to present this corporate governance report in the Group's annual report for the Review Year.

CORPORATE GOVERNANCE PRACTICES

The Company places high value on the corporate governance practice and the Board firmly believes that a good corporate governance practice can improve accountability and transparency for the benefit of the Shareholders. The Company complied with Corporate Governance Code (version up to 31 December 2021) (the "**CG Code**") as set out in Appendix 15 of the GEM Listing Rules for the Review Year.

Principle A.2 and code provision A.2.1 of the CG Code (which has been re-numbered as principle C.2 and code provision C.2.1 of the CG Code since 1 January 2022) stipulates that there should be a clear division of the management of the Board and the day- to-day management of the business. The Group has not appointed the chief executive officer. Day-to-day management of the business of the Group are carried out by the senior management and monitored by the executive Directors, while prior approvals by all executive Directors are required for all strategic decisions which are also considered and confirmed in formal Board meeting. The balance of power and authority of the Company is ensured by the operations of the Board which comprises experienced and competent individuals, with three of them being independent non-executive Directors. The Group believes that the existing management structure and decision making procedures are adequate and in the best interest of the Group to cope with the ever-changing economic environment.

The Company will continue to enhance its corporate governance practices appropriate to the conduct and growth of its business and to review its corporate governance practices from time to time to ensure they comply with the statutory requirements and regulations and the CG Code and align with the latest developments.

The Board will adopt the new CG Code (version with effect from 1 January 2022), the requirements under which shall apply to the Company's corporate governance report for the financial year ending 31 December 2022.

BOARD OF DIRECTORS

Board Composition

The Board currently comprises seven members, including three executive Directors, namely Mr. Chow (executive chairman), Professor Chow and Mr. Shi Yiwu, one non-executive Director, namely Mr. Li Chiu Fan, and three independent non-executive Directors, namely Professor Ng Wang Wai Charles, Mr. Tai Chun Kit and Mr. Poon Lai Yin Michael.

Each of the Directors' respective biographical details is set out in the section headed "Biographical Details of Directors and Senior Management" of this annual report. Save as disclosed in the below section and Prospectus, none of the Directors has any relationship (including financial, business, family or other material/relevant relationship) with any other Directors or any chief executive. The Board had three independent non-executive Directors with one independent non-executive Director possessing appropriate professional qualifications, or accounting or related financial management expertise at all times during the Review Year.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Pursuant to code provision A.2.1 of the CG Code (which has been re-numbered as code provision C.2.1 of the CG Code since 1 January 2022), the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing.

The Chairman and chief executive officer have segregated defined responsibilities whereby the Chairman is primarily responsible for leadership and effective functioning of the Board, ensuring all key and appropriate issues are addressed by the Board in a timely manner, as well as providing strategic direction of the Group, and also takes primary responsibility for ensuring good corporate governance practices and procedures are established. The chief executive officer is responsible for the day-to-day management of the Group and the effective implementation of corporate strategy and policies.

In view of Mr. Chow, being the founder of the Group and his experience and his roles in the Group, the Board considers it beneficial to the business prospect and operational efficiency of the Group that Mr. Chow acts as the chairman of the Board. As explained in the paragraph above, the Company has not appointed any chief executive officer.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Each of the independent non-executive Directors has entered into a letter of appointment with the Company for a term of three years and such letter of appointment may be terminated by either party giving at least one month notice in writing. Also, the independent non-executive Directors are subject to re-election on retirement by rotation at general meetings in accordance with the Articles of Association of the Company.

The Company has received written annual confirmation from each independent non-executive Director of his/her independence pursuant to the requirements of the Rule 5.09 of the GEM Listing Rules. The Company considers all independent non-executive Directors namely Professor Ng Wang Wai Charles, Mr. Tai Chun Kit and Mr. Poon Lai Yin Michael to be independent in accordance with the independence guidelines set out in the GEM Listing Rules for the Review Year.

NON-EXECUTIVE DIRECTOR

Mr. Ma Yung King Leo ("**Mr. Leo Ma**") resigned as a non-executive Director on 8 March 2021. The Company has appointed Mr. Li as a non-executive Director on 8 March 2021. Mr. Li has entered into a letter of appointment with the Company for a term of three years and such letter of appointment may be terminated by either party giving at least one month notice in writing. Also, Mr. Li is subject to re-election on retirement by rotation at general meetings in accordance with the Articles of Association of the Company. In March 2017, Mr. Li, BVI Chows (as defined below) and Professor Chow signed an exchangeable loan note for an amount of HK$10 million. No repayment of the exchangeable loan note has been made to Mr. Li and Mr. Li has not exercised any rights attached to the exchangeable loan note. For details of the exchangeable loan note, please refer to the section headed "History, Reorganisation and Corporate Structure" in the Prospectus.

ROLE AND FUNCTION OF THE BOARD

The Board is responsible for overall management of the Company's business, which assumes the responsibility for leadership and control of the Company and is collectively responsible for promoting the success of the Company by directing and supervising its affairs.

DELEGATION BY THE BOARD

The Board reserves for its decisions on all major matters of the Company, including the approval and monitoring of major policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters.

The day-to-day management, administration and operation of the Company are delegated to the executive Directors and senior management. The delegated functions and work tasks are reviewed from time to time. Approval has to be obtained from the Board prior to any significant transactions entered into by the abovementioned officers.

The independent non-executive Directors bring a wide range of business and financial expertise, experiences and independent judgment to the Board.

All Directors have given sufficient time and attention to the affairs of the Group and execution ability to hold the position so as to carry out his duties effectively and efficiently.

BOARD DIVERSITY POLICY

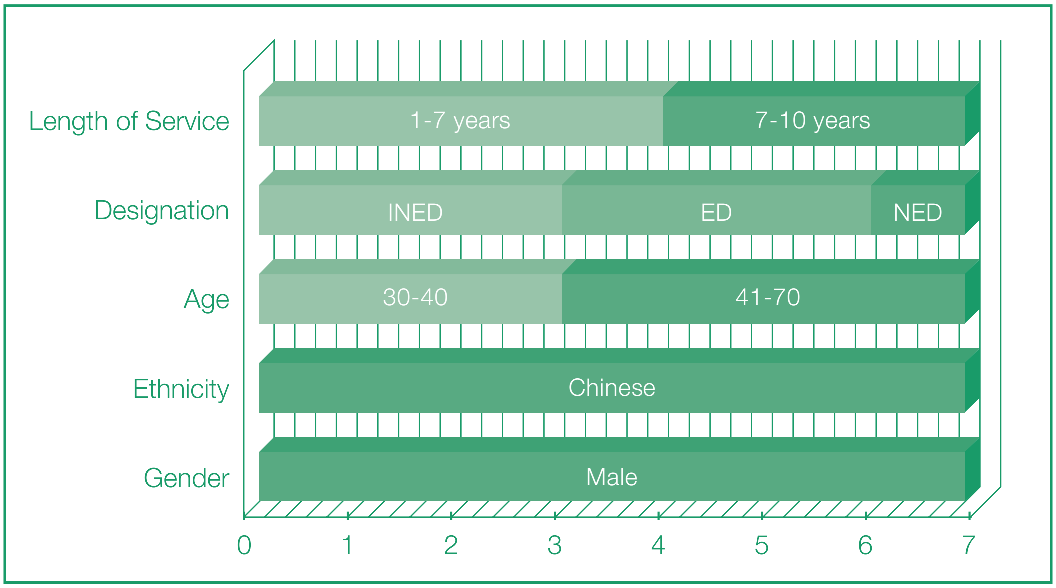
The Company has adopted a board diversity policy (the "**Board Diversity Policy**") on 8 May 2018 which sets out the approach to achieve and maintain diversity on the Board in order to enhance the effectiveness of the Board in compliance with Rule 17.104 of the GEM Listing Rules.

The Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service.

All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills and knowledge. The ultimate decision will be made upon the merits and contribution that the selected candidates will bring to the Board.

The Board composition are summarized as follows:



PROFESSIONAL DEVELOPMENT OF THE DIRECTORS

In compliance with code provision A.6.5 of the CG Code (which has been re-numbered as code provision C.1.4 of the CG Code since 1 January 2022), all Directors, namely Mr. Chow , Professor Chow, Mr. Shi Yiwu, Mr. Li, Professor Ng Wang Wai Charles, Mr. Tai Chun Kit and Mr. Poon Lai Yin Michael, had participated in continuous professional development during the Review Year to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. The Directors had provided the relevant record to the Company for the Review Year.

The Company is committed to arranging and funding suitable training to all Directors for their continuous professional development. Each Director is briefed and updated from time to time to ensure that he is fully aware of his responsibilities under the GEM Listing Rules and applicable legal and regulatory requirements and the governance policies of the Group. All the Directors also understand the importance of continuous professional development and are committed to participate in any suitable training to develop and refresh their knowledge and skills.

BOARD MEETINGS

Notice of at least 14 days have been given to all Directors for all regular Board meetings and the Directors can include matters for discussion in the agenda if necessary. Agenda and accompanying Board papers in respect of regular Board meetings are sent out in full to all Directors within reasonable time before the meeting. Draft minutes of all Board meetings are circulated to Directors for comment within a reasonable time prior to confirmation.

Minutes of Board meetings and meetings of Board committees are kept by duly appointed secretaries of the respective meetings and all Directors have access to Board papers and related materials, and are provided with adequate information on a timely manner, which enable the Board to make an informed decision on matters placed before it.

NUMBER OF MEETINGS AND ATTENDANCE RECORDS

Directors are provided with relevant information to make informed decisions. The attendance of Directors at the Board meetings, the Board committees' meetings and the annual general meeting during the Review Year is set out in the table below:

	No. of Meetings attended/Eligible to attend				
Name of Directors	**Board**	**Audit Committee**	**Nomination Committee**	**Remuneration Committee**	**Annual General Meeting**
Executive Directors					
Mr. Chow	6/6	N/A	2/2	2/2	1/1
Professor Chow	6/6	N/A	2/2	N/A	1/1
Mr. Shi Yiwu	6/6	N/A	N/A	N/A	1/1
Non-executive Directors					
Mr. Leo Ma (Resigned on 8 March 2021)	–	N/A	N/A	N/A	N/A
Mr. Li Chiu Fan (Appointed on 8 March 2021)	5/5	N/A	N/A	N/A	1/1
Independent non-executive Directors					
Professor Ng Wang Wai Charles	6/6	4/4	2/2	2/2	1/1
Mr. Poon Lai Yin Michael	6/6	4/4	2/2	2/2	1/1
Mr. Tai Chun Kit	6/6	4/4	2/2	2/2	1/1

BOARD COMMITTEE

Audit Committee

The Company established an audit committee (the "**Audit Committee**") on 8 May 2018 with written terms of reference in compliance with Rules 5.28 to 5.29 of the GEM Listing Rules and code provisions C.3.3 and C.3.7 of the CG Code (which has been re-numbered as code provisions D.3.3 and D.3.7 of the CG Code since 1 January 2022). The terms of reference setting out the Audit Committee's authority, duties and responsibilities are available on both the GEM website and the Company's website. The primary duties of the Audit Committee mainly include reviewing and approving of the Group's financial reporting process and internal control and risk management system, overseeing the audit process and performing other duties and responsibilities as assigned by the Board. As at 31 December 2021, the Audit Committee consisted of three members, who were three INEDs, namely Professor Ng Wang Wai Charles, Mr. Tai Chun Kit and Mr. Poon Lai Yin Michael. Mr. Poon Lai Yin Michael, who processes the appropriate professional qualifications as required under Rules 5.05(2) and 5.28 of the GEM Listing Rules, was the chairman of the Audit Committee.

During the Review Year, four meetings of Audit Committee were held for, inter alia, reviewing the Group's quarterly, interim and annual results, the financial reporting and compliance procedures, the effectiveness of the risk management and internal control systems, considering the re-election of auditor of the Company and discussing with the auditors about the audit plan.

The Audit Committee has also reviewed the audited consolidated results of the Group for the Review Year and is of the opinion that the audited consolidated results of the Group for the Review Year complied with the applicable accounting standards and the requirements under the GEM Listing Rules, and that adequate disclosures have been made.

Remuneration Committee

The Company established a remuneration committee (the "**Remuneration Committee**") on 8 May 2018 with written terms of reference in compliance with Rules 5.34 to 5.36 of the GEM Listing Rules and code provision B.1.2 of the CG Code (which has been re-numbered as code provision E.1.2 of the CG Code since 1 January 2022). The terms of reference setting out the Remuneration Committee's authority, duties and responsibilities are available on both the GEM website and the Company's website. The primary duties of the Remuneration Committee include formulating the remuneration policy, reviewing and determining the terms of the remuneration packages of the Directors and senior management of the Group, and reviewing and approving performance-based remuneration with reference to corporate goals and objective resolved by the Board from time to time. As at 31 December 2021, the Remuneration Committee consisted of an executive Director and three independent non-executive Directors, being Mr. Chow, Mr. Poon Lai Yin Michael, Mr. Tai Chun Kit and Professor Ng Wang Wai Charles. Professor Ng Wang Wai Charles was the chairman of the Remuneration Committee. Details of the remuneration of Directors are set out in note 10 to the consolidated financial statements.

During the Review Year, two meetings of Remuneration Committee was held to review the remuneration policy and the structure of the remuneration.

Nomination Committee

The Company established a nomination committee (the "**Nomination Committee**") on 8 May 2018 with written terms of reference in compliance with Rule 5.36A of the GEM Listing Rules and principle A.5 of the CG Code (which has been re-numbered as principle B.3 of the CG Code since 1 January 2022). The terms of reference setting out the Nomination Committee's authority, duties and responsibilities are available on both the GEM website and the Company's website. The primary duties of the Nomination Committee include formulating our nomination policy and making recommendations to any proposed changes to the Board. As at 31 December 2021, the Nomination Committee consisted of two executive Directors and three independent non-executive Directors, being Professor Chow, Mr. Chow, Mr. Poon Lai Yin Michael, Mr. Tai Chun Kit and Professor Ng Wang Wai Charles. Mr. Chow was the chairman of the Nomination Committee.

Nomination Policy

When making recommendations regarding the appointment of any proposed candidate to the Board or re-appointment of any existing member(s) of the Board, the Nomination Committee shall consider a variety of factors including without limitation the following in assessing the suitability of the proposed candidate:

(a) Reputation for integrity;

(b) Accomplishment, experience and reputation in the business and other relevant sectors related to the Company and/or its subsidiaries;

(c) Commitment in respect of sufficient time and attention to the Company's business;

(d) Diversity in all aspects, including but not limited to gender, age, cultural/educational and professional background, skills, knowledge and experience;

(e) Ability to assist and support management and make significant contributions to the Company's success;

(f) Compliance with the criteria of independence as prescribed under Rule 5.09 of the GEM Listing Rules for the appointment of an independent non-executive Director; and

(g) Any other relevant factors as may be determined by the Nomination Committee or the Board from time to time.

During the Review Year, two meetings of Nomination Committee was held to review the structure, size and composition of the Board and the independence of the independent non-executive Directors, to review the board diversity policy to ensure its effectiveness, and to consider the qualifications of the retiring Directors for the Board to consider and as appropriate, to recommend to Shareholders their re-election at the forthcoming annual general meeting of the Company. The Nomination Committee considered that the Group has achieved the objectives of the board diversity policy during the Review Year.

Corporate Governance Function

All members of the Board are responsible for performing the corporate governance functions. The terms of reference of corporate governance functions was adopted by the Board and is in compliance with code provision D.3.1 of the CG Code (which has been re-numbered as A.2.1 of the CG Code since 1 January 2022). The Board will review the policy of the corporate governance and the corporate governance report of the Company annually.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by the Directors (the "**Code of Conduct**") on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the "**Required Standard Dealings**"). The Company had also made specific enquiry of all the Directors and each of them confirmed that they have complied with the Code of Conduct and Required Standard Dealings during the Review Year. Further, the Company was not aware of any non-compliance with the Required Standard Dealings regarding securities transactions by the Directors for the Review Year.

AUDITOR'S REMUNERATION

During the Review Year, the total fees paid/payable in respect of audit services and non-audit services provided by auditors are set out below:

Services rendered to the Group	Fees paid and payable	
	2021	2020
	HK$'000	HK$'000
Audit services:		
Annual audit	**1,100**	950
Non-audit services:		
Review the internal control systems of the Group	**300**	450
Tax services	**10**	10
	1,410	1,410

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board has the overall responsibility to ensure that sound and effective risk management and internal controls are maintained, while the senior management is charged with the responsibility to design and implement an internal controls system to manage risks. A sound system of risk management and internal controls is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss.

The Board has reviewed and discussed the Environmental, Social and Governance ("**ESG**") Report of the Company ("**ESG Report**") at least annually to access the management and control of the risks in ESG. Further discussion on the risks related to ESG are set out in the section headed "Environment, Social and Governance Report" of this annual report.

Internal Controls

The Board is committed to implementing an effective and sound internal control system to safeguard the interest of the Shareholders and the Group's assets. Hence, the Group has maintained internal control policies to provide sufficient guidelines for the management staff and employees of the Company to work efficiently under a standardised work procedure. The internal control policies cover various operating processes from risk assessment, financial reporting, cost management, pricing for projects, staff recruitment and training to IT system control. The internal control system is generally overseen by the executive Directors and senior management of the Group and is reviewed at least once a year. During the Review Year, the Group has engaged an independent staff to review the effectiveness of the Group's internal control measures. The Audit Committee was satisfied and the Board concluded that the Group had maintained effective internal control measures to ensure that the operations of the Group would be in full compliance with the CG Code and the applicable laws and regulations during the Review Year. The Group has dedicated internal audit function to reviewing the effectiveness of the risk management and internal control systems from time to time in order to ensure that they meet with the dynamic and ever changing business environment.

The Board had reviewed the Group internal control system during the Review Year and considered it effective and adequate.

Risk Management

In the course of conducting the business of the Group, the Company is exposed to various types of risks, including business risks, financial risks, operation and other risks. The Board is ultimately responsible for the risk management of the Group and the risk management system is reviewed at least once a year. The objectives of the risk management process are to ensure that the operations of the Group would be in full compliance with the CG Code and the applicable laws and regulations to enhance the governance and corporate management processes as well as to safeguard the Group against unacceptable levels of risks and losses.

The risk management process of the Group would involve, among others, (i) a quarterly risk identification and analysis exercise which involves assessment of the consequence and likelihood of risks and the development of risk management plans for mitigating such risks; and (ii) a quarterly review of the implementation of the risk management plans and carrying out adjustment when necessary.

During the Review Year, the risk management process of the Group had been reviewed, and the Board considered that the process was effective and adequate for the Review Year.

DISSEMINATION OF INSIDE INFORMATION

The Group is committed to a consistent practice of timely, accurate and sufficiently detailed disclosure of material information about the Group. The Group has adopted a policy on disclosure of inside information which sets out the obligations, guidelines and procedures for handling and dissemination of inside information. With those guidelines and procedures, the Group has management controls in place to ensure that potential inside information can be promptly identified, assessed and escalated for the attention of the Board to decide about the need for disclosure.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for the preparation of the consolidated financial statements of the Group and ensure that the consolidated financial statements are prepared in accordance with statutory requirements and applicable accounting standards. In preparing the consolidated financial statements, the generally accepted accounting standards in Hong Kong have been adopted, appropriate accounting policies have been used and applied consistently, and reasonable and prudent judgments and estimates have been made. Having made appropriate enquiries, the Board is not aware of any material uncertainties relating to events or conditions which may cast significant doubt over the Group's ability to continue as a going concern. Accordingly, the Board has continued to adopt the going concern basis in preparing the consolidated financial statements.

The statement of external auditor of the Company, Gary Cheng CPA Limited ("**GCCPAL**"), about their reporting responsibilities on the consolidated financial statements of the Group is set out in the Independent Auditor's Report.

INVESTOR RELATIONS AND COMMUNICATION

The Board recognises the importance of good communications with all Shareholders. The Company encourages two-way communications with both its institutional and private investors. A Shareholder's communication policy was adopted by the Board at the Board meeting held on 8 May 2018 aiming at providing the Shareholders and potential investors with ready and timely access to balanced and understandable information of the Company. The annual general meetings provide a valuable forum for direct communication between the Board and the Shareholders. The chairman of the Board as well as Chairmen of the Board Committees together with the auditor will present to answer Shareholders' questions. The circulars of the annual general meetings are distributed to all Shareholders at least 21 days before the meetings. Separate resolutions are proposed at general meetings on each separate issue and voting of which are taken by poll pursuant to the GEM Listing Rules. Any results of the poll are published on both the GEM website and the Company's website. All corporate communication with Shareholders will be posted on the Company's website for Shareholders' information.

During the Review Year, an annual general meeting was held on 17 June 2021.

The Company keeps on promoting investor relations and enhancing communication with the existing Shareholders and potential investors. It welcomes suggestions from investors, stakeholders and the public. Enquiries to the Board or the Company may be sent by post to the Company's principal place of business in Hong Kong.

CONSTITUTIONAL DOCUMENTS

Pursuant to Rule 17.102 of the GEM Listing Rules, the Company has published on the websites of the Company and the Stock Exchange its Memorandum and Articles of Association. There was no significant change in the Memorandum and Articles of Association of the Company during the Review Year.

COMPANY SECRETARY

Mr. TSOI Kin Lung, was appointed as the company secretary of the Company with effect from 28 June 2019. The company secretary of the Company is responsible for facilitating the Board meeting process, as well as communications among the Board members, the Shareholders and the management of the Company. During the Review Year, Mr. Tsoi has undertaken no less than 15 hours of relevant professional training in compliance with Rule 5.15 of the GEM Listing Rules.

The biographic details of Mr. Tsoi is set out in the section headed "Biographical Details of Directors and Senior Management" of this report.

SHAREHOLDERS' RIGHT

As one of the measures to safeguard Shareholders' interest and rights, separate resolutions are proposed at Shareholders' meetings on each substantial issue, including the election of individual Directors, for Shareholders' consideration and voting. All resolutions put forward at Shareholders' meeting will be voted by poll pursuant to the GEM Listing Rules and the poll voting results will be posted on the GEM website and the Company's website after the relevant Shareholders' meeting. Extraordinary general meeting may be convened by the Board on requisition of Shareholders holding not less than one-tenth of the paid up capital of the Company or by such Shareholders who made the requisition (the "**Requisitionists**") (as the case may be) pursuant to article 64 of the Articles of Association of the Company. Such requisition must state the object of business to be transacted at the meeting and must be signed by the Requisitionists and deposited at the registered office of the Company or the Company's principal place of business in Hong Kong. Shareholders should follow the requirements and procedures as set out in such article for convening an extraordinary general meeting. For putting forward any enquiries or requests in respect of their rights to the Board, Shareholders may send written enquiries or requests to the Company's principal place of business in Hong Kong.

The Board is pleased to present its annual report (the "**Annual Report**") together with the audited consolidated financial statements of the Group for the Review Year.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are set out in note 35 to the consolidated financial statements. The Group is principally engaged in the development, manufacture and sales of semiconductor packaging materials.

RESULTS AND DIVIDENDS

The results of the Group for the Review Year are set out in the consolidated statement of profit or loss and other comprehensive income on page 68.

An interim dividend of HK$0.00295 per ordinary share amounting to approximately HK$2,081,000 in aggregate was declared to the Shareholders during the Review Year. The Board recommends the payment of a final dividend of HK$0.00190 per ordinary share in respect of Review Year, representing a total payment of approximately HK$1,340,000. The proposed final dividend is subject to the approval of the relevant resolution at the forthcoming annual general meeting of the Company (the "**AGM**") to be held. The final dividend is expected to be paid on or about 8 July 2022 to Shareholders whose names appear on the register of members of the Company after the close of business on Thursday, 23 June 2022.

For determining the entitlement of the proposed final dividend for the Review Year, the register of members of the Company will be closed from Wednesday, 22 June 2022 to Thursday, 23 June 2022, both days inclusive, during which period no transfer of Shares will be registered. In order to entitle the proposed final dividend, unregistered holders of Shares should ensure that all Share transfer documents accompanied by the relevant Share certificates must be lodged with the share registrar of the Company in Hong Kong, Boardroom Share Registrars (HK) Limited, 2103B, 21/F, 148 Electric Road, North Point, Hong Kong, for registration not later than 4:30 p.m. on Tuesday, 21 June 2022.

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The AGM is scheduled to be held on Wednesday, 15 June 2022. For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Thursday, 9 June 2022 to Wednesday, 15 June 2022, both days inclusive, during which period no transfer of Shares will be registered. In order to attend and vote at the AGM, unregistered holders of Shares should ensure that all Share transfer documents accompanied by the relevant Share certificates must be lodged with the share registrar of the Company in Hong Kong, Boardroom Share Registrars (HK) Limited, 2103B, 21/F, 148 Electric Road, North Point, Hong Kong, for registration not later than 4:30 p.m. on Wednesday, 8 June 2022.

FINANCIAL SUMMARY

A summary of the published results and assets and liabilities of the Group for the last five financial years ended 31 December 2021, as extracted from the audited financial statements, is set out on page 142 in the Annual Report. This summary does not form part of the audited consolidated financial statements.

REVENUE AND SEGMENT INFORMATION

The revenue and segment information for the Review Year are set out in note 5 to the consolidated financial statements.

PLANT AND EQUIPMENT

Details of movements in the plant and equipment of the Group during the year are set out in note 13 to the consolidated financial statements.

SHARE CAPITAL AND SHARE OPTIONS SCHEMES

Details of the Company's share capital and share option schemes are set out in notes 25 and 34 to the consolidated financial statements respectively.

RESERVES

Details of movements in the reserves of the Group and the Company are set out in consolidated statement of changes in equity and note 36 to the consolidated financial statements, respectively.

PRE-EMPTIVE RIGHTS

There are no provision for pre-emptive rights under the Company's Articles of Association or the laws of the Cayman Islands, being the jurisdiction in which the Company is incorporated, which would oblige the Company to offer new Shares on a pro rata basis to existing Shareholders.

CONNECTED TRANACTIONS

On 30 July 2021, Niche-Tech (Hong Kong) Limited ("**Niche-Tech (HK)**") entered into the agreement with Niche-Tech Investment Holdings Limited ("**BVI Holdings**"), an entity directly and beneficially owned as to 40% by Mr. Chow and 60% by Professor Chow, pursuant to which Niche-Tech (HK) agreed to purchase and BVI Holdings agreed to sell the technology know-how (the "**Acquisition**"), which was a complete and fully developed set of technology know-how for producing the composite metal material bonding wire, for the consideration of HK$7.5 million. On 4 November 2020, Niche-Tech Holdings Limited ("**Niche-Tech Holdings**") purchased the entire equity interest of Neat Wave Limited from Professor Chow and Mr. Chow, for a consideration of approximately HK$1.5 million (the "**Previous Acquisition**"). Pursuant to Rule 20.79 of the GEM Listing Rules, a series of connected transactions will be aggregated as if they were one transaction if they were all completed within a 12-month period or are all otherwise related. Since the counterparties to the Previous Acquisition and the Acquisition are either Mr. Chow and Professor Chow or a party connected with them (i.e. BVI Holdings), the connected transactions contemplated under the Previous Acquisition and the Acquisition should be aggregated. As one or more percentage ratios (as defined under Rule 19.04(9) of the GEM Listing Rules) after aggregation pursuant to Rule 20.79 of the GEM Listing Rules, were higher than 0.1% but all applicable percentage ratios were less than 5%, by virtue of Rule 20.74(2)(a) of the GEM Listing Rules, the Previous Acquisition and the Acquisition thereunder were exempt from the circular and Shareholders' approval requirements and are only subject to the announcement and annual reporting requirements under the GEM Listing Rules.

Further details are set out in the Company's announcement dated 30 July 2021.

RELATED PARTY TRANSACTIONS

Details of the significant related party transactions entered into by the Group during the Review Year are set out in note 33 to the consolidated financial statements. All the related party transactions disclosed in notes 33(a), (b) and (c) to the consolidated financial statements fall under the definition of connected transactions under Chapter 20 of the GEM Listing Rules. To the best knowledge of the Director, in relation to the aforesaid transactions, the Company has complied with the relevant disclosure requirements in accordance with Chapter 20 of the GEM Listing Rules.

DISTRIBUTABLE RESERVES

As at 31 December 2021, the Company's reserves available for distribution, calculated in accordance with the Companies Law of the Cayman Islands, amounted to approximately HK$169.7 million (31 December 2020: HK$180.2 million). This includes the Company's share premium in the amount of approximately HK$126.0 million (31 December 2020: HK$128.1 million) as at 31 December 2021, which may be distributable to the Shareholder provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

MAJOR CUSTOMERS AND SUPPLIERS

During the Review Year, sales to the Group's five largest customers accounted for approximately 48.1% (2020: 46.9%) of the Group's total sales and the largest customer included therein amounted to approximately 14.4% (2020: 21.0%).

During the Review Year, purchases from the Group's five largest suppliers accounted for approximately 71.1% (2020: 73.3%) of the Group's total purchases and purchase from the largest supplier included therein amounted to approximately 32.6% (2020: 30.8%).

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

BUSINESS REVIEW

A review of the business of the Group as well as discussion and analysis of the Group's performance during the Review Year and the material factors underlying its results and financial position can be found in the "Chairman's Statement" and "Management Discussion and Analysis" set out on page 3 and pages 4 to 9, respectively.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group's financial condition, results of operations and business prospects may be affected by a number of risks and uncertainties directly or indirectly pertaining to the Group's businesses. The followings are the key risks and uncertainties identified by the Group. There may be other risks and uncertainties in addition to those shown below which are not known to the Group or which may not be material now but could turn out to be material in the future.

Risk relating to the Industry

As the Group is a manufacturer of semi-finished goods to customers which are generally producers of finished products, the demand for the Group's products is therefore largely dependent on demand from the downstream industries of the Group. The products of the Group are typically used to serve end-customers in, among others, the LED and IC industries. The performance and growth of such industries depend, to a certain extent on global economic and market conditions. During period of slow economic growth or recession and trade war, consumers' spending may drop as they are less willing to spend money. Adverse present and future economic conditions may affect demand of the products of the Group from downstream customers and the Group may not be able to grow at the pace as it anticipated or at all. If any of the above occurs, the business, financial conditions and results of operations of the Group may be materially and adversely affected.

Risk relating to concentration of suppliers

The Group is dependent upon a small number of suppliers for raw materials that it uses in manufacturing its products. The largest and top five suppliers of the Group accounted for approximately 32.6% and 71.1% of our total purchase in the Review Year, respectively (2020: 30.8% and 73.3% respectively). There is no assurance that the business relationship of the Group with its supplies will continue in the future. To reduce the risk, the Group has expanded its supplier base for high quality suppliers. The Group has also developed its own products which are produced through reliable subcontractors to secure sources of products supply.

Risks relating to conducting business in the PRC

The Group's results, financial condition and prospects are to a significant degree subject to the economic, political and legal developments of the PRC, as a substantial part of the Group's assets and business operation are located in PRC. The economic, political and social conditions, as well as government policies, including taxation policies, could affect the business of the Group. To manage the risk, the Board has appointed certain senior management to closely monitor economic, political, legal, institutional and social developments in the PRC, and maintained conservative treasury policy in cash management, such as holding cash in Hong Kong.

Risk relating to products' competitiveness

The semiconductor packaging materials industry and its downstream industries have historically been characterised by rapid technological changes and evolving industry standards. The Group's competitive position will significantly depend on its ability to develop packaging materials that are comparable to or better than those produced by its competitors. Since the Group may not be able to accurately predict what technologies or products will be required by its customers in the future, the Group may also experience obstacles relating to its products, production machinery and equipment and production methods due to changes in semiconductor packaging materials technologies. If the Group fails to respond timely to the changes in the industry and its customers' needs and fail to adjust its production machinery and equipment promptly and cost effectively, the Group may need to invest in substantial amount in the new production machinery and equipment that do not lead to significant revenue. If any of the above occurs, the Group's business, financial conditions and results of operation will be materially and adversely affected.

Financial risks

Details of financial risks are set out in note 30 to the consolidated financial statements.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group commits to the long term sustainability of the environment and communities in which it operates. Acting in an environmentally responsible manner, the Group endeavours to comply with laws and regulations regarding environmental protection and adopt effective measures to achieve efficient use of resources, energy saving and waste reduction.

The Group also commits to the principle and practice of reusing, recycling and reducing. To help conserve the environment, it implements green office practices such as re-deployment of office furniture as far as possible, promotion on the use of recycled paper for printing and copying, double-sided printing and copying, reduction on energy consumption by switching off idle lightings, air conditioning and electrical appliances.

The ESG Report containing an overview of the ESG performance of the Group's operations for the Review Year is contained on pages 34 to 61 of this Annual Report.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

As far as the Board is aware, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the Review Year, there was no material breach of or non-compliance with the applicable laws and regulations by the Group.

RELATIONSHIP WITH SUPPLIERS, CUSTOMERS AND OTHER STAKEHOLDERS

The Group understands the importance of maintaining a good relationship with its suppliers, customers and other stakeholders to meet its immediate and long-term goals.

During the Review Year, there were no material and significant dispute between the Group and its suppliers, customers and/or other stakeholders.

DIRECTORS

The Directors during the Review Year and up to the date of this Annual Report are as follows:

Executive Directors

Mr. Chow Bok Hin Felix *(Executive Chairman)*
Professor Chow Chun Kay Stephen
Mr. Shi Yiwu

Non-executive Directors

Mr. Li Chiu Fan (Appointed on 8 March 2021)
Mr. Ma Yung King Leo (Resigned on 8 March 2021)

Independent Non-executive Directors

Professor Ng Wang Wai Charles
Mr. Tai Chun Kit
Mr. Poon Lai Yin Michael

Pursuant to the Articles of Association of the Company, at each annual general meeting one-third of the Directors for the time being, shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election. The Company at the general meeting at which a Director retires may fill the vacated office. Any Director appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting.

Pursuant to article 108 of the Articles of Association of the Company, Professor Chow Chun Kay, Mr. Tai Chun Kit and Mr. Poon Lai Yin Michael shall retire from office as Directors by rotation at the AGM and, being eligible, offer themselves for re-election at the AGM.

DIRECTORS' SERVICE CONTRACTS

None of the Directors proposed for re-election at the forthcoming AGM has an unexpired service contract with the Company and/or any of its subsidiaries, which is not determinable by the employing company within one year without payment of compensation, other than statutory compensation.

For the length of the term of appointment of every non-executive director, please refer to page 15 of this Annual Report.

INTERESTS IN COMPETING BUSINESS

None of the Directors or the substantial Shareholders (as defined in the GEM Listing Rules) of the Company (the "**Substantial Shareholders**") or their respective close associates (as defined in the GEM Listing Rules) has interests in any business apart from the Group's businesses which competes or is likely to compete, either directly or indirectly, with the businesses of the Group during the Review Year and up to the date of this Annual Report.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and Senior Management are set out on pages 10 to 13 of this Annual Report.

EMOLUMENT POLICY

The emoluments of the Directors are prepared by the Remuneration Committee and then recommend to the Board, having regard to the Group's operating results, individual performance and comparable market statistics. All the emolument of Directors has been reviewed and ratified by the Remuneration Committee.

Details of the emoluments of the Directors and the remuneration band are set out in note 10 to the consolidated financial statements of this Annual Report.

The Group has adopted share option scheme as an incentive to eligible employees. Details of the share option schemes of the Group are set out in note 34 to the consolidated financial statements of this Annual Report.

EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors and the five highest paid individuals of the Group are set out in note 10 to the consolidated financial statements.

PERMITTED INDEMNITY PROVISION

Pursuant to the Articles of Association of the Company, the Directors and officers shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which they shall or may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty or supposed duty; provided that the indemnity shall not extend to any matter in respect of any own fraud or dishonesty which may attach to any of the Directors and officers.

The Company has arranged appropriate directors' and officers' liability insurance coverage for the Directors and officers of the Group.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in this Annual Report, at no time during the Review Year was the Company or any of its subsidiaries, or any of its fellow subsidiaries, a party to any arrangement to enable the Directors or chief executive of the Company (including their spouses or children under 18 years of age) to have any right to subscribe for securities of the Company or any of its specified undertakings as defined in the Companies (Directors' Report) Regulation (Chapter 622D of the laws of Hong Kong) or to acquire benefits by means of acquisition of Shares in, or debentures of, the Company or any other body corporate.

INDEPENDENCE CONFIRMATION

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company considers that all of the independent non-executive Directors are independent.

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as those disclosed in note 33 to the consolidated financial statements, there were no other transactions, arrangements or contracts of significance in relation to the Group's business to which the Company's or any of its subsidiaries was a party, and in which a Director or its connected entities had a material interest (whether directly or indirectly) subsisting at the end of the year or at any time during the Review Year under Chapter 20 of the GEM Listing Rules.

MANAGEMENT CONTRACTS

During the Review Year, the Company did not enter into or have any management and administration contracts in respect of the whole or any principal business of the Company.

RETIREMENT BENEFIT SCHEMES

Details of the retirement benefit schemes of the Group are set out in note 26 to the consolidated financial statements.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS

As at 31 December 2021, the interests and short positions of the Directors and chief executives of the Company in the Shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "**SFO**")), which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transaction by Directors to be notified to the Company and the Stock Exchange were as follows:

Long positions in the Shares

Name of Directors	Nature of interest/ holding capacity	Number of Shares held as at 31 December 2021 or date of appointment (if later)	Percentage of issued share capital of the Company *(Note 1)*
Mr. Chow	Interest in a controlled corporation *(Note 2)*	357,000,000	50.60%
Professor Chow	Interest in a controlled corporation *(Note 2)*	357,000,000	50.60%
	Beneficial owner	510,000	0.07%
Mr. Li *(Note 3)*	Beneficial owner	16,050,000	2.27%

Notes:

(1) As at 31 December 2021, the Company's issued share capital was HK$7,055,000 divided into 705,500,000 Shares of HK$0.01 each.

(2) BVI Holdings is beneficially owned as to 40% by Mr. Chow and 60% by Professor Chow. By virtue of SFO, Mr. Chow and Professor Chow are deemed to be interested in the 357,000,000 Shares held by BVI Holdings.

(3) Mr. Li was appointed as a non-executive Director on 8 March 2021.

Interests in shares of the associated corporations of the Company

Name of Director/ Chief Executive	Name of associated corporation	Nature of interest/ holding capacity	Number of shares held/ interested in the associated corporations	Percentage of shareholding
Professor Chow	Chows Investment Group Limited ("**BVI Chows**") *(Notes 1 and 2)*	Beneficial owner	6	60.00%
Mr. Chow	BVI Chows *(Notes 1 and 2)*	Beneficial owner	4	40.00%
Professor Chow	BVI Holdings *(Notes 1 and 2)*	Interest in a controlled corporation	10,000,000	100.00%
Mr. Chow	BVI Holdings *(Notes 1 and 2)*	Interest in a controlled corporation	10,000,000	100.00%

Notes:

1. BVI Chows holds 100% interest in BVI Holdings which in turn holds 50.60% interest in the Company. Therefore, BVI Chows and BVI Holdings are the associated corporations of the Company for the purpose of the SFO.

2. Mr. Chow and Professor Chow are interested in as to 40% and 60% of the issued share capital of BVI Chows. BVI Chows holds 100% interest in BVI Holdings. Mr. Chow and Professor Chow are therefore deemed to be interested in 100% of BVI Holdings for the purpose of the SFO.

Save as disclosed above, as at 31 December 2021, none of the Directors nor chief executives of the Company had or was deemed to have any other interests and 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) which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transaction by Directors to be notified to the Company and the Stock Exchange.

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

So far as is known to the Directors, as at 31 December 2021, the persons (other than Directors or chief executive of the Company) had, or were deemed to have, interests or short positions (directly or indirectly) in the Shares or underlying shares that would fall to be disclosed to the Company and the Stock Exchange under the provision of Divisions 2 and 3 of Part XV of the SFO for being recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

Long positions in the Shares

Name of Shareholder	Nature of interest/holding capacity	Number of Shares held	Percentage of issued share capital of the Company *(Note 1)*
BVI Holdings	Beneficial owner	357,000,000	50.60%
BVI Chows	Interest of controlled corporation *(Note 2)*	357,000,000	50.60%
Mrs. Chow Fung Wai Lan Rita ("**Mrs. Chow**")	Interest of spouse *(Note 3)*	357,510,000	50.67%
Mrs. Chow Kuo Li Jen	Interest of spouse *(Note 4)*	357,000,000	50.60%
Mr. Ma Ah Mak ("**Mr. Ma**")	Beneficial owner	152,490,000	21.61%
Ms. Cheng Pak Ching	Interest of spouse *(Note 5)*	152,490,000	21.61%

Notes:

(1) As at 31 December 2021, the Company's issued ordinary share capital was HK$7,055,000 divided into 705,500,000 shares of HK$0.01 each.

(2) BVI Chows holds 100% interest in BVI Holdings and is therefore deemed to be interested in the 357,000,000 shares held by BVI Holdings for the purpose of the SFO.

(3) Mrs. Chow is the spouse of Professor Chow. Mrs. Chow is deemed to be interested in all the Shares in which Professor Chow is interested in for the propose of the SFO.

(4) Mrs. Chow Kuo Li Jen is the spouse of Mr. Chow. Mrs. Chow Kuo Li Jen is deemed to be interested in all the Shares in which Mr. Chow is interested in for the propose of the SFO.

(5) Ms. Cheng Pak Ching is the spouse of Mr. Ma. Ms. Cheng Pak Ching is deemed to be interested in all the Shares in which Mr. Ma is interested in for the purpose of the SFO.

Save as disclosed above, as at 31 December 2021, the Directors were not aware of any other persons (other than the Directors or the chief executive of the Company) who had, or was deemed to have, interest or short positions in the Shares or underlying shares would fall to be required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO for being recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

DIRECTORS' SECURITIES TRANSACTIONS

Details of Directors' securities transactions are set out in the section headed "Corporate Governance Report" on page 14 of this Annual Report.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Review Year and up to date of this report.

CORPORATE GOVERNANCE CODE

Details of the principle corporate governance practices as adopted by the Company are set out in the section headed "Corporate Governance Report" on pages 14 to 22 of this Annual Report.

CHARITABLE DONATIONS

The Group made charitable donations of approximately HK$12,000 (RMB10,000) during the Review Year (2020: Nil).

DIVIDEND POLICY

The Company has adopted a dividend policy, pursuant to which the Company gives priority to distributing dividend in cash and shares its profits with its Shareholders. The dividend payout ratio shall be determined or recommended, as appropriate, by the Board at its absolute discretion after taking into account the Company's financial results, future prospects and other factors, and subject to:

- the Articles of Association of the Company;
- the applicable restrictions and requirements under the laws of the Cayman Islands;
- any banking or other funding covenants by which the Company is bound from time to time;
- the investment and operating requirements of the Company; and
- any other factors that have material impact on the Company.

SUFFICIENCY OF PUBLIC FLOAT

As at the date of this Annual Report, based on information that is publicly available to the Company and within the knowledge of the Directors, the Company maintained sufficient prescribed minimum number of the issued Shares in public hands as required under the GEM Listing Rules.

INDEPENDENT AUDITOR

With effect from 30 September 2020, Deloitte Touche Tohmatsu ("**Deloitte**") had resigned as auditors of the Company and GCCPAL was appointed as the auditors of the Company by the Board to fill the vacancy following the resignation of Deloitte. The Board confirmed that there was no disagreement between Deloitte and the Company. Save as disclosed above, there were no other changes in auditors of the Company during the past three years.

The consolidated financial statements for the Review Year have been audited by GCCPAL, who will retire and, being eligible, will offer themselves for re-appointment at the AGM. A resolution will be proposed at the AGM for the re-appointment of GCCPAL as auditor of the Company.

DEED OF NON-COMPETITION

BVI Holdings, BVI Chows, Professor Chow and Mr. Chow (collectively the "**Controlling Shareholders**"), being the controlling shareholders (as defined under the GEM Listing Rules) of the Company, have entered into a deed of non-competition on 8 May 2018 in favour of the Company (the "**Deed of Non-Competition**"). Details of the Deed of Non-Competition were set out in the section headed "Relationship with Our Controlling Shareholders" of the Prospectus. Pursuant to the Deed of Non-Competition, the Controlling Shareholders have undertaken, jointly and severally, to the Company that they would not, and that their close associates or associated companies controlled by them would not directly or indirectly carry on, participate, or be interested or engaged in or acquire or hold any business which is or may be in competition with the existing business of the Group. During the Review Year, the Company received an annual confirmation in writing from each of the Controlling Shareholder confirming that he/it had complied with the non-competition undertakings provided to the Company under the Deed of Non-Competition. The independent non-executive Directors have reviewed and confirmed the status of compliance and confirmed that all the undertakings under the Deed of Non-competition have been complied with by each of the Controlling Shareholders and duly enforced during the Review Year and up to the date of this report.

On behalf of the Board

Chow Bok Hin Felix
Executive Chairman and Executive Director

Hong Kong, 24 March 2022

As at the date of this report, the executive Directors are Mr. Chow Bok Hin Felix, Professor Chow Chun Kay Stephen and Mr. Shi Yiwu, the non-executive Director is Mr. Li Chiu Fan, and the independent non-executive Directors are Professor Ng Wang Wai Charles, Mr. Tai Chun Kit and Mr. Poon Lai Yin Michael.

This report will remain on the GEM website at http://www.hkgem.com on the "Latest Listed Company Information" page for a minimum period of seven days from the date of its publication. This report will also be published on the Company's website at http://www.nichetech.com.hk.

ABOUT THE REPORT

With the growing local and international concerns on sustainable development, the Group recognises that the importance of environmental, social and governance ("**ESG**") has increased accordingly. The Group has progressively integrated ESG issues into its strategic planning and daily operations, with the hope of sharing the concept of sustainability with its stakeholders and providing them with long-lasting value by focusing on environmental conservation, employee care, product responsibility, business ethics and community involvement.

This is the fourth ESG Report published by the Group. It has been prepared in accordance with the Environmental, Social and Governance Reporting Guide (the "**ESG Reporting Guide**") set out in Appendix 20 of the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") to present the Group's ESG policies, practices and performance. Through such open and transparent disclosure of information, the Group aims to build a long-term relationship of trust with its stakeholders.

Reporting Scope

The ESG Report focuses on the operations of the Group's core business, namely the development, production and sales of semiconductor packaging, at the Hong Kong headquarter office and the production facility in Shantou (the "**sites of operation**[1]") during the Review Year.

Reporting Principle

The ESG Report has been prepared in accordance with the four reporting principles set out in the ESG Reporting Guide, namely "materiality", "consistency", "quantitative" and "balance".

Materiality	Consistency	Quantitative	Balance
• The Group determined the content of the ESG Report based on the stakeholders' assessment of the materiality of the issues related to the business.	• Unless otherwise specified, the Group adopted consistent methodologies for quantitative data.	• Environmental and social data was disclosed with calculation standards, methodologies and soruce of reference.	• The ESG Report was prepared in an impartial manner to disclose both positive and negative impacts of operations.

Confirmation and Approval

All information disclosed is derived from the Group's internal documents and statistical data. The ESG Report has been confirmed and approved by the Board on 24 March 2022.

Opinion and Feedback

The Group values feedback from its stakeholders to continuously improve its performance. If you have any comments or questions about the content of the ESG Report or the way it is reported, you are welcome to contact the Group through the following channels:

Address: Room 208, Lakeside 1, Hong Kong Science Park
Email: info@nichetech.com.hk
Tel: (852) 2115 3979
Fax: (852) 2115 3748

[1] Managed by the Company's subsidiary Niche-Tech Kaiser (Shantou) Limited ("**Niche-Tech Shantou**") (汕頭市駿碼凱撒有限公司).

SUSTAINABILITY GOVERNANCE

Sustainability has become a broad consensus of the time. As a corporate integrating research and development, production and sales, the Group believes that sound ESG governance and practices not only ensure timely response to risks, but also help it to seize opportunities such as enhancing the value of investments and providing long-term returns for stakeholders.

The Group has established a top-down approach to sustainability governance to strengthen the management of its works. The Board is responsible for overall oversight and regularly discusses, reviews and evaluates the Group's approach, strategy, risks, targets and progress in managing ESG matters. Besides, a "Social and Governance Working Committee" (the "**Committee**") has been developed with clear terms of reference as set out in the Social and Governance Work Regulations. The Committee, headed by Niche-Tech Shantou's General Manager as the top management representative, is responsible for the management of sustainability issues in the seven operational areas and reports to the Board to ensure effectiveness.

The Board

- Oversee the overall sustainability performance
- Adjust sustainability strategy based on the Committee's reports and advises

Social and Governance Working Committee

- Implement sustainability policies and measures
- Monitor, review and evaluate sustainability performance
- Identify and evaluate operational ESG risks
- Ensure appropriate ESG risk management and internal controls are in place
- Report the progress and provide suggestions to the Board

Departments

- Implement sustainability policies and measures

Society

Environment

Health and safety

Security

Employment relationship

Ethical conducts

Relations with the community and other business related individuals

During the Review Year, the Committee established a set of environment and safety related targets to implement monitoring of material ESG issues. These targets are recorded in the 2021 Environmental and Safety Targets Analysis and Management Plan and include indicators such as zero workplace fatalities and serious injuries, and electricity and water consumption per RMB10,000 by output value. The Board regularly reviews the targets and corresponding measures in accordance with the Monitoring Procedures for Target, Indicators and Management Plan to enable timely management and follow-up.

ESG Risks

The Group's comprehensive and systematic risk management policy and mechanism continuously safeguard the effectiveness of the internal control system. With the needs of business operations, the Group has formulated the Risk and Opportunities Monitoring Procedures and organises risk assessments on a regular basis to identify and improve potential risks in the business in a timely manner so as to reduce the probability of occurrence and impact of risks. The Committee regularly reviews the ESG-related risk management performance of departments and divisions, and reports to the Board.

During the Review Year, the Group has identified the following major ESG risks and has corresponding controls in place:

Aspects	**Risks description**	**Management measures**
Corporate governance	Ill-defined management system will affect the management efficiency and segregation of duties, and further affect day-to-day operations, product quality, health and safety, etc.	• Establish a clear management system that defines works for each position and department • Provide training for employees to ensure they understand the structure of the Group and the duties of each department
Environmental	Waste filters, lubrications, alcoholic-containing gloves that used or generated in the production may lead to contaminated water and soil	• Separate waste collection and clearly regulate the storage location to avoid environmental pollution due to improper disposal • Hire qualified contractors to collect and dispose of waste to lower the impact on the environment
	Spills of chemicals during transport and storage will cause environmental pollution	• Separate chemicals for storage and clearly regulate storage locations based on their nature • Set up dedicated chemical warehouse to ensure safe management and storage of relevant chemicals

Aspects	Risks description	Management measures
	A lack of environmental protection equipment or resources can result in incompliance with laws and regulations	• Review and improve environmental systems regularly to reduce or eliminate gaps
	Improper and untimely disposal of waste will lead to environmental problems such as odour and waste accumulation	• Hire disposal company to collect waste and clean storage sites regularly
Employment	Failure to properly address operational or production issues will affect the welfare, health and safety of employees, and bring instability to operations	• Clearly stipulate that all identified issues must be investigated and handled in a targeted manner to ensure the welfare and safety of employees in the workplace
	Decrease in the supply of talent during the slow hiring season may affect the recruitment plan	• Collaborate with external recruitment agencies or participate in job fairs to recruit talents • Encourage internal staff referrals to attract talents
	A lack of understanding and awareness on management requirement, job duties, environmental and social related regulations may lead to non-compliance	• Provide training and employee handbooks for all employees to ensure they understand the requirements • Strengthen communication and management, and regularly review and improve monitoring systems to ensure compliance
Occupational health and safety	High noise level in production plant could pose a health risk to employees who work there for long periods of time	• Regularly assess and check noise factors and levels to ensure they are within compliance and safety limits • Regularly inspect and maintain equipment to ensure proper operation • Provide employees with earplugs and other protective equipment to prevent hearing loss • Regularly organise health checks to safeguard personal health
	Insufficient understanding, awareness or skills of employees, and mishandling or lack of protective measures, will cause safety incidents	• Provide safety training to ensure employees clearly understand how to operate • Provide warning signs and operating instructions at the conspicuous place to help employee understand the operation method of the relevant equipment

Aspects	Risks description	Management measures
	Untimely disposal of spilled chemicals, improperly handling or storage will increase the risk of safety incidents	• Separate chemical storage by nature, with clearly defined storage areas • Set up dedicated chemical warehouse to ensure safe management and storage of chemicals • Conduct chemical spill handling drills to ensure employees have specific knowledge of spill handling
Supply chain management	Raw materials that do not meet product quality requirements or laws and regulations, and wrong or inadequate packaging of materials could increase risks of increased production times and defective products	• Strictly select suppliers to ensure their performance and product or services meet production requirements • Define product technical requirements and enter into quality assurance agreements to ensure product quality and that only qualified materials are used • Regularly review and evaluate the performance of suppliers to ensure the quality of products
	Chemicals spilled during transport will cause environmental pollution	• Require suppliers to handle the product carefully to avoid leakage • Check product protection at acceptance to ensure it meets requirements
	Production and delivery processes may be adversely affected if the materials or products supplied do not meet the established requirements	• Sign agreements and request external inspection reports or guarantees to ensure that materials and products provided meet the requirements of both parties • Conduct environmental and social assessments to ensure compliance with relevant quality or procedural requirements

Aspects	Risks description	Management measures
Product responsibility	The manufacturing process could be affected by factors such as abnormal power supply, environmental cleanliness, material purity and concentration, and production equipment, resulting in unstable or substandard product quality	• Set up a back-up power supply and turn off the power switch during the power outage to ensure that the equipment will not be damaged when the power supply is restored • Regularly clean, inspect and maintain production plant, equipment, and materials to ensure stable production processes and consistent product quality • Separate non-conforming products or materials to ensure that other products or materials are not affected
	Product contamination or scrap due to improper management system, working environment, material storage and handling in the production plant will result in losses, and may cause quality or safety incidents	• Establish a clear management system and guidelines to properly handle related processes • Handle and sort products or materials in accordance to guidelines to ensure that their quality is not compromised • Provide training for employees to ensure they understand their responsibilities and job requirements • Regularly review and evaluate the management system and work instructions to ensure their effectiveness
	Incorrectly storing, warehousing, labelling, distributing and using materials can result in inaccurate stock levels, increasing the chance of damage and affecting productivity	• Take timely record and regular inventory of the condition of materials • Provide training and instruction to ensure the materials are arranged and labelled as required • Use materials in the order in which they enter and leave the warehouse, and record the outbound information for tracking and updating inventory
	Incorrect customer information and delivery arrangement can lead to customer complaints	• Check regularly the updates of information and timely confirmation of delivery arrangements

Stakeholder Engagement

The Group values the communication with its stakeholders and works towards shared interests, emotions and values by understanding and responding to their expectations. In order to understand the stakeholders' concerns about its business operations, the Group has been maintaining regular communication with its key stakeholders through various channels, as shown in the table below.

Stakeholder groups	Aspirations and expectations	Communication channels
Shareholder	Excellent performance, compliance and transparency of operations, stable returns	Shareholder meetings, announcements and reports
Government and regulatory authority	Compliance, payment of taxes, strict risk management, support to local economic growth and employment	Regular reporting, inspections and monitoring
Employee	Protection of rights, occupational health, excellent working environment, career development	Training and seminars, intranet
Business partner	Integrity in performance, fair competition, competence support, win-win cooperation	Tender meetings, exchange seminars
Customer	High-quality products, integrity in performance	Satisfaction survey, customer service hotline
Community	Support to community development, involvement in charity work	Participation in community activities

In order to establish an effective sustainability strategy and approach, during the Review Year, the Board has identified material ESG issues that have a significant impact on the Group's operations, according to the nature of the Group's business and the concerns of different stakeholders. Seven material issues are set out below.

Material Issues	
Environmental protection	• Waste • Energy • Water resource
Employment and labour practices	• Occupational health and safety • Development and training
Operating practices	• Anti-corruption • Product responsibility

Looking ahead, the Group will continuously review and establish policies and targets for material issues, as well as enhancing ESG reporting to improve ESG performance. At the same time, the Group will continue to improve its communication with stakeholders and the identification process of material issues with a view to enhancing its operational performance through different communication approaches.

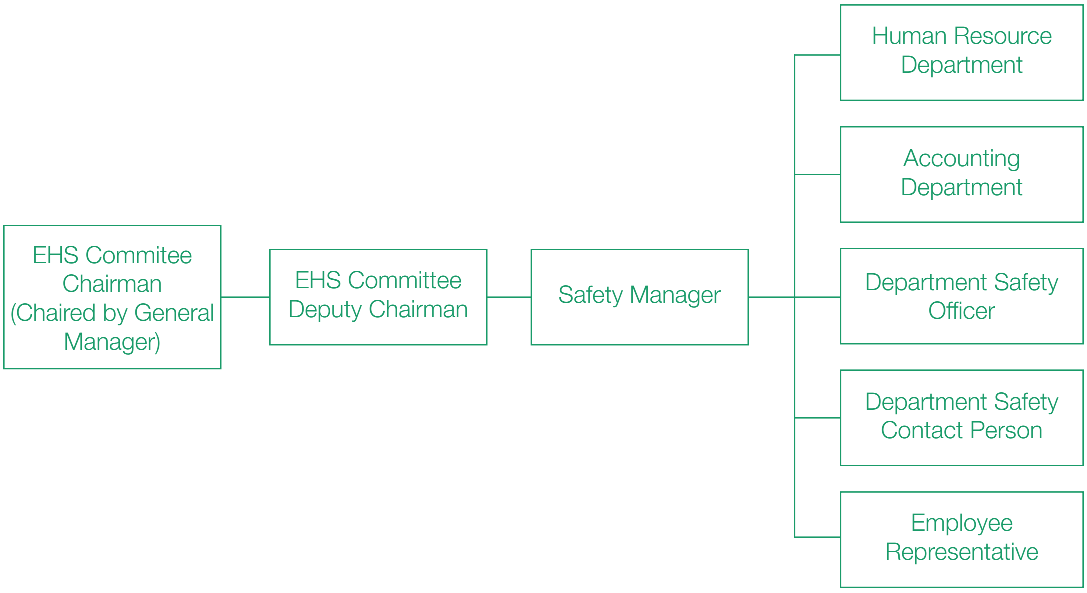
ENVIRONMENTAL AND SAFETY MANAGEMENT

The Group strives to understand and reduce the impact of its own operations on the environment, and has made the reduction of its environmental impact an important target it has been pursuing. During the Review Year, the Group strengthened the inspection of wastewater, air, wastes and other emission, as well as implementing resource saving measures for continuous improvement. Additionally, a safe working environment is also a reflection of the Group's responsibility to employees and the communities. In order to improve performance in these areas, the Group sets annual targets and evaluates the effectiveness of its measures against the achievement of the targets.

Aspects	Targets	Completion
Environmental	• Quarterly electricity consumption by output value ≤ 150 kWh/RMB10,000 • Monthly environmental pollution case ≤ 1 • Quarterly water consumption by output value ≤ 1cubic metre/RMB10,000 • Quarterly paper consumption ≤ 70 reams • Annual wastewater treatment and discharge in compliance with laws and regulations • Annual noise emission level in compliance with laws and regulations	Achieved
Safety	• Zero fatalities and severe injuries • Zero major fire, explosion, electrocution and leakage accidents • Zero occupational diseases • No higher than 85 decibels in the workplace during 8-hour workday • No more than 1% food poisoning rate • No more than 1% minor injury rate	Achieved

Governance Structure and System

An internal environmental and occupational health and safety management system has been established in accordance with ISO14001 and ISO 45001 standards to identify, manage and mitigate risks associated with operations. The Environment, Health and Safety ("**EHS**") Committee and the Safety Production Management Committee are responsible for formulating environmental and safety policies and guidelines, and supervising and guiding the work of each department.



In respect of the environment, the Group has formulated policies covering all aspects of its operations, including the Environmental Handbook, the Regulations on Managing Emissions, the Wastewater and Noise, the Waste Management Protocols, the Energy Efficiency and Emission Reduction Management Protocols and the Identification and Monitoring Procedures for Environmental Factors. These policies and guidelines provide effective guidance for green production. For example, the segregation and recycling of non-hazardous waste, special collection, storage and compliant disposal of hazardous waste, and annual environmental risk assessment are clearly documented. The Group also continuous to explore ways to improve environmental efficiency and create green factories through technological improvements and optimisation of production processes.

Additionally, in order to ensure that a safe production environment for all workers, the Group has formulated the Occupational Health and Safety Management Handbook, which makes early identification and elimination of potential safety risks a key principle of safety management. With the policy in place, the Group has implemented safety measures in the workplace and provided sufficient personal protective equipment at its plant. At the same time, the risk of worker injury is minimised through training to raise employees' awareness and competence in safe practices.

The Group's management methods, measures and daily practices are in compliance with the Environmental Protection Law of the People's Republic of China, the Water Pollution Prevention and Control Law of the People's Republic of China, the Directory of National Hazardous Wastes (Version 2021), the Water Pollution Control Ordinance (Chapter 358 of the Laws of Hong Kong), the Labour Law of the People's Republic of China, the Law of the People's Republic of China on the Prevention and Control of Occupational Diseases, the Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong) and other relevant laws, administrative regulations, national standards and industry standards. During the Review Year, the Group was not aware of any violations of environment and safety-related laws and regulations.

Annual Management Measures and Performance

Emissions

The Group's major air pollutants and greenhouse gas emissions are mainly from vehicle fuel use and electricity consumption. To manage these emissions, the Group's internal policies set out approaches and measures for environmental actions such as the use of electric vehicles and the optimisation of employees' office electricity consumption behaviour.

Monitoring	Reduction
• Monitor and review the use of vehicles on a regular basis • Regularly check air pollutants and greenhouse gas emissions from vehicles	• Encourage the use of public transport or electric vehicles • Reduce business travel • Encourage the use of online meetings

Total greenhouse gas emissions for the Review Year were 1,382.73 tonnes of carbon dioxide equivalent, with an intensity of 10.33 tonnes of carbon dioxide equivalent per 1,000 square feet. Compared to last year, total emissions increased by 4%, with a reduction of approximately 54% in Scope 1 direct emissions and an increase of approximately 6% in Scope 2 indirect emissions.

Greenhouse gas emissions	2021	2020	Unit
Scope 1[2]	25.39	55.00	tonnes of carbon dioxide equivalent
Scope 2[3]	1,357.34	1,279.80	tonnes of carbon dioxide equivalent
Total greenhouse gas emissions	1,382.73	1,334.80	tonnes of carbon dioxide equivalent
Greenhouse gas emissions intensity	10.33	10.00	tonnes of carbon dioxide equivalent/1,000 square feet

Besides, the Group's nitrogen oxides, sulphur oxides and respiratory suspended particles for the Review Year were 11.51 kg, 0.71 kg and 0.59 kg respectively. While there was a 15% decrease in nitrogen oxides compared to last year, sulphur oxides and respiratory suspended particles increased by 43% and 18% respectively.

Air pollutants emissions[4]	2021	2020	Unit
Nitrogen oxides	11.51	13.50	kg
Sulphur oxides	0.71	0.50	kg
Respiratory suspended particles	0.59	0.50	kg

2 Scope 1 representing direct greenhouse gas emission including mobile sources, such as vehicles, for offices in Hong Kong and factories in Mainland China.

3 Scope 2 representing indirect greenhouse gas emission including purchased electricity from all operating sites.

4 Calculated in accordance with Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong published by the Environmental Protection Department and the Electrical and Mechanical Services Department of Hong Kong and the Guidelines for Accounting and Reporting Greenhouse Gas Emissions for Other Industrial Enterprises (Trial) published by the National Development and Reform Commission of the People's Republic of China.

The Group's manufacturing operations also generate hazardous wastes listed in the Directory of National Hazardous Wastes, which include organic solvents, mineral oils, organic resins and mercury. The Group understands that if these wastes are not handled properly, they may have significant impact on the environment and the safety of employees. Therefore, in accordance with the Waste Management Protocols, wastes have been segregated and stored according to their nature, and qualified third-party agencies have been engaged for waste collection and further treatment. Non-hazardous waste is stored in recyclable or non-recyclable categories and then recycled or collected by local waste disposal companies, while general domestic waste from offices is usually handled by the property management and administration department.

Non-hazardous waste	Hazardous waste
• Install recycling bins to separate recyclable waste • Clearly delineate storage areas and methods, with instructions for storage • Put up posters next to waste bins • Encourage the use of reusable products	• Control and record hazardous waste and ensure its proper disposal • Arrange for qualified contractors to carry out treatment • Report on government hazardous waste disposal platform to ensure accurate and timely data

During the Review Year, the total amount of non-hazardous waste, including production waste and domestic waste, was 3.76 tonnes at an intensity of 0.03 tonnes per 1,000 square feet, while hazardous waste, including waste organic solvents, waste mineral oils and waste containing mercury, totalled 2.93 tonnes at an intensity of 0.02 tonnes per million RMB. Compared to last year, the total non-hazardous waste for the Review Year increased by 45% due to the increase in the number of employees purchasing online, while hazardous waste decreased by 50% due to an increase in the recycling rate of raw materials and a reduction in production waste.

Waste	2021	2020	Unit
Total non-hazardous waste	3.76	2.60	tonnes
Non-hazardous waste intensity	0.03	0.02	tonnes/1,000 square feet
Total hazardous waste[5]	2.93	5.90	tonnes
Hazardous waste intensity	0.02	0.04	tonnes/million RMB

[5] Hazardous waste includes waste organic solvent and waste containing organic solvent, waste mineral oil and waste containing mineral oil, organic resin waste and waste containing mercury.

Use of Resources

The Group constantly explores opportunities to conserve resources in its business operations, following the 3R principle of reduce, reuse and recycle, and continuously monitors the consumption of key resource types such as energy, water, paper and packaging materials. Electricity accounts for the largest proportion of energy consumption, and small amount of fossil fuels are also used in company vehicles. Water and packaging materials are mainly used for production. The Group reuses treated wastewater and recycles non-hazardous waste to maximise the use of resources. In addition, the Group has implemented a range of energy and water conservation measures and provides guidance to employees to help reduce resource consumption and help them adopt environmentally friendly behaviours.

Employee awareness	Operating facilities
• Prominently display resource-saving slogans • Encourage the use of double-sided printing • Encourage the use of email and other methods to lower the use of paper in everyday communications • Recycle used envelopes and document bags • Recycle used paper	• Install more efficient equipment with energy and water efficiency labels • Install light sensors to reduce electricity consumption during non-use periods • Set the start time of the air conditioning system and the power saving mode of the appliance • Set double-sided printing to default mode • Use recycled or environmentally friendly paper • Regularly check and service equipment to ensure its effectiveness • Regularly review and monitor resource usage

To protect the safety and stability of electricity consumption, the Group complied with the 2021 Shantou City Orderly Electricity Consumption Plan and fully cooperated with the government in the work of staggered production. Water is normally supplied by municipal bodies. During the Review Year, the Group did not have any problems on sourcing water for its operations.

Overall energy consumption for the Review Year was 2,334.88 MWh with an intensity of 17.44 MWh per 1,000 square feet, an increase of 9% over the previous year, while water consumption increased by 16% from 8,749.00 cubic metres to 10,179.00 cubic metres. In terms of packaging materials for the Review Year, the main source was cartons, which totalled 9.96 tonnes at an intensity of 0.07 tonnes per million RMB, an 8% decrease on last year.

Energy consumption	2021	2020	Unit
Direct energy	101.05	50.70	MWh
Indirect energy	2,233.82	2,101.20	MWh
Total energy consumption	2,334.88	2,151.90	MWh
Energy intensity	17.44	16.10	MWh/1,000 square feet

Water consumption	2021	2020	Unit
Total water consumption	10,179.00	8,749.00	cubic metres
Water consumption intensity	0.068	0.061	cubic metres/1,000 RMB

Packaging materials	2021	2020	Unit
Total packaging material	9.96	10.80	tonnes
Packaging material intensity	0.07	0.08	tonnes/million RMB

Environment and Natural Resources

In order to reduce the impact of its operations on the environment and natural resources, the Group conducts annual environmental factor identification and environmental risk assessment based on environment-related standards, legal requirements, frequency of events, scale and severity of environmental impact. For potentially significant environmental issues, the Group has formulated appropriate management measures and contingency plans.

Environmental impacts	Corresponding measures
Waterbody and soil pollution	• Centrally collect waste from operations, with clearly defined storage areas and guidelines • Employ qualified contractors to collect and dispose waste, depending on the nature of the waste, to ensure minimal impact on the environment
Chemical spills	• Require suppliers to package chemicals properly to prevent spillage • Sort and store chemicals according to their natures and employ qualified contractors to handle them • Develop contingency plans to ensure spills are dealt with in a timely manner • Conduct regular chemical spill handling drills to increase employees' awareness of hazards and response methods
Noise pollution	• Integrate noise from equipment into the procurement process • Develop management measures based on the characteristics of each project or operating site • Regular inspections and maintenance

Health and Safety

Spanning various departments and managers in human resources and administration, purchasing, production, finance and sales, the Occupational Health and Safety Committee is responsible for overseeing the overall occupational health and safety in the Group's operations, including setting up guidelines and approving management plans to ensure that safety and health is effectively implemented in all business processes. At the same time, the Occupational Health and Safety Standards Implementation Team will monitor the implementation of the following measures, identify risks and formulate improvement plans.

Personal awareness	Working equipment
• Provide health and safety training • Post health and safety information on the notice boards and intranet	• Provide personal protective equipment • Regular check and maintain equipment

In 2021, the world has been still affected by COVID-19 and people are worried about their safety and health. In line with the need for pandemic prevention and control, the Group continues to optimise its employee health management and is committed to providing greater protection for and reducing the risk of infection by the following measures:

- Implement staggered working or home working arrangements to reduce the risk of infection from crowds;
- Conduct temperature checks before going to work; and
- Disinfect offices and central air conditioning weekly.

No work-related fatalities have occurred in the last three years and no work-related injuries have occurred in the year under review during the Review Year.

Climate Change

The impacts of climate change have been increasing, posing risks to global ecosystems and public safety. The Group has formulated the Regulations on Monitoring Climate Change to contribute to climate mitigation and response.

Mitigate emissions	Strengthen response
• Support the application of renewable energy • Encourage external and internal parties to reduce energy consumption and greenhouse gas emissions • Encourage the application of new technologies and processes to reduce emissions	• Set up a safety warning system and implement special working arrangements to ensure the safety of employees and other workers during extreme weather conditions or events • Actively adopt local climate-related policies or industry requirements

The Group will continue to review updates to local policies and regulations to identify potential climate-related risks, and develop an environmental risk inventory based on the likelihood and impact of the identified risks, thereby improving the Group's resilience to risks and maintaining stable business growth and operations.

EMPLOYMENT AND LABOUR PRACTICES

Employees' development is closely linked to the stability of the corporate. The Group understands that providing employees with a sound employment system, good training and development opportunities helps to build a good employment relationship and empowers employees to grow. The Group has complied with relevant laws and regulations and will further develop internal policies to monitor daily operations and performance.

Training and Development

For employee development and training, the Group has established the Procedures for Educational Training Management to provide new and existing employees with knowledge and skills training relevant to their positions and development paths in order to help employees excel themselves. The Human Resources and Administration Department develops annual training plan based on the needs of the Group's development and operations, as well as the needs of each department, to continuously improve the knowledge, skills and performance of employees in different areas. Each department will arrange appropriate training activities.

Orientation training	On-the-job training	External training
• Provide pre-employment training for new employees to help them adapt to the work environment and position, and ensuring through assessment that they have the skills required for the job • The training covers corporate culture, professional ethics, industry knowledge, basic work skills, safety, occupational health, environment and regulations	• Provide internal training for in-service employees in knowledge, skills and attitudes to meet job requirements • The training incudes regular skills learning, work ethics, safety, etc.	• Engage external personnel to conduct thematic training, or assign employees to external institutions to participate in specific training according to business and management needs • The training includes specialised business, professional techniques and skills, etc.

Annual performance appraisals are also conducted for the Group's employees to understand their performance, attitude and functional development direction. Job or salary adjustments are made based on the results of the appraisal to provide employees with appropriate development opportunities.

During the Review Year, the Group's employees received an average of 6.42 hours of training. The total number of employees being trained was 119, including 74 males and 45 females.

Training related data		Percentage of trained employees	Average training hours (hours)
Category	Male	62%	3.77
	Female	38%	10.71
	General employees	93%	6.65
	Middle management	4%	1.57
	Senior management	3%	8.36

Employment System

In order to respect and protect the rights of employees, the Group abides by relevant laws and regulations such as the Labour Law of the People's Republic of China, the Labour Contract Law of the People's Republic of China, the Payment of Wage Tentative Provisions, the Special Rules on the Labour Protection of Female Employees, and the Special Rules on the Protection of Juvenile Workers and the Employment Ordinance (Chapter 57 of the Laws of Hong Kong). It has also formulated the Staff Handbook, the Anti-Discrimination Policy and the Management System for Female Workers and Young Workers, which set out policies and guidelines on remuneration and dismissal, recruitment and promotion, working hours and other benefits.

Recruitment and dismissal	**Recruitment** • Go through legitimate recruitment channels to ensure the Group is not involved with unscrupulous agencies or the labour market • Check applicants' valid documents and resumes to ensure they are eligible to work to avoid the risks associated with the use of child labour during the recruitment process **Dismissal** • If an employee fails to meet the corresponding job requirements, commits an offence or violates internal policies, the Group will terminate his or her employment relationship and deal with him or her in accordance with policies, laws and regulations, such as providing compensation or reporting to law enforcement authorities

Salary and promotion	**Salary** • Set employees' pay levels on market rates and annual performance appraisal results to ensure that their pay reflects the value, skills and performance of their work • Regularly review and adjust remuneration levels to maintain competitiveness, motivation, fairness and economic feasibility **Promotion** • Make job adjustments based on employee performance, attitude and annual performance appraisal results, etc. • Carry out job adjustments through various ways such as employee self-recommendation, supervisor recommendation, cross-departmental recommendation, etc.
Welfare and benefits	• Entitle employees to paid and unpaid leave, including maternity, paternity, marriage and bereavement leave, in addition to statutory holidays • Female employees have paid maternity leave, work breaks and breastfeeding leave to ensure their parental rights during working
Prevention of child and forced labour	**Prevention of child labour** • Avoid the use of child labour by verifying the personal details of candidates, such as identity cards, ensuring that employees are of legal working age • If child labour is found, the Human Resources and Administration Department will immediately stop the work or recruitment process and arrange for a medical examination to ensure that the child is in a healthy state. Then the Group will send him or her back to the original place of residence. **Prevention of forced labour** • Explicitly discouraged overtime or after-hours work, and has zero tolerance for forcing employees to work involuntarily • If overtime work is required for business purposes, approval from the department head or General Manager is required and overtime hours shall be recorded for future compensatory time off or payment

Principles of fairness and anti-discrimination are embedded in the Group's work. The Anti-Discrimination Policy states that employees shall treat each other with respect and not engage in any unfair or discriminatory behaviour on the grounds of race, nationality, social status, religion, disability, and sexual orientation. This zero-tolerance attitude is also reflected in the Group's recruitment, remuneration, promotion and job transfer, dismissal or retirement processes. In the event of any unreasonable behaviour, employees can make suggestions and complaints to the relevant departments through internal channels such as interviews, emails, and suggestion boxes, in accordance with the Group's reporting system.

As of 31 December 2021, the Group had a total of 182 employees, comprising 114 males and 68 females, all of whom were employed on a full-time basis. The Group's turnover rate for the Review Year was 12.64%, with 16.67% for males and 5.88% for females.

Employment related data	Gender		Age group				Geographical region	
	Male	Female	Below 31 years old	31-40 years old	41-50 years old	51 years old and above	Mainland China	Hong Kong
Number of employees	114	68	44	95	33	10	167	15
Turnover rate	16.67%	5.88%	22.73%	9.47%	12.12%	0.00%	13.17%	6.67%

No non-compliance with laws and regulations relating to employment and labour standards was observed by the Group during the Review Year. If there were, the Group would have dealt with them in accordance with its internal policies and guidelines, including termination of employment and reporting to the regulatory authorities.

OPERATING PRACTICES

Responsible and compliant operations provide a solid foundation for future growth and governance. The Group is aware of the importance of complying with relevant laws and regulations, and has formulated corresponding internal policies and monitoring measures based on the regulations, with the expectation of maintaining stable operations and creating competitive products and services.

Anti-corruption

The Group values fair and equitable operations and development, and complies with relevant laws and regulations such as the Anti-Money Laundering Law of the People's Republic of China and the Prevention of Bribery Ordinance (Chapter 201 of the Laws of Hong Kong). It has formulated the Corruption Prevention Policy, the Anti-Money Laundering Management Regulations and the Anti-Fraud Procedures to strengthen its internal control mechanism and achieve a legal and compliant mode of operation.

As an integral part of its internal policies and guidelines, the Group expressly prohibits any form of irregularities, including but not limited to money laundering, bribery, fraud, etc. If there are any irregularities, the Group will take a zero-tolerance approach to deal with them by imposing internal penalties or referring them to regulatory authorities in accordance with internal policies, laws and regulations. To ensure compliance, the Group designates employees to regularly review the performance of their departments and implement improvement measures for issues identified to avoid potential risks of non-compliance.

The Group has established a whistle-blowing mechanism. Employees can make reports anonymously or non-anonymously in person, by telephone or by email. The identity of the whistleblower and the information reported will be kept strictly confidential. Upon receipt of a report, the Group will assign relevant employees to conduct an investigation in accordance with the principle of "case by case". If the report is substantiated, the employee who violates the rules will be punished according to the severity of case.

During the Review Year, both employees and directors received an average of one hour of anti-corruption training. The relevant training includes providing information for new employees so that they have a clear understanding of regulatory and policy requirements. At the same time, the training provides employees and the Board with up-to-data information to help them gain new insights on top of what they had already learned

The Group complies with relevant laws and regulations, such as the Anti-Money Laundering Law of the People's Republic of China and the Prevention of Bribery Ordinance (Chapter 201 of the Laws of Hong Kong). The Group did not violate the aforesaid laws and regulations during the Review Year.

Product Responsibility

Consistent quality of products and services is the key to the Group to gain the trust of its customers. The Group complies with laws and regulations such as the Product Quality Law of the People's Republic of China, the Patent Law of the People's Republic of China and the Competition Ordinance (Chapter 619 of the Laws of Hong Kong), and has further formulated the Poor Quality Cost Management Procedure, the Correction and Prevention Management Procedures, the Procedures on Customer Complaint and Return Handing and the Management Protocols on Intellectual Property, Confidentiality and Competition Restriction to provide clear guidelines on internal operations and to provide quality products to customers.

In terms of product quality and safety, the Group has developed and implemented a series of quality assurance management standards and procedures covering product monitoring and control, non-conforming product control, corrective and preventive action control, product safety control, etc. To ensure that customers have a clear understanding of product specifications and applications, the Group has produced brochures to provide detailed information. At the same time, some self-produced products are also attached with information labels with corresponding chemical technical data sheets and chemical safety information cards in accordance with the Chemicals Safety Data Sheet to help clarify product standards and compliance.

The Group attaches great importance to the opinions of its customers and has formulated the Procedures on Customer Complaint and Return Handing to handle complaints and returns in accordance with the customer complaint mechanism and procedures set out therein, including the assignment of dedicated employees to conduct investigations and provide timely responses. If a complaint case is confirmed, the Group will carry out remedial measures, develop recovery and improvement plans and other treatment options, and will then analyse the root causes to prevent similar cases from recurring, thereby building customer confidence and maintaining reputation. During the Review Year, no products were recalled for safety and health reasons after sale and delivery, and no customer complaints were received.

The Group also values the privacy and intellectual property rights of its customers. Employees are required to handle confidential information appropriately and in accordance with regulations, and not to disclose relevant information to third parties without permission for their personal interests. They must also ensure that there is no infringement of intellectual property rights in their work.

During the Review Year, there was no non-compliance with laws and regulations relating to health and safety, advertising, labelling and privacy matters relating to products and services provided by the Group. If there were, the Group would have handled in accordance with its internal policies and guidelines, including recalling products.

Supply Chain Management

The performance of suppliers has a significant impact on business development. The Group understands that an effective and well-defined management mechanism helps manage supply chain performance while improving operational stability. Through the Supplier Management and Assessment, Supplier Environmental Agreement and the Quality Assurance Agreement, requirements and guidelines relating to the supply chain are set out so that all relevant departments and employees are aware of the Group's standards in ensuring the quality of raw materials or services. At the same time, the Group has established standard procedures for procurement and tendering to screen qualified suppliers for cooperation.

Assess new suppliers
- Request samples for trial and technical information or site visits depending on the characteristics of the new supplier
- Prepare evaluation reports and propose preliminary cooperation list

Confirm list of suppliers
- After approval, issue the Supplier Environmental Agreement and the Quality Assurance Agreement to the cooperating suppliers and require their signatures

Regular assessment
- Set assessment circles for different types of suppliers to ensure their performance is up to standard

Adjust cooperation plan
- Based on the results of the periodic assessment, decide whether to maintain the relationship with the respective supplier, make a request for improvement, suspend the relationship or remove the supplier from the list

In addition to incorporating environmental and social considerations at the tendering and selection stages, including prioritising materials or performance that have a positive or less negative impact on the environment, the Group identifies and manages environmental and social risks through a risk assessment process. At the same time, internal policies such as the Supplier Environmental Agreement and the Quality Assurance Agreement clearly state the monitoring of suppliers' environmental and social performance, such as the need to provide materials that comply with the relevant laws, regulations or standards, and to avoid sourcing from upstream suppliers that work with armed groups in conflict areas, with the expectation of achieving a compliant, ethical and green supply chain.

For existing suppliers, the Group conducts regular performance reviews to assess their product quality, service performance, material safety, process control and environmental performance. Suppliers who do not meet the requirements need to implement improvement measures in a timely manner. If they continue to fail the assessment, the Group will no longer work with them.

COMMUNITY INVESTMENT

The Group understands that ensuring business operations and growth requires not only its own cooperation with the upstream and downstream value chains, but also a stable community environment. Sustainability can only be achieved through the efforts of all parties. The Group will continue to serve the community through the three focus areas of volunteerism, charitable activities, and donation and sponsorship as outlined in the Community Investment Policy Statement.

Sponsor and contribute to projects and activities that have a positive impact on community development
In order to improve poverty and uneven development, the Guangdong Provincial Party Committee and the Provincial Government have designated 30 June each year as "Guangdong Poverty Alleviation Day" to encourage donations from all walks of life to help solve the poverty problems. The Group understands the importance of maintaining a balance between development and quality of life. It hopes to through participating in this activity to respond to the expectations of the government and society. During the Review Year, the Group made a donation of RMB10,000 to the "Guangdong Poverty Alleviation Day 2021" to help improve the quality of life of those who are in poverty or in basic need.

Encourage and arrange employees to participate in voluntary services and charity activities
In addition to making cash or material donations, the Group hopes to promote the idea of giving back to the community among its employees and to build an inclusive and beautiful community. It believes that each individual can make an impact on the lives of others. Therefore, the Group has always encouraged employees to participate in volunteer and charity activities, aiming to start with itself first and gradually join the efforts of different stakeholders in the community to work together to build a positive society. During the Review Year, a total of four employees participated in an average of four hours of cleaning activities to keep the roads in the industrial park clean and tidy.

APPENDIX

Key Performance Indicators

Environmental key performance indicators	2021	2020	Unit
Air pollutants emissions			
Nitrogen oxides	11.51	13.50	kg
Sulphur oxides	0.71	0.50	kg
Respiratory suspended particles	0.59	0.50	kg
Greenhouse gas emissions			
Scope 1	25.39	55.00	tonnes of carbon dioxide equivalent
Scope 2	1,357.34	1,279.80	tonnes of carbon dioxide equivalent
Total greenhouse gas emissions	1,382.73	1,334.80	tonnes of carbon dioxide equivalent
Greenhouse gas emissions intensity	10.33	10.00	tonnes of carbon dioxide equivalent/thousand square feet
Waste			
Total non-hazardous waste	3.76	2.60	tonnes
Non-hazardous waste intensity	0.03	0.02	tonnes/thousand square feet
Total hazardous waste	2.93	5.90	tonnes
Hazardous waste intensity	0.02	0.04	tonnes/million RMB
Energy consumption			
Direct energy	101.05	50.7	MWh
Indirect energy	2,233.82	2,101.20	MWh
Total energy consumption	2,334.88	2,151.90	MWh
Energy consumption intensity	17.44	16.10	MWh/thousand square feet
Water consumption			
Total water consumption	10,179.00	8,749.00	cubic meters
Water consumption intensity	0.068	0.061	cubic meters/thousand RMB
Packaging materials			
Total packaging materials	9.96	10.80	tonnes
Packaging materials intensity	0.07	0.08	tonnes/million RMB

Social key performance indicators		**2021**
Number of employees		
Gender	Male	114
	Female	68
Age group	Below 31 years old	44
	31-40 years old	95
	41-50 years old	33
	Above 51 years old	10
Employment category	Full-time	182
	Part-time	0
Geographical region	Mainland China	167
	Hong Kong	15
Employment level	General employees	157
	Middle management	14
	Senior management	11
Total		182
Employee turnover rate		
Gender	Male	16.67%
	Female	5.88%
Age group	Below 31 years old	22.73%
	31-40 years old	9.47%
	41-50 years old	12.12%
	Above 51 years old	0.00%
Employment category	Full-time	12.64%
	Part-time	0.00%
Geographical region	Mainland China	13.17%
	Hong Kong	6.67%
Employment level	General employees	14.65%
	Middle management	0.00%
	Senior management	0.00%
Total		12.64%

Social key performance indicators		**2021**
Health and safety of employees		
Number of work-related injuries		0
Lost days due to work injuries		0
Number of work-related fatalities		0
Training of employees		
Gender	Male	74 (62%)
	Female	45 (38%)
Employment level	General employees	111 (93%)
	Middle management	5 (4%)
	Senior management	3 (3%)
Total		119 (100%)
Average training hours of employees (hours)		
Gender	Male	3.77
	Female	10.71
Employment level	General employees	6.65
	Middle management	1.57
	Senior management	8.36
Total		6.42
Number of suppliers		
Geographical region	Mainland China	100
	Hong Kong	3
Number of suppliers verified by certification bodies	ISO 9000	41
	ISO 14000	19
Number of suppliers where practices are being implemented	Identify environmental risks	100
	Ensure environmental risks policy	67
	Identify social risks	67
	Ensure social risks policy	67
Total		103
Anti-corruption training		
Average training hours (hours)	Employees	1
	The Board	1

HKEX ESG REPORTING GUIDE CONTENT INDEX

Aspects	Description	Page/Remark
A1 Emissions		
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.	36, 42, 44
A1.1	The types of emissions and respective emissions data.	43-44, 55
A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions and intensity.	43, 55
A1.3	Total hazardous waste produced and intensity.	44, 55
A1.4	Total non-hazardous waste produced and intensity.	44, 55
A1.5	Description of emission target(s) set and steps taken to achieve them.	36, 41, 43
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.	36, 41, 44
A2 Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	36, 42, 45
A2.1	Direct and/or indirect energy consumption by type in total and intensity.	45, 55
A2.2	Water consumption in total and intensity.	45-46, 55
A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	36, 41, 45
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.	36, 41, 45
A2.5	Total packaging material used for finished products and per unit produced.	46, 55

Aspects	Description	Page/Remark
A3 The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	42, 46
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	46
A4 Climate Change		
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	47
A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	47
B1 Employment		
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.	49-50
B1.1	Total workforce by gender, employment type, age group and geographical region.	51, 56
B1.2	Employee turnover rate by gender, age group and geographical region.	51, 56
B2 Health and Safety		
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.	42, 47
B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	41, 47, 57

Aspects	Description	Page/Remark
B2.2	Lost days due to work injury.	47, 57
B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	47, 57
B3 Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	48
B3.1	The percentage of employees trained by gender and employee category.	49, 57
B3.2	The average training hours completed per employee by gender and employee category.	49, 57
B4 Labour Standards		
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.	49
B4.1	Description of measures to review employment practices to avoid child and forced labour.	49-50
B4.2	Description of steps taken to eliminate such practices when discovered.	49-50
B5 Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	53
B5.1	Number of suppliers by geographical region.	57
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.	53
B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	53, 57
B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	53, 57

Aspects	Description	Page/Remark
B6 Product Responsibility		
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.	52
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	52
B6.2	Number of products and service-related complaints received and how they are dealt with.	52
B6.3	Description of practices relating to observing and protecting intellectual property rights.	52
B6.4	Description of quality assurance process and recall procedures.	52
B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	52
B7 Anti-corruption		
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.	51, 52
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.	52
B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	51
B7.3	Description of anti-corruption training provided to directors and staff.	52, 57
B8 Community Investment		
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.	54
B8.1	Focus areas of contribution.	54
B8.2	Resources contributed to the focus area.	54

GARY CHENG CPA LIMITED
Certified Public Accountants
加多利會計師事務所有限公司

TO THE MEMBERS OF NICHE-TECH GROUP LIMITED
駿碼科技集團有限公司
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Niche-Tech Group Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 68 to 141, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, 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)

Key audit matter	How our audit addressed the key audit matter
Capitalisation of development costs	
We identified the capitalisation of development costs as a key audit matter due to the magnitude of the amount and the significant judgment involved to determine the expenditure to be capitalised. As disclosed in note 15 to the consolidated financial statements, additions to development costs amounted to approximately HK$8,075,000 during the year ended 31 December 2021 and the carrying amount of development costs was approximately HK$55,301,000 as at 31 December 2021. The Group capitalises significant costs incurred during the design and development phase of internal projects for development of new technology and new products. Details of the criteria for the expenditure to be capitalised are disclosed in note 3 to the consolidated financial statements. The capitalisation involved management's judgment in assessing of whether technical and commercial feasibility had been achieved for each of the projects. The assessment of technical feasibility is based on the management assessment of whether successful product testing had been performed. The assessment of commercial feasibility is based on the profit forecast of each development project prepared by the management based on certain key assumptions, including revenue generated and relevant market analysis.	Our procedures in relation to capitalisation of development costs included: • Obtaining an understanding of the key controls over the capitalisation of development costs; • Obtaining the commercial and technical feasibility reports provided by the management and assessing the reasonableness of the commercial and technical feasibility by reference to our knowledge of the Group's business and industry and market information; • Obtaining the progress reports and/or testing reports of projects provided by the management and enquiring the management about the technical feasibility of each new technology and product; • Performing an analysis of expenditure incurred for each development project and enquiring with the management regarding the progress of each project to determine if the criteria for capitalisation are met; • Testing the appropriateness of expenses capitalised on a sample basis, by agreeing the material costs, overhead and technicians' hours incurred to external invoices and payroll records; and • Obtaining profit forecast prepared by the management for each development project for those intangible assets not yet available for the use at the end of the reporting period and assess the appropriateness of key assumptions, including revenue generated and relevant market analysis from launching of the relevant products associated with the development project.

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
Expected credit loss of trade and bills receivables	
We identified the expected credit loss ("**ECL**") of trade and bills receivables as a key audit matter due to the assessment of ECL involve significant management judgment and estimation uncertainty. As disclosed in note 18(a) to the consolidated financial statements, the Group had trade receivables of approximately HK$63,408,000, and bills receivables of approximately HK$65,593,000 representing approximately 39% of the total assets of the Group. Significant management judgements and estimations are required in assessing the ECL for the trade and bill receivables. Under the model, the Group assesses lifetime ECL individually for debtors with credit impaired and collectively for the remaining using a matrix internal credit rating grouping based on historical default rate, repayment status and forward-looking information.	Our procedures in relation to the ECL of trade and bills receivables included: • Reviewing the management's judgement and estimate used in assessment process and challenging the reasonableness of inputs and assumptions used in estimating the ECL of trade and bills receivables. • Obtaining an understanding of how the ECL of trade and bills receivables were assessed by the management. • Challenging management's assumption and judgement in determining ECL on trade and bills receivables as at 31 December 2021, the reasonableness of management's grouping of the trade debtors in the provision matrix, and the basis of expected credit loss rates applied. • Testing on sample basis, payment history, past due status of the trade and bill receivables and the settlements subsequent to the end of the reporting period.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with 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 of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

- 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.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express in opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, 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 director on the audit resulting in the independent auditor's report is Mr. Chow Yiu Tai.

Gary Cheng CPA Limited
Certified Public Accountants
Chow Yiu Tai
Practising Certificate Number: P06556

Hong Kong
24 March 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	NOTES	2021 HK$'000	2020 HK$'000
Revenue	5	**249,039**	171,558
Cost of sales		**(190,698)**	(137,201)
Gross profit		**58,341**	34,357
Other income, other gains and losses	6	**619**	2,915
Net impairment losses reversed/(recognised) under expected credit loss model		**148**	(4,937)
Selling and distribution expenses		**(14,024)**	(10,150)
Administrative expenses		**(33,165)**	(32,734)
Finance costs	7	**(1,412)**	(1,374)
Profit/(loss) before taxation		**10,507**	(11,923)
Income tax expense	8	**(3,658)**	(2,189)
Profit/(loss) for the year	9	**6,849**	(14,112)
Other comprehensive income			
Item that will not be reclassified to profit or loss:			
Exchange differences on translation from functional currency to presentation currency		**7,443**	17,120
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operation		**(1,084)**	(2,377)
Other comprehensive income for the year		**6,359**	14,743
Total comprehensive income for the year		**13,208**	631
Earnings/(loss) per share – basic (HK cents)	12	**0.97**	(2.00)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	NOTES	2021 HK$'000	2020 HK$'000
NON-CURRENT ASSETS			
Plant and equipment	*13*	**41,861**	49,355
Right-of-use assets	*14*	**13,767**	12,090
Intangible assets	*15*	**71,188**	59,945
Deposits paid for acquisition of plant and equipment and intangible assets		**2,545**	2,000
Rental deposits		**572**	665
Deferred tax assets	*16*	**2,103**	2,138
		132,036	126,193
CURRENT ASSETS			
Inventories	*17*	**35,519**	35,649
Trade and bills receivables	*18(a)*	**129,001**	83,521
Other receivables, prepayments and deposits	*18(b)*	**2,551**	791
Bank deposits	*19(a)*	**17,536**	26,503
Bank balances and cash	*19(b)*	**15,178**	32,188
		199,785	178,652
CURRENT LIABILITIES			
Trade and other payables	*20*	**25,136**	14,446
Contract liabilities	*21*	**579**	1,814
Lease liabilities	*22*	**3,373**	1,923
Deferred income	*23*	**1,436**	1,399
Tax payable		**3,869**	1,324
Bank borrowings	*24(a)*	**23,610**	11,461
Bank overdraft	*24(b)*	**12,231**	21,447
		70,234	53,814
NET CURRENT ASSETS		**129,551**	124,838
TOTAL ASSETS LESS CURRENT LIABILITIES		**261,587**	251,031

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	NOTES	2021 HK$'000	2020 HK$'000
NON-CURRENT LIABILITIES			
Lease liabilities	22	**13,106**	12,415
Deferred income	23	**5,296**	6,558
		18,402	18,973
NET ASSETS		**243,185**	232,058
CAPITAL AND RESERVES			
Share capital	25	**7,055**	7,055
Reserves		**236,130**	225,003
		243,185	232,058

The consolidated financial statements on pages 68 to 141 were approved and authorised for issue by the Board of Directors on 24 March 2022 and are signed on its behalf by:

Chow Bok Hin Felix
Director

Chow Chun Kay Stephen
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

	Share capital HK$'000	Share premium HK$'000	Other reserve HK$'000 *(note i)*	Capital reserve HK$'000	Exchange reserve HK$'000	Statutory reserve HK$'000 *(note ii)*	Retained earnings/ (Accumulated losses) HK$'000	Total equity HK$'000
At 1 January 2020	7,055	128,115	100,000	1	(19,058)	7,248	8,066	231,427
Loss for the year	–	–	–	–	–	–	(14,112)	(14,112)
Exchange differences arising on translation of foreign operation to presentation currency	–	–	–	–	17,120	–	–	17,120
Exchange differences arising on translation of foreign operation	–	–	–	–	(2,377)	–	–	(2,377)
Total comprehensive income for the year	–	–	–	–	14,743	–	(14,112)	631
Transfer to statutory reserve	–	–	–	–	–	1,316	(1,316)	–
At 31 December 2020	7,055	128,115	100,000	1	(4,315)	8,564	(7,362)	232,058
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**6,849**	**6,849**
Dividend recognised as distribution *(note 11)*	**–**	**(2,081)**	**–**	**–**	**–**	**–**	**–**	**(2,081)**
Exchange differences arising on translation of foreign operation to presentation currency	**–**	**–**	**–**	**–**	**7,443**	**–**	**–**	**7,443**
Exchange differences arising on translation of foreign operation	**–**	**–**	**–**	**–**	**(1,084)**	**–**	**–**	**(1,084)**
Total comprehensive income for the year	**–**	**(2,081)**	**–**	**–**	**6,359**	**–**	**6,849**	**11,127**
Transfer to statutory reserve	**–**	**–**	**–**	**–**	**–**	**2,700**	**(2,700)**	**–**
At 31 December 2021	**7,055**	**126,034**	**100,000**	**1**	**2,044**	**11,264**	**(3,213)**	**243,185**

Notes:

(i) On 1 April 2016, Niche-Tech BVI Limited ("**Niche-Tech BVI**"), which was then wholly and directly owned by Chows Electronics Limited ("**Chows Electronics**"), which had been, in turn, owned as to 55% by Professor Chow Chun Kay, Stephen ("**Professor Chow**") and 45% by Mr. Chow Bok Hin, Felix ("**Mr. Chow**"), acquired Niche-Tech Holdings Limited ("**Niche-Tech Holdings**"), which had been the holding company of 汕頭市駿碼凱撒有限公司, or Niche-Tech Kaiser (Shantou) Limited* ("**Niche-Tech Shantou**") and Niche-Tech (Hong Kong) Limited ("**Niche-Tech (HK)**"), from Chows Electronics for a consideration of HK$100,000,000, which was equivalent to the then issued share capital of Niche-Tech Holdings. Accordingly, the share capital of Niche-Tech Holdings had been eliminated as one of the subsidiaries of Niche-Tech BVI and transferred to other reserve.

Pursuant to a resolution passed by the board of directors of Chows Electronics, Chows Electronics determined to waive the consideration payable by Niche-Tech BVI for the acquisition of Niche-Tech Holdings.

(ii) It represents statutory reserve of the Group's subsidiary in the People's Republic of China (the "**PRC**"). According to the relevant laws in the PRC, the Group's subsidiary in the PRC is required to transfer at least 10% of its net profit after taxation, as determined under the PRC accounting regulations, to a non-distributable reserve fund until the reserve balance reaches 50% of its registered capital. The transfer to this reserve must be made before the distribution of a dividend to owners. Such reserve fund can be used to offset the previous years' losses, if any, and is non-distributable other than upon liquidation.

* *English name for identification purposes only.*

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	NOTES	2021 HK$'000	2020 HK$'000
OPERATING ACTIVITIES			
Profit/(loss) before taxation		**10,507**	(11,923)
Adjustments for:			
Finance costs		**1,412**	1,374
Net loss on disposal of plant and equipment		**37**	1,031
Depreciation of plant and equipment		**3,828**	3,812
Depreciation of right-of-use assets		**2,447**	1,676
Amortisation of intangible assets		**217**	202
Release of deferred income		**(1,415)**	(1,384)
Net impairment losses (reversed)/recognised under expected credit loss model		**(148)**	4,937
Impairment loss recognised in respect of intangible assets	15	**–**	638
Bank interest income		**(48)**	(488)
Unrealised exchange losses		**1,034**	2,542
Operating cash flows before movements in working capital		**17,871**	2,417
Decrease in inventories		**13,517**	9,426
Increase in trade and bills receivables		**(84,176)**	(29,463)
(Increase)/decrease in other receivables, prepayments and deposits		**(1,634)**	2,913
Increase in trade and other payables		**10,273**	18
(Decrease)/increase in contract liabilities		**(1,264)**	1,383
Cash used in operations		**(45,413)**	(13,306)
Income tax paid		**(1,094)**	(1,773)
NET CASH USED IN OPERATING ACTIVITIES		**(46,507)**	(15,079)
INVESTING ACTIVITIES			
Repayment from a related company		**–**	8,500
Development costs paid		**(6,645)**	(4,461)
Deposits paid for acquisition of plant and equipment and intangible assets		**(2,545)**	(2,000)
Purchases of plant and equipment		**(636)**	(11,130)
Bank interest received		**48**	488
Proceeds on disposal of plant and equipment		**15**	106
Purchases of acquisition of intangible assets		**(8,000)**	(1,500)
Payment of acquisition of assets through acquisition of a subsidiary	28	**–**	(1,478)
NET CASH USED IN INVESTING ACTIVITIES		**(17,763)**	(11,475)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	NOTES	2021 HK$'000	2020 HK$'000
FINANCING ACTIVITIES			
Repayment of bank borrowings		**(36,472)**	(26,916)
Payment of lease liabilities, including related interests		**(3,593)**	(2,722)
Interests paid to bank borrowings		**(392)**	(477)
Interests paid to bank overdraft		**(171)**	(30)
New bank borrowings		**89,935**	41,798
Dividends paid	11	**(2,081)**	–
NET CASH GENERATED FROM FINANCING ACTIVITIES		**47,226**	11,653
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(17,044)**	(14,901)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**37,244**	51,785
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**283**	360
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		**20,483**	37,244
Represented by:			
Bank deposits	19(a)	**17,536**	26,503
Bank balances and cash		**15,178**	32,188
Bank overdraft	24(b)	**(12,231)**	(21,447)
		20,483	37,244

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The immediate holding company and ultimate holding company are Niche-Tech Investment Holdings Limited and Chows Investment Group Limited respectively. Both companies are incorporated in the British Virgin Island (the "**BVI**"). The shares of the Company are listed on GEM of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section to the annual report.

The Company is an investment holding company. The Company and its subsidiaries (collectively referred as the "**Group**") are principally engaged in the development, manufacture and sales of semiconductor packaging materials.

The functional currency of the Company is Renminbi ("**RMB**"). The consolidated financial statements are presented in Hong Kong dollars ("**HK$**") as the Group's management believes HK$ is the appropriate presentation currency for the users of the consolidated financial statements.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

New and Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2021 for the preparation of the consolidated financial statements:

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2
Amendments to HKFRS 16	Covid-19-Related Rent Concessions

Except as described below, the application of the amendments to framework has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

New and Amendments to HKFRSs that are mandatorily effective for the current year (Continued)

Impacts on application of Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, Interest rate benchmark reform — Phase 2

The amendments provide targeted reliefs from (i) accounting for changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities as modifications, and (ii) discontinuing hedge accounting when an interest rate benchmark is replaced by an alternative benchmark rate as a result of the reform of interbank offered rates ("**IBOR reform**").

The amendments do not have an impact on these financial statements as the Group does not have contracts that are indexed to benchmark interest rates which are subject to the IBOR reform.

Application of Amendment to HKFRS 16, "Covid-19-Related Rent Concessions"

The amendment to HKFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying HKFRS 16 as if the changes were not lease modifications. Forgiveness or waiver of lease payments is accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

The Group has adopted the Amendment to HKFRS 16, "Covid-19-Related Rent Concessions" for the first time. The Group has elected not to apply the practical expedient to all qualifying Covid-19-related rent concessions granted to the Group. Accordingly, the application of the amendment has had no material impact on the financial position and performance of the Group in the current and prior years.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

New and Amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts and the related Amendment[3]
Amendments to HKFRS 3	Reference to the Conceptual Framework[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and the related amendments to Hong Kong Interpretation 5 (2020) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause[3]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[3]
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use[2]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[2]
Amendments to HKAS 8	Definition of Accounting Estimates[3]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[3]
Amendment to HKFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020[2]

1 Effective for annual periods beginning on or after 1 April 2021.
2 Effective for annual periods beginning on or after 1 January 2022.
3 Effective for annual periods beginning on or after 1 January 2023.
4 Effective for annual periods beginning on or after a date to be determined.

Except for the new and amendment to HKFRS mentioned below, the directors of the Company anticipate that application of the other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

New and Amendments to HKFRS in issue but not yet effective (Continued)

Amendments to HKAS 1 – Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)

The amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:

  (i) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and

  (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date; and

- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 Financial Instruments: Presentation.

Hong Kong Interpretation 5 was revised as a consequence of Amendments to HKAS 1 Classification of Liabilities as Current or Non-current to align the corresponding wordings with no change in conclusion.

The amendments are applied retrospectively for annual periods beginning on or after 1 January 2023, with early application permitted.

Based on the Group's outstanding liabilities as at 31 December 2021, the application of the amendments will not result in change in the classification of the Group's liabilities

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on GEM of The Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis at the end of each reporting period as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are accounted for in accordance with HKFRS 16 *Leases* and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment* of Assets.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies adopted are as follows:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassess whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group’s accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Optional concentration test

The Group can elect to apply an optional concentration test, on a transaction-by-transaction basis, that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed.

Asset acquisition

When the Group acquires a group of asset and liability that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to financial assets/financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or

- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Sale with a right of return/exchange

For a sale of products with a right of return/exchange for dissimilar products, the Group recognises all of the following:

(a) revenue for the transferred products in the amount of consideration to which the Group expects to be entitled (therefore, revenue would not be recognised for the products expected to be returned/exchanged);

(b) a refund liability/contract liability; and

(c) an asset (and corresponding adjustment to cost of sales) for its right to recover products from customers.

Revenue from sale of goods is recognised at a point in time when control of the goods is transferred to the customer upon delivery to and acceptance by the customer. The transaction price received by the Company is recognised as contract liability until the goods have been delivered to and accepted by the customer.

Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified or arising from business combinations on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the consolidated financial statements would not differ materially from individual leases within the portfolio.

The Group as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group also applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

Short-term leases

The Group applies the short-term lease recognition exemption to leases of offices that have a lease term of twelve months or less from the commencement date and does not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis or another systematic basis over the lease term.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

The Group as a lessee (Continued)

Right-of-use assets

The cost of right-of-use assets includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Refundable rental deposits

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

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

***The Group as a lessee** (Continued)*

Lease liabilities (Continued)

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e.HK$) using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

Borrowing costs

Borrowing costs which are not eligible for capitalisation to qualifying assets are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme and the state-managed retirement benefits scheme are charged as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees after deducting any amount already paid.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flow, cash and cash equivalents include cash at bank and in hand, short-term deposits with banks with original maturities of three months or less that are readily convertible into known amounts of cash, and which are subject to an insignificant risk of changes in value less bank overdraft and form an integral part of the Group's cash management.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from (loss) profit before taxation because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 Income Taxes requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption. Temporary differences arising from subsequent revision to the carrying amounts of right-of-use assets and lease liabilities, resulting from remeasurement of lease liabilities and lease modifications, that are not subject to initial recognition exemption are recognised on the date of remeasurement or modification.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority and the Group intends to settle current tax liabilities and assets on a net basis.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Plant and equipment

Plant and equipment, other than construction in progress as described below, are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Plant and equipment (Continued)

Assets in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of assets, other than construction in progress, less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the Continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets with indefinite useful life acquired separately are stated at costs less subsequent accumulated impairment losses.

Internally-generated intangible assets – research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets (Continued)

Internally-generated intangible assets – research and development expenditure *(Continued)*

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible asset is reported at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets that are acquired separately.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Impairment on plant and equipment, right-of-use assets and intangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its plant and equipment, right-of-use assets and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any). Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

The recoverable amount of plant and equipment, right-of-use assets, and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash generating unit for impairment, corporate assets are allocated to individual cash generating units when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The Group assesses whether there is indication that corporate assets may be impaired. If such indication exists, the recoverable amount is determined for the cash- generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment on plant and equipment, right-of-use assets and intangible assets (Continued)

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than it carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Equity-settled share-based payment transactions

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date. The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share option reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share option reserve. When share options are exercised, the amount previously recognised in share option reserve will be transferred to share capital and share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained profits.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instruments.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets and financial liabilities are initially measured at fair value except for trade receivable arising from contracts with customers which are initially measured in accordance with HKFRS 15 *Revenue from Contracts with Customers* ("**HKFRS 15**"). Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit and loss ("**FVTPL**") are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All the Group's financial assets are subsequently measured at amortised cost.

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

Impairment of financial assets

The Group performs impairment assessment under expected credit loss ("**ECL**") model on financial assets (including trade and bills receivables, other receivables and deposits, bank deposits and bank balances) which are subject to impairment assessment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("**12m ECL**") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment is done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade and bills receivables. The ECL on these assets are assessed individually for credit-impaired debtors and collectively for the remaining using a provision matrix internal credit rating grouping based on historical default rate, repayment status and forward-looking information.

For all other instruments, the Group measures the loss allowance, individually for each instrument, equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increase in the likelihood or risk of a default occurring since initial recognition.

(i) *Significant increase in credit risk*

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

(i) *Significant increase in credit risk (Continued)*

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

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) *Definition of default*

The Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) *Credit-impaired financial assets*

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets *(Continued)*

Impairment of financial assets (Continued)

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e., the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses a practical expedient in estimating ECL on trade receivables using a provision matrix taking into consideration historical credit loss experience, adjusted for forward looking information that is available without undue cost or effort.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments (i.e., the Group's trade and bills receivables excluding those credit-impaired debtors which are assessed individually);
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each groups continue to share similar credit risk characteristics. Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade and bills receivables where the corresponding adjustment is recognised through a loss allowance account.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of past events, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going 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.

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

Capitalisation of development costs

As at 31 December 2021, the carrying amount of the Group's development costs are approximately HK$55,301,000 (2020: HK$53,231,000). The capitalisation involves management's judgment in assessing whether technical and commercial feasibility can be achieved. Technical feasibility is evaluated based on testing results of products and commercial feasibility are evaluated based on forecasts with assumptions on revenue to be generated and relevant market analysis of the relevant products.

Impairment assessment of intangible assets not yet available for use

In accounting for intangible assets not yet available for use, the management considers the potential impairment based on the recoverable amount. Intangible assets not yet available for use are reviewed for impairment annually, irrespective of whether there is any indication that it may be impaired. Factors that would indicate potential impairment may include, but are not limited to, the significant change in technology associated with the intangible assets.

Determining whether an intangible asset is impaired requires an estimation of the recoverable amount of the cash-generating unit to which intangible asset has been allocated. The recoverable amount of cash-generating unit at the end of each reporting period is based on the higher of the fair value less cost of disposal and value in use. The calculation of value in use requires the management's judgement and estimation of future cash flows expected to arise from the cash-generating unit. The Group takes into consideration the assumptions including discount rate, revenue growth rates and gross margin by comparing to available market reports and historical trend analyses. Where the actual future cash flows are less than expected, a material impairment loss may arise.

As at 31 December 2021, the carrying amount of intangible assets not yet available for use was approximately HK$4,046,000 (2020: HK$5,065,000).

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Impairment assessment of intangible assets with indefinite useful lives

The Group conducts tests for impairment of intangible assets with indefinite useful lives annually in accordance with the relevant accounting standards. Determining whether the intangible assets are impaired requires an estimation of the fair value less cost to sell or value in use on the basis of data available to the Group. Where future cash flows are less than expected, an impairment loss may arise.

Provision of ECL for trade and bills receivables

Trade and bills receivables for credit-impaired balances are assessed for ECL individually. The Group uses provision matrix to calculate ECL for the remaining trade and bills receivables. The provision rates are based on internal credit ratings as groupings of various debtors that have similar loss patterns. The estimated loss rates are based on the historical default rates and forward looking information. At the end of each reporting period, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The ECL assessment is sensitive to changes in estimates. The information about the Group's trade and bills receivables and the ECL are disclosed in notes 18(a) and 30(b), respectively.

Recognition of deferred taxation

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Under the Law of the PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, PRC Enterprise Income Tax ("**EIT**") is calculated at 25% of the assessable profits for Niche-Tech Shantou. Pursuant to the relevant laws and regulations in the PRC, Niche-Tech Shantou is granted tax incentives as a High and New Technology Enterprise and is entitled to a concessionary rate of 15% for 3 years from 2021 to 2023.

In accounting for deferred tax assets on deferred income in respect of government grants, in case where the expected timing of release of deferred income is different from the previous expectation, an adjustment on the opening deferred tax assets may arise, and will be recognised in profit or loss in the period in which such expectation is revised. As at 31 December 2021, the carrying amount of deferred tax assets on deferred income in respect of government grants was approximately HK$1,394,000 (2020: HK$1,570,000).

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Estimated impairment assessment of plant and equipment, right-of-use assets and intangible assets

Plant and equipment, right-of-use assets and intangible assets are stated at costs less accumulated depreciation and amortisation and impairment, if any. In determining whether an asset is impaired, 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 asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset (including right-of-use assets and intangible assets), the Group estimates the recoverable amount of the cash generating unit to which the assets belong, including allocation of corporate assets when a reasonable and consistent basis of allocation can be established, otherwise recoverable amount is determined at the smallest group of cash generating units, for which the relevant corporate assets have been allocated. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the recoverable amounts.

Allowances recognised in respect of inventories

The management of the Group reviews an ageing analysis at the end of each reporting period and makes allowance for obsolete and slow-moving items identified that are no longer suitable for sale or use. The Group makes allowance for inventories based on the assessment of the net realisable value. The management estimates the net realisable value for inventories based on subsequent usage and sales, ageing analysis and current market conditions. As at 31 December 2021, the carrying amounts of inventories were approximately HK$35,519,000 (2020: HK$35,649,000) and no impairment loss has been recognised for the years ended 31 December 2021 and 2020.

5. REVENUE AND SEGMENT INFORMATION

Revenue from sales of semiconductor packaging materials is from contracts with customers and recognised at a point in time when the customer obtains control of the goods.

Revenue is recognised when control of the goods has been transferred, being when the goods have been delivered to the customer's specific location and accepted by the customers. Following delivery and acceptance, the customer has full discretion over the manner of usage and consumption of the goods, has the primary responsibility when on selling the goods and bears the risk of obsolescence and loss in relation to the goods.

Revenue is recognised for sales which are considered highly probable that a significant reversal in the cumulative revenue recognised will not occur. A contract liability is recognised for sales in which revenue has yet been recognised.

An analysis of revenue by major products is as follows:

	2021 **HK$'000**	2020 HK$'000
Bonding wire	**162,494**	127,789
Encapsulant	**76,622**	33,152
Others	**9,923**	10,617
	249,039	171,558

The Group's operating segment is determined based on information reported to the chief operating decision maker (the "**CODM**"), being the executive directors of the Company, for the purpose of resource allocation and performance assessment. For management purpose, the Group operates in one business unit based on its products and its sole operating segment is the development, manufacture and sales of semiconductor packaging materials. The CODM monitors the revenue, results, assets and liabilities of its business unit as a whole and regularly reviews financial information prepared in accordance with the accounting policies that are in accordance with HKFRSs, and without further discrete information. Accordingly, no analysis of segment information other than entity-wide information is presented.

5. REVENUE AND SEGMENT INFORMATION (Continued)

Geographical information

The Group's revenue is mainly derived from customers located in the PRC and Hong Kong. Information about the Group's revenue by the geographical location in which the customers operate is detailed below:

	2021 HK$'000	2020 HK$'000
PRC excluding Hong Kong	**246,892**	170,619
Hong Kong	**2,147**	939
	249,039	171,558

Information about the Group's non-current assets (excluding financial assets and deferred tax assets) is presented based on the geographical location of the assets:

	2021 HK$'000	2020 HK$'000
PRC excluding Hong Kong	**96,475**	102,408
Hong Kong	**32,886**	20,982
	129,361	123,390

Information about major customers

Revenue from customers of the corresponding year contributing over 10% of the total revenue of the Group are as follows:

	2021 HK$'000	2020 HK$'000
Customer A	**35,934**	36,022
Customer B	**31,813**	–*
Customer C	**–***	17,457

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

6. OTHER INCOME, OTHER GAINS AND LOSSES

	2021	2020
	HK$'000	HK$'000
Bank interest income	**48**	488
Government subsidy income *(Note)*	**1,611**	4,386
Net loss on disposal of plant and equipment	**(37)**	(1,031)
Net foreign exchange losses	**(1,004)**	(1,597)
Gain on lease modification	**–**	137
(Loss)/gain on sales of scrap materials	**(4)**	149
Sundry income	**5**	383
	619	2,915

Note: In addition to the government grants as described in note 23, the subsidies received from certain government authorities in the PRC served as the support funds for expenses incurred for the operations of Niche-Tech Shantou as a High and New Technology Enterprise in the PRC and for its application of patents in the PRC.

There were also employment stabilisation subsidies from PRC authorities. The subsidies are one-off and non-recurring in nature.

7. FINANCE COSTS

	2021	2020
	HK$'000	HK$'000
Interest on trust receipt loans	**392**	477
Interest on bank overdraft	**159**	56
Interest on discounted bills with recourse	**191**	187
Interest on lease liabilities	**670**	654
	1,412	1,374

8. INCOME TAX EXPENSE

	2021 HK$'000	2020 HK$'000
The income tax expense comprises:		
PRC EIT:		
Current year	**4,148**	1,738
Overprovision in prior years	**(578)**	(523)
Deferred tax *(note 16)*	**88**	974
	3,658	2,189

Under EIT Law and Implementation Regulation of the EIT Law, the standard tax rate of PRC entities is 25% for both years. Pursuant to the relevant laws and regulations in the PRC, Niche-Tech Shantou is granted tax incentive as a High and New Technology Enterprise and is entitled to a concessionary tax rate of 15% for the years ended 31 December 2021 and 2020.

The statutory tax rate of the relevant group entities in Hong Kong is 16.5%. No provision for Hong Kong Profits Tax had been provided for the years ended 31 December 2021 and 2020 as the relevant group entities in Hong Kong have no assessable profits for both years.

Pursuant to the rules and regulations of the BVI and Cayman Islands, the relevant group entities are not subject to any income tax in these jurisdictions.

The income tax expense for the year can be reconciled to the profit/(loss) before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	2021 HK$'000	2020 HK$'000
Profit/(loss) before taxation	**10,507**	(11,923)
Tax at PRC EIT rate of 15% *(Note)*	**1,576**	(1,788)
Tax effect of expenses not deductible for tax purpose	**2,379**	3,742
Tax effect of income not taxable for tax purpose	**(577)**	(1,494)
Tax effect of tax losses not recognised	**1,567**	2,265
Tax effect on deductible temporary difference not recognised	**1**	19
Decrease in opening deferred tax assets resulting from a decrease in tax rate applicable in which the liability is expected to be settled	**–**	396
Effect on different tax rates of subsidiaries operating in other jurisdictions	**(312)**	(428)
Additional deduction arising from research and development expenses	**(398)**	–
Overprovision in prior years	**(578)**	(523)
Income tax expense for the year	**3,658**	2,189

Note: The income tax rate in the jurisdiction where the operations of the Group are substantially based is used.

9. PROFIT/(LOSS) FOR THE YEAR

	2021 HK$'000	2020 HK$'000
Profit/(loss) for the year has been arrived at after charging:		
Directors' remuneration:		
Fees	**480**	420
Other emoluments, salaries and other benefits	**3,855**	3,231
Retirement benefit scheme contributions	**60**	34
	4,395	3,685
Other staff costs:		
Staff salaries and allowances	**27,467**	22,728
Retirement benefit scheme contributions	**2,767**	902
	30,234	23,630
Total staff costs	**34,629**	27,315
Capitalised in intangible assets	**(2,810)**	(2,668)
Capitalised in inventories	**(8,770)**	(6,282)
	23,049	18,365
Depreciation of plant and equipment	**9,057**	8,069
Capitalised in intangible assets	**(1,228)**	(1,331)
Capitalised in inventories	**(4,001)**	(2,926)
	3,828	3,812
Amortisation of intangible assets	**8,269**	6,997
Capitalised in inventories	**(8,052)**	(6,795)
	217	202
Depreciation of right-of-use assets	**3,108**	2,358
Capitalised in intangible assets	**(459)**	(200)
Capitalised in inventories	**(202)**	(482)
	2,447	1,676
Auditor's remuneration	**1,100**	950
Cost of inventories recognised as expenses	**190,698**	137,201
Research and development costs (excluding staff costs and depreciation of plant and equipment) recognised as expenses (included in administrative expenses)	**1,501**	3,261
Loss on disposal of plant and equipment	**37**	1,031
Impairment loss recognised in respect of intangible asset	**–**	638
Expenses relating to short term leases	**30**	59

10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Executive directors and chief executive

Mr. Chow, Professor Chow and Mr. Shi Yiwu ("**Mr. Shi**") are executive directors of the Company. Mr. Chow is also the chief executive of the Group and his emoluments disclosed below included those for services rendered by him as the chief executive.

Directors' and chief executive's remuneration paid or payable, including emoluments for the services as employees of the Group entities, disclosed pursuant to the Listing Rules and Hong Kong Companies Ordinance is as follows:

For the year ended 31 December 2021

	Directors' Fees HK$'000	**Salaries and allowances HK$'000**	**Retirement benefit scheme contributions HK$'000**	**Total HK$'000**
Mr. Chow	**–**	**2,256**	**18**	**2,274**
Professor Chow	**–**	**1,056**	**–**	**1,056**
Mr. Shi	**–**	**543**	**42**	**585**
	–	**3,855**	**60**	**3,915**

For the year ended 31 December 2020

	Directors' fees HK$'000	Salaries and allowances HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
Mr. Chow	–	1,974	18	1,992
Professor Chow	–	924	–	924
Mr. Shi	–	333	16	349
	–	3,231	34	3,265

The executive directors' emoluments above were for services in connection with the management of the affairs of the Company and the Group.

10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

(b) Non-executive directors

For the year ended 31 December 2021

	Directors' fees HK$'000	Salaries and allowances HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
Mr. Li Chiu Fan *(note (i))*	**98**	**–**	**–**	**98**
Mr. Ma Yung King Leo *(note (ii))*	**22**	**–**	**–**	**22**
	120	**–**	**–**	**120**

For the year ended 31 December 2020

	Directors' fees HK$'000	Salaries and allowances HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
Mr. Ma Yung King Leo *(note (ii))*	105	–	–	105

Notes:

(i) Mr. Li Chiu Fan was appointed as non-executive director of the Company, in succession of Mr. Ma Yung King Leo on 8 March 2021.

(ii) Mr. Ma Yung King Leo resigned as non-executive director of the Company on 8 March 2021.

The non-executive directors' emolument shown above was for their services as director of the Company.

10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

(c) Independent non-executive directors

For the year ended 31 December 2021

	Directors' fees HK$'000	Salaries and allowances HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
Professor Ng Wang Wai Charles	**120**	**–**	**–**	**120**
Mr. Poon Lai Yin Michael	**120**	**–**	**–**	**120**
Mr. Tai Chun Kit	**120**	**–**	**–**	**120**
	360	**–**	**–**	**360**

For the year ended 31 December 2020

	Directors' fees HK$'000	Salaries and allowances HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
Professor Ng Wang Wai Charles	105	–	–	105
Mr. Poon Lai Yin Michael	105	–	–	105
Mr. Tai Chun Kit	105	–	–	105
	315	–	–	315

The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

(d) Five Highest paid individuals

The five highest paid individuals of the Group included three (2020: two) directors of the Company for the year ended 31 December 2021 and details of their emoluments are set out in Note 10(a). The emoluments of the remaining individuals are as follows:

	2021 **HK$'000**	2020 HK$'000
Salaries and allowances	**1,500**	1,640
Retirement benefit scheme contributions	**36**	54
	1,536	1,694

The emoluments were within the following band:

	Number of employees	
	2021	2020
Nil to HK$1,000,000	**2**	3

No emoluments were paid by the Group to any of the directors of the Company and five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

Neither the chief executive nor any of the directors waived any emoluments in the year ended 31 December 2021. During the year ended 31 December 2020, all directors of the Company agreed to waive emoluments of approximately HK$496,000.

11. DIVIDENDS

During the year 31 December 2021, an interim dividend of HK$0.00295 (2020: Nil) per ordinary share was declared and paid to the shareholders of the Company. The aggregate amount of interim dividend paid from share premium of the Company during the year amounted to approximately HK$2,081,000 (2020: Nil).

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2021 of HK$0.00190 (2020: Nil) per ordinary share has been proposed by the directors of the Company and subject to approve by the shareholders of the Company in the forthcoming general meeting. This proposed dividend is not reflected as a dividend payable in the consolidated statement of financial position.

12. EARNINGS/(LOSS) PER SHARE

	2021 **HK$'000**	2020 HK$'000
Earnings/(loss)		
Profit/(loss) for the purpose of basic earnings/(loss) per share:		
Profit/(loss) for the year attributable to owners of the Company	**6,849**	(14,112)

	2021 **'000**	2020 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share	**705,500**	705,500

No diluted earnings/(loss) per share was presented for both years as there were no potential ordinary shares in issue.

13. PLANT AND EQUIPMENT

	Plant and machinery HK$'000	Furniture, Fixture and equipment HK$'000	Leasehold improvements HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
COST						
At 1 January 2020	79,303	790	19,686	1,119	1,004	101,902
Additions	10,171	49	268	1,338	338	12,164
Transfer	–	–	1,227	–	(1,227)	–
Disposals	(1,270)	–	–	–	–	(1,270)
Exchange realignment	5,405	38	1,434	76	16	6,969
At 31 December 2020	93,609	877	22,615	2,533	131	119,765
Additions	72	48	486	–	30	636
Transfer	–	–	163	–	(163)	–
Disposals/Written-off	(1,727)	(3)	(4,176)	(375)	–	(6,281)
Exchange realignment	2,219	17	486	26	2	2,750
At 31 December 2021	**94,173**	**939**	**19,574**	**2,184**	**–**	**116,870**
ACCUMULATED DEPRECIATION						
At 1 January 2020	44,898	497	11,691	966	–	58,052
Provided for the year	4,663	31	3,206	169	–	8,069
Eliminated on disposals	(133)	–	–	–	–	(133)
Exchange realignment	3,334	30	991	67	–	4,422
At 31 December 2020	52,762	558	15,888	1,202	–	70,410
Provided for the year	5,628	33	3,109	287	–	9,057
Eliminated on disposals/ Written-off	(1,713)	(3)	(4,176)	(337)	–	(6,229)
Exchange realignment	1,445	11	291	24	–	1,771
At 31 December 2021	**58,122**	**599**	**15,112**	**1,176**	**–**	**75,009**
CARRYING VALUES						
At 31 December 2021	**36,051**	**340**	**4,462**	**1,008**	**–**	**41,861**
At 31 December 2020	40,847	319	6,727	1,331	131	49,355

13. PLANT AND EQUIPMENT (Continued)

The above items of plant and equipment, other than construction in progress, less their residual values, are depreciated over their estimated useful lives on a straight-line basis as follows:

Plant and machinery	6 – 20% per annum
Furniture, fixture and equipment	6 – 20% per annum
Leasehold improvements	20% or over the period of the relevant lease, whichever is shorter
Motor vehicles	10 – 20% per annum

14. RIGHT-OF-USE ASSETS

	Leased equipment HK$'000 *(Note i)*	**Leased motor vehicle** HK$'000 *(Note ii)*	**Leased properties** HK$'000 *(Note iii)*	**Total** HK$'000
As at 31 December 2020				
Carrying values	–	–	12,090	12,090
As at 31 December 2021				
Carrying values	**93**	**337**	**13,337**	**13,767**

	2021 **HK$'000**	2020 HK$'000
Depreciation charge	**3,108**	2,358
Exchange realignment	**277**	734
Expenses relating to a short-term lease included in selling and distribution expense	**30**	59
Total cash outflow for leases	**3,593**	2,722
Addition of right-of-use assets	**4,908**	1,183
Remeasurement of right-of-use assets due to lease modification	**400**	928

Details of the lease maturity analysis of lease liabilities are set out in note 22.

14. RIGHT-OF-USE ASSETS (Continued)

Notes:

(i) Leased equipment

The Group leases a copier for its operations. Lease contract is entered into for a fixed term of five years. Depreciation of the leased equipment is calculated on a straight-line basis over the lease terms.

(ii) Leased motor vehicle

The Group entered into finance lease arrangement for its motor vehicle. The lease term is five years with the purchase option at minimal consideration at end of the lease period. The Group's interests in the leased motor vehicle were charged for the payables under the relevant finance lease (note 22).

(iii) Leased properties

For the years ended 31 December 2021 and 2020, the Group leases various offices and factories for its operations and residential properties as staff quarter. Lease contracts are entered into for fixed terms of 2 years to 22 years without any renewal and termination options. Lease terms are negotiated on an individual basis. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

During the years ended 31 December 2021 and 2020, a lessor agreed to provide rent concession on an operating lease for the three months from 1 April 2021 to 30 June 2021 (2020: eleven months from 1 April 2020 to 28 February 2021). There was no change in the lease term of the modified lease and the Group remeasured the lease liability by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

15. INTANGIBLE ASSETS

	Patent and trademark HK$'000	Technology know-how HK$'000	Club membership HK$'000	Computer software HK$'000	Development costs HK$'000	Total HK$'000
COST						
At 1 January 2020	1,129	–	–	891	63,850	65,870
Additions	5,000	–	–	–	5,992	10,992
Acquisition of assets through acquisition of a subsidiary *(Note 28)*	–	–	1,485	–	–	1,485
Exchange realignment	77	–	–	61	4,687	4,825
At 31 December 2020	6,206	–	1,485	952	74,529	83,172
Additions	2,500	7,500	–	–	8,075	18,075
Exchange realignment	32	–	–	25	2,127	2,184
At 31 December 2021	**8,738**	**7,500**	**1,485**	**977**	**84,731**	**103,431**
ACCUMULATED AMORTISATION AND IMPAIRMENT						
At 1 January 2020	802	–	–	374	13,080	14,256
Provided for the year	572	–	–	89	6,336	6,997
Impairment loss recognised for the year	–	–	–	–	638	638
Exchange realignment	61	–	–	31	1,244	1,336
At 31 December 2020	1,435	–	–	494	21,298	23,227
Provided for the year	622	125	–	95	7,427	8,269
Exchange realignment	28	–	–	14	705	747
At 31 December 2021	**2,085**	**125**	**–**	**603**	**29,430**	**32,243**
CARRYING VALUES						
At 31 December 2021	**6,653**	**7,375**	**1,485**	**374**	**55,301**	**71,188**
At 31 December 2020	4,771	–	1,485	458	53,231	59,945

Development costs are internally generated. Other than the technology know-how and club membership were acquired from connected persons disclosed in Note 33(a) and (c), the patent and trademark and computer software were acquired from third parties.

15. INTANGIBLE ASSETS (Continued)

Except for those intangible assets not yet available for use and the club membership have infinite useful life, the above intangible assets have finite useful lives and are amortised on a straight-line basis at rates as follows:

Patent and trademark	10%
Computer software	10%
Development costs	10%
Technology know-how	10%

Technology know-how represented a complete and fully developed set of technology relating to the producing of the Composite Metal Material Bonding Wire (collectively "Technology know-how"). The cost of the Technology know-how was determined by reference to the historical costs of direct material, manufacturing supplies, direct labor and the associated interest expense in relation to the development of the product at the acquisition date of the Technology know-how.

The club membership represented the membership debenture of golf club membership issued by the Clearwater Bay Golf & Country Club, Hong Kong which has no specific maturity date pursuant to the terms and conditions of the membership. It is tested for impairment annually and whenever there is an indication that may be impaired. The directors of the Company are of the opinion that no impairment loss was identified with reference to market value.

Included in development costs is an amount of approximately HK$9,167,000 (2020: HK$10,744,000) representing development cost capitalised for a silicon encapsulant project. The project enhances the production of silicon encapsulant. The net carrying amount will therefore be amortised over the remaining useful lives of 5 (2020: 6) years.

As at 31 December 2021, development costs amounting to approximately HK$4,046,000 (2020: HK$5,065,000) related to development projects in progress for the development of products and production techniques that are not yet available for use.

Impairment assessment

For the year ended 31 December 2021, no impairment loss was recognised (2020: approximately HK$638,000) for the capitalised development cost.

For the year ended 31 December 2020, as certain of the research & development projects of the Group did not meet the latest high standard of specification demanded by customers and therefore was no longer align with the business plan of the Group, the management of the Group concluded there was an indication for impairment and conducted impairment assessment on those projects' recoverable amount of the relevant development cost capitalised included in intangible assets.

The recoverable amount of the relevant development cost capitalised has been determined based on value in use calculation. Based on the result of the assessment, the Group estimates the capitalised development cost of those projects of which approximately HK$638,000 with impairment indicators would not generate any future revenue and net cash inflow in the future, thus the recoverable amount of those projects of the relevant capitalised development cost were determined to be nil. As a result, a full impairment loss of approximately HK$638,000 has been recognised for the net carrying amount of those projects' capitalised development cost during the year ended 31 December 2020.

16. DEFERRED TAX ASSETS

The following is the analysis of the deferred tax balances for financial reporting purposes:

	2021 HK$'000	2020 HK$'000
Deferred tax assets	**3,729**	4,660
Deferred tax liabilities	**(1,626)**	(2,522)
	2,103	2,138

The following is the major deferred tax assets/(liabilities) recognised and movements thereon during the current and prior years:

	Allowance for doubtful debts HK$'000	Deferred income in respect of government grants HK$'000	Right-of-use assets HK$'000	Lease liabilities HK$'000	Accruals HK$'000	Accelerated tax depreciation HK$'000	Tax loss HK$'000	Total HK$'000
At 1 January 2020	506	2,075	(268)	268	387	–	–	2,968
Effect of decrease in applicable tax rate on the release of deferred income	–	(396)	–	–	–	–	–	(396)
Effect of lease modification	–	–	(1,079)	1,079	–	–	–	–
(Charge)/credit to profit or loss	(344)	(213)	–	–	(21)	(1,175)	1,175	(578)
Exchange realignment	15	104	–	–	25	–	–	144
At 31 December 2020	**177**	**1,570**	**(1,347)**	**1,347**	**391**	**(1,175)**	**1,175**	**2,138**
Effect of lease modification	**–**	**–**	**(712)**	**712**	**–**	**–**	**–**	**–**
(Charge)/credit to profit or loss	**(55)**	**(212)**	**1,545**	**(1,545)**	**179**	**63**	**(63)**	**(88)**
Exchange realignment	**4**	**36**	**–**	**–**	**13**	**–**	**–**	**53**
At 31 December 2021	**126**	**1,394**	**(514)**	**514**	**583**	**(1,112)**	**1,112**	**2,103**

As at 31 December 2021, the Group had unused tax losses of approximately HK$53,204,000 (2020: HK$44,089,000) available to offset against future profits. A deferred tax asset has been recognised in respect of approximately HK$6,739,000 (2020: HK$7,123,000) of such losses. No deferred tax asset has been recognised in respect of the remaining unused tax losses of approximately HK$46,465,000 (2020: HK$36,966,000) due to unpredictability of future profit streams.

16. DEFERRED TAX ASSETS (Continued)

Under the EIT Law, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. Deferred taxation had not been provided for in the consolidated financial statements in respect of temporary differences attributable to retained earnings of Niche-Tech Shantou amounting to approximately HK$100,815,000 as at 31 December 2021 (2020: HK$76,514,000) as the Group was in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

17. INVENTORIES

	2021 **HK$'000**	2020 HK$'000
Raw materials and consumables	**5,680**	2,638
Work in progress	**4,517**	12,141
Finished goods	**25,322**	20,870
	35,519	35,649

18. TRADE AND BILLS RECEIVABLES AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

(a) Trade and bills receivables

	2021 **HK$'000**	2020 HK$'000
Trade receivables	**69,391**	62,348
Less: Allowance for credit losses	**(5,983)**	(6,574)
	63,408	55,774

The Group's trading terms with its customers are mainly on credit, except for certain customers where payment in advance is required. The credit period is generally 30 to 120 days. Each customer is granted with a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk.

18. TRADE AND BILLS RECEIVABLES AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS (Continued)

(a) Trade and bills receivables (Continued)

The following is an aged analysis of trade receivables net of allowance for credit losses based on the invoice dates at the end of the reporting periods.

	2021 **HK$'000**	2020 HK$'000
1 – 30 days	**22,758**	23,115
31 – 60 days	**16,186**	11,905
61 – 90 days	**15,547**	11,535
Over 90 days	**8,917**	9,219
	63,408	55,774

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Credit limits attributed to customers and credit terms granted to customers are reviewed regularly. The majority of the trade receivables that are neither past due nor impaired have no history of default on repayments.

As at 31 December 2021, included in the Group's trade receivables balance are debtors with aggregate net carrying amount of approximately HK$5,891,000 (2020: HK$5,088,000) which are past due as at the reporting date. Out of the past due balance, approximately HK$450,000 (2020: HK$149,000) has been past due for 90 days or more and is not considered as in default as there are long term/on-going relationship and good repayment records from these customers. The Group does not hold any collateral over these balances.

Trade receivables denominated in currencies other than the functional currency of the relevant group entities are set out below:

	2021 **HK$'000**	2020 HK$'000
United States Dollars ("**US$**")	**472**	435
RMB	**445**	297
	917	732

18. TRADE AND BILLS RECEIVABLES AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS (Continued)

(a) Trade and bills receivables (Continued)

	2021 HK$'000	2020 HK$'000
Bills receivables	**65,826**	27,825
Less: Allowance for credit losses	**(233)**	(78)
	65,593	27,747

The Group accepts bills issued by banks from its trade customers with satisfactory and trustworthy credit history as settlement of trade debts. The following is an aged analysis of bills receivables net of allowance for credit losses based on the issue date of bills at the end of the reporting periods:

	2021 HK$'000	2020 HK$'000
1 – 30 days	**3,900**	5,089
31 – 60 days	**15,010**	6,303
61 – 90 days	**7,572**	2,691
Over 90 days	**39,111**	13,664
	65,593	27,747

The maturity period of all bills receivables as at 31 December 2021 and 2020 is within 1 year.

Transfers of financial assets

The following were the Group's trade and bills receivables as at 31 December 2021 and 2020 that were transferred to banks by discounting those bills receivables on a full recourse basis. As the Group has not transferred the significant risks and rewards relating to these bills receivables, it continues to recognise the full carrying amount of the bills receivables and has recognised the cash received on the transfer as bank borrowings (note 24(a)). These trade and bills receivables are carried at amortised cost in the consolidated statement of financial position.

18. TRADE AND BILLS RECEIVABLES AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS (Continued)

(a) Trade and bills receivables (Continued)

The bills receivables discounted and factored to banks with full recourse is as follows:

	2021 HK$'000	2020 HK$'000
Carrying amount of transferred assets	**10,824**	3,150
Carrying amount of associated liabilities	**(10,824)**	(3,150)
Net position	**–**	–

Details of impairment assessment of trade and bills receivables for the years ended 31 December 2021 and 2020 are set out in note 30(b).

(b) Other receivables, prepayments and deposits

	2021 HK$'000	2020 HK$'000
Prepayments	**2,195**	608
Deposits	**223**	64
Other receivables	**133**	119
	2,551	791

Other receivables and deposits denominated in a currency other than the functional currency of the relevant group entities are set out below:

	2021 HK$'000	2020 HK$'000
HK$	**471**	723

Details of impairment assessment of other receivables and deposits for the years ended 31 December 2021 and 2020 are set out in note 30(b).

19. BANK DEPOSITS/BANK BALANCES AND CASH

(a) Bank deposits

	2021 **HK$'000**	2020 HK$'000
Bank deposits with original maturity of less than 3 months	**17,536**	26,503

Bank deposits carried fixed interests at market rates which range from 0.07% to 0.21% (2020: 0.14% to 2.10%) per annum as at 31 December 2021.

(b) Bank balances and cash

Bank balances carried interest at prevailing market rates which range from 0.00% to 0.35% (2020: 0.00% to 0.35%) per annum as at 31 December 2021.

Bank balances and cash denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	2021 **HK$'000**	2020 HK$'000
US$	**195**	211
HK$	**295**	2,284
RMB	**1**	–
	491	2,495

20. TRADE AND OTHER PAYABLES

	2021 HK$'000	2020 HK$'000
Trade payables	**18,139**	10,085
Other payables	**132**	482
Other tax payables	**2,817**	–
Accrued expenses	**4,048**	3,879
	25,136	14,446

The trade suppliers either require cash on delivery from the Group or allow credit period ranging from 7 days to 90 days to the Group. The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting periods:

	2021 HK$'000	2020 HK$'000
1 – 30 days	**7,703**	6,317
31 – 60 days	**2,522**	2,607
61 – 90 days	**4,254**	644
Over 90 days	**3,660**	517
	18,139	10,085

The Group has financial risk management policies in place to ensure that payables are paid within the credit time frame.

Trade and other payables denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	2021 HK$'000	2020 HK$'000
US$	**2,357**	1,787
HK$	**1,401**	1,243

21. CONTRACT LIABILITIES

	2021 HK$'000	2020 HK$'000
Amount received in advance of delivery for semiconductor packaging materials	**579**	1,814

All unsatisfied performance obligations for sales of semiconductor packaging materials as at the end of reporting period are expected to be satisfied within one year.

The significant decrease in contract liabilities in the current year was mainly due to decrease of short-term advances received from customers.

As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

During the year ended 31 December 2021, revenue of approximately HK$1,814,000 (2020: HK$326,000) was recognised and was included in the contract liabilities balance at the beginning of that year.

22. LEASE LIABILITIES

	2021 HK$'000	2020 HK$'000
Lease liabilities payable:		
Within one year	**3,137**	1,923
Within a period of more than one year but not more than two years	**3,121**	1,520
Within a period of more than two years but not more than five years	**5,427**	4,506
Within a period of more than five years	**4,794**	6,389
	16,479	14,338
Less: Amount due for settlement with 12 months shown under current liabilities	**(3,373)**	(1,923)
Amount due for settlement after 12 months shown under non-current liabilities	**13,106**	12,415

Lease liability arose from the leased motor vehicle under finance leases (note 14(ii)) and was secured by the personal guarantee of Mr. Chow. The effective interest rate for the lease liabilities as at 31 December 2021 ranged from 3.84% to 5.00% per annum (2020: 5.00% per annum).

The Group opted not to apply the practical expedient under HKFRS 16.46A and conclude that the changes in consideration of lease contracts that were not part of the original terms and conditions are accounted for as lease modification. Accordingly, there is a reduction of the Group's lease liabilities of approximately HK$400,000 and a corresponding adjustment of the same amount to the right-of-use assets.

22. LEASE LIABILITIES (Continued)

Lease obligations that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	2021 **HK$'000**	2020 HK$'000
HK$	**3,476**	93

23. DEFERRED INCOME

	2021 **HK$'000**	2020 HK$'000
Balance at beginning of the year	**7,957**	8,822
Released to profit or loss (note)	**(1,415)**	(1,384)
Exchange realignment	**190**	519
Balance at end of the year	**6,732**	7,957

	2021 **HK$'000**	2020 HK$'000
Deferred income	**6,732**	7,957
Less: Amount to be recognised as income within one year included in current liabilities	**(1,436)**	(1,399)
Amount to be recognised as income after one year	**5,296**	6,558

Note:

As at 31 December 2021 and 2020, the deferred income represents government grants received in advance from the relevant government authorities of the PRC for the development of products and production techniques and for its application of patents in the PRC. For a grant related to assets, the amount will be recognised as income over the remaining useful life of the development costs recognised for the development of product and production technique starting from the time when the product and production technique is approved by the relevant government authorities.

24. BANK BORROWINGS/BANK OVERDRAFT

(a) Bank Borrowings

	2021 **HK$'000**	2020 HK$'000
Carrying amounts of bank borrowings based on scheduled repayment dates set out in the loan agreements within one year	**23,610**	11,461
Analysed as:		
Amounts that contain a repayable on demand clause (shown under current liabilities) and repayable within one year	**23,610**	11,461
Secured	**10,824**	3,150
Unsecured	**12,786**	8,311
	23,610	11,461

The exposure of the Group's bank borrowings are as follows:

	2021 **HK$'000**	2020 HK$'000
Variable-rate bank borrowings	**12,786**	8,311
Fixed-rate bank borrowings	**10,824**	3,150
	23,610	11,461

As at 31 December 2021, the Group's variable-rate bank borrowings carried interest at 3.05% over Hong Kong Interbank Offered Rate ("**HIBOR**") per annum (2020: 3.05% over HIBOR per annum) quoted by certain banks in Hong Kong. The effective interest rates are at 3.36% (2020: 3.61%) per annum as at 31 December 2021.

The Group's fixed-rate bank borrowings as at 31 December 2021 carried interest at effective rates (which were also the contracted rates) of 2.92% (2020: 3.24%) per annum.

At 31 December 2021, bank borrowing of approximately HK$10,824,000 (2020:HK$3,150,000) were secured on bills receivables of the same amount (Note 18 (a)).

(b) Bank Overdraft

As at 31 December 2021, the bank overdraft amounted to approximately HK$12,231,000 (equivalent to RMB10,000,000) (2020: HK$21,447,000 (equivalent to RMB18,000,000)), which is repayable on demand clause and repayable within 90 days carrying the interest rate at 4.50% (2020: 4.50%) per annum.

25. SHARE CAPITAL

	Number of shares	Share capital HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 January 2020, at 31 December 2020 and 31 December 2021	2,000,000,000	20,000
Issued and fully paid:		
At 1 January 2020, at 31 December 2020 and 31 December 2021	705,500,000	7,055

26. RETIREMENT BENEFIT SCHEMES

The Group participates in a defined contribution scheme in Hong Kong which is registered under the Mandatory Provident Fund Scheme (the "**MPF Scheme**") established under the Mandatory Provident Fund Schemes Ordinance in December 2000. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees.

For members of the MPF Scheme, the Group contributes at the lower of HK$1,500 or 5% of relevant payroll costs per person each month to the MPF Scheme, which contribution is matched by the employees.

The employees of the Group in the PRC are members of the state-managed retirement benefit schemes operated by the PRC government. The Company's subsidiary is required to contribute a specified percentage of payroll costs to the retirement benefit schemes to fund the benefits.

The only obligation of the Group with respect to these retirement benefit schemes is to make the specified contributions. During the years ended 31 December 2021 and 2020, the total amounts contributed by the Group to the schemes and costs charged to the profit or loss and capitalised as intangible assets represent contributions paid or payable to the schemes by the Group. The retirement benefit scheme contributions made by the Group amounted to approximately HK$2,827,000 (2020: HK$936,000) for the year ended 31 December 2021.

27. CAPITAL COMMITMENTS

	2021 HK$'000	2020 HK$'000
Capital expenditure contracted for but not provided for in the consolidated financial statements in respect of:		
– intangible assets	**600**	1,400
– plant and equipment	**3**	51
	603	1,451

28. ACQUISITION OF ASSETS THROUGH ACQUISITION OF A SUBSIDIARY

On 4 November 2020, an indirectly wholly-owned subsidiary of the Company completed the acquisition of 100% equity interest in Neat Wave Limited ("**NWL Acquisition**") from the Group's shareholders, Professor Chow and Mr. Chow.

The Group has elected to apply the optional concentration test on the NWL Acquisition and determined that substantially all of the fair value of the gross assets acquired is concentrated in an intangible asset and concluded that the acquisition does not constitute a business. Accordingly, the transaction was accounted for acquisition of assets during the year ended 31 December 2020.

Net cash outflow arising on NWL Acquisition	HK$'000
Cash consideration paid	1,478

The net assets acquired at acquisition date were as follows:	HK$'000
Intangible asset	1,485
Other payable	(7)
	1,478

29. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes the bank borrowings and bank overdraft disclosed in note 24 and lease liabilities in note 22 respectively, net of cash and cash equivalents, and equity attributable to owners of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure regularly. As part of this review, the directors of the Company consider the cost of capital and the risks associated with each class of the capital. Based on the recommendations of the directors of the Company, the Group will balance its overall capital structure through new issued shares, the payment of dividend as well as the issue of new debts or the redemption of existing debts.

30. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2021 **HK$'000**	2020 HK$'000
Financial assets		
Amortised cost	**162,643**	143,060
Financial liabilities		
Amortised cost	**77,456**	61,692

(b) Financial risk management objectives and policies

The Group's major financial instruments include rental deposits, trade and bills receivables, other receivables and deposits, bank deposits, bank balances and cash, trade and other payables, lease liabilities, bank borrowings and bank overdraft.

Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risks (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Currency risk

Certain of the Group's trade and other receivables, rental deposits, bank balances and cash, trade and other payables and lease liabilities are denominated in currencies other than the functional currencies of the respective group entities, which expose the respective group entities to foreign currency risk. In addition, intra-group balances between group entities denominated in foreign currency also expose the Group to foreign currency risk.

The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

30. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

***Market risk** (Continued)*

Currency risk (Continued)

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of each reporting period are as follows:

	Assets		Liabilities	
	2021	2020	**2021**	2020
	HK$'000	HK$'000	**HK$'000**	HK$'000
US$	**667**	646	**2,357**	1,787
HK$	**766**	3,007	**4,877**	1,336
RMB	**446**	297	**–**	–

Sensitivity analysis

The Group is mainly exposed to the fluctuation of foreign exchange rates of US$, RMB and HK$.

The following table details the Group's sensitivity to a 5% increase and decrease in the functional currencies of the relevant group entities against the relevant foreign currencies. 5% is the sensitivity rate used in the management's assessment of the reasonably possible change in the relevant foreign currencies. The sensitivity analysis includes only outstanding foreign currency denominated monetary items, including intra-group balances, and adjusts their translation at the end of each of the reporting periods for a 5% change in the functional currencies of the relevant group entities. A positive number below indicates a decrease in post-tax loss or an increase in post-tax profit where the functional currencies of the relevant group entities strengthen 5% against the relevant foreign currencies. For a 5% weakening of the functional currencies of the relevant group entities, there would be an equal and opposite impact on the post-tax profit. In the management's opinion, the currency risk for US$ against HK$ is minimal as Hong Kong monetary Authority Imposed Limited Exchange Rate System to maintain a stable exchange rate between US$ and HK$.

The analysis is prepared on the same basis for 2020.

	2021	2020
	HK$'000	HK$'000
Impact on post-tax profit/(loss)		
US$	**(5)**	(5)
HK$	**2,097**	2,315
RMB	**122**	197

In the management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the relevant years.

30. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

***Market risk** (Continued)*

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank deposits, fixed-rate bank overdraft, fixed-rate bank borrowings and lease liabilities. The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances and variable-rate bank borrowings due to the fluctuation of the prevailing market interest rate. The Group currently does not have a policy on hedging interest rate risk. However, the management monitors interest rate exposure and will consider hedging significant interest rate risk should the need arise.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for variable-rate bank borrowings. The analysis is prepared assuming the amount of liabilities outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis point increase or decrease in variable-rate bank borrowings are used and represents management's assessment of the reasonably possible change in interest rates. The exposure of cash flow interest rate risk arising from variable-rate bank balances is insignificant in the view of low interest rate and therefore the sensitivity analysis is not presented.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's post-tax profit (2020: post-tax loss) for the year ended 31 December 2021 would decrease/increase by approximately HK$53,000 (2020: increase/decrease by approximately HK$35,000).

Credit risk and impairment assessment

As at 31 December 2021 and 2020, the financial assets whose carrying amounts best represent the maximum exposure to credit risk.

Trade and bills receivables

The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals. Before accepting any new customer, the Group uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed twice a year. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment under ECL model upon application of HKFRS 9 on trade and bills receivables, individually for credit-impaired debtors and collectively for the remaining debtors based on provision matrix. Credit risk associated with bills receivables is mitigated because the bills are issued by reputable financial institutions. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

30. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

***Credit risk and impairment assessment** (Continued)*

Trade and bills receivables (Continued)

The Group's concentration of credit risk by geographical locations is mainly in the PRC, which accounted for 99% (2020: 99%) of the total trade receivables as at 31 December 2021.

The Group has concentration of credit risk as 4% (2020: 8%) and 36% (2020: 44%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively.

Bank deposits and bank balances

The credit risks on bank deposits and bank balances are limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Other receivables and deposits and rental deposits

For other receivables and deposits and rental deposits, the directors of the Company make periodic individual assessment on the recoverability of these balances based on historical settlement records, past experience, and/or also quantitative and qualitative information that is reasonable and supportive forward-looking information. In addition, payment on behalf of a related company is only made when the Group expects that the related company will settle the outstanding balance. The directors of the Company believe that there is no significant increase in credit risk of these amounts since initial recognition and the Group provides ECL based on 12m ECL. For the years ended 2021 and 2020, the Group assessed that the 12m ECL for other receivables and deposits, rental deposits was insignificant and thus no allowance for credit loss was recognised.

Other than the concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, and the concentration of credit risk on trade receivables disclosed above, the Group does not have any other significant concentration of credit risk.

30. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment *(Continued)*

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade and bills receivables	Other financial assets
Low risk	The debtor has historically made payments on time, the exposure at default is still remote.	Lifetime ECL – not credit-impaired	12m ECL
Watch list	The debtor has historically failed to make payments within the credit term but there is no indicator of default.	Lifetime ECL – not credit-impaired	12m ECL
Doubtful	The debtor has past due exceeding the credit period and the ability of repayment is uncertain, but there is supportable information for the debtor, including but not limited to settlement during the year, that the amount is not considered credit-impaired.	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired.	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery.	Amount is written off	Amount is written off

30. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment *(Continued)*

The table below details the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

	Internal credit rating	12-month or lifetime ECL	Gross carrying amount 2021 HK$'000	Gross carrying amount 2020 HK$'000
Financial assets at amortised costs				
Bank deposits	Low risk	12m ECL	**17,536**	26,503
Bank balances	Low risk	12m ECL	**15,154**	32,063
Other receivables and deposits	Low risk	12m ECL	**260**	183
Rental deposits	Low risk	12m ECL	**668**	665
Trade receivables	*(Note)*	Lifetime ECL	**63,786**	56,066
	Loss	Credit impaired	**5,605**	6,282
Bills receivables	*(Note)*	Lifetime ECL	**65,826**	27,825

Note: For trade and bills receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. Trade and bills receivables with credit-impaired balances are assessed individually. The Group determines the expected credit losses on the remaining trade and bills receivables collectively by using a provision matrix, grouped by internal credit rating.

Provision matrix – internal credit rating

As part of the Group's credit risk management, the Group applies internal credit rating for its customers in relation to its operation. The following table provides information about the exposure to credit risk for those trade and bills receivables (excluding trade and bills receivables which are credit-impaired) which are assessed collectively based on provision matrix as at 31 December 2021 and 2020 within lifetime ECL (not credit-impaired). Debtors with credit-impaired with gross carrying amount of approximately HK$5,605,000 (2020: HK$6,282,000) as at 31 December 2021 and 2020 were assessed individually.

30. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment *(Continued)*

Provision matrix – internal credit rating (Continued)

Gross carrying amount

Internal credit rating	Average loss rate	Trade receivables as at 31 December 2021 HK$'000	Average loss rate	Trade receivables as at 31 December 2020 HK$'000
Low risk	0.51%	7,709	0.48%	10,239
Watch list	0.54%	55,043	0.51%	45,374
Doubtful	3.88%	1,034	2.85%	453
		63,786		56,066

Internal credit rating	Average loss rate	Bills receivables as at 31 December 2021 HK$'000	Average loss rate	Bills receivables as at 31 December 2020 HK$'000
Low risk	0.35%	65,826	0.28%	27,825
Watch list	–	–	–	–
		65,826		27,825

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

During the year ended 31 December 2021, the Group recorded net reversal of impairment allowance of HK$299,000 (2020: net impairment allowance of HK$4,896,000) for trade receivables and net impairment allowance of approximately HK$151,000 (2020: HK$41,000) on bills receivables, based on the provision matrix and/or individual assessment.

30. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

***Credit risk and impairment assessment** (Continued)*

Provision matrix – internal credit rating (Continued)

The following table shows the movement in lifetime ECL that has been recognised for trade and bills receivables under the simplified approach.

	Lifetime ECL (not credit-Impaired) HK$'000	Lifetime ECL (credit-impaired) HK$'000	Total HK$'000
As at 1 January 2020	1,257	2,337	3,594
Impairment losses recognised	349	5,786	6,135
Impairment losses reversed	(1,038)	(160)	(1,198)
Transfer to credit-impaired	(227)	227	–
Written-off	–	(1,974)	(1,974)
Exchange realignment	29	66	95
As at 31 December 2020 and at 1 January 2021	370	6,282	6,652
Impairment losses recognised	602	108	710
Impairment losses reversed	(374)	(484)	(858)
Written-off	–	(405)	(405)
Exchange realignment	13	104	117
As at 31 December 2021	**611**	**5,605**	**6,216**

Receivables for which an impairment provision was recognised were written off against the provision when the outstanding balances were uncollectible. None of the written off amount are still subject to enforcement activities during the year (2020: approximately HK$1,705,000).

Liquidity risk

In management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and bank overdraft and ensures compliance with loan covenants.

The following table details the Group's remaining contractual maturity for their financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank borrowings and bank overdraft with a repayable on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other financial liabilities are based on the agreed repayment dates.

30. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Liquidity risk *(Continued)*

The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

Liquidity tables

	Weighted average effective interest rate	On demand or less than 1 year	1 year to 5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 December 2021						
Trade and other payables	–	**25,136**	**–**	**–**	**25,136**	**25,136**
Fixed-rate bank borrowings	2.92	**10,824**	**–**	**–**	**10,824**	**10,824**
Variable-rate bank borrowings	3.36	**12,786**	**–**	**–**	**12,786**	**12,786**
Bank overdraft	4.50	**12,231**	**–**	**–**	**12,231**	**12,231**
Lease liabilities	3.84 – 5.00	**3,867**	**10,229**	**5,093**	**19,189**	**16,479**
		64,844	**10,229**	**5,093**	**80,166**	**77,456**

	Weighted average effective interest rate	On demand or less than 1 year	1 year to 5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 December 2020						
Trade and other payables	–	14,446	–	–	14,446	14,446
Fixed-rate bank borrowings	3.24	3,150	–	–	3,150	3,150
Variable-rate bank borrowings	3.61	8,311	–	–	8,311	8,311
Bank overdraft	4.50	21,447	–	–	21,447	21,447
Lease liabilities	5.00	2,344	7,584	6,946	16,874	14,338
		49,698	7,584	6,946	64,228	61,692

The amounts included above for variable-rate instruments for non-derivative financial liabilities are subject to change if changes in variable rates differ to those estimates of interest rates determined at the end of the reporting period.

30. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

***Liquidity risk** (Continued)*

Liquidity tables (Continued)

Bank borrowings and bank overdraft with a repayable on demand clause are included in the "on demand or less than 1 year" time band in the above maturity analysis. As at 31 December 2021, the aggregate undiscounted principal amounts of these bank borrowings and bank overdraft amounted to approximately HK$35,841,000 (2020: HK$32,908,000). Taking into account the Group's financial position, the directors of the Company do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors of the Company believe that such bank borrowings and bank overdraft will be repaid in accordance with the scheduled repayment dates set out in the loan agreements. At that time, the aggregate principal and interest cash outflows will amount to approximately HK$36,130,000 (2020: HK$33,267,000). All bank borrowings and bank overdraft with a "repayable on demand clause" are with scheduled repayment of less than 1 year.

(c) Fair value measurements of financial instruments

The management considers that the carrying amounts of the financial assets and financial liabilities of the Group recorded at amortised cost in the consolidated financial statements at the end of the reporting period approximate their fair values. Such fair values have been determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

31. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Bank borrowings HK$'000	Interest on bank overdraft (included in other payable) HK$'000	Lease liabilities HK$'000	Dividend payables HK$'000	Total HK$'000
As at 1 January 2020	50,406	–	15,417	–	65,823
Financing cash flows *(note)*	14,405	(30)	(2,722)	–	11,653
Non-cash changes					
Finance costs	664	56	654	–	1,374
Addition of right-of-use asset	–	–	1,183	–	1,183
Settlement through bills receivables *(note 32)*	(54,468)	–	–	–	(54,468)
Exchange realignment	454	2	734	–	1,190
Remeasurement of lease liabilities	–	–	(928)	–	(928)
As at 31 December 2020 and 1 January 2021	**11,461**	**28**	**14,338**	**–**	**25,827**
Financing cash flows *(note)*	**53,071**	**(171)**	**(3,593)**	**(2,081)**	**47,226**
Non-cash changes					
Finance costs	**583**	**159**	**670**	**–**	**1,412**
Addition of right-of-use asset	**–**	**–**	**4,908**	**–**	**4,908**
Settlement through bills receivables *(note 32)*	**(41,700)**	**–**	**–**	**–**	**(41,700)**
Exchange realignment	**195**	**1**	**556**	**–**	**752**
Dividend declared *(note 11)*	**–**	**–**	**–**	**2,081**	**2,081**
Remeasurement of lease liabilities	**–**	**–**	**(400)**	**–**	**(400)**
As at 31 December 2021	**23,610**	**17**	**16,479**	**–**	**40,106**

Notes:

The amounts for financing activities included:

a. the cash inflows from bills discounted to the bank.

b. for bank borrowings, amount included the net cash flows from new bank borrowings, repayment of bank borrowings and interest paid to bank borrowings in the consolidated statement of cash flows.

32. MAJOR NON-CASH TRANSACTION

During the year ended 31 December 2021, short-term bank borrowings drawn on discounted bills with recourse of approximately HK$41,700,000 (2020: HK$54,468,000) have been repaid through settlement on maturity of bills receivables previously discounted to the relevant banks.

33. RELATED PARTY DISCLOSURES

	2021 **HK$'000**	2020 HK$'000
Compensation of key management personnel		
– Short-term benefits	**5,201**	4,442
– Post-employment benefits	**98**	72
	5,299	4,514

The remuneration of key management personnel is determined having regard to the performance of the individuals.

Related party transaction and balance

(a) On 30 July 2021, Niche-Tech (HK) and Niche-Tech Investment Holdings Limited ("**BVI Holdings**"), which is beneficially owned by Professor Chow and Mr. Chow, entered into the agreement pursuant to which Niche-Tech (HK) agreed to purchase the technology know-how owned by BVI Holdings for the consideration of HK$7,500,000. The completion date of the transaction was 15 November 2021.

(b) On 14 May 2020, the Group has entered into two separate sales and purchase agreements with Chows Electronics, which are owned by Professor Chow and Mr. Chow, to acquire two motor vehicles at considerations of HK$679,000 and HK$659,000 respectively. The purchases were completed on 8 June 2020 and 21 July 2020 respectively.

(c) On 4 November 2020, an indirectly wholly-owned subsidiary of the Company completed the NWL Acquisition, details are set out in note 28.

34. SHARE-BASED PAYMENT TRANSACTIONS

Pursuant to the Company's share option scheme (the "**Scheme**") adopted on 8 May 2018 for the primary purpose of providing incentives to directors, eligible employees, consultant or adviser of the Group, the directors, employees, consultant or adviser of the Group may, at the discretion of the directors, be granted options (the "**Options**") to subscribe for shares in the Company at a price determined by its directors, but shall not be less than the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotation sheet on the date of the offer of grant, which must be a trading day; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotation sheet for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of the shares on the date of grant of the option.

Without prior approval from the Company's shareholders, the total maximum number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares in issue at any point in time, and the maximum number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the shares in issue at any point in time.

Unless terminated by resolution in general meeting, the Scheme will remain in force for a period of ten years from the date of the listing of the Shares on the Stock Exchange. Options granted must be taken up not later than 30 days after the date of grant. A consideration of HK$1 is payable on acceptance of the offer of grant of an option.

The exercisable period of an option, which shall not exceed 10 years from the date of grant, is determined by the Board of Directors of the Company at their discretion. Therefore, no share options lapsed or were exercised or cancelled during the year and there were no outstanding share options as at 31 December 2021 and 2020.

No options have been granted by the Company since its adoption date.

35. PARTICULARS OF SUBSIDIARIES

Name of subsidiary	Place and date of incorporation/ establishment	Kind of legal entity	Place of operation	Issued and fully paid share capital/registered capital	Equity interest attributable to the Group as at 31 December 2021	2020	Principal activities
Directly held							
Niche-Tech BVI	BVI 2 January 2014	Limited liability company	Hong Kong	Ordinary share US$1	**100%**	100%	Investment holding
Indirectly held							
Niche-Tech Holdings	Hong Kong 9 May 2012	Limited liability company	Hong Kong	Ordinary shares HK$125,000,000	**100%**	100%	Investment holding
Niche-Tech Kaiser International Inc.	BVI 16 March 2012	Limited liability company	Hong Kong	Ordinary share US$1	**100%**	100%	Investment holding
Niche-Tech Shantou 汕頭市駿碼凱撒有限公司 *(notes ii & iii)*	The PRC 29 April 2006	Limited liability company	The PRC	Registered capital RMB100,000,000	**100%**	100%	Development, manufacture and sales of semiconductor packaging materials
Niche-Tech (HK)	Hong Kong 26 April 2012	Limited liability company	Hong Kong	Ordinary shares HK$36,000,000	**100%**	100%	Trading of semiconductor packaging materials
Neat Wave Limited	Hong Kong 5 January 1990	Limited liability company	Hong Kong	Ordinary shares HK$2	**100%**	100%	Inactive

Notes:

(i) None of the subsidiaries had issued any debt securities at the end of both years.

(ii) Niche-Tech Shantou is a wholly foreign-owned enterprise established in the PRC.

(iii) The statutory financial statements of the subsidiary was not audited by Gary Cheng CPA Limited.

36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2021 HK$'000	2020 HK$'000
NON-CURRENT ASSET		
Investment in a subsidiary	**93,936**	93,936
CURRENT ASSETS		
Prepayments	**389**	150
Amounts due from subsidiaries	**83,668**	96,702
Bank balances	**113**	38
	84,170	96,890
CURRENT LIABILITIES		
Other payables and accruals	**1,371**	1,213
Amounts due to subsidiaries	**–**	2,367
	1,371	3,580
NET CURRENT ASSETS	**82,799**	93,310
NET ASSETS	**176,735**	187,246
CAPITAL AND RESERVES		
Share capital	**7,055**	7,055
Reserves	**169,680**	180,191
	176,735	187,246

36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Movement of the Company's reserves

	Share premium HK$'000	**Capital reserve** HK$'000 *(note)*	**Exchange reserve** HK$'000	**Accumulated losses** HK$'000	**Total** HK$'000
At 1 January 2020	128,115	93,078	(5,865)	(25,559)	189,769
Loss for the year	–	–	–	(15,514)	(15,514)
Exchange differences arising on translation to presentation currency	–	–	5,936	–	5,936
At 31 December 2020	128,115	93,078	71	(41,073)	180,191
Loss for the year	–	–	–	(10,648)	(10,648)
Dividend recognised as distribution *(Note 11)*	(2,081)	–	–	–	(2,081)
Exchange differences arising on translation to presentation currency	–	–	2,218	–	2,218
At 31 December 2021	**126,034**	**93,078**	**2,289**	**(51,721)**	**169,680**

Note: The amount represented the difference between the considerations paid and the net asset value of the subsidiaries of the Company upon a group reorganisation in 2017.

FINANCIAL SUMMARY

A summary of the published results and of the assets and liabilities of the Group for the last five financial years, as extracted from the annual reports of the Company is set out below.

	For the year ended 31 December				
	2021	2020	2019	2018	2017
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Consolidated statement of profit or loss					
Revenue	**249,039**	171,558	213,006	184,439	180,522
Gross profit	**58,341**	34,357	41,685	40,813	37,680
Profit/(loss) before taxation	**10,507**	(11,923)	1,561	3,044	4,401
Income tax expense	**(3,658)**	(2,189)	(2,245)	(2,694)	(2,409)
Profit/(loss) for the year	**6,849**	(14,112)	(684)	350	1,992
Non-HKFRS measures					
Net profit/(loss) excluding listing expenses	**6,849**	(14,112)	(684)	10,751	12,703
Consolidated statement of financial position					
Non-current assets	**132,036**	126,193	116,977	101,023	94,777
Current assets	**199,785**	178,652	204,667	174,105	97,308
Current liabilities	**(70,234)**	(53,814)	(69,859)	(28,907)	(38,299)
Net current assets	**129,551**	124,838	134,808	145,198	59,009
Non-current liabilities	**(18,402)**	(18,973)	(20,358)	(9,093)	(10,702)
Net assets	**243,185**	232,058	231,427	237,128	143,084

The summary above does not form part of the consolidated financial statements.