LEADWAY TECH
高維科技

LEADWAY TECHNOLOGY INVESTMENT GROUP LIMITED
高維科技投資集團有限公司

(incorporated in the Cayman Islands with limited liability)

Stock code: 2086

2023
ANNUAL REPORT

CONTENTS

CORPORATE INFORMATION

DIRECTORS

Executive Directors

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

Non-executive Directors

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

Independent Non-executive Directors

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

AUTHORISED REPRESENTATIVES

Ms. Xu Tingting
Ms. Lee Ka Man, HKACG, ACG

COMPANY SECRETARY

Ms. Lee Ka Man, HKACG, ACG

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

AUDITOR

KPMG
Certified Public Accountants
Public Interest Entity Auditor
registered in accordance with
the Accounting and Financial Reporting
Council Ordinance
8th Floor, Prince's Building
10 Chater Road, Central
Hong Kong

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

PRINCIPAL BANKER

DBS Bank (Hong Kong) Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

COMPANY'S WEBSITE ADDRESS

www.leadwayinv.com

STOCK CODE

2086

CHAIRMAN'S STATEMENT

As we look back at 2023, it is with a profound sense of resolve that we present the annual results for Leadway Technology Investment Group Limited and its subsidiaries (the "Group"). Our journey through the year was navigated amidst a backdrop of global economic challenges that tested our resilience and galvanized our strategic focus.

The Group's financial performance for the year ended 31 December 2023 saw a revenue decrease of 16% to HK$79.2 million, mainly due to the war and economic downturn in the European region, which unavoidably impacted our shipment schedules and overall sales. Despite these headwinds, we managed to maintain a steady gross profit margin of 53%, yielding a gross profit of HK$42.3 million and reporting a loss of HK$19.2 million for the year.

In the face of intensifying competition, our approach has been multifaceted. We expanded our product range, enhancing the core features of existing products such as the ACR350 and proactively developing business in new markets, including the introduction of a low-cost contactless reader module tailored for the China market. These strategic initiatives are integral to our mission of broadening our market base and fortifying our industry standing.

The Group's dedication to innovation and market leadership was recognized as we were selected as a finalist in The Best New Product Category at the 2023 RFID Journal Awards for our WalletMate Mobile Wallet NFC Reader. This accolade serves not only as a testament to our technological prowess but also as an inspiration for our continued commitment to excellence.

Our proactive involvement in major industry trade shows across different regions, including RFID Journal Live! in the United States, Seamless Asia 2023 in Singapore, and Trustech 2023 in France, has been pivotal in expanding our reach and showcasing our leading-edge products. These platforms have enabled us to forge new partnerships and capture the pulse of evolving market trends.

As we forge ahead, our marketing and advertising strategy for 2024 remains robust and dynamic, focusing on active participation in trade shows, reinforcing our brand through various initiatives, and engaging our customer base through targeted digital marketing efforts. Our commitment is not only to maintain but also to amplify our presence within the industry, ensuring that our stakeholders remain well-informed of our advancements and strategic directions.

Acknowledging the volatile global economy, we have taken measured steps to revise our pricing strategy and reduce product costs to ensure we remain competitive and profitable. These prudent actions are designed to shield the Group from adverse global issues, including the post-novel coronavirus disease ("COVID-19") status, geopolitical tensions, and other macroeconomic factors.

As we stand at the cusp of 2024, the Group is poised to stimulate growth through the introduction of innovative products, anticipating positive market reception and increased sales revenue.

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors of Leadway Technology Investment Group Limited (the "Board"), we wish to convey our profound gratitude to our business partners, customers, suppliers, and shareholders for their unwavering support throughout the year. Your faith in our vision and operations is the cornerstone of our achievements and continued growth. Additionally, we extend our heartfelt appreciation to our management and staff for their relentless dedication and hard work. Their commitment to excellence is a critical driver of our success and positions us well for future advancements.

Mai Zhaoping **Zhang Xueqin**
Co-chairmen

27 March 2024

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

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

Revenue

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

Gross Profit Margin

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

Operating Expenses

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

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

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

Statement of Financial Position

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

DIVIDEND POLICY

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

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

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

BUSINESS REVIEW

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

BUSINESS REVIEW *(continued)*

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

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

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

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

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

PROSPECTS

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

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

PROSPECTS *(continued)*

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

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

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

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

RISK FACTORS

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

Operation Risk

Reliance on a limited number of large customers

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

RISK FACTORS *(continued)*

Operation Risk *(continued)*

Reliance on manufacturers

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

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

Ability to attract and retain skilled engineers

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

Shortage of integrated circuits ("IC") chips

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

RISK FACTORS *(continued)*

Business Risk

Rapid technological changes

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

Relatively high capital expenditure on new products and services

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

Financial Risk

Maintain financial stability

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

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

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

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

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

GEARING RATIO

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

DISPOSALS AND ACQUISITIONS

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

FUTURE PLANS RELATING TO MATERIAL INVESTMENT OR CAPITAL ASSET

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

EXPOSURE TO EXCHANGE RATE FLUCTUATIONS

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

PLEDGE OF ASSETS

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

CONTINGENT LIABILITIES

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

EMPLOYEES AND REMUNERATION POLICIES

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

DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Mai Zhaoping | Co-Chairman

Mr. Mai Zhaoping (麥照平), aged 57, was appointed as an executive director of the Company on 4 February 2022, and appointed as co-chairman of the Board on 26 February 2022.

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

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

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

* *For identification purpose only*

DIRECTORS AND SENIOR MANAGEMENT

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

Mr. Zhang Xueqin (張學勤), aged 52, was appointed as an executive director of the Company on 4 February 2022, and appointed as co-chairman of the Board and chief executive officer of the Company on 26 February 2022.

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

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

Ms. Mai Qiqi | Deputy Chief Executive Officer

Ms. Mai Qiqi (麥綺琪), aged 31, was appointed as a non-executive director of the Company on 4 February 2022. She was re-designated as an executive director of the Company and appointed as deputy chief executive officer of the Company on 7 March 2022.

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

* *For identification purpose only*

DIRECTORS AND SENIOR MANAGEMENT

Mr. Chan Chun Leung | Chief Financial Officer

Mr. Chan Chun Leung (陳俊良), aged 36, was appointed as an executive director and chief financial officer of the Company on 7 March 2022.

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

Ms. Xu Tingting | Chief Operating Officer

Ms. Xu Tingting (許婷婷), aged 40, was appointed as an executive director of the Company on 4 February 2022 and chief operating officer of the Company on 7 March 2022. She was appointed as a member of the nomination committee of the Company with effect from 16 January 2024. She is also a director or legal representative of several subsidiaries of the Group.

Ms. Xu graduated from South China Agricultural University (華南農業大學) in July 2007, majoring in accounting and obtained a bachelor's degree in accounting and management. In addition, she obtained the qualification of an intermediate accountant from the Guangdong Provincial Department of Human Resources and Social Security in August 2009 and was qualified as a certified public accountant in the mainland China in March 2011. Ms. Xu was a financial manager of Dongguan Zhenglian Financial Consulting Co., Ltd.* (東莞市正聯財務諮詢有限公司) from September 2007 to March 2011. She has also served as a chief accountant of Dongguan Zhenglian C.P.A. Limited (general partner)* (東莞市正聯會計師事務所（普通合夥）) since April 2011. In addition, Ms. Xu is an executive director of Shenzhen Shangyicheng Trading Limited* (深圳尚一城貿易有限公司), a company indirectly wholly-owned by Mr. Zhang Xueqin (張學勤), an executive director and chief executive officer of the Company and co-chairman of the Board. Ms. Xu has been appointed as an independent non-executive director of Dongguan Rural Commercial Bank Co., Ltd.* (東莞農村商業銀行股份有限公司) (a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") with stock code: 9889) since October 2019.

* *For identification purpose only*

NON-EXECUTIVE DIRECTORS

Mr. Mai Ziye

Mr. Mai Ziye (麥子曄), aged 30, was appointed as a non-executive director of the Company and on 7 March 2022.

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

Mr. Lam Chi Wai

Mr. Lam Chi Wai (林智偉), aged 37, was appointed as a non-executive director of the Company and a member of the finance and investment committee of the Company on 9 February 2024.

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

* *For identification purpose only*

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Lin Tat Pang

Dr. Lin Tat Pang (連達鵬), aged 67, was appointed as an independent non-executive director of the Company and the chairman of the audit committee of the Company on 22 December 2017, and a member of the nomination committee of the Company and the chairman of the remuneration committee of the Company on 31 December 2018.

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

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

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

DIRECTORS AND SENIOR MANAGEMENT

Mr. Lai Chi Leung

Mr. Lai Chi Leung (黎志良), aged 56, was appointed as an independent non-executive director of the Company on 4 February 2022, and appointed as a member of the audit committee and remuneration committee of the Company on 26 February 2022.

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

Mr. Zhang Dingfang

Mr. Zhang Dingfang (張定昉), aged 39, was appointed as an independent non-executive director on 4 February 2022, and appointed as the chairman of the nomination committee and a member of the audit committee and remuneration committee of the Company on 26 February 2022.

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

Mr. Gu Tianlong

Mr. Gu Tianlong (古天龍), aged 59, was appointed as an independent non-executive director of the Company on 7 March 2022, and appointed as a member of the audit committee, remuneration committee and nomination committee of the Company on 30 March 2022.

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

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

* *For identification purpose only*

CORPORATE GOVERNANCE REPORT

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

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

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

PURPOSE, VALUES, STRATEGY AND CULTURE

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

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

BOARD OF DIRECTORS

Responsibilities

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

Delegation by the Board

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

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

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

Composition

The Board is committed to holding the view that it should include a balanced composition of executive directors and non-executive directors (including independent non-executive directors) so that there is a strong independent element on the Board, which can effectively exercise independent judgement. As at the date of this annual report, the Board comprises five executive directors, two non-executive directors and four independent non-executive directors. The independent non-executive directors represent one-third of the Board and meet the requirements of the Listing Rules relating to at least one of them possessing appropriate professional qualifications, accounting or related financial management expertise. Details of each director are disclosed on pages 13 to 19 of this annual report. The directors of the Company during the year ended 31 December 2023 and up to the date of this annual report are:

BOARD OF DIRECTORS *(continued)*

Composition *(continued)*

Executive Directors

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

Non-executive Directors

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

Independent Non-executive Directors

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

Mr. Wong Chi Ho resigned as an executive director due to family reason. Mr. Xing Yi resigned as a non-executive director due to his other business commitments.

Mr. Lam Chi Wai, who was appointed as the non-executive director of the Company on 9 February 2024, obtained the legal advice referred to in Rule 3.09D (which took effect from 31 December 2023) on 4 February 2024, and Mr. Lam has confirmed that he understood his obligations as a director of the Company.

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

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

BOARD OF DIRECTORS *(continued)*

Composition *(continued)*

Authorised Representative and Service Agent

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

Chairman and Chief Executive Officer

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

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

Directors' Securities Transactions

For the year ended 31 December 2023, the Company has adopted dealings rules on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Companies set out in Appendix C3 of the Listing Rules (the "Model Code"). Upon specific enquiries, all the directors of the Company confirmed in writing that they had complied with the required standard set out in the Model Code during the year ended 31 December 2023 regarding their securities transactions.

BOARD OF DIRECTORS *(continued)*

Induction and Continuous Professional Development

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

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

The directors of the Company have complied with the requirement under Code Provision C.1.4 of the CG Code regarding continuous professional development during the year ended 31 December 2023 in the following manner:

Name of Directors	Reading materials in relation to corporate governance and regulatory requirements	Attending seminars/courses/ conferences to develop professional skills and knowledge
Executive Directors		
Mr. Mai Zhaoping	✔	
Mr. Zhang Xueqin	✔	
Ms. Mai Qiqi	✔	
Mr. Chan Chun Leung	✔	
Ms. Xu Tingting	✔	
Mr. Wong Chi Ho *(resigned on 16 January 2024)*	✔	
Non-executive Directors		
Mr. Mai Ziye	✔	
Mr. Xing Yi *(resigned on 9 February 2024)*	✔	
Independent Non-executive Directors		
Dr. Lin Tat Pang	✔	✔
Mr. Lai Chi Leung	✔	
Mr. Zhang Dingfang	✔	
Mr. Gu Tianlong	✔	

BOARD OF DIRECTORS *(continued)*

Disclosure of Directors' Other Offices

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

All the directors of the Company have also confirmed in writing that they had given sufficient time and attention to the affairs of the Company during the year ended 31 December 2023.

Independence of Independent Non-Executive Directors

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

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

Mechanisms to Ensure Independent Views

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

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

Directors' Insurance

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

BOARD OF DIRECTORS *(continued)*

Board Diversity Policy

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

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

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

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

As at 31 December 2023, the Company has 113 employees in total comprising of approximately 44 females and 69 males (a female-to-male ratio of 64%), reflecting a gender equality principle generally adhered by the Company. The Company is mindful of the objectives as set out in the diversity policy when assessing the candidacy of the employees, and will ensure that the Company shall continue to follow the policy.

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

BOARD OF DIRECTORS *(continued)*

Nomination Policy

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

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

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

- candidates' character and integrity;

- candidates' qualifications, including professional qualifications, skills, knowledge and experience that are relevant to the Company's strategy and the Group's business;

- candidates' willingness to devote adequate time to discharge duties as a member of the Board and quantity and nature of their present offices;

- the Diversity Policy and any measurable objectives adopted for achieving diversity on the Board; and

- requirements for the Board to have independent non-executive directors in accordance with the Listing Rules.

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

BOARD OF DIRECTORS *(continued)*

Board Meetings

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

The Board held four regular meetings during the year ended 31 December 2023. An agenda of each Board meeting was presented for comments and approval. The Board was provided with adequate, timely and reliable information about the Group's business and developments before each Board meeting. All the directors of the Company were asked to review and comment on the Board minutes within a reasonable time after every meeting to maintain accurate records of their discussions and decisions. Details of individual attendance of directors of the Company are set out below:

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

During the year ended 31 December 2023, the co-chairmen of the Board has met with the independent non-executive directors of the Company without the presence of any other executive director.

BOARD COMMITTEES

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

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

Audit Committee

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

The composition of the audit committee of the Company throughout the year ended 31 December 2023 is as follows:

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

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

BOARD COMMITTEES *(continued)*

Audit Committee *(continued)*

The audit committee of the Company held four meetings during the year ended 31 December 2023. Out of these four meetings, it met two times with the external auditor. Details of individual attendance of its members are set out below:

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

Set out below is the summary of work performed by the audit committee of the Company during the year ended 31 December 2023:

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

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

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

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

BOARD COMMITTEES *(continued)*

Remuneration Committee

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

The Company has adopted a remuneration policy for directors of the Company. Directors are remunerated in accordance with the nature of their duties and comparable market conditions. Incentive bonus would be granted to reward and motivate well-performed directors. Details of the remuneration payable to the directors of the Company during the year ended 31 December 2023 are set out in note 8 to the financial statements.

The composition of the remuneration committee of the Company throughout the year ended 31 December 2023 is as follows:

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

The remuneration committee of the Company held one meeting during the year ended 31 December 2023 to review the policy and structure for all remuneration of directors and management of the Company and make recommendations to the Board on the directors' remuneration, determine the year-end bonus plan and salary adjustment plan of the Group, assessing performance of executive directors of the Company and approving the terms of executive directors' service contracts. Details of individual attendance of its members are set out below:

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

BOARD COMMITTEES *(continued)*

Nomination Committee

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

The composition of the nomination committee of the Company throughout the year ended 31 December 2023 is as follows:

Mr. Zhang Dingfang *(Chairman)*
Dr. Lin Tat Pang
Mr. Gu Tianlong
Mr. Wong Chi Ho *(resigned on 16 January 2024)*

During the year ended 31 December 2023, the nomination committee held one meeting to review the structure, size, board diversity and composition of the Board, discuss matters regarding the re-election of directors, assess the independence of independent non-executive directors, and review the Nomination Policy and Diversity Policy, etc. Details of individual attendance of its members are set out below:

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

BOARD COMMITTEES *(continued)*

Finance and Investment Committee

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

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

During the year ended 31 December 2023, no meeting was held by the finance and investment committee.

CORPORATE GOVERNANCE FUNCTION

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

- developing and reviewing the Company's policies and practices on corporate governance (including the board diversity policy, mechanisms to enquire independence view of the Board and shareholders communication policy) and making recommendations if needed;
- reviewing and monitoring the training and continuous professional development of directors of the Company;
- reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements;
- developing, reviewing and monitoring the code of conduct applicable to employees and directors; and
- reviewing the Company's compliance with the CG Code as amended from time to time and disclosure in the Corporate Governance Report.

During the year ended 31 December 2023, the Board has performed the above duties and reviewed the corporate governance practices of the Company with reference to the CG Code and explained any deviation from the CG Code in this corporate governance report.

INTERNAL CONTROL AND RISK MANAGEMENT

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

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

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

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

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

INTERNAL CONTROL AND RISK MANAGEMENT *(continued)*

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

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

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

The Group has adopted an anti-bribery and corruption policy to govern acceptance of advantages by directors and employees, and has also established and published a whistleblowing policy and a system on antifraud to promote anti-corruption laws and regulation. With the publicly available whistleblowing policy and report form, employees and third parties can raise concerns, in confidence and anonymity, with the audit committee about possible improprieties in any matter related to the Group. During the year ended 31 December 2023, no incident of fraud or misconduct was reported from employees or stakeholders that had material effect on the Group's financial statements and overall operations.

During the year ended 31 December 2023, the Board, through the audit committee of the Company, has assessed the design and execution effectiveness of the internal control and risk management systems of the Group including financial, operational and compliance controls and risk management functions and has considered the adequacy of resources, staff qualifications and experience, training programmes, and budget of the Group's accounting, internal audit, financial reporting function, as well as those relating to the Group's environmental, social and governance performance and reporting. The Board is satisfied that, the present systems of risk management and internal control are effective and adequate.

DISCLOSURE OF INSIDE INFORMATION

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

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

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

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

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

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

ACCOUNTABILITY AND AUDIT

The directors of the Company acknowledge their responsibility to prepare the Company's financial statements which give a true and fair view of the Group's state of affairs, results and cash flows for the year ended 31 December 2023. The Company has selected appropriate accounting policies and has applied them consistently based on prudent and reasonable judgments and estimates. A statement by the auditor of the Company about its reporting responsibilities is set out on pages 115 to 116 of this annual report.

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

AUDITOR'S REMUNERATION

During the year ended 31 December 2023, the fee payable to KPMG in respect of audit services amounted to HK$1,000,000.

There has been no major disagreement between the auditor and the management of the Company during the year ended 31 December 2023.

COMPANY SECRETARY

In order to uphold good corporate governance and ensure compliance with the Listing Rules and applicable Hong Kong laws, the Company engages an external service provider to provide secretarial service and has appointed Ms. Lee Ka Man ("Ms. Lee") as its company secretary. Since Ms. Lee is not an employee of the Group, Ms. Yau Kar Yi Grace, our financial controller, is the person whom Ms. Lee can contact for the purpose of Code Provision C.6.1 of the CG Code.

Ms. Lee is an associate member of both The Chartered Governance Institute in the United Kingdom and The Hong Kong Chartered Governance Institute. Ms. Lee has confirmed that for the year under review, she has taken no less than 15 hours of relevant professional training.

SHAREHOLDERS' RIGHTS

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

Attending General Meetings

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

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

SHAREHOLDERS' RIGHTS *(continued)*

Convening an Extraordinary General Meeting

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

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

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

Voting and Putting Forward Resolutions

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

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

SHAREHOLDERS' RIGHTS *(continued)*

Proposing for Election as a Director

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

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

Enquiries to the Board

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

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

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

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

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

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

At the 2023 annual general meeting ("AGM"), a separate resolution was proposed by the chairman in respect of each separate issue, including re-election of directors and voted by way of poll. The Company announced the results of the poll in the manner prescribed under the Listing Rules.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS *(continued)*

The chairman of the Board, the chairmen of the audit committee, remuneration committee and nomination committee of the Company attended the 2023 AGM. Details of individual attendance of directors of the Company at the 2023 AGM are set out below:

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

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

CONSTITUTIONAL DOCUMENTS

During the year under review, in order to bring the M&A in line with certain amendments to the Listing Rules particularly Appendix A1 of the Listing Rules covering the core shareholder protection standards which came into effect on 1 January 2022, key amendments had been incorporated in the amended M&A include the followings: (i) to clarify that the Company shall hold a general meeting as its annual general meeting in each financial year and such annual general meeting shall be held within six months after the financial year end of the Company; (ii) to clarify the appointment, removal and remuneration of auditors must be approved by shareholders of the Company by ordinary resolution in general meeting of the Company; (iii) to allow general meetings to be convened on the written requisition of any one or more members and that such requisitionist(s) hold(s) as at the date of deposit of the requisition at least one-tenth of the voting rights, on a one vote per share basis, of the issued shares which as at that date carry the right to vote at general meetings of the Company the right to add resolutions to the relevant meeting agenda; (iv) to allow that a member, who is a clearing house, to appoint representative(s) to attend general meeting of the Company or meeting of creditors of the Company, and that such representative(s) shall be entitled to exercise the same rights and powers on behalf of the clearing house; (v) to clarify that in relation to any general meeting, every member present in person (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy shall have the right to speak; and (vi) to clarify that any Director appointed by the Board to fill a casual vacancy or as an addition to the Board shall hold office only until the first annual general meeting of the Company after his/her appointment and shall then be eligible for re-election at that meeting.

The Company adopted new M&A of the Company at the annual general meeting of the Company held on 24 May 2023 to replace the existing M&A of the Company with effect from 24 May 2023. Save for mentioned above, there were no other changes in the constitutional documents of the Company during the year. The new memorandum and articles of association of the Company has been published on the websites of the Stock Exchange and the Company on 24 May 2023.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THIS REPORT

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

Preparation Basis and Scope

This Report is prepared in accordance with Appendix C2 (formerly known as Appendix 27) to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") – "Environmental, Social and Governance Reporting Guide" (the "ESG Reporting Guide") and has complied with the mandatory disclosure requirements and the "comply or explain" provisions in the Listing Rules.

This Report summarises the performance of the Group in respect of corporate social responsibility, covering its operating activities which are development, sales and distribution of smart card products, software and hardware and provision of smart card related services in the People's Republic of China ("PRC"), Hong Kong ("HK"), the Republic of the Philippines (the "Philippines") and Japan. This year, we have included the environmental, social and governance performance of Japan office in the Report, which was reopened in March 2023, providing both the board of directors of the Company (the "Board") and the management with a more comprehensive data reference. With the aim to optimise and improve the disclosure requirements in the Report, the Group has taken initiative to formulate policies, record environmental data and implement monitoring measures. This Report shall be published both in Chinese and English on the website of the Stock Exchange. Should there be any discrepancy between the Chinese and the English versions, the English version shall prevail.

ABOUT THIS REPORT *(continued)*

Preparation Basis and Scope *(continued)*

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

Materiality

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

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

Quantitative

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

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

Balance

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

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

Consistency

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

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

ABOUT THIS REPORT *(continued)*

Reporting Period

This Report demonstrates our sustainability initiatives during the reporting period from 1 January 2023 to 31 December 2023 (the "Reporting Period" or "the year").

Contact Information

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

INTRODUCTION

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

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

STAKEHOLDER ENGAGEMENT AND MATERIALITY ASSESSMENT

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

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

STAKEHOLDER ENGAGEMENT AND MATERIALITY ASSESSMENT *(continued)*

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

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

STAKEHOLDER ENGAGEMENT AND MATERIALITY ASSESSMENT *(continued)*

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

STAKEHOLDER ENGAGEMENT AND MATERIALITY ASSESSMENT *(continued)*

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

STAKEHOLDER ENGAGEMENT AND MATERIALITY ASSESSMENT *(continued)*

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

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

The Group adopted the principle of materiality in the ESG reporting by understanding the key ESG issues which are important to the business of the Group. All the key ESG issues and key performance indicators (KPIs) are reported in the Report with reference to the recommendations of the ESG Reporting Guide by the Stock Exchange, the Global Reporting Initiative Guidelines and the SASB Standards.

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

Step 1: Identification – Industry Benchmarking

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

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

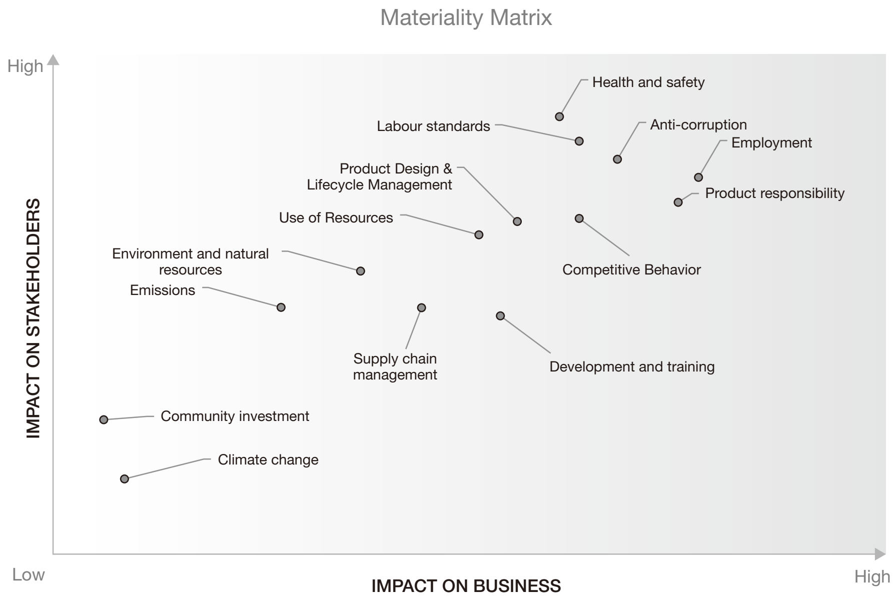
STAKEHOLDER ENGAGEMENT AND MATERIALITY ASSESSMENT *(continued)*

Step 2: Prioritization – Stakeholder Engagement

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

Step 3: Validation – Determining Material Issues

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



As a result of this process carried out in 2023, those important ESG areas to the Group were discussed in this Report.

ESG GOVERNANCE

Board's oversight of ESG issues

Board's overall vision and strategy in managing ESG issues

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

ESG Working Group

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

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

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

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

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

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

ESG GOVERNANCE *(continued)*

Board review progress against ESG-related goals and targets

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

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

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

A. ENVIRONMENTAL ASPECTS

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

A. ENVIRONMENTAL ASPECTS *(continued)*

A1 Emissions

As one of the world's leading smart card reader providers, our business bears low impact on air pollutant emission and greenhouse gas ("GHG") emission as most of our operation is offices based. During the Reporting Period, the Group was in strict compliance with all relevant environmental laws and regulation, including but not limited to the Environmental Protection Tax Law of PRC* (《中華人民共和國環境保護稅法》), the Environmental Protection Law of PRC* (《中華人民共和國環境保護法》), the PRC Law on Prevention and Control of Water Pollution* (《中華人民共和國水污染防治法》), the Law on Prevention and Control of Atmospheric Pollution of the PRC* (《中華人民共和國大氣污染防治法》), the Law on Prevention and Control of Environmental Noise Pollution of the PRC* (《中華人民共和國環境噪聲污染防治法》), the Air Pollution Control Ordinance (Cap. 311 of the Laws of Hong Kong), the Water Pollution Control Ordinance (Cap. 358 of the Laws of Hong Kong), the Republic Act No. 3931 creating the National Water and Air Pollution Control Commission in the Philippines, and the Basic Act on the Environment of Japan* (Act No. 91 of 1993 (up to the version of Act No. 50 of 2018)).

Air Pollutant Emission

Emission control is essential for mitigating the impact on the environment and protecting the health of employees. No substantial emissions are generated from any fuels in daily operation as the Group is not engaged in any industrial production. As the vehicle in the Philippines segment was sold during the corresponding period in 2022, the Group's air pollutants during the Reporting Period are mainly generated from the mobile sources of the Hong Kong segment. The Group has implemented measures as stated in section headed "Use of Resources" of this ESG Report, in order to reduce energy consumption, and thereby minimising carbon footprint.

During the Reporting Period and the corresponding period in 2022, the air pollutants emission of the Group are as follows:

		2023					2022				
Air Pollutant	Unit	HK	PRC	The Philippines	Japan	Total	HK	PRC	The Philippines	Japan[1]	Total
Nitrogen oxides (NOx)	kg	**1.852**	–	–	–	**1.852**	0.879	–	0.081	N/A	0.960
Sulfur dioxide (SO_2)	kg	**0.034**	–	–	–	**0.034**	0.024	–	0.004	N/A	0.028
Particulate matter (PM)	kg	**0.135**	–	–	–	**0.135**	0.065	–	0.006	N/A	0.071
Total	kg	**2.021**	–	–	–	**2.021**	0.968	–	0.091	N/A	1.059
Air Pollutant intensity	kg/employee	***0.034***	–	–	–	***0.018***	*0.015*	–	*0.023*	N/A	*0.009*

Note:

1. The comparable data from the corresponding period in 2022 for the Japan office is unavailable as it was reopened since March 2023.

* *For identification purposes only*

A. ENVIRONMENTAL ASPECTS *(continued)*

A1 Emissions *(continued)*

Air Pollutant Emission (continued)

The increase in air pollutants emission during the Reporting Period is mainly due to the increased use of the vehicle in Hong Kong, with the alleviation of the pandemic and the resumption of regular business activities.

GHG Emission

Climate change is gradually concerned by the community as it affects our daily life. GHG is considered as one of the major contributors to the climate change and global warming. During the Reporting Period, our Scope 1 direct emissions and Scope 2 indirect emissions mainly came from mobile combustion, purchased electricity for daily business operations and town gas used in the staff quarter respectively. The Group manages the GHG emissions by minimising the energy consumption to lower carbon footprint. Policies and procedures (as mentioned in the section "Use of Resources") to encourage energy saving have been incorporated throughout the operations in order to reduce the carbon footprint. With its business nature, no GHG emissions are generated or emitted through stationary sources as the Group is not engaged in any industrial production.

The GHG emission of the Group during the Reporting Period and the corresponding period in 2022 are as follows:

		2023					2022				
GHG Emission[1]	Unit	HK	PRC	The Philippines	Japan	Total	HK	PRC	The Philippines	Japan[4]	Total
Scope 1[2]	tonnes of CO_2-e	**6.35**	**–**	**–**	**–**	**6.35**	4.34	–	0.62	N/A	4.96
Scope 2[3]	tonnes of CO_2-e	**45.52**	**34.39**	**13.22**	**0.05**	**93.18**	39.88	32.39	17.26	N/A	89.53
Total	tonnes of CO_2-e	**51.88**	**34.39**	**13.22**	**0.05**	**99.53**	44.22	32.39	17.88	N/A	94.49
GHG emission intensity	tonnes of CO_2-e/ employee	***0.86***	***0.69***	***6.61***	***0.05***	***0.88***	*0.70*	*0.59*	*4.47*	*N/A*	*0.77*

A. ENVIRONMENTAL ASPECTS *(continued)*

A1 Emissions *(continued)*

GHG Emission (continued)

Notes:

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

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

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

4. The comparable data from the corresponding period in 2022 for the Japan office is unavailable as it was reopened since March 2023.

The increase in GHG emission under Scope 1 during the Reporting Period is mainly due to the increased use of the vehicles in Hong Kong, with the alleviation of the COVID-19 pandemic and the resumption of regular business activities. On the other hand, the increase in GHG emission under Scope 2 during the Reporting Period is mainly a result of an increase in electricity consumption as the Group's resumption of operations due to the reduced impact of the pandemic, while employees spent less time in the office due to the pandemic lockdown in the corresponding period in 2022.

A. ENVIRONMENTAL ASPECTS *(continued)*

A1 Emissions *(continued)*

Hazardous and Non-hazardous Wastes

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

For non-hazardous waste, the waste is mainly generated from daily office operations. The Group takes initiative to reduce waste by implementing different measures. Generally, the Group has engaged qualified recycling companies to collect and handle the waste in accordance to the Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Waste* (《中華人民共和國固體廢物污染環境防治法》) (2020 Amendment), the Waste Disposal Ordinance (Cap. 354) in HK, the Ecological Solid Waste Management Act of 2000 (RA 9003, 2001) in the Philippines, and the Act on Waste Management and Public Cleansing of Japan* (Act No. 137 of 1970 (up to the version of Act No. 68 of 2022)).

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

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

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

* For identification purposes only

A. ENVIRONMENTAL ASPECTS *(continued)*

A1 Emissions *(continued)*

Hazardous and Non-hazardous Wastes (continued)

The non-hazardous waste generated by the Group during the Reporting Period and the corresponding period in 2022 are as follows:

		2023					2022				
Non-hazardous waste generated	Unit	HK	PRC	The Philippines	Japan	Total	HK	PRC	The Philippines	Japan[1]	Total
Paper waste generated	tonnes	**0.5362**	**0.1516**	**0.0258**	**–**	**0.7137**	0.3560	0.1060	0.0180	N/A	0.4800
Paper waste generated intensity	tonnes/ employee	***0.0089***	***0.0030***	***0.0129***	**–**	***0.0063***	*0.0057*	*0.0019*	*0.0045*	*N/A*	*0.0039*

Note:

1. The comparable data from the corresponding period in 2022 for the Japan office is unavailable as it was reopened since March 2023.

The non-hazardous waste recycled by the Group during the Reporting Period and the corresponding period in 2022 are as follows:

		2023					2022				
Non-hazardous waste recycled	Unit	HK	PRC	The Philippines	Japan	Total	HK	PRC	The Philippines	Japan[1]	Total
Paper waste recycled	tonnes	**0.4290**	**0.1213**	**0.0257**	**–**	**0.5760**	0.3560	–	–	N/A	0.3560
Paper waste recycled intensity	tonnes/ employee	***0.0071***	***0.0024***	***0.0129***	**–**	***0.0051***	*0.0057*	–	–	*N/A*	*0.0029*

A. ENVIRONMENTAL ASPECTS *(continued)*

A1 Emissions *(continued)*

Hazardous and Non-hazardous Wastes (continued)

Note:

1. The comparable data from the corresponding period in 2022 for the Japan office is unavailable as it was reopened since March 2023.

The increase in both the amount of non-hazardous waste generated and recycled paper in 2023 was mainly due to the Group's resumption of office operations as a result of the reduced impact of the COVID-19 pandemic during the Reporting Period.

Targets and actions

In the long run, the Group will continue to enhance its environmental management strategies regularly in monitoring and minimising the environmental impacts brought by its businesses. As such, we have set management and control targets on an absolute basis by 2025 in reducing air pollutant emission, GHG emission, and waste production in 2022, with 2021 as the baseline year. We will review its progress and explore more opportunities to set diverse environmental protection goals. In the future, we will develop more specific quantitative environmental goals to nurture the environment and cherish natural resources. The Group will strive to achieve the targets by implementing appropriate measures in its operation.

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

A. ENVIRONMENTAL ASPECTS *(continued)*

A1 Emissions *(continued)*

Targets and actions (continued)

The Group had developed the environmental targets and steps taken to achieve for air pollutants emission, GHG emissions and waste production, and the results as at the end of Reporting Period are as follow:

Environmental KPI	Targets	Steps taken to achieve the targets	2023 vs. 2022	2023 vs. 2021 (the baseline year)	Status
Air pollutants emissions	The Group targets to reduce the emission of air pollutants by 5% by 2025, with 2021 as the baseline year	– Carrying out regular maintenance of vehicles with good condition for operational efficiency – Encouraging the use of public transportations	Increase by 91%	Increase by 183%	In progress

A. ENVIRONMENTAL ASPECTS *(continued)*

A1 Emissions *(continued)*

Targets and actions (continued)

Environmental KPI	Targets	Steps taken to achieve the targets	2023 vs. 2022	2023 vs. 2021 (the baseline year)	Status
Greenhouse gas emissions	The Group targets to reduce the emission of GHG by 5% by 2025, with 2021 as the baseline year	– Adopting LED lighting in some offices – Setting the temperature of air-conditioning system in a range between 25°C and 26°C – Switching off lights and unnecessary energy-consuming devices when they are not in use – Promoting environmental protection such as saving water and electricity by means of slogan or poster in office	Increase by 5%	Decrease by 12%	In progress

A. ENVIRONMENTAL ASPECTS *(continued)*

A1 Emissions *(continued)*

Targets and actions (continued)

Environmental KPI	Targets	Steps taken to achieve the targets	2023 vs. 2022	2023 vs. 2021 (the baseline year)	Status
Waste production	The Group has set comprehensive reduction target by 5% reduction in non-hazardous waste generation by 2025, with 2021 as the baseline year	– Using electronic document processing system to minimise the use of paper – Encouraging printing or photocopying on both sides of paper, where applicable – Focusing on quality management to reduce wastage and scrap for less pollution resulted	Increase by 49%	Increase by 30%	In progress

A. ENVIRONMENTAL ASPECTS *(continued)*

A2 Use of Resources

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

Energy

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

A. ENVIRONMENTAL ASPECTS *(continued)*

A2 Use of Resources *(continued)*

***Energy** (continued)*

The Group also endeavours to explore energy saving and green management measures for our facilities, and strives to reduce resource consumption as much as possible. For example, the Group joins the voluntary energy efficiency labelling scheme, which is introduced by the Electrical and Mechanical Services Department of HK, in order to select office equipment based on its grading-type label and recognition-type label. The Group also supports The National Energy Efficiency and Conservation Program introduced by the Department of Energy of the Philippines by switching away from traditional incandescent light into energy efficient lighting for offices use. During the Reporting Period, our energy consumption mainly came from purchased electricity for daily office operations. The energy consumption of the Group during the Reporting Period and the corresponding period in 2022 are summarised as follows:

		2023					2022				
Energy Consumption	Unit	HK	PRC	The Philippines	Japan	Total	HK	PRC	The Philippines	Japan[1]	Total
Purchased electricity	MWh	**116.57**	**60.30**	**18.56**	**0.11**	**195.54**	107.78	53.08	24.23	N/A	185.09
Town gas	MWh	**1.32**	**–**	**–**	**–**	**1.32**	–	–	–	N/A	–
Petrol	MWh	**22.23**	**–**	**–**	**–**	**22.23**	15.83	–	–	N/A	15.83
Diesel	MWh	**–**	**–**	**–**	**–**	**–**	–	–	2.41	N/A	2.41
Total energy consumption	MWh	**140.12**	**60.30**	**18.56**	**0.11**	**219.09**	123.61	53.08	26.64	N/A	203.33
Energy consumption intensity	MWh/ employee	***2.34***	***1.21***	***9.28***	***0.11***	***1.94***	*1.96*	*0.97*	*6.66*	*N/A*	*1.67*

Note:

1. The comparable data from the corresponding period in 2022 for the Japan office is unavailable as it was reopened since March 2023.

The increase in energy consumption during the Reporting Period is mainly a result of the Group's resumption of operations due to the reduced impact of the COVID-19 pandemic, while employees spent less time in the office due to the pandemic lockdown in the corresponding period in 2022.

A. ENVIRONMENTAL ASPECTS *(continued)*

A2 Use of Resources *(continued)*

Water Consumption

Water is one of the most important natural resources for the daily operation. Regarding water consumption for the HK offices, the water supply is solely controlled and centrally managed by its property management of the building. The Japan office, which was reopened during the Reporting Period, is a coworking space shared with other users so that it is not feasible for the Group to provide all relevant water consumption data as there is no separate meter for the individual office unit to record water usage.

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

The water consumption of the Group during the Reporting Period and the corresponding period in 2022 are summarised as follows:

		2023					2022				
Water Consumption	Unit	HK	PRC	The Philippines	Japan	Total	HK	PRC	The Philippines	Japan[1]	Total
Water consumption	m^3	**29.05**	**624.21**	**53.00**	**–**	**706.26**	47.12	497.45	26.00	N/A	570.57
Water consumption intensity	m^3/employee	***0.48***	***12.48***	***26.50***	**–**	***6.25***	*0.75*	*9.04*	*6.50*	*N/A*	*4.68*

Note:

1. The comparable data from the corresponding period in 2022 for the Japan office is unavailable as it was reopened since March 2023.

The increase in water consumption in 2023 was mainly attributable to the Group's resumption of operations due to the reduced impact of the COVID-19 pandemic, while employees spent less time in the office due to the pandemic lockdown in the corresponding period in 2022.

A. ENVIRONMENTAL ASPECTS *(continued)*

A2 Use of Resources *(continued)*

Packaging Materials

The major packaging materials used for our finished product are (i) paper box, (ii) plastic bag, and (iii) bubble wrap. The consumption of packaging materials of the Group in 2023 and the corresponding period in 2022 are summarised below:

		2023					2022				
Packaging Materials Consumption	Unit	HK	PRC	The Philippines	Japan	Total	HK	PRC	The Philippines	Japan[1]	Total
Paper and paper box	million pieces	**0.2912**	–	–	–	**0.2912**	0.5444	0.0212	–	N/A	0.5656
Plastic bag	million pieces	**0.775**	–	–	–	**0.775**	0.1546	–	–	N/A	0.1546
Bubble wrap	million pieces	**0.7633**	–	–	–	**0.7633**	1.4417	–	–	N/A	1.4417
Paper and paper box intensity	million pieces/ employee	***0.0049***	–	–	–	***0.0026***	*0.0086*	*0.0004*	–	*N/A*	*0.0046*
Plastic bag intensity	million pieces/ employee	***0.0013***	–	–	–	***0.0007***	*0.0025*	–	–	*N/A*	*0.0013*
Bubble wrap intensity	million pieces/ employee	***0.0127***	–	–	–	***0.0068***	*0.0229*	–	–	*N/A*	*0.0118*

Note:

1. The comparable data from the corresponding period in 2022 for the Japan office is unavailable as it was reopened since March 2023.

Owing to the significant reduction in the number of orders and production in the Reporting Period, with the impact of the global economic slowdown, the consumption of packaging materials correspondingly decreased significantly.

A. ENVIRONMENTAL ASPECTS *(continued)*

A2 Use of Resources *(continued)*

Targets and actions

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

The Group had developed the environmental targets and steps taken to achieve for energy conservation, water conservation and packaging materials conservation, and the results as at the end of Reporting Period are as follow:

Environmental KPI	Targets	Steps taken to achieve the targets	2023 vs. 2022	2023 vs. 2021 (the baseline year)	Status
Energy consumption	The Group has set inclusive total energy consumption reduction target by 5% by 2025, with 2021 as the baseline year	– Adopting LED lighting in some offices – Setting the temperature of air-conditioning system in a range between 25˚C and 26˚C – Switching off lights and unnecessary energy-consuming devices when they are not in use	Increase by 8%	Increase by 6%	In progress

A. ENVIRONMENTAL ASPECTS *(continued)*

A2 Use of Resources *(continued)*

Targets and actions (continued)

Environmental KPI	Targets	Steps taken to achieve the targets	2023 vs. 2022	2023 vs. 2021 (the baseline year)	Status
Water consumption	The Group has set a reduction target of 5% in water consumption by 2025, with 2021 as the baseline year	– Promoting environmental protection such as saving water and electricity by slogan or poster in office	Increase by 24%	Decrease by 9%	In progress
Packaging materials consumption	The Group has set a reduction target of 5% in packaging materials consumption by 2025, with 2021 as the baseline year	– Improving product packaging forms to conserve the consumption of carton materials – Advocate the simplification of packaging internally and externally	Decrease by 48%	Decrease by 77%	In progress

A3 The Environment and Natural Resources

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

A. ENVIRONMENTAL ASPECTS *(continued)*

A4 Climate Change

Governance

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

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

Strategy

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

A. ENVIRONMENTAL ASPECTS *(continued)*

A4 Climate Change *(continued)*

Strategy *(continued)*

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

Step 1: Set Future Images Assuming Climate Change Effects

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

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

Step 2: Consider the Impacts

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

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

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

A. ENVIRONMENTAL ASPECTS *(continued)*

A4 Climate Change *(continued)*

Strategy *(continued)*

Step 3: Respond to the Strategies

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

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

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

Risk Management

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

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

Step 1: Establish the context

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

A. ENVIRONMENTAL ASPECTS *(continued)*

A4 Climate Change *(continued)*

Risk Management (continued)

Step 2: Identify existing risk (past and current)

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

Step 3: Identify future risk and opportunities

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

Step 4: Analyze and evaluate risk

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

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

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

A. ENVIRONMENTAL ASPECTS *(continued)*

A4 Climate Change *(continued)*

Significant Climate-related Issues

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

Climate-related risks description	Financial Impact	Steps taken to manage the risks
Physical Risk		
Acute physical risks		
• Increased severity and frequency of extreme weather events such as typhoon and floods resulting in the potential to cause both idiosyncratic and systemic risks, resulting in potential damage to office equipment.	• Operating cost and repairing expense increase	• Planned to establish a natural disasters emergency plan. • Planned to devise an action plan to articulate the goals and targets of the reductions in GHG emission and energy consumption. • Outlined the plan to achieving those targets and defined responsibilities.

A. ENVIRONMENTAL ASPECTS *(continued)*

A4 Climate Change *(continued)*

Significant Climate-related Issues (continued)

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

A. ENVIRONMENTAL ASPECTS *(continued)*

A4 Climate Change *(continued)*

Significant Climate-related Issues (continued)

Climate-related risks description	Financial Impact	Steps taken to manage the risks
Transitional Risk		
Policy risk		
• As a result of energy efficiency requirements, the carbon-pricing mechanisms by the PRC Government, which increase the price of fossil fuels.	• Operating cost increases	• Planned to conduct a carbon footprint survey, in order to work out the company's footprint, to prioritize energy and waste reductions. • Monitored the updates of the relevant environmental laws and regulations against existing products and services, to avoid the unnecessary increase in cost and expenditure due to non-compliance.

A. ENVIRONMENTAL ASPECTS *(continued)*

A4 Climate Change *(continued)*

Significant Climate-related Issues (continued)

Climate-related risks description	Financial Impact	Steps taken to manage the risks
Transitional Risk *(continued)*		
Legal risk		
• Exposure to litigation risk. We have to adapt to the tightened law and regulations imposed by the government due to climate change, as well as bear the risk of potential litigation once we fail to comply with the new regulations. • Enhanced air pollutant emissions-reporting obligations for local government, and we may have to spend more time on fulfilling the ESG reporting standards to comply with the updating Listing Rules.	• Operating cost increases	• Monitored the updates of environmental laws and regulations and implemented GHG emissions calculations in advance. • Continued monitoring of the ESG reporting standards of the Listing Rules.
Technology risk		
• Low-carbon, energy-saving technologies are produced. Slow pace of technology advancement may weaken our competitive edges.	• Capital investment increases • Research and Development (R&D) expense increases	• Planned to invest in the innovations of energy saving products. • Examined the feasibility and benefits of applying the latest low-carbon and energy-saving technologies into our operation.

A. ENVIRONMENTAL ASPECTS *(continued)*

A4 Climate Change *(continued)*

Significant Climate-related Issues (continued)

Climate-related risks description	Financial Impact	Steps taken to manage the risks
Transitional Risk *(continued)*		
Market risk		
• More customers are concerned about climate-related risks and opportunities, which may lead to changes in customer preference. • Inability to attract co-financiers and/or investors due to uncertain risks related to the climate.	• Revenue decreases • Operating cost increases • Production cost increases	• Fulfilled the climate-related regulations by the government. • Prioritize the climate change as a high concern in the market decisions to show to the clients that the company is concerned about the problem of climate change.
Reputational risk		
• Risk of stigmatization of our business sector, as there will be more stakeholder concern or negative stakeholder feedback on our Group. • Negative press coverage related to support of our Group's business projects or activities with negative impacts on the climate (e.g., GHG emissions and energy conservation), which may affect our reputation and image.	• Revenue decreases • Operating costs increases	• Fulfilled the social responsibility by organizing more public relation activities to show how our Group places importance on climate change. • Reviewed the business projects to ensure the production and the projects are environmental-friendly.

A. ENVIRONMENTAL ASPECTS *(continued)*

A4 Climate Change *(continued)*

Significant Climate-related Issues *(continued)*

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

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

A. ENVIRONMENTAL ASPECTS *(continued)*

A4 Climate Change *(continued)*

Significant Climate-related Issues (continued)

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

Metrics and Targets

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

B. SOCIAL ASPECTS

EMPLOYMENT AND LABOUR PRACTICES

B1 Employment

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

A comprehensive framework incorporating detailed human resources management policies of recruitment, performance and promotion, working hours, equal opportunities, compensation, benefits and anti-harassment/discrimination is embedded in Human Resources Manual and Employee Handbook. The Group strictly complies with the Labour Law of the PRC* (《中華人民共和國勞動法》), the Employment Ordinance (Chapter 57 of the Laws of Hong Kong), the Labour Code of the Philippines (RA 10151), the Labour Standards Act of Japan* (Act No. 49 of 1947 (up to the version of Act No. 71 of 2018)), and other relevant laws and regulations related to employment by adopting the following key measures:

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

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

- Holidays and statutory paid leaves are compliant respective labour law or regulations.

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

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

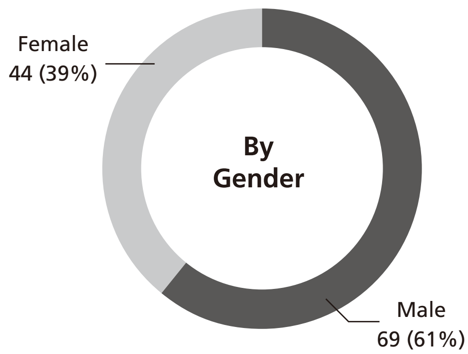
* *For identification purpose only*

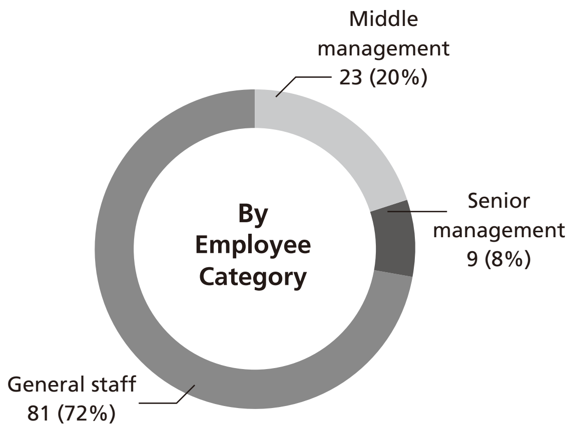
B. SOCIAL ASPECTS *(continued)*

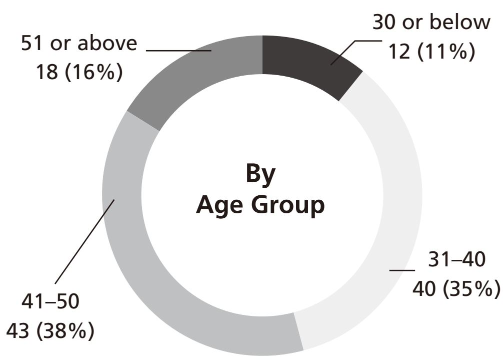
EMPLOYMENT AND LABOUR PRACTICES *(continued)*

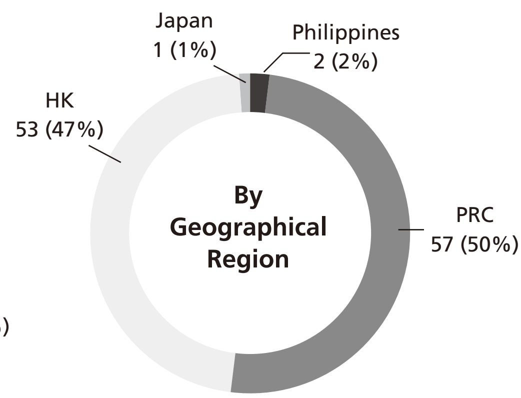
B1 Employment *(continued)*

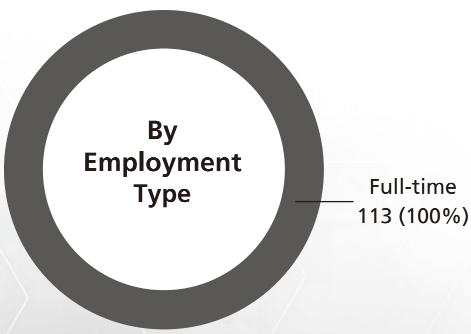
As at 31 December 2023, the employee compositions (number of employee and percentage of total) by gender, employee category, age group, geographical region and employment type are as follows:









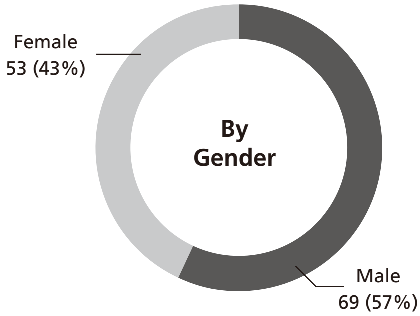


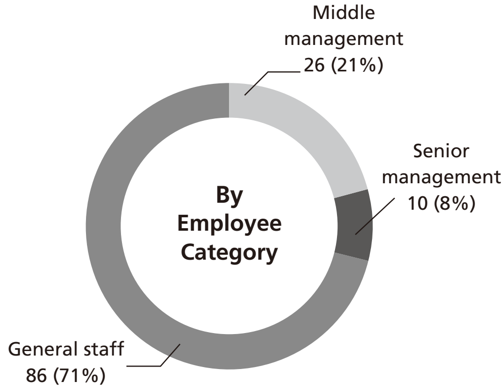
B. SOCIAL ASPECTS *(continued)*

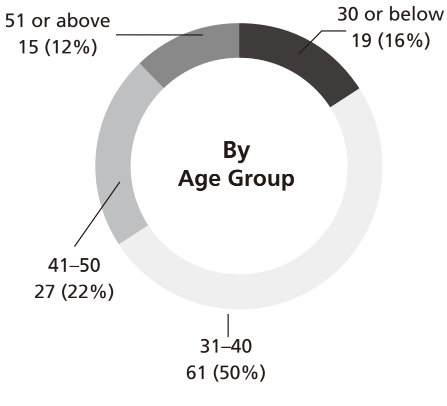
EMPLOYMENT AND LABOUR PRACTICES *(continued)*

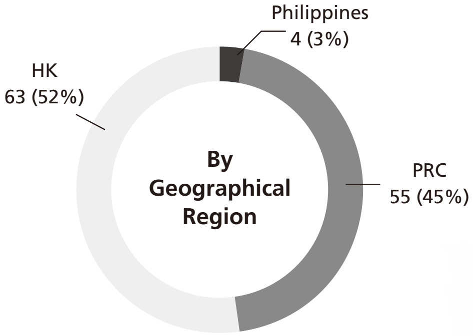
B1 Employment *(continued)*

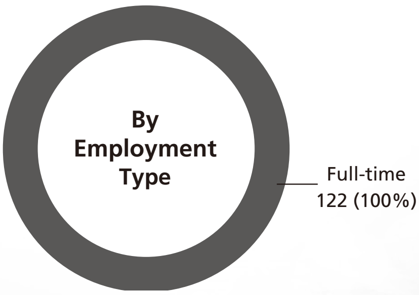
As at 31 December 2022, the employee compositions (number of employee and percentage of total) by gender, employee category, age group, geographical region and employment type are as follows:











B. SOCIAL ASPECTS *(continued)*

EMPLOYMENT AND LABOUR PRACTICES *(continued)*

B1 Employment *(continued)*

The employee turnover rate during the Reporting Period and the corresponding period in 2022 by gender, age group and geographical region are as follows:

Employee turnover[1]	2023	2022
By gender		
• Male	44.6%	6.1%
• Female	33.3%	4.1%
By age group		
• Age 30 or below	45.2%	–
• Age 31–40	61.4%	3.6%
• Age 41–50	17.1%	14.3%
• Age 51 or above	18.2%	–
By geographical region		
• HK	41.4%	5.3%
• The PRC	37.5%	1.9%
• The Philippines	66.7%	40.0%
• Japan[2]	–	N/A
Overall	40.0%	5.2%

Notes:

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

2. The comparable data from the corresponding period in 2022 for the Japan office is unavailable as it was reopened since March 2023.

The increase in the employee turnover rate during the Reporting Period was due to certain layoff measures taken by the Group in order to save costs in the context of the global economic slowdown.

B. SOCIAL ASPECTS *(continued)*

EMPLOYMENT AND LABOUR PRACTICES *(continued)*

B2 Health and Safety

The Group takes into consideration every precaution to establish a healthy and safe working environment for its employees. During the Reporting Period, the Group was not aware of any material non-compliance with health and safety related laws and regulations including but not limited to the Law of the PRC on Work Safety* (《中華人民共和國安全生產法》), the Regulation on Work-Related Injury Insurances* (《工傷保險條例》) and the Prevention and Treatment of Occupational Diseases* (《中華人民共和國職業病防治法》), the Occupational Safety and Health Ordinance (Cap. 509 of the Laws of Hong Kong), the Occupational Safety and Health Standards and Guidelines for the Implementation of a Drug-Free Workplace Policies and Programs (Department Order No. 53-03) in the Philippines, and the Industrial Safety and Health Act of Japan* (Act No. 57 of 1972 (up to the version of Act No. 71 of 2018)). Regarding the business nature of the Group, employees mainly engaged in office work. In 2023, no case (2022: nil) regarding health and safety was brought against the Company or its employees.

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

During the year, there was no work injury case (2022: nil; 2021: nil) and lost day due to work injury (2022: nil; 2021: nil) in business operations. There was no work-related fatality case (2022: nil; 2021: nil) during the Reporting Period. Employees were given paid sick leave for their recovery. Overall, no employee encountered serious accident of work-related injuries and fatalities for the latest 3 financial years, including the Reporting Period.

Physical and mental health

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

* *For identification purpose only*

B. SOCIAL ASPECTS *(continued)*

EMPLOYMENT AND LABOUR PRACTICES *(continued)*

B3 Development and Training

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

During the Reporting Period and the corresponding period in 2022, the percentage of employees received training by gender and employee category are as follows:

Percentage of Employees Received Training[1]	2023	2022
By gender		
• Male	**89.9%**	98.6%
• Female	**84.1%**	101.9%
By employee category		
• Senior management	**77.8%**	70.0%
• Middle management	**87.0%**	76.9%
• General staff	**88.9%**	110.5%

Note:

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

B. SOCIAL ASPECTS *(continued)*

EMPLOYMENT AND LABOUR PRACTICES *(continued)*

B3 Development and Training *(continued)*

During the Reporting Period and the corresponding period in 2022, the composition of employees received training by gender and employee category are as follows:

Composition of Employees Received Training	2023	2022
By gender		
• Male	**62.6%**	56.6%
• Female	**37.4%**	43.4%
Total	**100.0%**	100.0%
By employee category		
• Senior management	**7.1%**	5.7%
• Middle management	**20.2%**	16.4%
• General staff	**72.7%**	77.9%
Total	**100.0%**	100.0%

In addition, the average training hours by gender and employee category during the Reporting Period and the corresponding period in 2022 are as follows:

Average Training Hours Received per Employee[1]	2023	2022
By gender		
• Male	**2.92**	5.26
• Female	**2.59**	3.70
By employee category		
• Senior management	**0.33**	2.50
• Middle management	**4.48**	6.35
• General staff	**2.59**	4.31

Note:

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

B. SOCIAL ASPECTS *(continued)*

EMPLOYMENT AND LABOUR PRACTICES *(continued)*

B4 Labour Standards

The Group respects the human rights of employees, and not only strictly complies with labour legislation against the employment of child labour and forced labour such as the Law of the PRC on Protection of Minors* (《中華人民共和國未成年人保護法》), the Employment of Children Regulations under the Employment Ordinance (Chapter 57 of the Laws of Hong Kong), and An Act Providing for the Elimination of the Worst Forms of Child Labour and Affording Stronger Protection for the Working Child (RA 7610) in the Philippines, the Minors Chapter of the Labour Standards Act of Japan* (Act No. 49 of 1947 (up to the version of Act No. 71 of 2018)), but also implements specific measures to ensure equal opportunities in employment. We respect the rights and interest of every employee, and strongly prohibit the employment of minors under the age of 15 in the Philippines, Japan and Hong Kong, and minors under the age of 16 in PRC.

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

During the Reporting Period, we did not identify any issue related to child labour or forced labour, and any non-compliance to prevent such matters within the Group.

* *For identification purpose only*

B. SOCIAL ASPECTS *(continued)*

OPERATING PRACTICES

B5 Supply Chain Management

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

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

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

B. SOCIAL ASPECTS *(continued)*

OPERATING PRACTICES *(continued)*

B5 Supply Chain Management *(continued)*

During the Reporting Period and the corresponding period in 2022, the number of suppliers and subcontractors engaged by the Group by geographical region are as follows:

Number of suppliers and subcontractors	2023	2022
By geographical region		
• HK	50	52
• The PRC	65	73
• Taiwan	4	6
• Singapore	1	1
• The United States of America	3	5
• Canada	–	1
• The Netherlands	1	1
• France	1	1
• Germany	1	3
• The Cayman Islands	1	1
• Korea	1	–
Overall	128	144

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

B6 Product Responsibility

The Group is committed to providing high quality and customer-centered products that promise utmost security and convenience to our clients and their end customers. As such, the nature of our business requires the highest degree of accuracy, precision and quality in developing our products. We continue to cultivate a corporate culture which emphasizes the provision of fair and just services for its customers. During the year, there was 1 (2022: 1) case of products returned by customers. Among them, nothing is related to health and safety concerns.

B. SOCIAL ASPECTS *(continued)*

OPERATING PRACTICES *(continued)*

B6 Product Responsibility *(continued)*

Product Design & Lifecycle Management

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

Quality Control

To bolster our efforts in quality assurance, we undergo stringent certification programs from unbiased organisations that enforce international, national and industry standards. This is our way of ensuring we deliver only qualified products to the market, and maintaining our outstanding track record in the smart card industry. We monitor the quality of the finished products by performing quality inspection to ensure that products provided meet our quality control standards. We maintain quality control procedures for our products produced by our suppliers and subcontractors to ensure the overall quality of our products. We generally follow up with our suppliers and subcontractors on production and delivery schedules in order to ensure that the finished products can be delivered or produced in accordance with our requirements. Our staff members who are responsible for quality control perform inspections on the products to ensure they meet the relevant specifications. A wholly-owned subsidiary of the Group received its first ISO certification in 2007, having proven success in following the requirements set by ISO 9001 standard. The ISO 9001 certificates of two major wholly-owned subsidiaries of the Group were renewed successfully in January 2021 and August 2022 and would be valid for a period of 3 years.

B. SOCIAL ASPECTS *(continued)*

OPERATING PRACTICES *(continued)*

B6 Product Responsibility *(continued)*

***Quality Control** (continued)*

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

The Group further improves the level of satisfaction that it delivers to customers by carrying out business operations based on the Quality Policy and Quality Procedure Manual. During 2023, the Group surveys its high-volume customers annually which included questions in relation to product quality. Customers rated overall satisfaction level with the products of the Group as "good". It shows that the Group has built up a reliable global network with its trusted customers by providing high quality products and services continuously.

During the Reporting Period, there are no disputes between our Group and our customers in respect of the quality of products produced by us and the Group is not aware of any material non-compliance against laws and regulations related to products responsibilities, including but not limited to the Product Quality Law of the PRC* (《中華人民共和國產品質量法》), the Law on the Protection of Rights and Interests of Consumers of the PRC* (《中華人民共和國消費者權益保護法》), the Trade Descriptions Ordinance (Chapter 362 of the Laws of Hong Kong), the Republic Act No. 7394 – the Consumer Act of the Philippines, and the Basic Act on Consumer Policies of Japan (Act No. 78 of 1968 (up to the version of Act No. 60 of 2012)).

* *For identification purpose only*

B. SOCIAL ASPECTS *(continued)*

OPERATING PRACTICES *(continued)*

B6 Product Responsibility *(continued)*

Competitive Behavior & Intellectual Property

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

The Group strictly abides by national and local laws and regulations, including but not limited to the Patent Law of the PRC* (《中華人民共和國專利法》), the Copyright Law of the PRC* (《中華人民共和國著作權法》), the Trademark Law of the PRC* (《中華人民共和國商標法》), the Trade Marks Ordinance (Chapter 559 of the laws of Hong Kong), the Republic Act No. 8293 Intellectual Property Code of the Philippines, the Patent Act of Japan* (Act No. 121 of 1959 (up to the version of Act No. 42 of 2021)) and other laws and regulations.

Complaint Handling

The Group's complaint handling policy is strictly compliant with regulatory standards to ensure that customers' opinions are heard and responded in a timely manner in the PRC, HK, the Philippines and Japan. The Group has established a customer complaint mechanism for customers to raise concerns about any issues related to product quality. The Group will investigate relevant complaints and devise and implement corrective measures to meet customer requirements. During the year, 1 (2022: 1) customer complaint regarding a functional issue with our product reader was recorded in the sales and marketing customer compliant record. The Group promptly conducted an analysis to determine the root cause of the problem and implemented corrective measures to address the issue and ensure that such incidents do not recur. During the Reporting Period, there are no product sold or shipped subject to recall for safety and health reasons.

* *For identification purpose only*

B. SOCIAL ASPECTS *(continued)*

OPERATING PRACTICES *(continued)*

B6 Product Responsibility *(continued)*

Customer Data Protection

The Group regards data privacy and security as a key operating principle. The Group is committed to protecting confidentiality of the personal data of our employees, business partners and other identifiable individuals. We are in strict compliance with the applicable rules and regulations such as the Cybersecurity Law of the PRC* (《中華人民共和國網路安全法》), the Personal Data (Privacy) Ordinance (Chapter 486 of the laws of Hong Kong), the Data Privacy (RA 10173) in the Philippines, and the Act on the Protection of Personal Information of Japan* (Act No. 57 of 2003 (up to the version of Act No. 37 of 2021)).

Product Advertising/Labelling

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

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

B7 Anti-Corruption

The Group considers business ethics and integrity as utmost importance in corporate sustainable development and long-term success. Hence, we strictly adhere to all the applicable laws and regulations, including the Anti-Money Laundering Law of the PRC* (《中華人民共和國反洗錢法》), the Anti-Unfair Competition Law of the PRC* (《中華人民共和國反不正當競爭法》), the Anti-Money Laundering and Counter-Terrorist Financing Ordinance (Chapter 615 of the Laws of Hong Kong), the Prevention of Bribery Ordinance (Chapter 201 of the Laws of Hong Kong), the Anti-Graft and Corrupt Practices (RA 3019) in the Philippines, the Law on Penalties for the Rectification of Economic Relations of Japan* (Act No. 4 of 1944 (up to the version of Act 2015)), and the Unfair Competition Prevention Act of Japan* (Act No. 47 of 1993 (up to the version of Act No. 33 of 2018)).

* *For identification purpose only*

B. SOCIAL ASPECTS *(continued)*

OPERATING PRACTICES *(continued)*

B7 Anti-Corruption *(continued)*

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

In addition, we notified all employees about the 2023 anti-corruption training, to ensure different management and staff, including the Board, senior management, middle management and general staffs, are aware of it. The training materials cover areas including but not limited to Whistleblowing Policy, Code of Conduct, anti-corruption. During the Reporting Period and the corresponding period in 2022, the number of employees received anti-corruption training and the training hours by employee category are as follows:

Anti-corruption Training	2023	2022
Number of employees received training		
• Board	6	12
• Senior management	–	7
• Middle management	14	5
• General staff	39	39
Total employees	59	63
Number of training hours		
• Board	3.0	6.0
• Senior management	–	3.5
• Middle management	6.0	2.5
• General staff	20.5	19.5
Total training hours	29.5	31.5

During the Reporting Period, to the best knowledge of the directors, there was no material non-compliance or violations regarding anti-corruption exercises and no concluded legal case regarding corruption practices were brought against the Group or its employees.

B. SOCIAL ASPECTS *(continued)*

COMMUNITY

B8 Community Investment

The Group is committed to supporting the community by incorporating social participation and contribution in our business development. We believe through community investment, socially responsible corporate culture and practices can be nurtured in the Group. Despite no specific resources and donation (2022: nil) are made during the Reporting Period, the Group has all along concerned about and focus on culture, especially the underprivileged issue in local community and will continue to fulfil its social responsibility by supporting charity and community development in the future. The Group is considering the appropriate resources to be contributed so as to strike a balance between the financial condition and social investment in the future.

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

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

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

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

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

REPORT OF THE DIRECTORS

The directors hereby submit their annual report together with the audited financial statements for the year ended 31 December 2023.

PRINCIPAL PLACE OF BUSINESS

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

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the Company is investment holding. The Group is principally engaged in financial technology and smart living business. The principal activities and other particulars of the subsidiaries are set out in note 14 to the financial statements. Further discussion and analysis of these activities as required by Schedule 5 to the Hong Kong Companies Ordinance, including a discussion of the principal risks and uncertainties facing the Group and an indication of likely future developments in the Group's business, can be found in the management discussion and analysis set out on pages 5 to 12 of this annual report. This discussion forms part of this report of the directors.

For more details regarding the fair review of the Group's business and performance by reference to environmental and social-related policies, as well as compliance with relevant laws and regulations that have a significant impact on the Group's business and operation can be found in the environmental, social and governance report set out on pages 43 to 99 of this annual report.

RELATIONSHIPS WITH KEY STAKEHOLDERS

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

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

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

MAJOR CUSTOMERS AND SUPPLIERS

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

	Percentage of the Group's total	
	Sales	Purchases
The largest customer	7%	–
Five largest customers in aggregate	23%	–
The largest supplier	–	21%
Five largest suppliers in aggregate	–	58%

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

The Group keeps effective communication with customers, impresses customers with high quality products and services, and responds promptly to their feedbacks and comments. During the year ended 31 December 2023 and up to the date of this report, the Group maintained good relationship with customers.

The Group keeps a high standard in selecting reputable and reliable suppliers in order to meet our own quality, safety, environmental and product criteria. During the year ended 31 December 2023 and up to the date of this report, the Group maintained good relationship with its suppliers.

CHARITABLE DONATIONS

No charitable donation was made by the Group during the year ended 31 December 2023 (2022: nil).

RESULTS AND APPROPRIATIONS

The profit of the Group for the year ended 31 December 2023 and the state of the Company's and the Group's affairs as at that date are set out in the financial statements on pages 117 to 185.

The directors do not recommend the payment of final dividend for the year ended 31 December 2023 (2022: nil).

CLOSURE OF REGISTER OF MEMBERS

For the purpose of ascertaining shareholders who are entitled to attend, speak and vote at the annual general meeting to be held on Monday, 27 May 2024 (or any adjournment thereof), the register of members of the Company will be closed from Wednesday, 22 May 2024 to Monday, 27 May 2024, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the right to attend, speak and vote at the annual general meeting (or any adjournment thereof), all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on Tuesday, 21 May 2024.

RESERVES

Details of the movements in the reserves of the Group and the Company during the year are set out in the consolidated statement of change in equity on page 121 and note 22(a) to the financial statements, respectively.

DISTRIBUTABLE RESERVES OF THE COMPANY

At 31 December 2023, the Company's reserves available for distribution, calculated in accordance with the Companies Act, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, amounted to HK$0.9 million (2022: HK$6.6 million) includes the Company's share premium which may be distributable provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debt as and when they fall due in the ordinary course of business.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group are set out in note 12 to the financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company during the year are set out in note 22(b) to the financial statements.

REPORT OF THE DIRECTORS

DIRECTORS

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

Executive Directors

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

Non-executive Directors

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

Independent Non-executive Directors

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

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

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

DIRECTORS' SERVICE CONTRACTS

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

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

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

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

Name of director	Period
Mr. Mai Zhaoping	4 February 2022 to 3 February 2025
Mr. Zhang Xueqin	4 February 2022 to 3 February 2025
Ms. Mai Qiqi	7 March 2022 to 6 March 2025
Mr. Chan Chun Leung	7 March 2022 to 6 March 2025
Ms. Xu Tingting	4 February 2022 to 3 February 2025
Mr. Mai Ziye	7 March 2022 to 6 March 2025
Mr. Lam Chi Wai	9 February 2024 to 8 February 2026
Dr. Lin Tat Pang	22 December 2023 to 21 December 2025
Mr. Lai Chi Leung	4 February 2024 to 3 February 2025
Mr. Zhang Dingfang	4 February 2024 to 3 February 2025
Mr. Gu Tianlong	7 March 2022 to 6 March 2025

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

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

As at 31 December 2023, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO, pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Long positions in the shares of the Company

Name of director	Note	Capacity	Total number of shares held	Approximate percentage of the Company's issued share capital as at 31 December 2023
Mr. Mai Zhaoping (麥照平先生)	(i)	Interest in controlled corporation	239,215,679	74.85%
Mr. Zhang Xueqin (張學勤先生)	(i)	Interest in controlled corporation	239,215,679	74.85%

Note:

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

Save as disclosed above, as at 31 December 2023, to the best knowledge of the directors of the Company, none of the directors or their associates had any personal, family, corporate or other interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any directors or their respective spouse or children under 18 years of age, or were any such rights exercised by them, or was the Company, its holding company, or any of its subsidiaries and fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

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

As at 31 December 2023, so far as is known to the directors or chief executive of the Company, the following shareholders (excluding directors and chief executive of the Company) had interests and short positions of 5% or more in the shares and underlying shares of the Company as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO.

		Long position in ordinary shares of HK$0.10 each		
Name of shareholder	Notes	Capacity	Total number of shares held	Approximate percentage of the Company's issued share capital as at 31 December 2023
Leadway Development Limited ("Leadway Development")	(i)	Beneficial owner	238,889,669	74.75%
Mars Development Limited	(i)	Interest in controlled corporation	239,215,679	74.85%
Mars Enterprise Holdings Limited	(i)	Interest in controlled corporation	239,215,679	74.85%
Megacore Development Limited	(i)	Interest in controlled corporation	239,215,679	74.85%
Megacore International Innovation Limited	(i)	Interest in controlled corporation	239,215,679	74.85%
Zhong Zhao Investment Holdings Limited (中兆投資控股有限公司)	(i)	Interest in controlled corporation	239,215,679	74.85%

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

			Long position in ordinary shares of HK$0.10 each	
Name of shareholder	Notes	Capacity	Total number of shares held	Approximate percentage of the Company's issued share capital as at 31 December 2023
Premium Financial Limited (永寶物業按揭有限公司)	(ii)	Security interest	238,889,669	74.75%
Sun Speed Holdings Limited (日迅控股有限公司)	(ii)	Security interest in controlled corporation	238,889,669	74.75%
Mr. Qiu Yong (邱用先生)	(ii)	Security interest in controlled corporation	238,889,669	74.75%

Notes:

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

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

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

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

Save as disclosed above, as at 31 December 2023 and to the best knowledge of the directors and chief executive of the Company, no person had an interest or short position in the shares or underlying shares of the Company as recorded in the register of interests required to be kept under Section 336 of the SFO.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENT OR CONTRACTS OF SIGNIFICANCE

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

DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

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

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

PRE-EMPTIVE RIGHTS

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

PERMITTED INDEMNITY PROVISION

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

BANK LOAN AND OTHER BORROWING

There is no outstanding balance of bank loan and other borrowing as at 31 December 2023 (2022: nil).

REPORT OF THE DIRECTORS

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 186 of this annual report.

EQUITY-LINKED AGREEMENTS

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

REMUNERATION POLICIES

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

EMPLOYEE RETIREMENT PLANS

Particulars of employee retirement plans of the Group are set out in note 20 to the financial statements.

PUBLIC FLOAT

Based on the information publicly available and to the best information and knowledge of the directors, the Company had maintained the prescribed public float as required under the Listing Rules during the year ended 31 December 2023.

ENVIRONMENTAL POLICY

The Group is committed to create a business that contributes to global efforts in environmental care and sustainability. A further discussion of the environmental policies of the Group can be found in the environmental, social and governance report set out in pages 43 to 99 of this annual report. The discussion forms part of this report of the directors.

COMPLIANCE WITH LAWS AND REGULATIONS

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

AUDITORS

The consolidated financial statements for the year ended 31 December 2023 have been audited by KPMG, who will retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditors of the Company is to be proposed at the forthcoming annual general meeting.

By order of the Board

Zhang Xueqin
Director

27 March 2024

Independent auditor's report to the shareholders of
Leadway Technology Investment Group Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Leadway Technology Investment Group Limited ("the Company") and its subsidiaries (together "the Group") set out on pages 117 to 185, which comprise the consolidated statement of financial position as at 31 December 2023, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes, comprising material accounting policy information and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to Note 2(b) to the consolidated financial statements which indicates that the Group's cash and cash equivalents of HK$20,227,000 as at 31 December 2023 may not be sufficient to finance its future working capital and financing requirements in full in view of the net outflow of cash and cash equivalents of HK$19,742,000 for the year ended 31 December 2023. As stated in Note 2(b), this condition, along with other matters set forth in Note 2(b), indicate the existence of material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Valuation of development costs capitalised as intangible assets

Refer to note 13 to the consolidated financial statements and the accounting policies note 2(g).

The Key Audit Matter	How the matter was addressed in our audit
The costs incurred in the development of the Group's smart card products are capitalised as intangible assets when certain criteria are met. The carrying value of the Group's development costs capitalised as intangible assets totalled HK$7 million as at 31 December 2023. Management performs an annual impairment assessment of its capitalised development costs on a project-by-project basis by identifying if there are any projects with indicators of potential impairment, which include a shortfall of revenue generated from the project as compared to management's forecasts, delays in project completion and changes in technology which may render the products obsolete or result in reduced sales opportunities.	Our audit procedures to assess the valuation of development costs capitalised as intangible assets included the following: • assessing and challenging the impairment assessment model, which included evaluating the impairment indicators identified by management and assessing whether the impairment assessment was prepared in accordance with the requirements of the prevailing accounting standards;

KEY AUDIT MATTERS *(continued)*

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

Refer to note 13 to the consolidated financial statements and the accounting policies note 2(g).

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

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

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

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

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

- 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.

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

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an 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 the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

The engagement partner on the audit resulting in this independent auditor's report is Chui Kin Pong.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
27 March 2024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2023

(Expressed in Hong Kong dollars)

	Note	2023	2022
		$'000	*$'000*
Revenue	4	**79,207**	94,234
Cost of sales and services		**(36,953)**	(45,639)
Gross profit		**42,254**	48,595
Other income	5	**1,515**	2,138
Selling and distribution costs		**(9,154)**	(7,998)
Research and development expenses		**(17,532)**	(12,911)
Administrative expenses		**(36,002)**	(28,470)
(Loss)/profit from operations		**(18,919)**	1,354
Finance costs	6(a)	**(292)**	(228)
(Loss)/profit before taxation	6	**(19,211)**	1,126
Income tax	7(a)	**–**	–
(Loss)/profit for the year attributable to the equity shareholders of the Company		**(19,211)**	1,126
(Losses)/earnings per share	11		
Basic		**(6.012) cents**	0.352 cents
Diluted		**(6.012) cents**	0.352 cents

The notes on pages 123 to 185 form part of these financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

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

	Note	2023 *$'000*	2022 *$'000*
(Loss)/profit for the year		(19,211)	1,126
Other comprehensive income for the year (after tax)	10		
Item that will not be reclassified to profit or loss:			
Remeasurement of defined benefit obligations		43	(122)
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of foreign operations		(533)	(4,515)
Total comprehensive income for the year		(19,701)	(3,511)
Attributable to:			
Equity shareholders of the Company		(19,701)	(3,511)

The notes on pages 123 to 185 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2023

(Expressed in Hong Kong dollars)

	Note	2023	2022
		$'000	*$'000*
Non-current assets			
Property, plant and equipment	12	**10,373**	7,556
Intangible assets	13	**7,383**	7,324
Defined benefits obligations	20(b)	**228**	177
		17,984	15,057
Current assets			
Inventories	15	**26,811**	29,404
Trade and other receivables	16	**11,880**	16,654
Other financial assets	17	**212**	209
Current tax recoverable		**503**	497
Cash and cash equivalents	18(a)	**20,227**	39,969
		59,633	86,733
Current liabilities			
Trade and other payables	19	**11,029**	19,814
Lease liabilities		**4,107**	3,085
		15,136	22,899
Net current assets		**44,497**	63,834
Total assets less current liabilities		**62,481**	78,891

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2023
(Expressed in Hong Kong dollars)

	Note	2023	2022
		$'000	*$'000*
Non-current liabilities			
Lease liabilities		4,251	960
		4,251	960
NET ASSETS		58,230	77,931
CAPITAL AND RESERVES			
Share capital	22(b)	31,956	31,956
Reserves		26,274	45,975
TOTAL EQUITY ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY		58,230	77,931

Approved and authorised for issue by the Board of Directors on 27 March 2024.

Mai Zhaoping
Director

Zhang Xueqin
Director

The notes on pages 123 to 185 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

(Expressed in Hong Kong dollars)

	Note	Share capital $'000 (Note 22(b))	Share premium $'000 (Note 22(c)(i))	Merger reserve $'000 (Note 22(c)(ii))	Surplus reserve $'000 (Note 22(c)(iii))	Exchange reserve $'000 (Note 22(c)(iv))	Accumulated losses $'000	Total equity $'000
Balance at 1 January 2022		31,956	53,383	4,496	2,809	2,310	(13,512)	81,442
Changes in equity for the year:								
Profit for the year		–	–	–	–	–	1,126	1,126
Other comprehensive income	10	–	–	–	–	(4,515)	(122)	(4,637)
Total comprehensive income		–	–	–	–	(4,515)	1,004	(3,511)
Appropriation to surplus reserve		–	–	–	61	–	(61)	–
Balance at 31 December 2022 and 1 January 2023		31,956	53,383	4,496	2,870	(2,205)	(12,569)	77,931
Changes in equity for the year:								
Loss for the year		–	–	–	–	–	(19,211)	(19,211)
Other comprehensive income	10	–	–	–	–	(533)	43	(490)
Total comprehensive income		–	–	–	–	(533)	(19,168)	(19,701)
Appropriation to surplus reserve		–	–	–	9	–	(9)	–
Balance at 31 December 2023		31,956	53,383	4,496	2,879	(2,738)	(31,746)	58,230

The notes on pages 123 to 185 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

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

	Note	2023 $'000	2022 $'000
Operating activities			
Cash (used in)/generated from operations	18(b)	(12,429)	2,026
Tax refund/(paid):			
– Hong Kong Profits Tax refund		2	16
– Tax paid outside Hong Kong		–	(6)
Net cash (used in)/generated from operating activities		(12,427)	2,036
Investing activities			
Payment for the purchase of property, plant and equipment		(690)	(2,780)
Proceeds from the disposal of property, plant and equipment		8	17
Payment for purchases of other financial assets		(213)	(218)
Proceeds from maturity of other financial assets		213	218
Expenditure on development projects capitalised		(2,912)	(6,565)
Interest received		800	450
Net cash used in investing activities		(2,794)	(8,878)
Financing activities			
Capital element of lease rentals paid	18(c)	(4,229)	(4,214)
Interest element of lease rentals paid	18(c)	(292)	(228)
Net cash used in financing activities		(4,521)	(4,442)
Net decrease in cash and cash equivalents		(19,742)	(11,284)
Cash and cash equivalents at 1 January		39,969	51,543
Effect of foreign exchange rate changes		–	(290)
Cash and cash equivalents at 31 December	18(a)	20,227	39,969

The notes on pages 123 to 185 form part of these financial statements.

1 GENERAL INFORMATION

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

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

2 MATERIAL ACCOUNTING POLICIES

(a) Statement of compliance

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

The HKICPA has issued certain amendments to HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current accounting period reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements have been presented in Hong Kong dollars ("HKD"), being the functional and presentation currency of the Company. All financial information presented in HKD has been rounded to the nearest thousands, unless otherwise stated.

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

2 MATERIAL ACCOUNTING POLICIES *(continued)*

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

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

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

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 3.

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

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

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

2 MATERIAL ACCOUNTING POLICIES *(continued)*

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

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

(c) Changes in accounting policies

(i) New and amended HKFRSs

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

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

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

2 MATERIAL ACCOUNTING POLICIES *(continued)*

(c) Changes in accounting policies *(continued)*

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

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

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

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

(d) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

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

2 MATERIAL ACCOUNTING POLICIES *(continued)*

(d) Subsidiaries *(continued)*

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 2(i)(ii)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(e) Investments in debt securities

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

If the contractual cash flows of the debt securities held by the Group represent solely payments of principal and interest, the debt securities would be classified as amortised cost, as the Group does not invest in such instruments other than principally to collect those contractual cash flows. Interest income from investments carried at amortised cost is calculated using the effective interest method (see note 2(r)(iii)).

2 MATERIAL ACCOUNTING POLICIES *(continued)*

(f) Property, plant and equipment

The following items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 2(i)(ii)):

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

– items of plant and equipment.

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

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

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

– Properties leased for own use	Over the lease terms
– Leasehold improvements	Over the lease terms
– Furniture and fixtures	4 years
– Computer and office equipment	4 years
– Mould	4 years
– Motor vehicles	4 years

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

2 MATERIAL ACCOUNTING POLICIES *(continued)*

(g) Intangible assets

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development. The expenditure capitalised includes the costs of materials, direct labour, and an appropriate proportion of overheads and borrowing costs, where applicable. Capitalised development costs are stated at cost less accumulated amortisation and impairment losses (see note 2(i)(ii)). Other development expenditure is recognised as an expense in the period in which it is incurred.

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

– Development costs 4 years

Both the period and method of amortisation are reviewed annually.

(h) Leased assets

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

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

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

2 MATERIAL ACCOUNTING POLICIES *(continued)*

(h) Leased assets *(continued)*

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

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see notes 2(f) and 2(i)(ii)).

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

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("lease modification") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are rent concessions that occurred as a direct consequence of the COVID-19 pandemic and met the conditions set out in paragraph 46B of HKFRS 16 *Leases*. In such cases, the Group has taken advantage of the practical expedient not to assess whether the rent concessions are lease modifications, and recognised the change in consideration as negative variable lease payments in profit or loss in the period in which the event or condition that triggers the rent concessions occurred.

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

2 MATERIAL ACCOUNTING POLICIES *(continued)*

(i) Credit losses and impairment of assets

(i) Credit losses from financial instruments

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

Measurement of ECLs

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

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

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

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

ECLs are measured on either of the following bases:

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

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

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

2 MATERIAL ACCOUNTING POLICIES *(continued)*

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

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

Measurement of ECLs *(continued)*

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

Significant increases in credit risk

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

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

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

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

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

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

2 MATERIAL ACCOUNTING POLICIES *(continued)*

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

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

Significant increases in credit risk *(continued)*

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

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

Basis of calculation of interest income

Interest income recognised in accordance with note 2(r)(iii) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

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

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

– significant financial difficulties of the debtor;

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

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

2 MATERIAL ACCOUNTING POLICIES *(continued)*

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

(i) Credit losses from financial instruments (continued)

Basis of calculation of interest income *(continued)*

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

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

Write-off policy

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

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

(ii) Impairment of other non-current assets

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

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

– intangible assets; and

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

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

2 MATERIAL ACCOUNTING POLICIES *(continued)*

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

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

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– Recognition of impairment losses

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

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

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

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

2 MATERIAL ACCOUNTING POLICIES *(continued)*

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

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with HKAS 34, *Interim financial reporting*, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see note 2(i)).

Impairment losses recognised in an interim period in respect of goodwill are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

(j) Contract liabilities

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue (see note 2(r)). A contract liability would also be recognised if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see note 2(l)).

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

(k) Inventories

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

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

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

2 MATERIAL ACCOUNTING POLICIES *(continued)*

(k) Inventories *(continued)*

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

A right to recover returned goods is recognised for the right to recover products from customers sold with a right of return. It is measured in accordance with the policy set out in note 2(r)(i).

(l) Trade and other receivables

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

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see note 2(i)(i)).

(m) Trade and other payables

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

(n) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement. Cash and cash equivalents are assessed for expected credit losses (ECL) in accordance with the policy set out in note 2(i)(i).

2 MATERIAL ACCOUNTING POLICIES *(continued)*

(o) Employee benefits

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

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

(ii) Defined benefit plan obligations

The Group's net obligation in respect of a defined benefit plan is calculated by estimating the amount of future benefit that employees have earned in return for their services in the current and prior periods; that benefit is discounted to determine the present value and the fair value of any plan assets is deducted. The calculation is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan.

Service cost and net interest expense/(income) on the net defined benefit liability/(asset) are recognised in profit and loss and allocated by function as part of "selling and distribution costs", "research and development expenses" or "administrative expenses". Current service cost is measured as the increase in the present value of the defined benefit obligation resulting from employee service in the current period. When the benefits of a plan are changed, or when a plan is curtailed, the portion of the changed benefit related to past service by employees, or the gain or loss on curtailment, is recognised as an expense in profit and loss at the earlier of when the plan amendment or curtailment occurs and when related restructuring costs or termination benefits are recognised. Net interest expense/(income) for the period is determined by applying the discount rate used to measure the defined benefit obligation at the beginning of the reporting period to the net defined benefit liability/(asset). The discount rate is the yield at the end of the reporting period on government bonds that have maturity dates approximating the terms of the Group's obligations.

2 MATERIAL ACCOUNTING POLICIES *(continued)*

(o) Employee benefits *(continued)*

(ii) Defined benefit plan obligations *(continued)*

Remeasurements arising from defined benefit retirement plans are recognised in other comprehensive income and reflected immediately in retained earnings. Remeasurements comprise actuarial gains and losses, the return on plan assets (excluding amounts included in net interest on the net defined benefit liability/(asset)) and any change in the effect of the asset ceiling (excluding amounts included in net interest on the net defined benefit liability/(asset)).

(iii) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

(p) Income tax

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

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

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

2 MATERIAL ACCOUNTING POLICIES *(continued)*

(p) Income tax *(continued)*

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

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

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

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

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

2 MATERIAL ACCOUNTING POLICIES *(continued)*

(p) Income tax *(continued)*

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

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

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

  – the same taxable entity; or

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

(q) Provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

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

2 MATERIAL ACCOUNTING POLICIES *(continued)*

(r) Revenue and other income

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

The Group is the principal for its revenue transactions and recognises revenue on a gross basis. In determining whether the company acts as a principal or as an agent, it considers whether it obtains control of the products before they are transferred to the customers. Control refers to the Group's ability to direct the use of and obtain substantially all of the remaining benefits from the products.

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

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

(i) Sale of goods

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

(ii) Provision of services

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

(iii) Interest income

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

2 MATERIAL ACCOUNTING POLICIES *(continued)*

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

(iv) Government subsidies

Government subsidies are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Subsidies that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred.

(v) Other practical expedients applied

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

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

(s) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

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

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items, including goodwill arising on consolidation of foreign operations acquired are translated into Hong Kong dollars at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that subsidiary outside Hong Kong is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

2 MATERIAL ACCOUNTING POLICIES *(continued)*

(t) Related parties

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

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

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group.

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

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

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

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

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

(vi) The entity is controlled or jointly controlled by a person identified in (a).

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

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group.

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

2 MATERIAL ACCOUNTING POLICIES *(continued)*

(u) Segment reporting

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

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

3 ACCOUNTING JUDGEMENTS AND ESTIMATES

Further to the key judgements of preparing the consolidated financial statements on a going concern basis as described in note 2(b), key sources of other estimation uncertainty are as follows:

Impairment of development costs

If circumstances indicate that the carrying values of the development costs may not be recoverable, the assets may be considered "impaired", and an impairment loss may be recognised in accordance with HKAS 36, *Impairment of assets*. Under HKAS 36, these assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to recoverable amount. The recoverable amount is the greater of its fair value less costs of disposal and the value in use. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to level of sales volume, selling prices and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount. However, actual sales volumes, selling prices and operating costs may be different from assumptions which may require a material adjustment to the carrying amount of the assets affected. Details of the nature and carrying amounts of intangible assets are disclosed in note 13.

4 REVENUE AND SEGMENT REPORTING

(a) Revenue

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

(i) Disaggregation of revenue

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

Disaggregation of revenue from contracts with customers by geographic markets is disclosed in notes 4(b).

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

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

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

4 REVENUE AND SEGMENT REPORTING *(continued)*

(b) Segment reporting

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

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

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

5 OTHER INCOME

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

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

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

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

6 (LOSS)/PROFIT BEFORE TAXATION

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

	2023 *$'000*	2022 *$'000*
(a) Finance costs:		
Interest on lease liabilities (note 18(c))	292	228
(b) Staff costs:		
Contributions to defined contribution retirement plans	2,286	1,795
Income recognised in respect of a defined benefit retirement plan (note 20(b)(v))	(4)	(15)
Total retirement costs	2,282	1,780
Salaries, wages and other benefits	40,671	37,931
	42,953	39,711
Less: Amount capitalised into development costs	(2,799)	(6,390)
	40,154	33,321
(c) Other items:		
Amortisation of intangible assets (note 13)	2,158	3,406
Depreciation (note 12)		
– property, plant and equipment	1,984	1,700
– right-of-use assets	4,399	4,086
Impairment losses		
– trade receivables (note 23(a))	3,701	73
– intangible assets (note 13)	695	–
Auditors' remuneration	1,003	1,410
Net loss/(gain) on disposal of property, plant and equipment	19	(14)
Net foreign exchange gain	(612)	(4,233)
Cost of inventories (note 15(b))	36,451	45,187

7 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

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

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

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

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

(b) Reconciliation between tax expense and accounting (loss)/profit at applicable tax rates:

	2023 *$'000*	2022 *$'000*
(Loss)/profit before taxation	(19,211)	1,126
Notional tax on (loss)/profit before taxation, calculated at the rates applicable to profits in the tax jurisdictions concerned	(3,125)	153
Tax effect of non-deductible expenses	2,346	949
Tax effect of non-taxable income	(165)	(291)
Tax effect of unused tax losses not recognised	2,639	1,475
Tax effect of utilisation of tax losses previously not recognised	(155)	(70)
Tax effect of temporary differences not recognised	29	(146)
Tax effect of tax exemption/deduction from tax authority	(1,653)	(2,096)
Others	84	26
Actual tax expense	–	–

8 DIRECTORS' EMOLUMENTS

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

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

8 DIRECTORS' EMOLUMENTS *(continued)*

	2022				
	Directors' fees $'000	Salaries, allowances and benefits in kind $'000	Discretionary bonuses $'000	Retirement scheme contributions $'000	Total $'000
Executive directors					
Mr. Mai Zhaoping *(appointed on 4 February 2022)*	–	363	–	–	363
Mr. Zhang Xueqin *(appointed on 4 February 2022)*	–	363	–	–	363
Ms. Mai Qiqi *(appointed on 4 February 2022 as non-executive director and re-designated as executive director on 7 March 2022)*	31	591	–	–	622
Mr. Chan Chun Leung *(appointed on 7 March 2022)*	–	286	–	–	286
Ms. Xu Tingting *(appointed on 4 February 2022)*	–	619	–	–	619
Mr. Wong Chi Ho	–	1,200	–	18	1,218
Mr. Jiang Hao *(resigned on 26 February 2022)*	–	–	–	–	–
Mr. Peng Zhi *(resigned on 26 February 2022)*	–	594	–	3	597
Mr. Xu Jie *(resigned on 26 February 2022)*	152	–	–	–	152
Mr. Wang Jing *(resigned on 26 February 2022)*	–	–	–	–	–
Non-executive director					
Mr. Mai Ziye *(appointed on 7 March 2022)*	–	–	–	–	–
Mr. Xing Yi *(appointed on 5 July 2022)*	–	–	–	–	–
Mr. Shum Ngok Wa *(resigned on 5 July 2022)*	–	–	–	–	–
Independent non-executive directors					
Dr. Lin Tat Pang	240	–	–	–	240
Mr. Lai Chi Leung *(appointed on 4 February 2022)*	218	–	–	–	218
Mr. Zhang Dingfang *(appointed on 4 February 2022)*	218	–	–	–	218
Mr. Gu Tianlong *(appointed on 7 March 2022)*	196	–	–	–	196
Mr. Guo Dan *(resigned on 26 February 2022)*	98	–	–	–	98
Ms. O Wai *(resigned on 26 February 2022)*	98	–	–	–	98
	1,251	4,016	–	21	5,288

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, there are two (2022: one) director whose emoluments is disclosed in note 8. The aggregate of the emoluments in respect of the other three individuals (2022: other four individuals) is as follow:

	2023 *$'000*	2022 *$'000*
Salaries and other emoluments	2,682	3,434
Retirement scheme contributions	54	72
	2,736	3,506

The emoluments of the three individuals (2022: four individuals) with the highest emolument is within the following band:

	2023 *Number of Individuals*	2022 *Number of Individuals*
$500,001 to $1,000,000	3	4

10 OTHER COMPREHENSIVE INCOME

Tax effects relating to each component of other comprehensive income:

	2023			2022		
	Before-tax amount $'000	Tax expense $'000	Net-of-tax amount $'000	Before-tax amount $'000	Tax expense $'000	Net-of-tax amount $'000
Exchange differences on translation of financial statements of foreign operations	(533)	–	(533)	(4,515)	–	(4,515)
Remeasurement of defined benefit obligations	43	–	43	(122)	–	(122)
	(490)	–	(490)	(4,637)	–	(4,637)

11 (LOSSES)/EARNINGS PER SHARE

(a) Basic (losses)/earnings per share

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

(b) Diluted (losses)/earnings per share

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

12 PROPERTY, PLANT AND EQUIPMENT

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

12 PROPERTY, PLANT AND EQUIPMENT *(continued)*

	Leasehold improvements	Furniture and fixtures	Computer and office equipment	Mould	Motor vehicles	Properties leased for own use carried at depreciated cost	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Cost:							
At 1 January 2022	2,124	1,037	15,278	3,862	447	17,253	40,001
Exchange adjustments	(107)	(56)	(609)	–	(16)	–	(788)
Additions	919	12	482	299	1,068	–	2,780
Disposals	–	(9)	(101)	–	(141)	–	(251)
Additions through lease modification	–	–	–	–	–	2,507	2,507
At 31 December 2022	2,936	984	15,050	4,161	1,358	19,760	44,249
Accumulated depreciation:							
At 1 January 2022	1,689	972	13,738	3,241	447	11,792	31,879
Exchange adjustments	(79)	(51)	(578)	–	(16)	–	(724)
Charge for the year	173	17	947	496	67	4,086	5,786
Written back on disposals	–	(9)	(98)	–	(141)	–	(248)
At 31 December 2022	1,783	929	14,009	3,737	357	15,878	36,693
Net book value:							
At 31 December 2022	1,153	55	1,041	424	1,001	3,882	7,556

12 PROPERTY, PLANT AND EQUIPMENT *(continued)*

(a) Right-of-use assets

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

	Note	2023	2022
		$'000	*$'000*
Properties leased for own use, carried at depreciated cost	(i)	**8,025**	3,882

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

	2023	2022
	$'000	*$'000*
Depreciation charge of right-of-use assets by class of underlying asset:		
Properties leased for own use	**4,399**	4,086
Interest on lease liabilities (note 6(a))	**292**	228
Expense relating to short-term leases	**289**	200
COVID-19-related rent concessions received	**–**	(38)

During the year ended 31 December 2023, additions to right-of-use assets due to lease modifications was $7,118,000 (2022: $2,507,000). The amount was primarily related to additions to capitalised lease payments due to lease renewals.

Details of total cash outflow for leases is set out in note 18(d).

(i) Properties leased for own use

The Group has obtained the right to use properties as its warehouses, staff quarters and offices through tenancy agreements. The leases typically run for an initial period of 2 to 3 years.

The Group leased a number of offices in the Chinese mainland. In 2022, the Group received certain rent concessions of $38,000 in the form of waiver of lease payments as a result of social distancing measures introduced to contain the spread of COVID-19.

13 INTANGIBLE ASSETS

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

13 INTANGIBLE ASSETS *(continued)*

	Development costs *$'000*
Cost:	
At 1 January 2022	72,915
Addition through internal development	6,565
Disposals	(21,413)
At 31 December 2022	58,067
Accumulated amortisation and impairment loss:	
At 1 January 2022	68,750
Charge for the year	3,406
Written back on disposals	(21,413)
At 31 December 2022	50,743
Net book value:	
At 31 December 2022	7,324

The amortisation charges of $2,158,000 (2022: $3,406,000) for the year ended 31 December 2023 was included in "research and development expenses" in the consolidated statement of profit or loss.

During the year, the directors considered certain projects were under-performing against approved financial budgets in 2023 and determined impairment indicators exist for these projects. Together with the projects that were still under development at 31 December 2023, the management conducted impairment assessment on these projects, which constitute individual cash-generating units for the purpose of the impairment assessment. The recoverable amounts of the relevant assets (which comprise primarily development costs included under intangible assets) have been determined by the directors based on a value-in-use calculation of the individual projects to which the relevant assets belong. The calculation uses cash flow projections based on management forecasts covering the estimated useful lives of the projects at a pre-tax discount rate of 18% (2022: 18%). Based on their review, an impairment loss of HK$695,000 (2022: HK$nil) was recognised as the recoverable amounts exceeded the related carrying amounts for these projects. Management believes that any adverse change in the assumptions used in the calculation of recoverable amounts would result in further impairment losses.

(Expressed in Hong Kong dollars unless otherwise indicated)

14 INVESTMENTS IN SUBSIDIARIES

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

			Proportion of ownership interest			
Name of company	Place of incorporation/ establishment and business	Particulars of issued and paid up capital	Group's effective interest %	Held by the Company %	Held by a subsidiary %	Principal activities
Advanced Card Systems Limited	Hong Kong	18,000,000 shares	100	100	–	Development, sales and distribution of smart card products, software and hardware and the provision of smart card related services in Hong Kong
*ACS Shenzhen	Chinese Mainland	Registered capital of HK$14,000,000	100	–	100	Development, sales and distribution of smart card products, software and hardware and the provision of smart card related services in the Chinese Mainland
Leadway Technology Investment Limited	Hong Kong	1 share	100	100	–	Provision of management services to group companies and investment holding in Hong Kong
*Logyi	Chinese Mainland	Registered capital of HK$3,500,000	100	–	100	Development of smart card products, software and hardware and the provision of smart card related services in the Chinese Mainland

* Wholly owned foreign enterprise in Chinese Mainland which is not audited by KPMG. The financial statements of the subsidiaries not audited by KPMG reflect total net assets and total revenue constituting approximately 1% and 8% respectively of the related consolidated totals.

15 INVENTORIES

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

	2023	2022
	$'000	$'000
Raw materials	18,311	17,872
Finished goods	8,500	11,532
	26,811	29,404

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

	2023	2022
	$'000	$'000
Carrying amounts of inventories sold	36,136	44,624
Write-down of inventories	1,511	1,858
Reversal of write-down of inventories	(1,196)	(1,295)
	36,451	45,187

All of the inventories are expected to be recovered within one year.

16 TRADE AND OTHER RECEIVABLES

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

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

16 TRADE AND OTHER RECEIVABLES *(continued)*

Ageing analysis

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

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

Trade receivables are generally due within 7 days to 3 months from the date of billing. Further details on the Group's credit policy are set out in note 23(a).

17 OTHER FINANCIAL ASSETS

	2023 *$'000*	2022 *$'000*
Financial assets measured at amortised cost		
Philippines Treasury bills	**212**	209

The treasury bills are listed in Philippines and have a fixed yield of 5.4% (2022: 1.5%) per annum and will mature on 10 January 2024 (2022: 11 January 2023). The market value of these financial assets is $195,000 (2022: $202,000).

18 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents comprise:

	2023 *$'000*	2022 *$'000*
Cash at bank and on hand	**8,738**	17,352
Bank deposits maturing within three months when placed	**11,489**	22,617
Cash and cash equivalents	**20,227**	39,969

18 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION *(continued)*

(a) Cash and cash equivalents comprise: *(continued)*

As at 31 December 2023, cash at bank and deposits of $461,000 (2022: $732,000) were placed with banks in the Chinese Mainland. Remittance of funds out of the Chinese Mainland is subject to the exchange restrictions imposed by the Chinese Mainland government.

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

	Note	2023	2022
		$'000	*$'000*
(Loss)/profit before taxation		**(19,211)**	1,126
Adjustments for:			
Depreciation	12	**6,383**	5,786
Amortisation of intangible asset	6(c)	**2,158**	3,406
Impairment losses on trade and other receivables	6(c)	**3,701**	73
Impairment losses on intangible assets	6(c)	**695**	–
Finance costs	6(a)	**292**	228
Interest income	5	**(800)**	(450)
Net loss/(gain) on disposal of property, plant and equipment	6(c)	**19**	(14)
COVID-19-related rent concessions received	12(a)	**–**	(38)
Effect of foreign exchange gain		**(39)**	(37)
Changes in working capital:			
Decrease/(increase) in inventories		**2,566**	(9,398)
Decrease/(increase) in trade and other receivables		**1,307**	(9,163)
(Decrease)/increase in trade and other payables		**(9,502)**	10,548
Increase/(decrease) in employee retirement benefit obligations		**2**	(41)
Cash (used in)/generated from operations		**(12,429)**	2,026

18 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION *(continued)*

(c) Reconciliation of liabilities arising from financing activities

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

	Lease liabilities *$'000*
At 1 January 2022	5,790
Changes from financing cash flow:	
Capital element of lease rentals paid	(4,214)
Interest element of lease rentals paid	(228)
Total changes from financing cash flows	(4,442)
Other changes:	
Increase in lease liabilities from lease modification during the period	2,507
COVID-19-related rent concessions received	(38)
Interest expenses (note 6(a))	228
Total other changes	2,697
At 31 December 2022 and 1 January 2023	4,045
Changes from financing cash flow:	
Capital element of lease rentals paid	(4,229)
Interest element of lease rentals paid	(292)
Total changes from financing cash flows	(4,521)
Other changes:	
Increase in lease liabilities from entering into new leases during the period	1,424
Increase in lease liabilities from lease modification during the period	7,118
Interest expenses (note 6(a))	292
Total other changes	8,834
At 31 December 2023	8,358

18 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION *(continued)*

(d) Total cash outflow for leases

The lease rentals paid included in the cash flow statement for leases comprise the following:

	2023	2022
	$'000	*$'000*
Within operating cash flows	289	200
Within financing cash flows	4,521	4,442
	4,810	4,642

19 TRADE AND OTHER PAYABLES

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

Notes:

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

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

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

19 TRADE AND OTHER PAYABLES *(continued)*

Notes: *(continued)*

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

Movements in receipt in advance from customers

	2023 *$'000*	2022 *$'000*
At 1 January	**4,430**	1,614
Decrease in receipt in advance from customers as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	**(4,229)**	(775)
Decrease in receipt in advance from customers as a result of recognising revenue during the year	**(24,930)**	(14,856)
Increase in receipt in advance from customers as a result of receiving sales deposits during the year	**25,270**	18,514
Exchange adjustment	**5**	(67)
At 31 December	**546**	4,430

20 EMPLOYEE RETIREMENT BENEFITS

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

(a) Defined contribution retirement plans

(i) The Group operates a Mandatory Provident Fund scheme ("the MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement plan administered by an independent corporate trustee. Under the MPF scheme, the Group and the employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of $30,000. Contributions to the MPF scheme vest immediately.

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

(b) Defined benefit retirement plan

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

20 EMPLOYEE RETIREMENT BENEFITS *(continued)*

(b) Defined benefit retirement plan *(continued)*

The plan is funded by contributions from the Group in accordance with an independent actuary's recommendation based on annual actuarial valuation. The latest actuarial valuation of the plan was at 31 December 2023 and was prepared by independent professionally qualified actuaries at E.M. Zalamea Actuarial Services, Inc. (who is a Member of the International Actuarial Association, Fellow of the Actuarial Society of the Philippines and Member of the International Association of Consulting Actuaries), using the projected unit credit method. The actuarial valuation indicates that the Group's obligation under this defined benefit retirement plan is 100% (2022: 100%) covered by the plan assets held by the trustee.

The plan exposes the Group to actuarial risks, such as interest rate risk, investment risk and longevity risk.

(i) The amounts recognised in the consolidated statement of financial position are as follows:

	2023 *$'000*	2022 *$'000*
Present value of wholly funded obligations	(66)	(45)
Fair value of plan assets	626	588
Impact of asset ceiling	(332)	(366)
Total asset recognised	228	177

A portion of the above liability is expected to be settled after more than one year. However, it is not practicable to segregate this amount from the amounts payable in the next twelve months, as future contributions will also relate to future services rendered and future changes in actuarial assumptions and market conditions. The Group does not expect to make contributions to defined benefit retirement plan in 2023 and 2022.

20 EMPLOYEE RETIREMENT BENEFITS *(continued)*

(b) Defined benefit retirement plan *(continued)*

(ii) The major categories of the plan assets at the end of the reporting period are as follows:

	2023 *$'000*	2022 *$'000*
Government bonds	477	334
Unit investment trust funds	149	114
Cash and cash equivalents	–	140
	626	588

The plan assets are valued by the fund manager of the pension fund at fair value using the mark-to-market valuation.

(iii) Movements in the present value of the defined benefit obligation

	2023 *$'000*	2022 *$'000*
At 1 January	45	61
Remeasurement:		
– Actuarial losses/(gains) arising from changes in financial assumptions	9	(21)
– Actuarial losses arising from experience	6	15
Benefits paid by the plan	(7)	–
Current service cost	9	9
Interest cost	3	2
Gain on plan curtailment	–	(14)
Exchange difference	1	(7)
At 31 December	66	45

The weighted average duration of the defined benefit obligation is 13.7 years (2022: 12.3 years).

20 EMPLOYEE RETIREMENT BENEFITS *(continued)*

(b) Defined benefit retirement plan *(continued)*

(iv) Movements in plan assets

	2023 *$'000*	2022 *$'000*
At 1 January	588	659
Benefits paid by the plan	(7)	–
Return on plan assets, excluding interest income	(8)	(39)
Interest income	43	25
Exchange difference	10	(57)
At 31 December	626	588

(v) Amounts recognised in the consolidated statement of profit or loss and other comprehensive income are as follows:

	2023 *$'000*	2022 *$'000*
Current service cost	9	9
Gain on plan curtailment	–	(14)
Net interest on net defined benefit liability	(13)	(10)
Total amounts recognised in profit or loss	(4)	(15)
Actuarial losses/(gains)	15	(6)
Remeasurement (gains)/losses due to the effect of asset ceiling, excluding interest cost	(67)	89
Return on plan assets, excluding interest income	9	39
Total amounts recognised in other comprehensive income	(43)	122
Total defined benefit (expenses)/returns	(47)	107

The current service cost, past service cost on plan curtailment and the net interest on net defined benefit liability are recognised in the administrative expenses in the consolidated statement of profit or loss.

20 EMPLOYEE RETIREMENT BENEFITS *(continued)*

(b) Defined benefit retirement plan *(continued)*

(vi) Significant actuarial assumptions and sensitivity analysis are as follows:

	2023	2022
Discount rate	**6.12%**	7.22%
Future salary increases	**5% per annum**	5% per annum

The below analysis shows how the defined benefit obligation as at 31 December 2023 would have (decreased)/increased as a result of 1% change in the significant actuarial assumptions:

	2023		2022	
	Increase in 1%	**Decrease in 1%**	Increase in 1%	Decrease in 1%
	$'000	***$'000***	*$'000*	*$'000*
Discount rate	**(8)**	**10**	(5)	6
Future salary increases	**10**	**(8)**	6	(5)

The above sensitivity analysis is based on the assumption that changes in actuarial assumptions are not correlated and therefore it does not take into account the correlations between the actuarial assumptions.

21 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Deferred tax assets recognised

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

	Depreciation allowances in excess of the related depreciation	Employee retirement benefits	Amortisation of intangibles	Tax losses	Others	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Deferred tax arising from:						
At 1 January 2022	(149)	(349)	(812)	961	349	–
Credited/(charged) to profit or loss	254	–	(572)	318	–	–
At 31 December 2022 and 1 January 2023	105	(349)	(1,384)	1,279	349	–
(Charged)/credited to profit or loss	(402)	–	(30)	432	–	–
At 31 December 2023	(297)	(349)	(1,414)	1,711	349	–

(b) Deferred tax assets not recognised

In accordance with the accounting policy set out in note 2(p), the Group has not recognised deferred tax assets in respect of tax losses and other temporary differences of $154,720,000 (2022: $123,543,000) as it is not probable that future taxable profits against which the losses and other temporary differences can be utilised will be available in the relevant tax jurisdictions and entities.

Included in unrecognised tax losses and other temporary differences is an amount of $21,557,000 (2022: $10,309,000) which can be carried forward up to five years from the year in which the loss originated. The remaining balance of $133,163,000 (2022: $113,234,000) does not expire under current tax legislation.

21 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

(c) Deferred tax liabilities not recognised

At 31 December 2023, temporary differences relating to undistributed profits of subsidiaries amounted to $27,603,000 (2022: $27,532,000). Deferred tax liabilities of $1,380,000 (2022: $1,377,000) have not been recognised in respect of the tax that would be payable on the distribution of these retained profits as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that these profits will not be distributed in the foreseeable future.

22 CAPITAL AND RESERVES

(a) Movements in components of equity

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

The Company

	Share capital *$'000*	Share premium *$'000*	Accumulated losses *$'000*	Total equity *$'000*
Balance at 1 January 2022	31,956	53,383	(37,899)	47,440
Change in equity for the year:				
Total comprehensive income for the year	–	–	(8,863)	(8,863)
Balance at 31 December 2022	31,956	53,383	(46,762)	38,577
Balance at 1 January 2023	**31,956**	**53,383**	**(46,762)**	**38,577**
Change in equity for the year:				
Total comprehensive income for the year	**–**	**–**	**(5,734)**	**(5,734)**
Balance at 31 December 2023	**31,956**	**53,383**	**(52,496)**	**32,843**

22 CAPITAL AND RESERVES *(continued)*

(b) Share capital

Authorised and issued share capital

	2023		2022	
	Number of shares	Amount	Number of shares	Amount
	'000	*$'000*	*'000*	*$'000*
Authorised:				
Ordinary shares of $0.1 each	**1,000,000**	**100,000**	1,000,000	100,000
Ordinary shares, issued and fully paid:				
At 1 January and 31 December	**319,565**	**31,956**	319,565	31,956

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

(c) Nature and purpose of reserves

(i) Share premium

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

Included in the reserves of the Company available for the distribution is share premium arising from the issuance of Series A preference shares which were redeemed on 7 November 2003.

(ii) Merger reserve

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

22 CAPITAL AND RESERVES *(continued)*

(c) Nature and purpose of reserves *(continued)*

(iii) Surplus reserve

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

(iv) Exchange reserve

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

(d) Distributability of reserves

At 31 December 2023, the aggregate amount of reserve available for distribution to equity shareholders of the Company, including the distributable amounts disclosed in note 22(a), was $887,000 (2022: $6,621,000).

(e) Capital management

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

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

23 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

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

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade receivables. The Group's exposure to credit risk arising from cash and cash equivalents and other financial assets are limited because the counterparties are banks and financial institutions with investment grading credit ratings ranged from A1 to Baa2 assigned by Moody's Corporation. With that, the Group considers the credit risk to be low. Management has a credit policy in place and the exposure to these credit risks are monitored on an on-going basis.

Trade receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period, 24% (2022: 45%) of the total trade receivables was due from the Group's five largest customers.

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

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

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

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

(a) Credit risk *(continued)*

***Trade receivables** (continued)*

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

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

	2022		
	Expected loss rate	Gross carrying amount *$'000*	Loss allowance *$'000*
Current (not past due)	1.4%	7,095	100
Less than 1 month past due	1.5%	1,704	26
1 to 3 months past due	2.0%	441	9
3 to 6 months past due	4.2%	1,425	60
More than 6 months but less than 1 year past due	34.8%	115	40
More than 1 year past due	100%	253	253
		11,033	488

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

(a) Credit risk *(continued)*

***Trade receivables** (continued)*

Expected loss rates are based on actual loss experience over the past 2 years. These rates are adjusted to reflect the factors that are specific to the debtors and differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

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

	2023 *$'000*	2022 *$'000*
Balance at 1 January	**488**	626
Amounts written off during the year	**(163)**	(211)
Impairment losses recognised during the year	**3,701**	73
Exchange adjustments	**2**	–
Balance at 31 December	**4,028**	488

(b) Liquidity risk

The Group manage their cash management for daily operation, including placing short term bank deposits. Cash surplus over operating needs are closely monitored and managed by the Group's central cash and treasury management system. The Group's policy is to regularly monitor its liquidity requirements, to ensure that it maintains sufficient reserves of cash and adequate funding from the investors of the Group to meet its liquidity requirements in the short and longer term. The Group's exposures to the liquidity risk and its policies for managing such risk were unchanged from the year ended 31 December 2022.

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

(b) Liquidity risk *(continued)*

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates and the earliest date the Group can be required to pay:

	2023 Contractual undiscounted cash outflow				
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Total	Carrying amount
	$'000	*$'000*	*$'000*	*$'000*	*$'000*
Lease liabilities	4,472	4,585	27	9,084	8,358
Trade and other payables (excluding receipt in advance from customers)	10,483	–	–	10,483	10,483

	2022 Contractual undiscounted cash outflow				
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Total	Carrying amount
	$'000	*$'000*	*$'000*	*$'000*	*$'000*
Lease liabilities	3,203	980	–	4,183	4,045
Trade and other payables (excluding receipt in advance from customers)	15,384	–	–	15,384	15,384

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

(c) Currency risk

The Group is exposed to currency risk primarily through sales and purchases which give rise to receivables, payables and cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk is primarily United States dollars ("USD") and Renminbi ("RMB").

(i) Exposure to currency risk

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

	Exposure to foreign currencies (expressed in HKD)			
	2023		2022	
	USD	**RMB**	USD	RMB
	$'000	***$'000***	*$'000*	*$'000*
Cash and cash equivalents	**14,740**	**517**	32,496	268
Amounts due from group companies	**–**	**–**	36	–
Amounts due to group companies	**–**	**(709)**	–	(836)
Trade and other receivables	**10,863**	**5**	9,966	61
Trade and other payables	**(3,339)**	**(797)**	(6,833)	(2,850)
Net exposure	**22,264**	**(984)**	35,665	(3,357)

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

(c) Currency risk *(continued)*

(ii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's loss after tax (and retained profits) that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant. In this respect, it is assumed that the pegged rate between the HKD and the USD would be materially unaffected by any changes in movement in value of the USD against other currencies.

	2023		2022	
	Increase/ (decrease) in foreign exchange rates	(Increase)/ decrease in loss after taxation and (increase)/ decrease in accumulated losses *$'000*	Increase/ (decrease) in foreign exchange rates	(Decrease)/ increase in profit after taxation and (increase)/ decrease in accumulated losses *$'000*
RMB	10%	(82)	10%	(280)
	(10)%	82	(10)%	280

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

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis is performed on the same basis as 2022.

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

(d) Fair value measurement

HKFRS 13, Fair value measurement categories fair value measurements into a three-level hierarchy. The level into which fair value is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

– Level 1 valuations:	Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
– Level 2 valuations:	Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
– Level 3 valuations:	Fair value measured using significant unobservable inputs

The fair value of the treasury bills listed outside Hong Kong held by the Group has been disclosed in note 17. The fair value measurement of these instruments fall into level 1 of the fair value hierarchy described above.

During the years ended 31 December 2023 and 2022, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

The carrying amount of the Group's all other financial instruments carried at costs or amortised costs were also not materially different from their fair values as at 31 December 2023 and 2022.

24 MATERIAL RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group entered into the following material related party transactions.

Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 8 is as follows:

	2023	2022
	$'000	*$'000*
Short-term employee benefits	**3,913**	4,199
Post-employment benefits	**122**	21
	4,035	4,220

Total remuneration is included in "staff costs" (see note 6(b)).

None of the above related party transactions falls under the definition of connected transaction or continuing transaction as defined in Chapter 14A of the Listing Rules.

25 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	2023	2022
		$'000	*$'000*
Non-current assets			
Investments in subsidiaries		**14,004**	14,004
Amounts due from subsidiaries		**19,284**	24,730
		33,288	38,734
Current assets			
Other receivables		**–**	151
Cash and cash equivalents		**162**	79
		162	230
Current liability			
Accruals and other payables		**607**	387
		607	387
Net current liabilities		**(445)**	(157)
NET ASSETS		**32,843**	38,577
CAPITAL AND RESERVES			
Share capital	23(b)	**31,956**	31,956
Reserves		**887**	6,621
TOTAL EQUITY		**32,843**	38,577

Approved and authorised for issue by the Board of Directors on 27 March 2024.

Mai Zhaoping
Director

Zhang Xueqin
Director

(Expressed in Hong Kong dollars unless otherwise indicated)

26 COMPARATIVE FIGURES

Certain comparative figures have been adjusted to conform to current year's presentation and to provide comparative amounts in respect of items disclosed for the first time in 2023.

27 IMMEDIATE AND ULTIMATE CONTROLLING PARTIES

At 31 December 2023, the directors considered the immediate parent of the Group to be Leadway Development Limited which is incorporated in Cayman Islands, and the ultimate controlling parties to be Mr. Mai Zhaoping and Mr. Zhang Xueqin.

Leadway Development Limited does not produce financial statements available for public use.

28 POSSIBLE IMPACT OF AMENDMENTS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2023

Up to the date of issue of these financial statements, the HKICPA has issued a number of new or amended standards, which are not yet effective for the year ended 31 December 2023 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the group.

	Effective for accounting periods beginning on or after
Amendments to HKAS 1, *Presentation of financial statements: Classification of liabilities as current or non-current ("2020 amendments")*	1 January 2024
Amendments to HKAS 1, *Presentation of financial statements: Non-current liabilities with covenants ("2022 amendments")*	1 January 2024
Amendments to HKFRS 16, *Leases: Lease liability in a sale and leaseback*	1 January 2024
Amendments to HKAS 7, *Statement of cash flows and* HKFRS 7, *Financial Instruments: Disclosures: Supplier finance arrangements*	1 January 2024
Amendments to HKAS 21, *The effects of changes in foreign exchange rates: Lack of exchangeability*	1 January 2024

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

FINANCIAL SUMMARY

31 December 2023

(Expressed in Hong Kong dollars)

	2023	2022	2021	2020	2019
	$'000	*$'000*	*$'000*	*$'000*	*$'000*
RESULTS					
Revenue	**79,207**	94,234	98,114	112,747	165,727
Cost of sales and services	**36,953**	45,639	45,797	57,534	74,365
Gross profit	**42,254**	48,595	52,317	55,213	91,362
Gross profit margin	**53%**	52%	53%	49%	55%
(Loss)/profit for the year	**(19,211)**	1,126	(21,323)	(20,223)	(8,259)
Net profit margin	**-24%**	1%	-22%	-18%	-5%
ASSETS AND LIABILITIES					
Total assets	**77,617**	101,790	101,699	121,458	145,866
Total liabilities	**19,387**	23,859	20,257	20,140	27,083
Total equity	**58,230**	77,931	88,442	101,318	118,783