

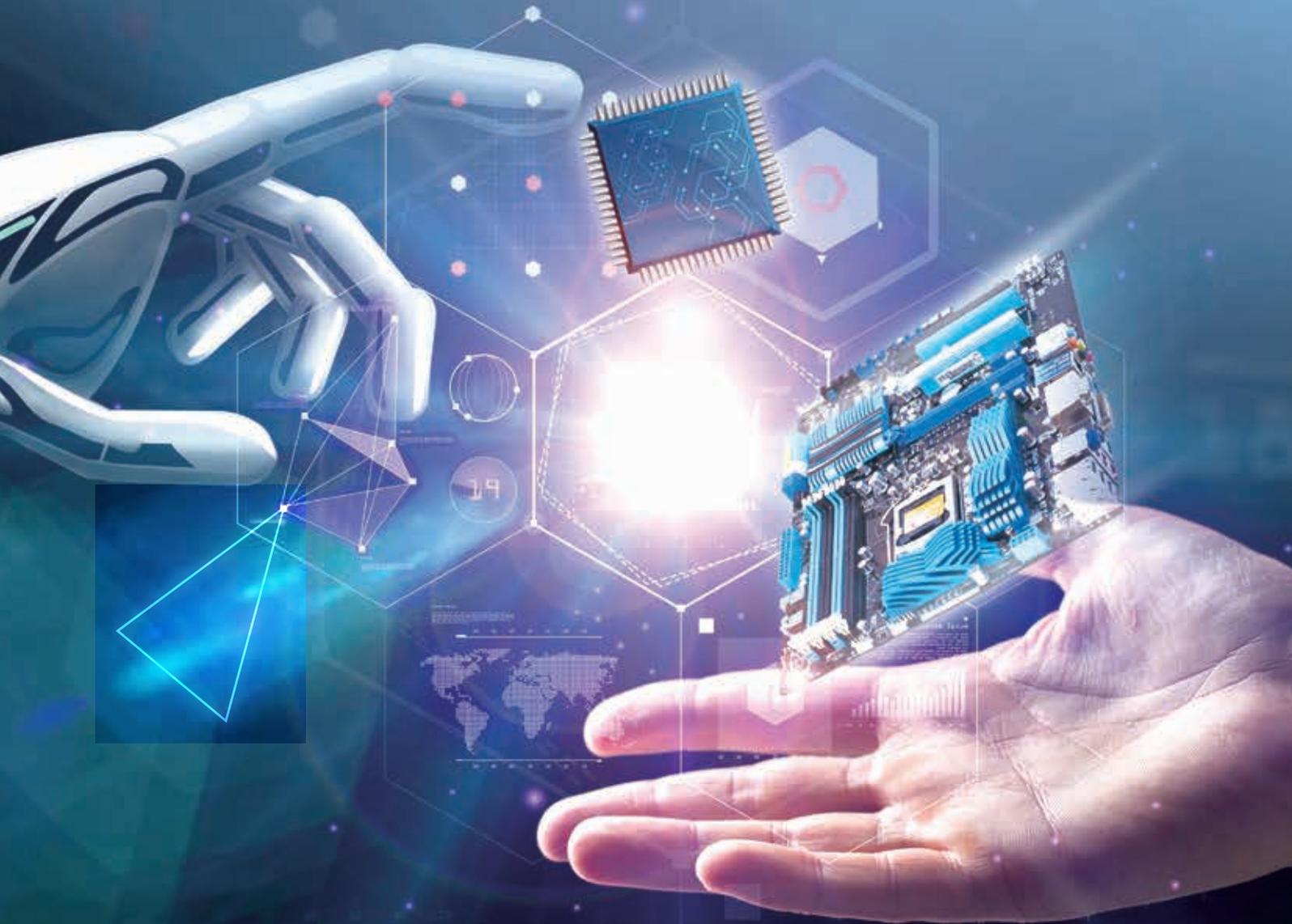


Hi-Level Technology Holdings Limited

揚宇科技控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8113



Annual Report

2023



This Annual Report is printed on environmentally friendly paper

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

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

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

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



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Corporate Information

DIRECTORS

Executive Directors

Dr. Yim Yuk Lun, Stanley *BBS JP*
Mr. Yim Tsz Yu, Jeffrey
(appointed on 1 February 2024)
Mr. Tong Sze Chung

Non-Executive Directors

Mr. Yim Tsz Kit, Jacky (*Chairman*)
(appointed on 4 September 2023)
Mr. Wong Wai Tai

Independent Non-Executive Directors

Mr. Shea Chun Lok, Quadrant
Mr. Fung Cheuk Nang, Clement
Mr. Tsoi Chi Ho, Peter

AUDIT COMMITTEE

Mr. Shea Chun Lok, Quadrant (*Chairman*)
Mr. Fung Cheuk Nang, Clement
Mr. Tsoi Chi Ho, Peter

NOMINATION COMMITTEE

Mr. Shea Chun Lok, Quadrant (*Chairman*)
Mr. Fung Cheuk Nang, Clement
Mr. Tong Sze Chung

REMUNERATION COMMITTEE

Mr. Shea Chun Lok, Quadrant (*Chairman*)
Mr. Fung Cheuk Nang, Clement
Mr. Tong Sze Chung

COMPANY SECRETARY

Mr. Tong Sze Chung

COMPLIANCE OFFICER

Mr. Tong Sze Chung

REGISTERED OFFICE

One Nexus Way
Camana Bay, Grand Cayman
KY1-9005, Cayman Islands

PRINCIPAL OFFICE

15/F., S.A.S. Tower
55 Lei Muk Road, Kwai Chung
New Territories, Hong Kong

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKER

Bank of China (Hong Kong) Limited
Hang Seng Bank Limited
Standard Chartered Bank (Hong Kong) Limited

AUDITOR

BDO Limited
Certified Public Accountants
25th Floor, Wing On Centre
111 Connaught Road Central
Hong Kong

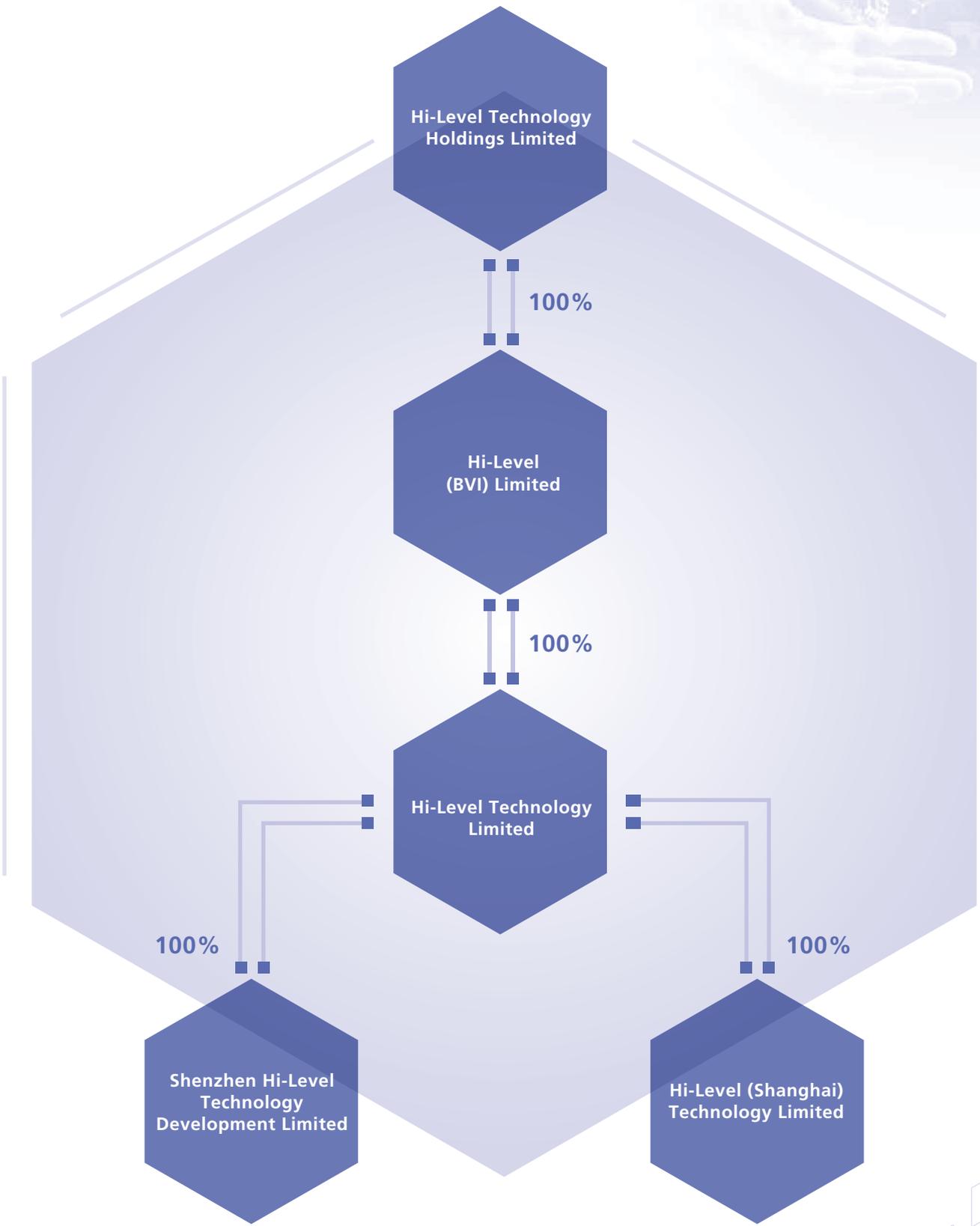
WEBSITE

<http://www.hi-levelhk.com>

STOCK CODE

The Stock Exchange of Hong Kong Limited: 8113

Group Structure



Financial Highlights

	2023	2022	Change
Revenue (HK\$ thousand)	1,202,816	1,732,213	-30.6%
Profit/(loss) attributable to owners of the Company (HK\$ thousand)	3,942	(68,545) (Restated)	N/A
Basic loss per share (HK cents)	0.50	(10.50)	N/A

TO OUR SHAREHOLDERS

On behalf of the Board, I am pleased to present the annual results of Hi-Level Technology Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31 December 2023.

DIVIDENDS

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

BUSINESS REVIEW

The Group is primarily engaged in the sale of electronic components (mainly integrated circuit ("IC") and panels) for consumer electronic products such as mobile internet devices ("MID"), network communication system ("NCS"), multi-media player (car infotainment system), smartphone panel modules, set-top boxes ("STB") and video image device together with the provision of IDH services to original brand manufacturers and original design manufacturers.

Revenue for the whole year of 2023 has declined as compared to last year, such decline was mainly attributable to the following reasons: (1) after the easing of physical restrictions in Mainland China, the economy did not experience the significant rebound as expected, and also the consumption attitude of domestic residents is relatively conservative, resulted in a significant decline in domestic demand; (2) the decline in export orders due to weak demand in the consumer electronic market caused by unfavourable global business environment such as rising inflation worldwide and interest rate hikes in the US.

The Group has turned around in 2023 mainly due to (i) gross profit of panels has returned to normal in 2023, which led to the overall growth in gross profit; (ii) the Group had a good monitoring and control over the inventory level, the Group inventory level was in a health status, as a result the provision of inventory has been reduced in 2023.

MID

MID segment comprises of tablet and smart home audio products delivered the largest revenue of the Group. Due to consumer sentiment was depressed and enterprise shifted to AI tablet product development, which resulted in a decline in sales of panels and chip products for traditional tablets.

Car Infotainment System

The rise of the electric vehicles and the continuous decline in vehicle price has seriously affected the demand for car infotainment system in the after-factory market, which resulted in a decline in the relevant business.

Video Image Device

The main market of video image device products such as aerial, hunting and sports cameras are mainly Europe and US. Although the overall demand has declined, the relevant business has been relatively stable due to our high-end solutions can meet the needs of our customers as their requirements for overall specifications have enhanced.

Network Communication System

With the growing market demand for Smart Home ("IOT"), the Company's wireless network ("Wi-Fi") and Bluetooth solutions has achieved impressive growth in household appliances business.

Chairman's Statement

Smartphone Panel Module

According to IDC, worldwide smartphone shipments in 2023 further decreased to 1.17 billion units from 1.21 billion units recorded in 2022, the lowest in a decade. Weak demand for smartphone panel module in 2023 resulted in decline of revenue in the relevant business.

STB

The Company's main sales market of STB solutions is in Middle East, South America and North Africa. Due to the exchange rate of US\$ remained high relative to local currencies, the demand has decreased.

OUTLOOK

Looking ahead, under the uncertain global business environment, the Company understands the tremendous challenges in 2024. To overcome these challenges and difficulties, the Group will endeavour to broaden its revenue sources, enhance its product diversity, widen its customer base and search for new suppliers from different areas. The Group will also maintain a flexible business strategy to explore new business opportunities for its developments.

We are currently in the process of developing products including:

1. AI products are becoming increasingly popular, and in the future, many electronic products will be closely tied to AI. With our years of experience in consumer electronics, the Group will pay close attention to the development of these products. In respect of the educational tablets, the Group has corresponding solutions in this regard and believes that it will bring stable growth of MID business to the Company in 2024.
2. Microcontroller unit ("MCU") for new energy vehicles: There are numerous brands and increasing sales volume in China's new energy vehicle market. Traditionally, MCU chips for electric vehicles were sourced from European and US countries. Since China's implementation of policy on autonomy in semiconductor production which has been positively responded by automakers, the Company has started deployment over the past few years and has identified opportunities in different applications, such as car door, car seat and window control of the intelligent cockpit. In 2024, we will further seek opportunities in areas such as dashboard control, power systems, and assisted driving, believing that they will bring stable returns to the Group in the future.
3. Electronic paper application: Electronic paper is now mostly used in electronic books, electronic notebooks and electronic labels. With the advancement of technology, colour electronic paper is becoming increasingly popular, and in addition to the inherent consumer electronic applications, the Group will also explore solutions such as electronic posters and electronic noticeboards, providing the market with more choices.
4. The Company is also actively developing solutions for various Metaverse hardware applications, which is expected to drive the Company's future revenue growth.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2023, the Group achieved sales revenue of HK\$1,202,816,000, decreased by 30.6% from HK\$1,732,213,000 as recorded in 2022.

Gross Profit

For the year ended 31 December 2023, gross profit was HK\$44,198,000, increased by 287.7% from gross loss of HK\$23,553,000 as recorded last year. Gross profit margin was 3.7%, increased from gross loss margin of 1.4% as recorded in 2022.

Distribution Costs and Administrative Expenses

For the year ended 31 December 2023, the Group's operating costs were HK\$34,395,000 (2022: HK\$37,499,000), representing a decrease by 8.3%, compared to the corresponding period in 2022.

Profit Attributable to Owners of the Company

The profit attributable to owners of the Company for the year ended 31 December 2023 was HK\$3,942,000, increased by 105.8%, compared to the loss attributable to owners of the Company of HK\$68,545,000 as recorded in 2022.

APPRECIATION

On behalf of the Board of Directors, I would like to thank all our employees for their contribution and commitments. I also wish to extend my sincere gratitude to our shareholders, customers, suppliers and other business partners for their long-term supports and dedication.

Mr. Yim Tsz Kit, Jacky

Chairman

Hong Kong, 22 March 2024

Management Discussion and Analysis

Liquidity and Financial Resources

The Group's principal sources of funds are cash generated from operations and bank borrowings. As at 31 December 2023, the Group's current ratio was 127.7% (31 December 2022: 106.0%). As of 31 December 2023, the Group had bank balances and cash of HK\$47,191,000 (31 December 2022: HK\$91,896,000) and bank borrowings of HK\$117,518,000 (31 December 2022: HK\$220,428,000). As of 31 December 2023, the Group's net gearing ratio was 101.5% (31 December 2022: 472.5%), which is calculated based on the Group's net debt (calculated as total bank borrowing minus bank balances and cash) of approximately HK\$70,327,000 (31 December 2022: HK\$128,532,000) and Group's total equity of approximately HK\$69,282,000 (31 December 2022: HK\$27,203,000).

The Group recorded debtors turnover of approximately 33 days for the year under review (2022: 26 days) based on the amount of the average of beginning and ending debtors divided by revenue for the respective year, multiplied by 365 days.

The Group recorded inventory turnover and payable turnover of 39 days and 39 days respectively for the year under review (2022: approximately 65 days and 46 days respectively) based on the amount of the average of beginning and ending inventory and creditors as at 31 December 2023, divided by cost of sales for the respective year and multiplied by 365 days.

Employee and Remuneration Policy

As at 31 December 2023, the Group employed approximately 70 employees in the Greater China region. We ensure that their remuneration packages are comprehensive and competitive. Employees are remunerated with a fixed monthly income plus discretionary annual performance related bonuses.

Other than medical insurance and mandatory provident fund schemes, we also offer share options to our key employees as a long-term incentive who are identified as essential to our Group's operations and future development.

Management Discussion and Analysis



Dividend Policy

The Company has adopted a dividend policy, pursuant to which the Company gives priority to distributing dividend in cash and shares its profits with its shareholders. According to the dividend policy, subject to compliance with applicable rules and statutory regulations (including Cayman Islands laws) and the articles of association of the Company, the Company will pay dividend to the shareholders.

The recommendation of the payment of any dividend is subject to the absolute discretion of the Board, and any declaration of final dividend will be subject to the approval of the Shareholders. In proposing any dividend payout, the Board shall also take into account, inter alia:

- overall business conditions and strategies;
- our financial results;
- our capital requirement;
- our retained earnings and distributable reserves;
- taxation considerations; and
- any other factors our Board may deem relevant.

In addition to cash, dividends may be distributed in the form of shares. The dividend policy will continue to be reviewed from time to time and there can be no assurance that dividends will be paid in any particular amount for any given period.

Directors and Senior Management Profiles

Executive Directors

Dr. Yim Yuk Lun, Stanley *BBS JP* (嚴玉麟) (“**Dr. Yim**”), aged 64, is appointed as an executive Director of the Company in 2015. Dr. Yim is the founder, executive director, chairman and managing director of S.A.S. Dragon Holdings Limited (stock code: 1184) (“S.A.S. Dragon”), a company listed on the Main Board of the Stock Exchange, in 1993. Dr. Yim is appointed as an independent non-executive director of Asia Allied Infrastructure Holdings Limited (stock code: 711), a company listed on the Main Board of the Stock Exchange in 2020 and has been re-designated from independent non-executive director to a non-executive director in 2021 and remain as a member of the audit committee and the nomination committee.

Dr. Yim is currently the president of the Hong Kong Justice of the Peace Association, a member of HKSAR Fight Crime Committee, a non-official member of Correctional Services Department Complaints Appeal Board, a member of Development Bureau Appeal Tribunal Panel, the honorary vice chairman of the Hong Kong Electronic Industries Association, a member of Yan Chai Hospital Advisory Board, the vice chairman of Federation of Hong Kong-Shanghai Associations, the vice chairman of Tsuen Wan District JPC Honorary President Council, the honorary permanent president of Hong Kong Baptist University Foundation and the co-chairman of Entrepreneur Committee of Hong Kong Baptist University. Dr. Yim is the father of Mr. Jacky Yim, the Chairman and a non-executive Director of the Company and Mr. Jeffrey Yim, an executive Director of the Company.

Mr. Yim Tsz Yu, Jeffrey (嚴子諭) (“**Mr. Jeffrey Yim**”), aged 30, is appointed as an executive Director of the Company on 1 February 2024. He holds a Bachelor’s degree from Cass Business School, City University of London in the United Kingdom and a Master’s degree in China Business Studies from Hong Kong Polytechnic University. He has over 5 years of experience in the display and lighting product industry. Before joining the Company, he was the business development manager of S.A.S. Lighting Company Limited since 2019, a wholly-owned subsidiary of S.A.S. Dragon. Mr. Jeffrey Yim is currently a member of Hong Kong CPPCC Youth Association, a member of Area Committee (Kwai Chung North East), a member of Hong Kong Electrical Appliance Industries Association, a member of Rehabilitation Committee on Community Support for Rehabilitated Offenders, a committee member of Tsuen Wan Lightings Festival and the president of Kwai Tsing District JPC Honorary President Council. He is a son of Dr. Yim, an executive Director and a controlling shareholder of the Company. His older brother, Mr. Jacky Yim is the Chairman and a non-executive Director of the Company.

Mr. Tong Sze Chung (唐思聰), aged 55, is appointed as an executive Director in 2015 and he is also a financial controller, company secretary and compliance officer of the Company. He is a member of the Remuneration Committee and Nomination Committee. Mr. Tong joined Hi-Level Technology Limited as the financial controller in 2013. He obtained a Bachelor’s degree of Business Administration from the Open University of Hong Kong. He is an associate member of the Hong Kong Institute of Certified Public Accountants. Mr. Tong has been appointed as an independent non-executive director of Kong Shum Union Property Management (Holding) Limited (stock code: 8181), a company listed on the GEM of the Stock Exchange, from 2013 to 2015.

Mr. Tong is responsible for the accounting and financial management of Hi-Level group’s operations. He has over 20 years’ experience in accounting and financial management.

Directors and Senior Management Profiles

Non-Executive Directors

Mr. Yim Tsz Kit, Jacky (嚴子杰) (“Mr. Jacky Yim”), aged 39, is appointed as the Chairman and a non-executive Director of the Company on 4 September 2023. He is responsible for the formulation of corporate strategies and the overall direction of the Group. He holds a Bachelor’s degree from Central Saint Martins in United Kingdom and a Master’s degree in Business Administration from the University of Wales. He is appointed as an executive director of S.A.S. Dragon in 2013. He is the founder and chief executive officer of S.A.S. Lighting Company Limited since 2009, a wholly-owned subsidiary of S.A.S. Dragon and leads a working team to develop the LED lighting business in the S.A.S. Dragon Group.

He received the Young Industrialist Awards of Hong Kong from The Federation of Hong Kong Industries in 2017, the Directors of the Year Awards from The Hong Kong Institute of Directors in 2019 and the Young Entrepreneur Award of the Guangdong-HK-Macao Greater Bay Area in 2020.

Mr. Jacky Yim is currently a member of the Chinese People’s Political Consultative Conference Shanghai Committee, the vice chairman of Shenzhen Association of Enterprises with Foreign Investment (深圳市外商投資企業協會), a member of Yau Tsim Mong South Area Committee, a member of the executive committee of Hong Kong Electronic Industries Association, a member of the Hong Kong Trade Development Council (HKTDC) Electronics/Electrical Appliances Industries Advisory Committee, a member of the Hong Kong Electrical Appliance Industries Association and vice president of Hong Kong Young Industrialists Association Foundation. He is a son of Dr. Yim, an executive Director and a controlling shareholder of the Company. His younger brother, Mr. Jeffrey Yim is an executive Director of the Company.

Mr. Wong Wai Tai, (黃維泰), aged 52, is appointed as a non-executive Director of the Company in 2016. He holds a Bachelor’s degree of Business Administration from Hong Kong Baptist University and a Master of Laws from Renmin University of China. He is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of Association of Chartered Certified Accountants. He has over twenty years’ experience in accounting, auditing, taxation and financial management.

Mr. Wong is appointed as an executive director of S.A.S. Dragon in 2016.

Independent Non-Executive Directors

Mr. Shea Chun Lok, Quadrant (佘俊樂) (alias Martin, former name, Shea Chi Lap, Quadrant), aged 57, is appointed as an independent non-executive Director of the Company in 2015. He is a chairman of our Audit Committee, Nomination Committee and Remuneration Committee. Mr. Shea graduated from Monash University of Australia with a Bachelor’s degree in Business and later completed a postgraduate program of Public Finance (Taxation) and obtained a Master’s degree in Economics from Jinan University, China and a Master of Laws degree from Renmin University of China. He is also a fellow member of CPA Australia, a member of Hong Kong Institute of Certified Public Accountants, The Taxation Institute of Hong Kong, The Chartered Institute of Management Accountants of the United Kingdom and Institute of Singapore Chartered Accountants and a Chartered Global Management Accountant. Mr. Shea is a Chartered Tax Adviser of Hong Kong and has obtained a Certificate of Pass in Practice Training Examination for Hong Kong Certified Tax Advisers Serving in Shenzhen-Hong Kong Modern Service Industry Cooperation Zone, Qianhai, Shenzhen jointly issued by Shenzhen Municipal Office of the State Administration of Taxation and Shenzhen Local Taxation Bureau. He has been awarded the Certified ESG Planner with the focus on sustainable banking and finance issued by the International Chamber of Sustainable Development.

Directors and Senior Management Profiles

Mr. Shea has substantial experience in accounting and finance in listed companies and worked as a qualified accountant and company secretary in various companies listed on the Main Board of the Stock Exchange over the years. He was the group financial controller of S.A.S. Dragon from 1999 to 2005. Mr. Shea has been appointed as the chief financial officer and company secretary of Asia Allied Infrastructure Holdings Limited (stock code: 711) ("AAI"), a company listed on the Main Board of the Stock Exchange since 2015. He has further been appointed as an executive director of AAI since 2017 and is also currently a member of the management committee and executive committee of the board and the member of the property development executive board of AAI. Mr. Shea has been appointed as an independent non-executive director of Beijing Enterprises Water Group Limited (stock code: 371) since 2002, a company listed on the Main Board of the Stock Exchange, and is also the chairman of the audit committee of the company. Mr. Shea has also been appointed as an executive director of Modern Living Investments Holdings Limited (stock code: 8426) since 2024, a company listed on the GEM of the Stock Exchange.

Mr. Fung Cheuk Nang, Clement (馮卓能), aged 47, is appointed as an independent non-executive Director of the Company in 2015. He is a member of Audit Committee, Remuneration Committee and Nomination Committee. He has extensive management experience in development and manufacturing of consumer products.

Mr. Fung is also a director of Smarhome Technology Limited and Smarhome Products Limited, both of which are privately-owned consumer electronics companies in Hong Kong. Mr. Fung has been appointed as an independent non-executive director of Crocodile Garments Limited (stock code: 122), a company listed on the Main Board of the Stock Exchange since 2021. Mr. Fung holds positions in various charitable and social organisations. He is a member of the advisory board of Yan Chai Hospital, of which he was the chairman of the board of directors during the term of year 2018-2019.

Mr. Tsoi Chi Ho, Peter (蔡子豪), aged 37, is appointed as an independent non-executive Director of the Company in 2015. He is a member of the Audit Committee. Mr. Tsoi graduated from the York University of Canada with a Bachelor's degree in Business Administration Studies and obtained his Master's degree in E-Commerce from the Hong Kong Polytechnic University.

Mr. Tsoi has been the marketing director of an international trading company in South Africa since 2010 and is mainly responsible for coordinating sales and sourcing electronic products from China to South Africa. He has substantial experience in marketing and trading of electronic products as well as extensive knowledge on the electronic industry of South Africa.

SENIOR MANAGEMENT

Mr. Li Xiao Ming (李曉鳴), aged 59, is appointed as a director of Shenzhen Hi-Level Technology Development Limited in 2003 and Video Innovation Tech Limited in 2011, both of which are subsidiaries of Hi-Level Technology Limited. He joined Hi-Level Technology Limited in 2002 and is currently as the marketing director. He graduated from Chongqing University in 1984 with a Bachelor's degree in Electronics Engineering. He has more than 30 years of management experience within the electronics field in product development. Mr. Li Xiao Ming is also an indirect shareholder of the Company.

Mr. Huang Yung Hsing (黃永興), aged 58, was appointed as a supervisor of Hi-Level (Shanghai) Technology Limited in 2007 and is appointed as a director of Hi-Level (Shanghai) Technology Limited in 2015. He joined Hi-Level Technology Limited as the engineering director in 2002. He graduated from Tunghnan University in 1985 with a Bachelor's degree in Electronics Engineering. He has more than 20 years of experience within the electronics fields of engineering and R & D projects development. Mr. Huang Yung Hsing is also a shareholder of the Company.

Corporate Governance Report

The Company recognizes the importance of corporate transparency and accountability. The Company is committed in achieving a high standard of corporate governance and leading the Group to attain better results and improve its corporate image with effective corporate governance procedures.

The Company's corporate governance practices are based on the principles of the Corporate Governance Code (the "CG Code") as set out in Appendix C1 to the GEM Listing Rules. The Company has listed on the GEM since 7 January 2016 (the "Listing Date"). The Company had complied with the applicable code provisions (the "Code Provisions") set out in the CG Code throughout the year ended 31 December 2023, except for the deviations from the CG Code provisions, which is explained in the relevant paragraph below.

BOARD OF DIRECTORS

The Board is responsible for the formulation of corporate strategies, the setting of appropriate strategic policies and internal control and the oversight of the operation and financial performance of the Group. The Board are individually and collectively accountable to the shareholders of the Company (the "Shareholders") for the success and sustainable development of the Group.

Day-to-day management of the Group is delegated to the executive directors or senior management. Executive directors and senior management meet regularly to review the performance of the businesses of the Group as a whole, co-ordinate overall resources and make financial and operational decisions. The Board also gives clear directions as to their powers of management including circumstances where management should report back, and will review the delegation arrangements on a periodic basis to ensure that they remain appropriate to the needs of the Group.

BOARD COMPOSITION

The Board comprises eight Directors and their respective roles are set out as follows:

Executive Directors:

Dr. Yim Yuk Lun, Stanley *BBS JP*

Mr. Yim Tsz Yu, Jeffrey (*appointed on 1 February 2024*)

Mr. Tong Sze Chung

Mr. Chang Wei Hua (*Chief Executive Officer*) (*resigned on 4 September 2023*)

Mr. Wei Wei (*resigned on 31 January 2024*)

Non-executive Directors:

Mr Yim Tsz Kit, Jacky (*Chairman*) (*appointed on 4 September 2023*)

Mr. Wong Wai Tai

Independent non-executive Directors:

Mr. Shea Chun Lok, Quadrant

Mr. Fung Cheuk Nang, Clement

Mr. Tsoi Chi Ho, Peter

In compliance with Rule 5.02D of the GEM Listing Rules, Mr. Yim Tsz Yu, Jeffrey, who was appointed as an Executive Director of the Company on 1 February 2024, obtained the legal advice referred to in Rule 5.02D on 31 January 2024, and Mr. Jeffrey Yim has confirmed that he understood his obligations as a director of the Company.

Corporate Governance Report

RELATIONSHIP BETWEEN BOARD MEMBERS

Both Mr. Shea Chun Lok, Quadrant (“Mr. Shea”) and Dr. Yim Yuk Lun, Stanley *BBS JP* (“Dr. Yim”) serve on the boards of the Company and Asia Allied Infrastructure Holdings Limited (“Asia Allied”). Mr. Shea is the executive director, chief financial officer and company secretary of Asia Allied and an independent non-executive Director of the Company (the “INED”). Dr. Yim is an executive Director of the Company and a non-executive director of Asia Allied. Taking into consideration their roles in the business activities of, and the relationship between the two companies, the Company considers that such cross-directorship relationship would not affect Mr. Shea in performing his duties as the INED.

Save as disclosed above, there are no financial, business, family or other material/relevant relationship among the Directors.

Details of remuneration paid to members of key management (including all Directors and senior management as disclosed in section headed “Directors and Senior Management Profiles” of this report) for the year ended 31 December 2023 fell within the following bands:

Number of individual 2023

Below HK\$1,000,000

10

Under the CG Code provision C.1.8, an issuer should arrange appropriate insurance cover in respect of legal action against its Directors. With regular and timely communications among the Directors and the management of the Group, the management of the Group believes that all potential claims and legal actions against the Directors can be handled effectively and the possibility of actual litigation against the Directors is low. The Company will consider making such an arrangement as and when it thinks necessary.

Chairman and Chief Executive Officer

The roles of the Chairman and the Chief Executive Officer are separate and are not performed by the same individual. Mr. Yim Tsz Kit, Jacky holds the position of the Chairman of the Group and is responsible for the formulation of corporate strategies and the overall direction of the Group.

Mr. Chan Ka Ho holds the position of the Chief Executive Officer of the Group and is responsible for day-to-day management of the Group’s business.

Director’s Appointments, Re-election and Removal

Dr. Yim Yuk Lun, Stanley *BBS JP*, an Executive Director of the Company and Mr. Wong Wai Tai, a Non-Executive Director of the Company have entered into a letter of appointment commencing from 1 October 2023 and 1 December 2023 respectively for an initial term of one year, during which either party may terminate the service agreement by giving the other not less than three months written notice.

Mr. Yim Tsz Kit, Jacky, the Chairman and a Non-Executive Director of the Company, Mr. Yim Tsz Yu, Jeffrey, an Executive Director of the Company and Mr. Tong Sze Chung, an Executive Director of the Company have entered into a service contract with the Company commencing from 4 September 2023, 1 February 2024 and 1 October 2023 respectively for an initial term of one year, during which either party may terminate the service agreement by giving the other not less than three months written notice.

Corporate Governance Report

Each of the independent non-executive Directors has entered into a letter of appointment for a term of one year commencing from 21 December 2023 and termination by not less than three months' notice in writing served by the independent non-executive Director or the Company.

All the Directors, including non-executive and independent non-executive Directors, are subject to retirement by rotation and eligible for re-election in accordance with the Company's articles of association. At each annual general meeting, not less than one third of the Directors then in office shall retire and every Director is subject to retirement by rotation at least once every three years.

Confirmation of Independence

Each of the independent non-executive Directors had made a confirmation of independence by reference to Rule 5.09 of the GEM Listing Rules and the Board is satisfied that all the independent non-executive Directors were independent and met the independent guidelines set out in Rule 5.09 of the GEM Listing Rules.

Number of Meetings and Directors' Attendance

The Board meets regularly for considering, reviewing and/or approving matters relating to, among others, the financial and operating performance, as well as, the overall strategies and policies of the Company. Additional meetings are held when significant events or important issues are required to be discussed and resolved.

9 Board meetings were held during the Year. The individual attendance record of the Board meetings, annual general meeting (the "AGM") and extraordinary general meeting (the "EGM") are set out as follows:

	Number of Board Meetings attended/eligible to attend	AGM	EGM
<i>Executive Directors:</i>			
Dr. Yim Yuk Lun, Stanley <i>BBS JP</i>	9/9	1/1	1/1
Mr. Yim Tsz Yu, Jeffrey (<i>appointed on 1 February 2024</i>)	N/A	N/A	N/A
Mr. Tong Sze Chung	9/9	1/1	1/1
Mr. Chang Wei Hua (<i>resigned on 4 September 2023</i>)	7/9	1/1	1/1
Mr. Wei Wei (<i>resigned on 31 January 2024</i>)	9/9	1/1	1/1
<i>Non-executive Directors:</i>			
Mr Yim Tsz Kit, Jacky (<i>appointed on 4 September 2023</i>)	2/9	N/A	N/A
Mr. Wong Wai Tai	9/9	1/1	1/1
<i>Independent non-executive Directors:</i>			
Mr. Shea Chun Lok, Quadrant	9/9	1/1	1/1
Mr. Fung Cheuk Nang, Clement	9/9	1/1	1/1
Mr. Tsoi Chi Ho, Peter	9/9	1/1	1/1

Corporate Governance Report

BOARD COMMITTEES

Audit committee

The Board established the audit committee on 23 December 2015 with written terms of reference which are of no less exacting terms than those set out in the CG Code.

The audit committee comprises three independent non-executive Directors, namely Mr. Shea Chun Lok, Quadrant, Mr. Fung Cheuk Nang, Clement and Mr. Tsoi Chi Ho, Peter. Mr. Shea Chun Lok, Quadrant is the chairman of the audit committee.

The primary duties of the audit committee are to review and supervise the financial reporting process, risk management and internal control system of the Company, the effectiveness of the Group's internal audit function, nominate and monitor external auditors, meet with external auditor regularly and provide advice and comments to the Board.

The audit committee had reviewed the Group's consolidated financial statements for the Year.

The audit committee held 4 meetings to review unaudited quarter results, interim results and annual results and reports during the year ended 31 December 2023, financial reporting and compliance procedures and effectiveness of risk management systems and internal controls of the Group. The attendance records of individual committee members are set out below:

Directors:	Number of Meetings attended/eligible to attend
Mr. Shea Chun Lok, Quadrant	4/4
Mr. Fung Cheuk Nang, Clement	4/4
Mr. Tsoi Chi Ho, Peter	4/4

Remuneration committee

The Board established the remuneration committee on 23 December 2015 with written terms of reference which are of no less exacting terms than those set out in the CG Code.

The remuneration committee comprises one executive Director namely Mr. Tong Sze Chung and two independent non-executive Directors, namely Mr. Shea Chun Lok, Quadrant and Mr. Fung Cheuk Nang, Clement. Mr. Shea Chun Lok, Quadrant is the chairman of the remuneration committee.

The primary duties of the remuneration committee are to make recommendations to the Board on the overall remuneration policy and structure relating to all Directors and senior management of the Group, review and recommend the management's remuneration proposals by reference to the corporate goals and objectives resolved by the Board from time to time.

The emoluments of the directors of the Company are recommended by the Remuneration Committee and are decided by the Board, having regard to the Company's operating results, individual performance and comparable market statistics.

Corporate Governance Report

The remuneration committee held 2 meetings during the year to review and discuss with the management of the Company the remuneration policy and structure of the Directors and senior management of the Group.

Directors:	Number of Meetings attended/eligible to attend
Mr. Shea Chun Lok, Quadrant	2/2
Mr. Fung Cheuk Nang, Clement	2/2
Mr. Tong Sze Chung	2/2

Nomination committee

The Board established the nomination committee on 23 December 2015 with written terms of reference which are of no less exacting terms than those set out in the CG Code.

The nomination committee comprises one executive Director namely Mr. Tong Sze Chung and two independent non-executive Directors, namely Mr. Shea Chun Lok, Quadrant and Mr. Fung Cheuk Nang, Clement. Mr. Shea Chun Lok, Quadrant is the chairman of the nomination committee.

The primary function of the nomination committee is to make recommendations to the Board regarding appointment of Directors and candidates to fill vacancies on the Board.

The Board adopted the board diversity policy in accordance with the requirement as set out in the CG Code. The Board recognizes the benefits of having a diverse Board and considers a number of factors which include but are not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service as to its composition. The nomination committee regularly monitors and reviews the implementation of the Board diversity policy.

The nomination committee held 2 meetings during the year to recommend the re-appointment of the Directors standing for re-election at the annual general meeting, to review and discuss the composition of the Board of the Company, to identify and nominate candidates for appointment to the Board such that it has the relevant skills, knowledge and experience and to assess the independency of independent non-executive Directors.

The attendance records of individual committee members are set out below:

Directors:	Number of Meetings attended/eligible to attend
Mr. Shea Chun Lok, Quadrant	2/2
Mr. Fung Cheuk Nang, Clement	2/2
Mr. Tong Sze Chung	2/2



Corporate Governance Report

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

- Reputation for integrity
- Qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy
- Commitment in respect of available time and relevant interest
- The number of existing directorships and other commitments that may demand the attention of the candidate
- Requirement for the Board to have independent non-executive directors in accordance with the GEM Listing Rules and whether the candidates would be considered independent with reference to the independence guidelines set out in the GEM Listing Rules
- Diversity in all its aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service
- Such other perspectives appropriate to the Company's business

BOARD DIVERSITY POLICY

The Company has a Board Diversity Policy whereby it recognizes and embraces the benefits of a diversity of Board members. It endeavors to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business. All Board appointments will continue to be made on a merit basis with due regard for the benefits of diversity of the Board members. Selection of candidates will be based on a range of diversity perspectives including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service.

Corporate Governance Report

During the Year and as at the date of this annual report, the Board comprises eight Directors. Three of them are independent non-executive Directors, thereby promoting critical review and control of the management process. The following tables further illustrate the diversity of the Board members as of the date of this annual report:

Name of Director	Age Group			
	30-39	40 to 49	50 to 59	60 or above
Dr. Yim Yuk Lun, Stanley <i>BBS JP</i>				✓
Mr. Yim Tsz Yu, Jeffrey (appointed on 1 February 2024)	✓			
Mr. Tong Sze Chung			✓	
Mr. Yim Tsz Kit, Jacky (appointed on 4 September 2023)	✓			
Mr. Wong Wai Tai			✓	
Mr. Shea Chun Lok, Quadrant			✓	
Mr. Fung Cheuk Nang, Clement		✓		
Mr. Tsoi Chi Ho, Peter	✓			
Mr. Chang Wei Hua (resigned on 4 September 2023)			✓	
Mr. Wei Wei (resigned on 31 January 2024)			✓	

Name of Director	Electronics	Accounting and Finance	LED lighting and display
Dr. Yim Yuk Lun, Stanley <i>BBS JP</i>	✓		
Mr. Yim Tsz Yu, Jeffrey (appointed on 1 February 2024)			✓
Mr. Tong Sze Chung		✓	
Mr. Yim Tsz Kit, Jacky (appointed on 4 September 2023)			✓
Mr. Wong Wai Tai		✓	
Mr. Shea Chun Lok, Quadrant		✓	
Mr. Fung Cheuk Nang, Clement	✓		
Mr. Tsoi Chi Ho, Peter	✓		
Mr. Chang Wei Hua (resigned on 4 September 2023)	✓		
Mr. Wei Wei (resigned on 31 January 2024)	✓		

For the purpose of implementation of the Board Diversity Policy, the following measurable objectives were adopted:

- at least one-third of the members of the Board shall be independent non-executive Directors; and
- at least one of the members of the Board shall have obtained accounting or other professional qualifications.

The Board has achieved the measurable objectives in the board diversity policy.

Corporate Governance Report

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the functions specified in Code Provision A.2 of the CG Code, which include reviewing the Company's corporate governance policies and practices, the continuous professional development of the Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements (including the GEM Listing Rules) and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

DIRECTORS' CONTINUOUS TRAINING AND PROFESSIONAL DEVELOPMENT

Pursuant to Code Provision C.1.4 of the CG Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. Each Director received induction on the first occasion of his appointment, so as to ensure that he/she has appropriate understanding of the business and operations of the Group and that he/she is sufficiently aware of his/her responsibilities and obligations under the GEM Listing Rules and other relevant legal and regulatory requirements.

During the year, all Directors participated in the continuous professional developments regarding the duties and responsibility of the Directors under the relevant legal and regulatory requirement which included reading materials in relation to legal or regulatory update and/or attending training course.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company had adopted Rules 5.48 to 5.67 of the GEM Listing Rules as its own code of conduct (the "Code of Conduct") regarding securities transactions by the Directors. All Directors, after specific enquiries by the Company, confirmed to the Company their compliance with the Code of Conduct throughout the year under review.

AUDITOR'S REMUNERATION

The remuneration paid/payable to the auditor of the Company during the year is set out as follows:

Services rendered in 2023	HK\$'000
Statutory audit services	850
Non-audit services	
– non-audit and tax related service	240

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors acknowledge their responsibility to prepare financial statements for each quarter, half and full financial year which give a true and fair view of the state of affairs of the Group.

COMPANY SECRETARY AND COMPLIANCE OFFICER

Mr. Tong Sze Chung is an executive Director, a financial controller, company secretary and the compliance officer of the Company. His biographical details and professional qualifications are set out on page 10 of this report.

Mr. Tong has complied with all requirements relating to qualifications, experiences and training under Rule 5.14 of the GEM Listing Rules.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board has overall responsibilities for maintaining good and effective risk management and internal controls of the Group.

During the Year, the Board, with the assistance of the audit committee, conducted a review of the effectiveness and adequacy of the Group's risk management and internal control systems, covering financial, operational, compliance control and risk management functions. To assist the audit committee to fulfill its responsibilities, the senior management has to identify, update and report the key risk areas which covered all aspects of corporate strategies, operation and finance to the Board.

The Group risk management and internal control system includes the setting up of a management structure with limits of authority and is designed to help the Group achieve its business objectives, protects its assets against unauthorized use or disposition, ensures the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication and ensures compliance with relevant laws and regulations. The system is designed to provide reasonable, but not absolute, assurance against material misstatement or loss, and to manage rather than eliminate all risks of failure in the Group's operational systems and in the achievement of the Group's business objectives.

Risk management report and internal control report are submitted to the audit committee and the Board at least once a year. After reviewing the Group's risk management and internal control systems, the Board considers that the systems are effective and adequate for the Group as a whole. The Board further considers that (i) there was no material issue relating to the Group's risk management and internal controls, including financial, operational and compliance controls and risk management functions of the Group; and (ii) that there were adequate staff with appropriate and adequate qualifications and experience, resources for accounting, internal audit and financial reporting functions, and adequate training programmes had been provided during the year under review.

Corporate Governance Report

PROCEDURES AND INTERNAL CONTROLS FOR THE HANDLING AND DISSEMINATION OF INSIDE INFORMATION

The Group complies with requirements of Securities and Futures Ordinance (“SFO”) and the GEM Listing Rules. The Group discloses inside information to the public as soon as reasonably practicable unless the information falls within any of the safe harbours as provided in the SFO. Before the information is fully disclosed to the public, the Group ensures the information is kept strictly confidential. If the Group believes that the necessary degree of confidentiality cannot be maintained or that confidentiality may have been breached, the Group would immediately disclose the information to the public. The Group is committed to ensure that information contained in announcements or circulars are not false or misleading as to a material fact, or false or misleading through the omission of a material fact in view of presenting information in a clear and balanced way, which requires equal disclosure of both positive and negative facts.

PROCEDURES FOR SHAREHOLDERS TO CONVENE AN EXTRAORDINARY GENERAL MEETING AND PROCEDURES FOR SHAREHOLDERS TO PUT FORWARD PROPOSALS AT SHAREHOLDERS’ MEETINGS

According to article 10.9 of the Company’s articles of association, one or more Shareholders (the “Requisitionists”), holding not less than 10% of the total voting rights of the Company can convene an extraordinary general meeting (the “EGM”) by depositing a requisition (the “Written Requisition”) in writing to the Directors or the Company Secretary for the purpose of requiring the convening of the EGM. The Written Requisition must state the purposes of the meeting and not more than 1,000 words and must be signed by the Requisitionists. The Written Requisition shall be deposited to the Company’s principal place of business at 15/F., S.A.S. Tower, 55 Lei Muk Road, Kwai Chung, New Territories, Hong Kong and marked for the attention of the Board of Directors/Company Secretary. The Written Requisition will be verified with the Company’s Hong Kong Share Registrar in Hong Kong and upon their confirmation that the Written Requisition is proper and in order, the Board will convene an EGM by serving sufficient notice in accordance with the statutory requirements to all the Shareholders.

If the Board does not within 21 days from the date of deposit of the Written Requisition proceed duly to convene the meeting to be held, the Requisitionists may convene the general meeting in the same manner within three months after the end of that period and all reasonable expenses incurred by the Requisitionists as a result of the failure of the Board in convening the meeting shall be reimbursed to them by the Company.

Shareholders may also use this same method to put forward proposals for the general meeting.

COMMUNICATION WITH SHAREHOLDERS

To foster effective communications with its shareholders, the Company provides extensive information in its annual report and press release. Also the Group disseminates information relating to its business electronically through its website at <http://www.hi-levelhk.com>. The Company regards the annual general meeting as an important event as it provides an important opportunity for direct communications between the Board and the Shareholders.

All Directors and senior management will make an effort to attend. All Shareholders will be given at least 20 clear business days’ notice of the annual general meeting and are encouraged to attend the annual general meeting and other Shareholders’ meetings.

The directors present their annual report and the audited consolidated financial statements of Hi-Level Technology Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2023.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company and the activities of its principal subsidiaries are set out in Note 31 to the consolidated financial statements.

RESULT AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2023 are set out in the consolidated statement of profit or loss and other comprehensive income on page 37.

The directors do not recommend the payment of a final dividend (2022: Nil).

BUSINESS REVIEW

Business review of the Group for the year ended 31 December 2023 has been stated in the Chairman's Statement on pages 5 to 6 of this report.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate purchases attributable to the Group's largest supplier and five largest suppliers taken together accounted for 25.3% and 69.8%, respectively, of the Group's total purchases for the year.

The aggregate sales attributable to the Group's largest customer and five largest customers taken together accounted for 6.2% and 24.3%, respectively, of the Group's total sales for the year.

None of the Directors, their associates or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had an interest in the Group's five largest suppliers or customers.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in Note 14 to the consolidated financial statements.

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in Note 25 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders as at 31 December 2023, calculated in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, as is represented by the accumulated losses of HK\$133,240,000 disclosed in Note 30 to the consolidated financial statements.

Directors' Report

ANALYSIS OF KEY FINANCIAL PERFORMANCE INDICATORS

For details of the key financial performance indicators to the performance the Group's business, please refer to "Management Discussion and Analysis" on pages 8 to page 9 of this report.

ENVIRONMENTAL PROTECTION

The Group is committed to acting in an environmentally responsible manner. Using LED lamps for offices and warehouse premises, environmentally friendly paper to print annual, interim and quarterly reports, recycling and use of eco-friendly stationery, plus a series of measures to save paper and energy, resulted in more efficient use of resources, as well as reduction of waste.

COMPLIANCE WITH REGULATIONS

There was no material breach of or non-compliance with the applicable laws and regulations such as the Hong Kong Companies Ordinance (Cap. 622), Listing Rules, and other applicable local laws and regulations in various jurisdictions.

RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

Remuneration packages are generally structured with reference to prevailing market terms and individual qualifications. Salaries and wages are normally reviewed on an annual basis based on performance appraisals and other relevant factors. Apart from salary payments, there are other staff benefits including mandatory provident fund, medical insurance and performance related bonus. Share options may also be granted to eligible employees of the Group.

Relationship is the fundamentals of business. The Group fully understands this principal and thus maintains close relationship with the customers to fulfill their immediate and long-term need.

The Group encompasses working relationships with suppliers to meet our customer's needs in an effective and efficient manner. The Group work closely and well-communicated to suppliers before the commencement of a project.

PRINCIPAL RISK AND UNCERTAINTIES FACING THE COMPANY

The following lists out the principal risks and uncertainties facing the company in achieving business objectives and the Group's approach to tackle them:

Impact of local and international regulations

The business operation of the Group is also subject to government policy, relevant regulations and guidelines established by the regulatory authorities. Failure to comply with the rules and requirements may lead to penalties, amendments or suspension of the business operation by the authorities. The Group closely monitors changes in government policies, regulations and markets as well as conducting studies to assess the impact of such changes.

Foreign Exchange Risk Management

The Group derives its turnover, make purchases and incurs expenses denominated mainly in Renminbi, US\$ and HK\$. Currently, the Group has not entered into agreements or purchases instruments to hedge the Group's exchange rate risks. The management considers that the foreign exchange risk with respect to US\$ and Renminbi are not significant as HK\$ is pegged to US\$ and transactions denominated in US\$ and Renminbi are mainly carried out by entities with the same functional currency. The exchange rate of Renminbi is subject to the rules and regulations of foreign exchange control promulgated by the PRC government. The Group manages foreign currency risk by closely monitoring the movement of the foreign currency rates.

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

Executive Directors

Dr. Yim Yuk Lun, Stanley *BBS JP*

Mr. Yim Tsz Yu, Jeffrey (*appointed on 1 February 2024*)

Mr. Tong Sze Chung

Mr. Chang Wei Hua (*Chief Executive Officer*) (*resigned on 4 September 2023*)

Mr. Wei Wei (*resigned on 31 January 2024*)

Non-Executive Directors

Mr Yim Tsz Kit, Jacky (*Chairman*) (*appointed on 4 September 2023*)

Mr. Wong Wai Tai

Independent Non-Executive Directors

Mr. Shea Chun Lok, Quadrant

Mr. Fung Cheuk Nang, Clement

Mr. Tsoi Chi Ho, Peter

Pursuant to the Articles 14.4 to 14.6 and 14.9 of the Company's Articles of Association, Mr. Yim Tsz Yu, Jeffrey, Mr. Yim Tsz Kit, Jacky, Mr. Wong Wai Tai, Mr. Shea Chun Lok, Quadrant and Mr. Tsoi Chi Ho, Peter shall retire by rotation at the annual general meeting. All the retiring Directors, being eligible, will offer themselves for re-election at the annual general meeting.

DIRECTORS' SERVICE CONTRACTS

Dr. Yim Yuk Lun, Stanley *BBS JP*, an Executive Director of the Company and Mr. Wong Wai Tai, a Non-Executive Director of the Company have entered into a letter of appointment commencing from 1 October 2023 and 1 December 2023 respectively for an initial term of one year, during which either party may terminate the service agreement by giving the other not less than three months written notice.

Mr. Yim Tsz Kit, Jacky, the Chairman and a Non-Executive Director of the Company, Mr. Yim Tsz Yu, Jeffrey, an Executive Director of the Company and Mr. Tong Sze Chung, an Executive Director of the Company have entered into a service contract with the Company commencing from 4 September 2023, 1 February 2024 and 1 October 2023 respectively for an initial term of one year, during which either party may terminate the service agreement by giving the other not less than three months written notice.

Each of the independent non-executive Directors has entered into a letter of appointment for a term of one year commencing from 21 December 2023 and termination by not less than three months' notice in writing served by the independent non-executive Director or the Company.

Saved as disclosed above, no director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

Directors' Report

UPDATE ON DIRECTORS' INFORMATION

Pursuant to rule 17.50(2) of the GEM Listing Rules, the change of directors' information of the Company since the date of 2023 quarterly report is as follow:

Mr. Yim Tsz Yu, Jeffrey has been appointed as an executive Director of the Company with effect from 1 February 2024.

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 December 2023, the directors and chief executive of the Company and/or any of their respective associates had the following interests and short positions in the shares, underlying shares and debentures of the Company and/or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or the GEM Listing Rules:

Long positions in shares

Ordinary shares of HK\$0.01 each of the Company

Name of directors /chief executive	Capacity	Number of issued ordinary shares held	Percentage of issued share capital of the Company
Dr. Yim Yuk Lun, Stanley <i>BBS JP</i> (Note)	Beneficial owner and interest in controlled corporation	535,091,722	55.22
Mr. Wong Wai Tai	Beneficial owner	5,000,000	0.52
Mr. Chan Ka Ho	Beneficial owner	1,150,000	0.12
Mr. Tong Sze Chung	Beneficial owner	600,144	0.06
Mr. Fung Cheuk Nang, Clement	Beneficial owner	600,000	0.06
Mr. Tsoi Chi Ho, Peter	Beneficial owner	600,000	0.06
Mr. Yim Tsz Kit, Jacky	Beneficial owner	300,000	0.03

Note:

Dr. Yim Yuk Lun, Stanley *BBS JP* beneficially owns 86,245,722 Shares and is the controlling shareholder of S.A.S. Dragon Holdings Limited ("S.A.S. Dragon"); he is therefore under the SFO deemed to be interested in 448,846,000 Shares held by S.A.S. Investment Company Limited ("S.A.S. Investment") which is a wholly-owned subsidiary of S.A.S. Dragon.

Equity-settled share option scheme of the Company

Pursuant to a written resolution of the shareholders of the Company dated 23 December 2015, the share option scheme (the "2015 Scheme") was approved and adopted. The Scheme was established for the purpose of providing incentives or rewards for the contribution of directors of the Company and the Eligible Persons, and will expire on 22 December 2025. Under the 2015 Scheme, the directors of the Company may at their discretion grant options to the Eligible Persons.

Options granted must be taken up within 14 days of the date of grant. The overall limit on the number of shares which shall be issued upon exercise of all outstanding options granted, and yet to be exercised, under the 2015 Scheme, and other share option schemes of the Company shall not exceed 30% of the shares in issue from time to time. The total number of shares of the Company in respect of which options may be granted under the 2015 Scheme must not in aggregate exceed 60,000,000 shares (representing 10% of the total nominal value of the share capital of the Company in issue) immediately following completion of the Placing. The maximum number of shares in respect of which options may be granted to any individual in any 12-month period shall not exceed 1% of the shares in issue on the last date of such 12-month period unless approval of the shareholders of the Company has been obtained in accordance with the GEM Listing Rules.

Options may be exercised during such period (including the minimum period, if any, for which an option must be held before it can be exercised) as may be determined by the directors of the Company (which shall be less than ten years from the date of issue of the relevant option). Upon acceptance of the option, the grantee shall pay HK\$1.00 to our Company as consideration for the grant. The exercise price is determined by the directors of the Company, and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant, (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

During the years ended 31 December 2023, no share option has been granted under the 2015 Scheme.

EQUITY-LINKED AGREEMENTS

Other than the share option scheme as disclosed above, no equity-linked agreements were entered into by the Company during the year or subsisted at the end of the year.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

Other than the share option scheme as disclosed above, at no time during the year was the Company, any of its holding companies, fellow subsidiaries or subsidiaries, a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Directors' Report

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2023, the following persons (not being the directors or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO:

Long positions in shares

Ordinary shares of HK\$0.01 each of the Company

Name of shareholders	Capacity	Number of issued ordinary shares held	Percentage of issued share capital of the Company
S.A.S. Dragon <i>(Note 1)</i>	Interest in controlled corporation	448,846,000	46.32
S.A.S. Investment <i>(Note 1)</i>	Beneficial owner	448,846,000	46.32
Mr. Chang Wei Hua <i>(Note 2)</i>	Interest in controlled corporation	76,847,000	7.93
Mr. Wei Wei <i>(Note 3)</i>	Interest in controlled corporation	76,847,000	7.93

Notes:

1. S.A.S. Dragon is deemed to be interested in the 448,846,000 Shares held by S.A.S. Investment, a wholly owned subsidiary of S.A.S. Dragon.
2. Mr. Chang Wei Hua beneficially owns 600,000 Shares and 76,247,000 Shares are held by Vertex Value Limited, a company incorporated in the British Virgin Islands, which is beneficially owned by Mr. Chang Wei Hua.
3. Mr. Wei Wei beneficially owns 600,000 Shares and 76,247,000 Shares are held by Victory Echo Holdings Limited, a company incorporated in the British Virgin Islands, which is beneficially owned by Mr. Wei Wei.

PERMITTED INDEMNITY PROVISION

During the financial year and as at the date of this report, a qualifying indemnity provision made by the Company for the benefit of the directors of the Company is in force.

MANAGEMENT CONTRACTS

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

DIRECTORS' INTEREST IN A TRANSACTION, ARRANGEMENT AND CONTRACTS OF SIGNIFICANCE

No transaction, arrangement and contract of significance to which the Company, its holding companies, fellow subsidiaries or subsidiaries was a party and in which a director or a connected entity of a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

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

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

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by the Board of Directors on the basis of their merit, qualifications, competence and job nature.

The emoluments of the directors of the Company are recommended by the Remuneration Committee and are decided by the Board, having regard to the Company's operating results, individual performance and comparable market statistics.

The Company has adopted a share option scheme as an incentive to eligible employees, details of the scheme is set out in note 33 to the consolidated financial statements.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, up to the date of this report, there is sufficient public float of 25% of the Company's issued shares as required under the GEM Listing Rules.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's articles of association and there was no restriction against such rights under the laws of Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

TAX RELIEF

The Company is not aware of any relief on taxation available to the shareholders by reason of their holdings of the shares. If the shareholders are unsure about the taxation implications of purchasing, holding, disposing of, dealing in, or exercising of any rights in relation to the shares, they are advised to consult their professional advisers.

CONNECTED TRANSACTIONS

Saved as disclosed in Note 29 to the consolidated financial statements which is fully exempted from Chapter 20 of the GEM Listing Rules, the Company was not aware of any other related party transactions which constitute a connected transaction of the Group, nor are there any connected transactions that need to be disclosed in this annual report under the GEM Listing Rules. The Company has complied with the disclosure requirements in accordance with Chapter 20 of the GEM Listing Rules.

USE OF PROCEEDS FROM THE LISTING AND CHANGE IN USE OF PROCEEDS

On 7 January 2016, the Company has offered 150,000,000 shares for subscription by way of placing and raised net proceeds of approximately HK\$30 million.

The change of use of the net proceeds was approved by the Board of Directors of the Company on 15 March 2018 and further change in use of proceeds was approved by the Board of Directors of the Company on 28 December 2022.

Directors' Report

Set out below are the revised use of proceeds:

Uses	Original allocation as stated in the Prospectus (HK\$ million)	Revised allocation as disclosed in 2017 Annual Report (HK\$ million)	Further revised allocation of unutilised net proceeds as at 31 December 2022 (HK\$ million)	Actual use of proceeds as at 31 December 2023 (HK\$ million)	Balance as at 31 December 2023 (HK\$ million)	Expected timeline of full utilisation of the balance
Upgrading the Group's ERP system	4.6	4.6	-	0.6	4.0	By end of 2024
Expanding the Group's ELA business by engaging in:						
- Research and development staff expenses	2.5	2.5	-	2.5	-	N/A
- Equipment purchases	8.7	8.7	(7.5)	1.2	-	N/A
	11.2	11.2	(7.5)	3.7	-	
Expanding the Group's product range by engaging in:						
- Car infotainment	2.8	2.8	-	2.8	-	N/A
- Drones Wi-Fi Transmission	2.8	2.8	-	2.8	-	N/A
- Artificial Intelligence and Internet-of-Things	-	5.6	-	5.6	-	N/A
- Development of Metaverse hardware	-	-	7.5	1.6	5.9	By end of 2024
- Others	5.6	-	-	-	-	N/A
	11.2	11.2	7.5	12.8	5.9	
General working capital	3.0	3.0	-	3.0	-	N/A
Total	30.0	30.0	-	20.1	9.9	

USE OF PROCEEDS FROM RIGHTS ISSUE

On 8 June 2023, the Board proposed to implement a rights issue on the basis of one (1) right share for every one (1) existing share held on the record date on a non-underwritten basis (the "Rights Issue"). On 31 August 2023, an aggregate of 316,312,074 rights shares has been issued pursuant to the rights issue prospectus of the Company dated 7 August 2023 and the results of rights issue announcement of the Company dated 30 August 2023 (the "Announcement"). The estimated net proceeds from the Rights Issue (after deducting all necessary costs and expenses) were approximately HK\$36.7 million. As of 31 December 2023, approximately HK\$32.0 million had been utilised as follows:

Uses	Planned use of the proceeds as stated in the Announcement (HK\$ million)	Actual use of proceeds as at 31 December 2023 (HK\$ million)	Unutilised net proceeds up to 31 December 2023 (HK\$ million)
Repayment of outstanding bank borrowings	25.8	25.8	–
Development of new applications for MCU and electronic paper	7.3	2.6	4.7
General working capital	3.6	3.6	–
Total	36.7	32.0	4.7

AUDITOR

BDO Limited was appointed as auditor of the Company and will retire and, being eligible, offer itself for re-appointment as auditor of the Company at the forthcoming annual general meeting.

Signed on behalf of the Board

Mr. Yim Tsz Kit, Jacky

Chairman

Hong Kong, 22 March 2024

Independent Auditor's Report



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TO THE SHAREHOLDERS OF HI-LEVEL TECHNOLOGY HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Hi-Level Technology Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 37 to 99, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 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"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

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

KEY AUDIT MATTERS (Continued)

Estimated allowance of inventories

Refer to Note 4(e) on material accounting policies, Note 5 on key sources of estimation uncertainty and Note 16 to the consolidated financial statements.

We identified the estimated allowance of inventories as a key audit matter due to the estimation and assumptions made by the management in identifying the obsolete and slow-moving inventory items, and estimating the allowance of inventories.

The directors of the Company review inventories on a product-by-product basis at the end of the reporting period to identify obsolete and slow-moving inventory items based on the inventories ageing analysis and determine allowance of inventories by reference to net realisable value of the inventories. Net realisable value of inventories is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sales. The management estimates the net realisable value for inventories based primarily on the current market demand, latest selling prices and historical experiences on selling products with similar nature. As at 31 December 2023, the carrying value of inventories was HK\$109,580,000 (net of allowance of HK\$13,998,000).

Our response:

Our procedures in relation to evaluating the appropriateness of estimated allowance of inventories included:

- Understanding how the management identifies obsolete and slow-moving inventory items, and estimating the allowance of inventories as at 31 December 2023;
- Testing the accuracy of the inventories ageing analysis as at 31 December 2023, on sample basis;
- Assessing the reasonableness of the net realisable value of inventories and allowance of inventories estimated by the management;
- Tracing the latest selling prices to the sales invoices or purchase orders, on sample basis; and
- Evaluating the historical accuracy of the allowance of inventories estimated by the management.

Independent Auditor's Report

OTHER INFORMATION IN THE ANNUAL REPORT

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

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

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

DIRECTORS' RESPONSIBILITIES 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 also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibility in this regard.

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

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

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's 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 HKSA's, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- 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.

Independent Auditor's Report

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 to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, 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.

BDO Limited

Certified Public Accountants

Lam Tsz Ka

Practising Certificate no. P06838

Hong Kong, 22 March 2024

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2023

	Notes	2023 HK\$'000	2022 HK\$'000
Revenue	6	1,202,816	1,732,213
Cost of sales		(1,158,618)	(1,755,766)
Gross profit/(loss)		44,198	(23,553)
Other income		2,655	2,145
Other loss		(309)	(1,378)
Impairment losses under expected credit loss model, net of reversal/(provision)	8	116	(387)
Distribution costs		(10,553)	(14,583)
Administrative expenses		(23,842)	(22,916)
Finance costs	7	(8,285)	(7,730)
Profit/(loss) before taxation	8	3,980	(68,402)
Income tax expense	11	(38)	(143)
Profit/(loss) for the year		3,942	(68,545)
Other comprehensive income			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations: – subsidiaries		1,394	(7,737)
Other comprehensive income for the year		1,394	(7,737)
Total comprehensive income for the year		5,336	(76,282)
			(Restated)
Profit/(loss) per share (HK cents)	13		
– basic		0.50	(9.83)
– diluted		0.50	(9.83)

Consolidated Statement of Financial Position

As at 31 December 2023

	Notes	2023 HK\$'000	2022 HK\$'000
Non-current Assets			
Property, plant and equipment	14	585	1,133
Right-of-use assets	22	–	2,587
Club membership	15	266	266
		851	3,986
Current Assets			
Inventories	16	109,580	140,771
Trade and other receivables	17	118,298	131,884
Debt instruments at fair value through other comprehensive income	18	11,048	25,283
Tax recoverable		72	4,309
Fixed bank deposits	19	29,040	15,000
Bank balances and cash	19	47,191	91,896
		315,229	409,143
Current Liabilities			
Trade and other payables	20	122,524	148,770
Contract liabilities	21	6,062	13,608
Lease liabilities	22	–	2,640
Amount due to a related party	23	609	333
Tax payable		85	91
Bank borrowings	24	117,518	220,428
		246,798	385,870
Net Current Assets			
		68,431	23,273
Total Assets less Current Liabilities			
		69,282	27,259
Non-current Liability			
Lease liabilities	22	–	56
Net Assets			
		69,282	27,203
Capital and Reserves			
Share capital	25	9,691	6,528
Reserves		59,591	20,675
TOTAL EQUITY			
		69,282	27,203

The consolidated financial statements on pages 37 to 99 were approved and authorised for issue by the Board of Directors on 22 March 2024 and are signed on its behalf by

Dr. Yim Yuk Lun, Stanley *BBS JP*
Director

Mr. Yim Tsz Yu, Jeffrey
Director

Consolidated Statement of Changes In Equity

For the year ended 31 December 2023

	Share capital HK\$'000	Share premium HK\$'000 (Note i)	Special reserve HK\$'000 (Note ii)	Translation reserve HK\$'000 (Note iii)	Shareholder's contribution reserve HK\$'000 (Note iv)	(Accumulated loss)/retained profits HK\$'000	Total HK\$'000
As at 1 January 2022	6,528	54,329	25,000	6,275	448	10,905	103,485
Loss for the year	-	-	-	-	-	(68,545)	(68,545)
Exchange differences arising on translation of foreign operations – subsidiaries	-	-	-	(7,737)	-	-	(7,737)
Total comprehensive income for the year	-	-	-	(7,737)	-	(68,545)	(76,282)
As at 31 December 2022 and 1 January 2023	6,528	54,329	25,000	(1,462)	448	(57,640)	27,203
Profit for the year	-	-	-	-	-	3,942	3,942
Exchange differences arising on translation of foreign operations – subsidiaries	-	-	-	1,394	-	-	1,394
Total comprehensive income for the year	-	-	-	1,394	-	3,942	5,336
Issue of new shares upon rights issue, net (Note 25)	3,163	33,580	-	-	-	-	36,743
As at 31 December 2023	9,691	87,909	25,000	(68)	448	(53,698)	69,282

Notes:

- (i) The share premium account of the Group represents the excess of the proceeds received over the nominal value of the Company's shares issued, net of share issue costs.
- (ii) The special reserve represents the difference between the nominal amount of the share capital of Hi-Level Technology Limited ("Hi-Level Hong Kong") and the nominal amount of the share capital issued by the Company pursuant to a group reorganisation completed on 7 December 2015.
- (iii) The translation reserve comprises exchange differences relating to the translation of the financial statements of the foreign operations of the Group from their functional currency to the Group's presentation currency which is recognised directly in other comprehensive income and accumulated in the translation reserve.
- (iv) Shareholder's contribution reserve represents capital contribution arising from the share options granted to the employees of the Group under the share option scheme of a shareholder, S.A.S. Dragon Holdings Limited ("S.A.S. Dragon") in prior years.

Consolidated Statement of Cash Flows

For the year ended 31 December 2023

	Notes	2023 HK\$'000	2022 HK\$'000
OPERATING ACTIVITIES			
Profit/(loss) before taxation		3,980	(68,402)
Adjustments for:			
Depreciation of property, plant and equipment	8	616	815
Depreciation of right-of-use assets	8	1,769	5,640
Gain on termination of lease	8	(53)	–
Finance costs	7	8,285	7,730
Interest income	8	(1,354)	(948)
(Reversal of)/provision for impairment losses under expected credit loss model	8	(116)	387
Provision for allowance for inventories	8	5,018	40,954
Loss on written off property, plant and equipment	8	526	–
Operating cash flows before movements in working capital		18,671	(13,824)
Decrease in inventories		26,173	295,777
Decrease in trade and other receivables		13,702	12,444
Decrease/(increase) in debt instruments at fair value through other comprehensive income		14,235	(18,941)
Decrease in trade and other payables		(26,246)	(178,405)
Decrease in contract liabilities		(7,546)	(911)
Increase in amount due to a related party		276	201
Cash generated from operations		39,265	96,341
Profits Tax refunded/(paid)		4,193	(1,289)
NET CASH GENERATED FROM OPERATING ACTIVITIES		43,458	95,052
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	14	(583)	(187)
Interest received	8	1,354	948
Placement of fixed bank deposit		(14,040)	–
NET CASH (USED IN)/GENERATED FROM INVESTING ACTIVITIES		(13,269)	761

Consolidated Statement of Cash Flows

For the year ended 31 December 2023

	Notes	2023 HK\$'000	2022 HK\$'000
FINANCING ACTIVITIES			
New bank borrowings raised		1,515,093	3,080,743
Repayment of bank borrowings		(1,618,003)	(3,162,658)
Repayment of lease liabilities	22	(1,831)	(5,641)
Proceeds from issue of new shares upon rights issue	25	37,957	–
Transaction costs incurred upon rights issue	25	(1,214)	–
Interest paid	7	(8,285)	(7,730)
NET CASH USED IN FINANCING ACTIVITIES		(76,283)	(95,286)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(46,094)	527
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		91,896	98,864
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		1,389	(7,495)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		47,191	91,896
Analysis of the balances of cash and cash equivalents:			
Short term bank deposits		780	780
Bank balances		44,456	90,822
Cash on hand		1,955	294
	19	47,191	91,896

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

1. GENERAL

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies ACT, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and its shares have been listed on GEM of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) by way of placing (the “Placing”) on 7 January 2016 (the “Listing”). The addresses of the registered office and principal place of business of the Company are disclosed in the “Corporate Information” section to the annual report.

The Company acts as an investment holding company. The principal activities of its subsidiaries are set out in Note 31.

2. CHANGES IN ACCOUNTING POLICIES

(a) Adoption of new and amended Hong Kong Financial Reporting Standards (“HKFRSs”) – from 1 January 2023

The Hong Kong Institute of Certified Public Accountants has issued a new and several amended HKFRSs that are first effective for the current accounting period of the Group:

HKFRS 17	Insurance Contracts
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules

Except as stated below, none of these amended HKFRSs has a material impact on the Group’s results and financial position for the current or prior period. The Group has not early applied any new or amended HKFRSs that is not yet effective for the current accounting period.

Impacts on application of HKFRS 17 – Insurance Contracts

The Group has applied the new standard and the relevant amendments for the first time in the current year.

HKFRS 17 defines an insurance contract as a contract under which the Group accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

2. CHANGES IN ACCOUNTING POLICIES (Continued)

(a) Adoption of new and amended Hong Kong Financial Reporting Standards (“HKFRSs”) – from 1 January 2023 (Continued)

Impacts on application of HKFRS 17 – Insurance Contracts (Continued)

In October 2020, the HKICPA issued Amendments to HKFRS 17 to address concerns and implementation challenges that were identified after HKFRS 17 was published. The amendments defer the date of initial application of HKFRS 17 (incorporating the amendments) to annual reporting periods beginning on or after 1 January 2023. At the same time, the HKICPA issued Amendments to HKFRS 4 Extension of the Temporary Exemption from HKFRS 9 that extends the fixed expiry date of the temporary exemption from applying HKFRS 9 in HKFRS 4 to annual reporting periods beginning on or after 1 January 2023.

In February 2022, the HKICPA issued Amendment to HKFRS 17 Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information to address implementation challenges that were identified after HKFRS 17 was published. The amendment addresses challenges in the presentation of comparative information.

Certain contracts entered into by the Group, including warranty contracts issued by the Group which details as set out in Note 6(ii), meet the definition of insurance contracts under HKFRS 17. However, these contracts are specifically scoped out from HKFRS 17 and the Group continues to account for these contracts under relevant accounting standards. Therefore, the application of HKFRS 17 in the current year had no material impact on the consolidated financial statements.

Impacts on application of Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies

The Group has applied the amendments for the first time in the current year. HKAS 1 Presentation of Financial Statements is amended to replace all instances of the term “Significant accounting policies” with “material accounting policy information”. Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 Making Materiality Judgements (the “Practice Statement”) is also amended to illustrate how an entity applies the “four-step materiality process” to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments has had no material impact on the Group’s financial positions and performance but has affected the disclosure of the Group’s accounting policies set out in Note 4 to the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

2. CHANGES IN ACCOUNTING POLICIES (Continued)

(b) Amended HKFRSs that have been issued but are not yet effective

The following amended HKFRSs, potentially relevant to the Group's consolidated financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

Amendments to HKFRS 10 and HKAS 28 (2011)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ¹
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current (the "2020 Amendments") ^{1, 4}
Amendments to HKAS 1	Non-current Liabilities with Covenants (the "2022 Amendments") ^{1, 4}
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements ¹
Amendments to HKAS 21	Lack of Exchangeability ²

¹ Effective for annual periods beginning on or after 1 January 2024

² Effective for annual periods beginning on or after 1 January 2025

³ No mandatory effective date yet determined but available for adoption

⁴ As a consequence of the 2022 Amendments, the effective date of the 2020 Amendments was deferred to annual periods beginning on or after 1 January 2024. In addition, as a consequence of the 2020 Amendments and 2022 Amendments, Hong Kong Interpretation 5 Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause was revised to align the corresponding wording with no change in conclusion

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

Amendments to HKFRS 10 and HKAS 28 (2011), Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

2. CHANGES IN ACCOUNTING POLICIES (Continued)

(b) Amended HKFRSs that have been issued but are not yet effective (Continued)

Amendments to HKAS 1, Classification of liabilities as current or non-current (the “2020 Amendments”) and Non-current Liabilities with Covenants (the “2022 Amendments”)

The 2020 Amendments clarify the requirements on determining if a liability is current or non-current, in particular the determination over whether an entity has the right to defer settlement of the liabilities for at least 12 months after the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The 2020 Amendments also clarify the situations that are considered a settlement of a liability. In 2022, the HKICPA issued the 2022 Amendments to further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. In addition, the 2022 Amendments require additional disclosures by an entity that classifies liabilities arising from loan arrangements as non-current when it has a right to defer settlement of those liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period.

Amendments to HKAS 7 and HKFRS 7, Supplier Finance Arrangements

Amendments to HKAS 7 and HKFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity’s liabilities, cash flows and exposure to liquidity risk.

The amendments are effective for annual periods beginning on or after 1 January 2024 and earlier application is permitted. The amendments provide certain transition reliefs regarding comparative information, quantitative information as at the beginning of the annual reporting period and interim disclosures. The Group considered that the disclosure requirements from these amendments would not constitute significant changes in reported financial performance that could impact investor perceptions. The impact of application, if any, will be discussed in the Group’s future consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

2. CHANGES IN ACCOUNTING POLICIES (Continued)

(b) Amended HKFRSs that have been issued but are not yet effective (Continued)

Amendments to HKAS 21, Lack of Exchangeability

Amendments to HKAS 21 specify how an entity shall assess whether a currency is exchangeable into another currency and how it shall estimate a spot exchange rate at a measurement date when exchangeability is lacking. The amendments require disclosures of information that enable users of financial statements to understand the impact of a currency not being exchangeable. Earlier application is permitted. When applying the amendments, an entity cannot restate comparative information. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening balance of retained profits or to the cumulative amount of translation differences accumulated in a separate component of equity, where appropriate, at the date of initial application.

Except for the amendments to HKAS 7 and HKFRS 7, these amendments to standards described above are either currently not relevant to the Group or are not expected to have material impact on the Group in the current or future reporting periods and on foreseeable future.

(c) New HKICPA guidance on the accounting implications of the abolition of the MPF-long service payment (“LSP”) offsetting mechanism in Hong Kong

In July 2023, the HKICPA published “Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong” that provides guidance on the accounting considerations relating to the offsetting mechanism and the abolition of the mechanism.

Applying the approach, upon the enactment of the Amendment Ordinance in June 2022, it is no longer permissible to apply the practical expedient in paragraph 93(b) of HKAS 19 that previously allowed such deemed contributions to be recognised as reduction of service cost (negative service cost) in the period the contributions were made. Instead, these deemed contributions should be attributed to periods of service in the same manner as the gross LSP benefit applying paragraph 93(a) of HKAS 19.

The Amendment Ordinance has no material impact on the Group’s LSP liability and staff cost.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

3. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all HKFRSs, Hong Kong Accounting Standards (“HKASs”) and Interpretations (hereinafter collectively referred to as the “HKFRSs”) and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on GEM of the Stock Exchange of Hong Kong Limited.

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair value at the end of each reporting period, as explained in the accounting policies set out below.

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

(c) Functional and presentation currencies

The consolidated financial statements are presented in Hong Kong dollars (“HK\$”), which is different from the functional currency of the Company, United States dollars (“US\$”). The directors of the Company consider that presenting the consolidated financial statements in HK\$ is preferable when monitoring the performance and financial position of the Group.

4. MATERIAL ACCOUNTING POLICIES

(a) Business combination and basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries (the “Group”). Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the dates of acquisition or up to the dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business, and control is transferred to the Group. In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, input and substantive processes and whether the acquired set has the ability to produce outputs.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

4. MATERIAL ACCOUNTING POLICIES (Continued)

(b) Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: (i) power over the investee, (ii) exposure, or rights, to variable returns from the investee, and (iii) the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

(c) Property, plant and equipment

The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as an expense in profit or loss during the financial period in which they are incurred.

Property, plant and equipment are depreciated so as to write off their cost or valuation net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The useful lives are as follows:

Leasehold improvements	20% – 40% or over the term of the relevant lease, whichever is shorter
Furniture and fixtures	20%
Motor vehicles	33%
Office equipment	20% – 33%

An asset is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

4. MATERIAL ACCOUNTING POLICIES (Continued)

(d) Financial instruments

(i) Financial assets

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. Trade receivable without a significant financing component is initially measured at the transaction price.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are two measurement categories into which the Group classifies its debt instruments:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

Fair value through other comprehensive income ("FVTOCI"): Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVTOCI. Debt instruments at FVTOCI are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

4. MATERIAL ACCOUNTING POLICIES (Continued)

(d) Financial instruments (Continued)

(ii) Impairment loss on financial assets

The Group recognises loss allowances for expected credit loss (“ECL”) on trade and other receivables, rental deposit, bank balances and cash and debt instruments at FVTOCI. ECLs are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets’ original effective interest rate.

The Group measured loss allowances for trade receivables and debt instruments at FVTOCI using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. Except for those which had been determined as credit-impaired which are assessed individually, both trade receivables and debt instruments at FVTOCI are grouped based on internal credit rating and the ECL on these assets are assessed collectively.

For other debt financial assets, ECLs are based on lifetime ECLs except when there has not been a significant increase in credit risk since initial recognition, in which case the allowance will be based on the 12-month ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group’s historical experience and including forward-looking information that is available without undue cost or effort.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

4. MATERIAL ACCOUNTING POLICIES (Continued)

(d) Financial instruments (Continued)

(ii) Impairment loss on financial assets (Continued)

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

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

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to action such as realising security (if any is held); or the financial asset is more than 1 year past due.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

4. MATERIAL ACCOUNTING POLICIES (Continued)

(d) Financial instruments (Continued)

(ii) Impairment loss on financial assets (Continued)

The Group considers a financial asset to be credit-impaired when:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or past due event;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the debtor will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for debt instruments at fair value through other comprehensive income that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in "FVTOCI reserve (recycling)".

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

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

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over 2 years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

4. MATERIAL ACCOUNTING POLICIES (Continued)

(d) Financial instruments (Continued)

(ii) Impairment loss on financial assets (Continued)

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

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

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non credit-impaired financial assets, interest income is calculated based on the gross carrying amount.

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at FVTPL are initially measured at fair value and financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade and other payables, bank borrowings and amount due to a related party are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

(iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

4. MATERIAL ACCOUNTING POLICIES (Continued)

(d) Financial instruments (Continued)

(v) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(vi) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKFRS 9. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

(e) Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using first-in first-out method. Net realisable value represents 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

4. MATERIAL ACCOUNTING POLICIES (Continued)

(f) Revenue recognition

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding those amounts collected on behalf of third parties. Revenue excludes value added taxes or other sales taxes and is after deduction of any trade discounts.

Depending on the terms of the contract and the laws that apply to the contract, control of the goods or service may be transferred over time or at a point in time. Control of the goods or service is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods or services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or service.

For contracts where the period between the payment and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

Sales of electronic products with the provision of independent design house services

Customers obtain control of the electronic products with the provision of independent design house services when the goods are delivered to and have been accepted. Revenue is thus recognised upon when the customers accepted the electronic products with the provision of independent design house services. There is generally only one performance obligation. Invoices are usually payable within 30 – 60 days.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

4. MATERIAL ACCOUNTING POLICIES (Continued)

(f) Revenue recognition (Continued)

Sales of electronic products with the provision of independent design house services (Continued)

Some of the Group's contracts with customers from the sale of electronic products with the provision of independent design house services provides customers a right of return. The right of return gives rise to variable consideration. The variable consideration is estimated at contract inception and constrained until the associated uncertainty is subsequently resolved. The application of the constraint on variable consideration increases the amount of revenue that will be deferred. In addition, a refund liability and a right to recover returned goods assets are recognised.

Variable consideration

For contracts that contain variable consideration, the Group estimates the amount of consideration to which it will be entitled using either (a) the expected value method or (b) the most likely amount, depending on which method better predicts the amount of consideration to which the Group will be entitled. The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved. At the end of each reporting period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

Contract liabilities

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

4. MATERIAL ACCOUNTING POLICIES (Continued)

(g) Income taxes

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects any uncertainty related to income tax.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised, provided that the deductible temporary differences are not arises from initial recognition of assets and liabilities in a transaction other than in a business combination that affects neither taxable profit nor the accounting profit. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of reporting period.

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

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

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they relate to items recognised directly in equity in which case the taxes are also recognised directly in equity.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

4. MATERIAL ACCOUNTING POLICIES (Continued)

(h) Foreign currencies

Transactions entered into by the group entities in currencies other than the currency of the primary economic environment in which it operates (the “functional currency”) are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

On consolidation, income and expense items of foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as translation reserve (attributed to non-controlling interests as appropriate). Exchange differences recognised in profit or loss of group entities’ separate financial statements on the translation of long-term monetary items forming part of the Group’s net investment in the foreign operation concerned are reclassified to other comprehensive income and accumulated in equity as translation reserve.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

4. MATERIAL ACCOUNTING POLICIES (Continued)

(i) Employee benefits

(i) Short term employee benefits

Short term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short term employee benefits are recognised in the year when the employees render the related service.

(ii) Defined contribution retirement plans

Contributions to defined contribution retirement plans in Hong Kong and state-managed retirement benefit schemes in the Peoples' Republic of China (the "PRC") are recognised as an expense in profit or loss when the services are rendered by the employees.

(iii) Termination benefits

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

(j) Impairment of assets (other than financial assets)

At the end of each reporting period, the Group reviews the carrying amounts of the following assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased:

- Property, plant and equipment;
- Right-of-use assets; and
- Club membership.

If the recoverable amount (i.e. the greater of the fair value less costs of disposal and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another HKFRS, in which case the impairment loss is treated as a revaluation decrease under that HKFRS.

Value in use is based on the estimated future cash flows expected to be derived from the asset, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

4. MATERIAL ACCOUNTING POLICIES (Continued)

(k) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which it is probable will result in an outflow of economic benefits that can be reliably estimated.

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, the existence of which 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.

(l) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short-term deposits and highly liquid investments with maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments. For the purpose of the consolidated statement of cash flows, bank overdrafts that are repayable on demand and that form an integral part of the Group's cash management are included in cash and cash equivalents.

(m) Club membership

Club membership with indefinite useful lives is carried at cost less any subsequent accumulated impairment losses.

Club membership is tested for impairment at least annually, and whenever there is any indication that they may be impaired by comparing their carrying amounts with their recoverable amounts. If the recoverable amount of club membership is estimated to be less than its carrying amount, the carrying amount of the club membership is reduced to its recoverable amount. An impairment loss is recognised in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

4. MATERIAL ACCOUNTING POLICIES (Continued)

(n) 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 Company;
 - (ii) has significant influence over the Company; or
 - (iii) is a member of key management personnel of the Company or the Company's parent.

- (b) An entity is related to the Group if any of the following conditions apply:
 - (i) The entity and the Company 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 the employees of 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 key management personnel of the entity (or of 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 Company or to the Company's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include (i) that person's children and spouse or domestic partner; (ii) children of that person's spouse or domestic partner; and (iii) dependents of that person or that person's spouse or domestic partner.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 4, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

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

Estimated allowance of inventories

The directors of the Company review the inventories on a product-by-product basis at the end of each reporting period to identify obsolete and slow-moving inventory items based on the inventories ageing analysis and determine allowance of inventories by reference to net realisable value of the inventories. Net realisable value of inventories is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale. The management estimates the net realisable value for inventories based primarily on the current market demand, latest selling prices and historical experiences on selling products with similar nature. As at 31 December 2023, the carrying value of inventories was HK\$109,580,000 (2022: HK\$140,771,000), net of allowance of HK\$13,998,000 (2022: HK\$48,727,000).

Provision of ECL for trade and other receivables and debt instruments at FVTOCI

The Group measures ECL for all trade and other receivables and debt instruments at FVTOCI collectively based on internal credit ratings. The internal credit ratings and loss rates are estimated by reference to the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade and other receivables and debt instruments at FVTOCI are disclosed in Notes 17, 18 and 27.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

6. REVENUE AND SEGMENT INFORMATION

Revenue

(i) Disaggregation of revenue from contracts with customers

	2023 HK\$'000	2022 HK\$'000
Type of goods or services		
Sales of electronic products with the provision of independent design house services	1,202,816	1,732,213
Geographical markets		
The PRC	712,816	1,194,530
Hong Kong	452,779	439,006
Taiwan	35,662	91,957
Korea	–	3,961
Others	1,559	2,759
Total	1,202,816	1,732,213
Timing of revenue recognition		
A point in time	1,202,816	1,732,213

(ii) Performance obligations for contracts with customers

Sales of electronic products with the provision of independent design house services

The Group sells electronic products with the provision of design house services directly to customers. Revenue is recognised when independent control of the goods has transferred, being when the goods have been delivered to the customer's specific location (delivery). The transportation services are a fulfilment of the performance obligation. The normal credit term is 30 to 90 days upon delivery.

Under the Group's standard contract terms, customers have a right to exchange for defective products within one month. The Group uses its accumulated historical experience to estimate the number of exchange on a portfolio level using the expected value method. Revenue is recognised for sales which are considered highly probable that a significant reversal in the cumulative revenue recognised will not occur. A contract liability is recognised for sales in which revenue has yet to be recognised. The Group's right to recover the product when customers exercise their right is recognised as a right to returned goods asset and a corresponding adjustment to cost of sales.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

6. REVENUE AND SEGMENT INFORMATION (Continued)

Revenue (Continued)

(ii) Performance obligations for contracts with customers (Continued)

Sales of electronic products with the provision of independent design house services (Continued)

Contracts for sales of electronic products with the provision of independent design house services typically have a non-cancellable term in which the Group bills a portion of the contract sum in advance and the remaining when the good is delivered. All sales of electronic products with the provision of independent design house services are for periods of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

Segment information

The executive directors of the Company have determined that the Group has only one operating and reportable segment throughout both years.

Information reported to the executive directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses only on revenue analysis by geographical location of customers. As no other discrete financial information is available for the assessment of different business activities, no segment information is presented other than entity-wide disclosures.

(i) Geographical information

The following is an analysis of the carrying amount of non-current assets by geographical area in which the assets are located:

	2023 HK\$'000	2022 HK\$'000
The PRC	303	3,004
Hong Kong	548	982
	851	3,986

(ii) Information about major customers

No customer individually contributed over 10% of the Group's revenue for the years ended 31 December 2023 and 2022.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

7. FINANCE COSTS

	2023 HK\$'000	2022 HK\$'000
Interests on:		
Bank borrowings	8,226	7,520
Lease liabilities	59	210
	8,285	7,730

8. PROFIT/(LOSS) BEFORE TAXATION

Profit/(loss) for the year has been arrived at after charging/(crediting):

	2023 HK\$'000	2022 HK\$'000
Directors' remuneration (Note 9)	1,924	2,112
Staff costs:		
Salaries and other allowances	14,739	15,405
Retirement benefit scheme contributions	2,226	2,658
	16,965	18,063
Total staff costs	18,889	20,175
Auditor's remuneration	872	867
Interest income	(1,354)	(948)
Net exchange loss	164	1,378
Short-term leases expenses	2,179	209
Cost of inventories recognised as an expense	1,158,524	1,755,486
Provision for allowance for inventories	5,018	40,954
– General provision	5,018	21,184
– Specific provision	–	19,770
Impairment loss under expected credit loss model, net of (reversal)/provision – Trade receivables (Note i)	(116)	387
Depreciation of property, plant and equipment	616	815
Depreciation of right-of-use assets	1,769	5,640
Gain on termination of leases	(53)	–
Loss on written off property plant and equipment	526	–
Government grants (Note ii)	–	360

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

8. PROFIT/(LOSS) BEFORE TAXATION (Continued)

Notes:

- (i) Details of impairment assessment for the years ended 31 December 2023 and 2022 are set out in Note 27.
- (ii) For the year ended 31 December 2022, included in government grants is HK\$360,000 obtained from Employment Support Scheme (“ESS”) under the Anti-epidemic Fund launched by the Hong Kong SAR Government supporting the payroll of the Group’s employees. Under the ESS, the Group had to commit to spend these grants on payroll expenses, and not reduce employee head count below prescribed levels for a specified period of time. The Group does not have other unfulfilled obligations relating to this program.

9. DIRECTORS’ AND CHIEF EXECUTIVE’S REMUNERATION

Directors’ and chief executive’s remuneration for the year, disclosed pursuant to the applicable Listing Rules and Hong Kong Companies Ordinance, is as follows:

	2023				
	Directors’ fees HK\$’000	Salaries and other benefits HK\$’000	Performance related incentive payments (Note b) HK\$’000	Retirement benefits scheme contributions HK\$’000	Total emoluments HK\$’000
Executive Directors:					
Dr. Yim Yuk Lun, Stanley <i>BBS JP</i> (Note d)	–	–	–	–	–
Mr. Chang Wei Hua (Note c)	–	410	–	12	422
Mr. Wei Wei (Note e)	–	606	–	32	638
Mr. Yim Tsz Yu, Jeffrey (Note f)	–	–	–	–	–
Mr. Tong Sze Chung	–	546	–	18	564
Non-Executive Directors:					
Mr. Yim Tsz Kit, Jacky (Chairman) (Note d)	–	–	–	–	–
Mr. Wong Wai Tai	–	–	–	–	–
Independent Non-Executive Directors:					
Mr. Shea Chun Lok, Quadrant	100	–	–	–	100
Mr. Fung Cheuk Nang, Clement	100	–	–	–	100
Mr. Tsoi Chi Ho, Peter	100	–	–	–	100
Chief Executive Officer:					
Mr. Chan Ka Ho (Note g)	–	341	85	6	432
Total	300	1,903	85	68	2,356

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For the year ended 31 December 2023

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (Continued)

Directors' and chief executive's remuneration for the year, disclosed pursuant to the applicable Listing Rules and Hong Kong Companies Ordinance, is as follows: (Continued)

	2022				
	Directors' fees	Salaries and other benefits	Performance related incentive payments (Note b)	Retirement benefits scheme contributions	Total emoluments
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Executive Directors:					
Dr. Yim Yuk Lun, Stanley <i>BBS JP</i> (Chairman) (Note d)	-	-	-	-	-
Mr. Chang Wei Hua (Note c)	-	618	-	18	636
Mr. Wei Wei (Note e)	-	605	-	49	654
Mr. Tong Sze Chung	-	504	-	18	522
Non-Executive Director:					
Mr. Wong Wai Tai	-	-	-	-	-
Independent Non-Executive Directors:					
Mr. Shea Chun Lok, Quadrant	100	-	-	-	100
Mr. Fung Cheuk Nang, Clement	100	-	-	-	100
Mr. Tsoi Chi Ho, Peter	100	-	-	-	100
Total	300	1,727	-	85	2,112

Notes:

- The executive directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group. The non-executive and independent non-executive directors' emoluments shown above were for their services as directors of the Company and the Group.
- Performance related incentive payments were determined with reference to the Group's operating results and individual performance.
- Mr. Chang Wei Hua was the chief executive officer of the Company, and his emoluments disclosed above include those for services rendered by him as the chief executive officer, and he resigned as an executive director and the chief executive officer of the Company on 4 September 2023.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (Continued)

Notes: (Continued)

- (d) Dr. Yim Yuk Lun, Stanley *BBS JP* resigned as the chairman of the Board on 4 September 2023. Mr. Yim Tsz Kit, Jacky was appointed as a non-executive director and the chairman of the Board on 4 September 2023.
- (e) Mr. Wei Wei was resigned as an executive director on 31 January 2024.
- (f) Mr. Yim Tsz Yu, Jeffrey was appointed as an executive director on 1 February 2024.
- (g) Mr. Chan Ka Ho was appointed as the chief executive officer on 4 September 2023.

No emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office. In addition, none of the directors waived or agreed to waive any emolument during both years.

10. EMPLOYEES' REMUNERATION

Of the five highest paid individuals in the Group, two (2022: three) were directors of the Company whose remuneration are set out in Note 9 above. The remuneration of the remaining three (2022: two) individuals are as follows:

	2023 HK\$'000	2022 HK\$'000
Salaries and other benefits	1,500	843
Retirement benefits scheme contributions	62	49
	1,562	892

The remunerations were within the following band:

	2023 No. of employee	2022 No. of employee
HK\$ nil to HK\$1,000,000	3	2

During the years ended 31 December 2023 and 2022, no emoluments were paid by the Group to these individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

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11. INCOME TAX EXPENSE

	2023 HK\$'000	2022 HK\$'000
Current tax:		
Hong Kong Profits Tax	33	140
PRC Enterprise Income Tax ("EIT")	7	44
	40	184
Under/(over) provision in prior years:		
Hong Kong Profits Tax	(6)	(66)
PRC EIT	4	25
	(2)	(41)
Income tax expense	38	143

Hong Kong Profit Tax

The Hong Kong Profits Tax is calculated at the rate of 16.5% (2022:16.5%) on the estimated assessable profits arising in Hong Kong, except for the first HK\$2,000,000 of qualified entity's assessable profits is calculated at 8.25%, which is in accordance with the two-tiered profits tax rates regime with effect from the year of assessment 2018/19.

PRC Enterprise Income Tax

Under the Law of the PRC on EIT (the "EIT Law") and Implementation Regulation of the EIT Law, the Group's PRC subsidiaries are subject to PRC EIT at the statutory rate of 25% for the years ended 31 December 2023 and 2022, except for the entity qualified as "Small Low-profit Enterprise" for which preferential tax treatments are granted under the EIT Law:

- Hi-Level (Shanghai) Technology Limited was qualified as a Small Low-profit Enterprise and enjoyed a preferential tax rate of 20% for the years ended 31 December 2023 and 2022. In addition, in accordance with the notice of the Ministry of Finance and the State Administration of Taxation on Preferential Income Tax Policies for Small Low-Profit Enterprises, the subsidiary was also entitled to a 20% tax concession on 25% of its assessable profits for the years ended 31 December 2023 and 2022.

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11. INCOME TAX EXPENSE (Continued)

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

	2023 HK\$'000	2022 HK\$'000
Profit/(loss) before taxation	3,980	(68,402)
Tax at Hong Kong Profits Tax rate of 16.5%	657	(11,286)
Tax effect of expenses not deductible for tax purpose	396	405
Tax effect of income not taxable for tax purpose	(184)	(78)
Tax effect of temporary differences not recognised	(37)	19
Utilisation of tax losses previously not recognised	(1,500)	(140)
Tax effect of tax losses not recognised	1,123	11,823
Effect of different tax rates of subsidiaries operating in other jurisdictions	(382)	(419)
Effect on two-tiered profits tax rates	(33)	(140)
Over provision in prior years	(2)	(41)
Income tax expense for the year	38	143

As at 31 December 2023, the Group has unused tax losses of approximately HK\$118,781,000 (2022: HK\$123,421,000) that are available for offset against future assessable profits. No deferred tax asset has been recognised in respect of such tax losses due to unpredictability of future profit streams. All the tax losses may be carried forward indefinitely except for those amounting to HK\$11,728,000 (2022: HK\$7,235,000) arising from the PRC which may be carried forward for five years.

As at 31 December 2023, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings of RMB959,000 (equivalent to HK\$1,184,000) (2022: RMB2,360,000 (equivalent to HK\$2,548,000)) that is subject to withholding taxes of the Group's subsidiary established in Mainland China. In the opinion of the directors, the Group is in a position to control the timing of the reversal of the temporary differences by controlling the dividend policy of its subsidiaries and it is probable that such differences will not reverse in the foreseeable future. The aggregate amount of temporary differences associated with investment in subsidiary in Mainland China for which deferred tax liabilities have not been recognised.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

12. DIVIDENDS

The board does not recommend the payment of a final dividend for the years ended 31 December 2023 and 2022.

13. PROFIT/(LOSS) PER SHARE

The calculation of the basic profit/(loss) per share amounts is based on profit/(loss) for the year attributable to equity holders of the Company, and the weighted average number of ordinary shares in issue during the year as follows:

	2023 HK\$'000	2022 HK\$'000
Profit/(loss) for the year for the purpose of basic profit/(loss) per share	3,942	(68,545)
	2023 No. of shares '000	2022 No. of shares '000 (Restated)
Number of shares: Weighted average number of ordinary shares for the purpose of basic profit/(loss) per share	789,538	697,158

The weighted average number of ordinary shares for the purpose of basic profit/(loss) per share for current and prior reporting periods has been adjusted to reflect the effect of rights issue completed on 30 August 2023 with details as set out in Note 25.

There were no potential ordinary shares in issue for the years ended 31 December 2023 and 2022. Accordingly, the diluted profit/(loss) per share presented is the same as the basic profit/(loss) per share.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK\$'000	Furniture and fixtures HK\$'000	Motor vehicles HK\$'000	Office equipment HK\$'000	Total HK\$'000
COST					
As at 1 January 2022	4,225	811	299	4,562	9,897
Additions	117	24	–	46	187
Exchange realignment	(284)	(63)	(30)	(154)	(531)
As at 31 December 2022 and 1 January 2023	4,058	772	269	4,454	9,553
Additions	315	–	250	18	583
Write-off	(4,163)	(220)	–	(166)	(4,549)
Exchange realignment	99	15	5	29	148
As at 31 December 2023	309	567	524	4,335	5,735
ACCUMULATED DEPRECIATION					
As at 1 January 2022	3,092	547	299	4,133	8,071
Provided for the year	466	120	–	229	815
Exchange realignment	(254)	(48)	(30)	(134)	(466)
As at 31 December 2022 and 1 January 2023	3,304	619	269	4,228	8,420
Provided for the year	290	105	35	186	616
Write-off	(3,659)	(198)	–	(166)	(4,023)
Exchange realignment	97	11	5	24	137
As at 31 December 2023	32	537	309	4,272	5,150
NET BOOK VALUE					
As at 31 December 2023	277	30	215	63	585
As at 31 December 2022	754	153	–	226	1,133

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For the year ended 31 December 2023

15. CLUB MEMBERSHIP

	2023 HK\$'000	2022 HK\$'000
Golf club membership in the PRC at cost	266	266

At the end of the reporting period, the club membership was tested for impairment by comparing its carrying amount with its recoverable amount. The directors of the Company determined that no impairment loss was necessary and is of the opinion that the club membership is worth at least its carrying amount.

16. INVENTORIES

	2023 HK\$'000	2022 HK\$'000
Finished goods	123,578	189,498
Less: Net provision for inventories	(13,998)	(48,727)
	109,580	140,771

Movements in the provision for inventories are as follows:

	2023 HK\$'000	2022 HK\$'000
At beginning of the year	48,727	72,939
Provision for the year (Note 8)	5,018	40,954
Credited to cost of sales	(39,770)	(64,977)
Exchange realignment	23	(189)
At end of the year	13,998	48,727

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17. TRADE AND OTHER RECEIVABLES

	2023 HK\$'000	2022 HK\$'000
Trade receivables (Note a)	104,050	117,006
Other receivables, deposits and prepayments (Note b)	16,478	17,224
Total trade and other receivables	120,528	134,230
Less: allowance for expected credit losses (Note 27 (b))	(2,230)	(2,346)
Net trade and other receivables	118,298	131,884

Notes:

(a) Trade receivables

The Group allows credit period ranging from 30 days to 90 days which are agreed with each of its trade customers.

The following is an ageing analysis of trade receivables presented based on the invoice date at the end of each reporting period:

	2023 HK\$'000	2022 HK\$'000
1 – 30 days	61,700	81,721
31 – 60 days	31,127	21,181
61 – 90 days	7,086	10,152
91 – 180 days	3,723	1,716
181 – 365 days	–	2,236
Over 365 days	414	–
	104,050	117,006

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

17. TRADE AND OTHER RECEIVABLES (Continued)

Notes: (Continued)

(b) Other receivables, deposits and prepayments

	2023 HK\$'000	2022 HK\$'000
Prepayments	663	332
Deposits	1,478	1,273
Other receivables	14,337	15,619
	16,478	17,224

Details of impairment assessment of trade and other receivables for the years ended 31 December 2023 and 2022 are set out in Note 27.

18. DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2023 HK\$'000	2022 HK\$'000
Trade receivables held for collecting contractual cash flows or factoring to banks	11,048	25,283

Details of impairment assessment of debt instruments at fair value through other comprehensive income as at 31 December 2023 and 2022 are set out in Note 27.

Notes to the Consolidated Financial Statements

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19. FIXED DEPOSITS AND BANK BALANCES AND CASH

(a) Fixed bank deposits

	2023 HK\$'000	2022 HK\$'000
Fixed bank deposits	29,040	15,000

At as 31 December 2023, fixed bank deposits pledged to the banks as securities for bank borrowings granted to the Group amounted to HK\$15,000,000 (2022: HK\$15,000,000) and USD1,800,000 (equivalent to HK\$14,040,000) (2022: HK\$ nil) (Note 24).

The fixed bank deposits will be released upon the termination of banking facilities.

(b) Bank balances and cash

	2023 HK\$'000	2022 HK\$'000
Short term bank deposit	780	780
Bank balances	44,456	90,822
Cash on hand	1,955	294
Total bank balances and cash	47,191	91,896

As at 31 December 2023, the bank balances of the Group denominated in RMB amounted to approximately RMB27,411,000 (equivalent to HK\$30,152,000) (2022: RMB43,559,000 (equivalent to HK\$47,045,000)), which were deposited with the banks and financial institution in the PRC. RMB is currently not a free convertible currency in the international market. The conversion of RMB into foreign currencies and remittance of RMB out of the PRC are subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

The effective interest rates of short term bank deposits and bank balances ranged from 0.01% to 5.21% per annum (2022: ranged from 0.01% to 2.25% per annum) as at 31 December 2023.

For the years ended 31 December 2023 and 2022, the Group performed impairment assessment on bank balances and concluded that the probability of defaults of the counterparty banks are remote and accordingly no allowance for expected credit losses is provided. Details of impairment assessment of bank balances for the years ended 31 December 2023 and 2022 are set out in Note 27.

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20. TRADE AND OTHER PAYABLES

	2023 HK\$'000	2022 HK\$'000
Trade payables (Note (a))	114,666	131,614
Other payables and accruals (Note (b))	7,858	17,156
Total trade and other payables	122,524	148,770

Notes:

(a) Trade payables

The credit period on trade payables ranged from 30 days to 60 days.

The following is an ageing analysis of trade payables presented based on the invoice date at the end of each reporting period:

	2023 HK\$'000	2022 HK\$'000
1 – 30 days	76,767	88,473
31 – 60 days	33,418	32,027
61 – 90 days	4,476	6,149
91 – 120 days	–	220
121 – 365 days	–	235
Over 365 days	5	4,510
	114,666	131,614

(b) Other payables and accruals

	2023 HK\$'000	2022 HK\$'000
Accrued expenses	3,181	4,901
Other payables	3,073	9,720
Temporary receipt	803	411
PRC tax payables	801	2,124
	7,858	17,156

Notes to the Consolidated Financial Statements

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21. CONTRACT LIABILITIES

	2023 HK\$'000	2022 HK\$'000
<i>Contract liabilities arising from:</i>		
Sales of electronic products with the provision of independent design house services	6,062	13,608

The contract liabilities mainly related to the advance considerations received from customers. As at 31 December 2023, the aggregated amount of transaction price allocated to performance obligations under the Group's existing contract is approximately HK\$6,062,000 (2022: HK\$13,608,000).

Movements in contract liabilities are as follows:

	2023 HK\$'000	2022 HK\$'000
Balance as at 1 January	13,608	14,519
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	(13,619)	(14,331)
Increase in contract liabilities as a result of billing in advance of sales of electronic products with the provision of independent design house services	6,068	13,608
Exchange adjustment	5	(188)
Balance as at 31 December	6,062	13,608

Notes to the Consolidated Financial Statements

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22. LEASE

The Group as lessee

Nature of leasing activities

The Group leases a number of office premise, warehouses, and carparks in Hong Kong and the PRC where it operates. The leases are fixed over the lease terms. Set out below are the carrying amounts of right-of-use assets recognised and the movements during the year:

	2023 HK\$'000	2022 HK\$'000
Land and building		
At beginning of the reporting period	2,587	6,249
Additions	–	2,264
Depreciation expense	(1,769)	(5,640)
Lease modification	–	97
Termination of leases	(926)	–
Exchange realignment	108	(383)
At end of the reporting period	–	2,587

Set out below are the carrying amounts of lease liabilities and the movements during the year:

	2023 HK\$'000	2022 HK\$'000
At the beginning of the reporting period	2,696	6,372
Additions	–	2,264
Accretion of interest	59	210
Payments	(1,890)	(5,851)
Lease modification	–	97
Termination of leases	(979)	–
Exchange realignment	114	(396)
At the end of the reporting period	–	2,696
Analysed to:		
Current	–	2,640
Non-current	–	56

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For the year ended 31 December 2023

22. LEASE (Continued)

The Group as lessee (Continued)

Future lease payments are due as follows:

	Future lease payments HK\$'000	Interest HK\$'000	Present value HK\$'000
As at 31 December 2022			
Not later than 1 year	2,705	(65)	2,640
Later than 1 year and not later than 2 years	58	(2)	56
	2,763	(67)	2,696

The following amounts are recognised in profit or loss:

	2023 HK\$'000	2022 HK\$'000
Depreciation expense of right-of-use assets	1,769	5,640
Interest expense on lease liabilities	59	210
Expense relating to short-term leases	2,179	209
Gain on termination of lease	(53)	–
Total amount recognised in profit or loss	3,954	6,059

The Group had total cash outflows for leases of HK\$4,069,000 in 2023 (2022: HK\$6,060,000). The Group had no additions to right-of-use assets and lease liabilities in financial year of 2023 (2022: HK\$2,264,000 and HK\$2,264,000 respectively).

In addition to the portfolio of short-term leases for office premise and warehouse located in Hong Kong and the PRC which are regularly entered into by the Group, the Group entered into several short-term leases for office premises, warehouses and carparks in Hong Kong and the PRC during the year ended 31 December 2023. As at 31 December 2023, no outstanding lease commitments relating to the office premise, warehouses and carparks in Hong Kong and the PRC.

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23. AMOUNT DUE TO A RELATED PARTY

	2023 HK\$'000	2022 HK\$'000
Amount due to a related party (Note)	609	333

Note: The amount due to a related party represented an amount due to a subsidiary of S.A.S. Dragon. It is trade-related, unsecured, interest free with an average credit period of 60 days and denominated in HK\$ which is other than the functional currency of the relevant group entities.

The following is an ageing analysis of the amount due to a related party presented based on the due date at the end of each reporting period:

	2023 HK\$'000	2022 HK\$'000
Not past due	609	333

24. BANK BORROWINGS

	2023 HK\$'000	2022 HK\$'000
Unsecured bank borrowings:		
Invoice financing, export loan and import loan	71,250	117,767
Secured bank borrowings:		
Invoice financing and import loan (Note a)	46,268	102,661
	117,518	220,428
Carrying amount of bank borrowings repayable on demand or within one year (Note b)	117,518	220,428

Notes:

- (a) Bank borrowings are secured by short term bank deposits with carrying amount of HK\$15,000,000 and US\$1,800,000 (equivalent to HK\$14,040,000) (2022: HK\$15,000,000) (Note 19).
- (b) All the bank borrowings are repayable within a period not exceeding one year.

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24. BANK BORROWINGS (Continued)

As at 31 December 2023, bank borrowing of US\$13,006,000 (equivalent to HK\$101,443,000) bear interests at Secured Overnight Financing Rate (“SOFR”) (2022: US\$24,150,000 (equivalent to HK\$188,373,000) at HIBOR plus 1.0% to HIBOR plus 1.3%).

As at 31 December 2023, bank borrowings of US\$2,061,000 (equivalent to HK\$16,075,000) (2022: US\$4,110,000 (equivalent to HK\$32,055,000)) bear interests at bank’s funding rate 1.20% (2022: 1.20%) per annum.

The average effective interest rate is 6.63% as at 31 December 2023 (2022: 5.25%).

The balances of HK\$117,518,000 as at 31 December 2023 are guaranteed by the Company to Hi-Level Technology Limited, the subsidiary of the Company (2022: HK\$220,428,000).

25. SHARE CAPITAL

Details of movements of authorised and issued capital of the Company during the year are as follows:

	No. of ordinary shares ’000	HK\$’000
Ordinary shares of HK\$0.01 each		
Authorised:		
As at 1 January 2022, 31 December 2022, 1 January 2023 and 31 December 2023	2,000,000	20,000
Issued and fully paid:		
As at 1 January 2022, 31 December 2022, and 1 January 2023	652,770	6,528
Issue of new shares upon rights issue (Note)	316,312	3,163
As at 31 December 2023	969,082	9,691

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25. SHARE CAPITAL (Continued)

Note:

On 8 June 2023, the Company announced a proposed rights issue on the basis of one right share for every one existing share in issue at a subscription price of HK\$0.12 per rights share (the "Rights Issue"). On 30 August 2023, the Company allotted and issued 316,312,000 ordinary shares of HK\$0.12 each by way of rights issue and the number of issued share capital of the Company was increased to 969,082,000. The net proceeds from the Rights Issue were approximately HK\$36,743,000.

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 general meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

26. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of debts, which includes lease liabilities disclosed in Note 22 and bank borrowings disclosed in Note 24, and equity attributable to owners of the Company, comprising issued share capital and reserves.

The gearing ratio at the end of the reporting period was as follows:

	2023 HK\$'000	2022 HK\$'000
Lease liabilities	–	2,696
Bank borrowings	117,518	220,428
Total debt	117,518	223,124
Equity	69,282	27,203
Total debt to equity ratio	170%	820%

The directors of the Company review the capital structure regularly. The directors consider that the Group has complied with externally imposed capital requirements. As part of this review, the directors of the Company consider the cost of capital and the risks associated with each class of capital. Based on the recommendations of the directors of the Company, the Group will balance its overall capital structure through the payment of dividends as well as the issue of new debt or the redemption of existing debts.

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27. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2023 HK\$'000	2022 HK\$'000
Financial assets		
Debt instruments at FVTOCI	11,048	25,283
Financial assets at amortised cost	192,513	238,039
Financial liabilities		
Amortised cost	239,047	366,999
Lease liabilities	–	2,696

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, debt instruments at FVTOCI, bank balances and cash, trade and other payables, amount due to a related party, lease liabilities and bank borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The directors of the Company manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Currency risk

The carrying amounts of the Group's monetary assets and monetary liabilities and intra-group balances that are denominated in currencies other than the functional currency at the respective reporting date are as follows:

	Liabilities		Assets	
	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000
HK\$	5,066	11,877	33,931	36,525
Renminbi ("RMB")	20,749	26,162	66,462	81,398
Intra-group balances				
RMB	–	–	1,174	1,174

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27. FINANCIAL INSTRUMENTS (Continued)

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

Market risk (Continued)

(i) Currency risk (Continued)

The Group currently does not have a foreign currency hedging policy. However, the directors of the Company will monitor foreign exchange exposure closely and consider the usage of hedging instruments when the need arises.

Sensitivity analysis

As at 31 December 2023, the outstanding foreign currency denominated monetary items includes only bank balances and intra-group balances denominated in RMB amounted to HK\$36,322,000 and HK\$1,174,000 (2022: HK\$47,045,000 and HK\$1,174,000) respectively. No sensitivity analysis for the Group's sensitivity to changes in RMB against HK\$ is presented as the directors of the Company consider that the exposure to exchange fluctuation in respect of RMB is insignificant.

No sensitivity analysis for the Group's sensitivity to change in US\$, which is the functional currency of the Company and certain subsidiaries, against HK\$ is presented as HK\$ is currently pegged to US\$. The directors of the Company consider that the exposure to exchange fluctuation in respect of HK\$ is insignificant.

(ii) Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank borrowings (see Note 24 for details of the bank borrowings). The directors of the Company considered that the interest rate risk on variable-rate bank balances is insignificant. The Group currently does not have any interest rate hedging policy. The directors of the Company monitor the Group's exposure on ongoing basis and will consider hedging interest rate risk should the need arises.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of prevailing market interest rates arising from the Group's SOFR arising from the Group's variable-rate bank borrowings.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for its variable-rate bank borrowings. The analysis is prepared assuming the variable-rate bank borrowings at the end of the reporting period were outstanding for the whole year. For variable-rate bank borrowings, 50 basis points (2022: 50 basis points) increase or decrease are used.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

27. FINANCIAL INSTRUMENTS (Continued)

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

Market risk (Continued)

(ii) Interest rate risk (Continued)

Sensitivity analysis (Continued)

If interest rates have been 50 basis points (2022: 50 basis points) higher/lower for variable-rate bank balances and bank borrowings and all other variables were held constant, would decrease/increase the Group's result for the year by approximately HK\$736,000 (2022: HK\$1,188,000).

Credit risk and impairment assessment

As at 31 December 2023 and 2022, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties arises from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

Trade receivables arising from contracts with customers

In order to minimise the credit risk, the directors of the Company have delegated a team responsible for determination of credit limits and credit approvals. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment under ECL model on trade balances collectively. Based on the impairment assessment performed by the Group, the management of the Group considers the loss allowance for trade receivables under simplified approach within lifetime ECL as at 31 December 2023 and 2022 was HK\$2,230,000 and HK\$2,346,000, respectively.

Other receivables/rental deposits

The Group assessed the impairment for its other receivables and rental deposits individually based on internal credit rating and ageing of these debtors which, in the opinion of the directors of the Company, have no significant increase in credit risk since initial recognition. ECL is estimated based on historical observed default rates over the expected life of debtors and is adjusted for forward-looking information that is available without undue cost or effort. Based on the impairment assessment performed by the Group, the management of the Group considers the loss allowance for other receivables and deposits within 12-month ("12m") ECL as at 31 December 2023 and 2022 was insignificant and accordingly no allowance for credit losses is provided.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

27. FINANCIAL INSTRUMENTS (Continued)

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

Credit risk and impairment assessment (Continued)

Bank balances

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies. Based on the impairment assessment performed by the Group, the management of the Group considers the loss allowance for bank balances within 12-month ECL as at 31 December 2023 and 2022 was insignificant and accordingly no allowance for credit losses is provided.

Debt instruments at FVTOCI

The Group's debt instruments at FVTOCI are the trade receivables that the Group would collect contractual cash flows or factor some of them to financial institutions. The Group performed impairment assessment under ECL model on trade balances collectively. Based on the impairment assessment performed by the Group, the management of the Group considers the loss allowance for debt instruments at FVTOCI under simplified approach within lifetime ECL as at 31 December 2023 and 2022 was insignificant and accordingly no allowance for credit losses is provided.

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

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

Internal credit rating	Description	Trade receivables and debt instruments at FVTOCI	Other financial assets
Performing	The counterparty has a low risk of default and usually settle before due date	Lifetime ECL – not credit-impaired	12m ECL
Watch list	Debtor frequently repays after due dates but usually settle in full	Lifetime ECL – not credit-impaired	12m ECL
Doubtful	There has been a significant increase in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
In default	There is evidence indicating that the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

27. FINANCIAL INSTRUMENTS (Continued)

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

Credit risk and impairment assessment (Continued)

The table below detail the credit risk exposure of the Group's financial assets and debt instruments at FVTOCI, which are subject to ECL assessment:

	Notes	Internal credit rating	12-month or Lifetime ECL	Gross carrying amount	
				2023 HK\$'000	2022 HK\$'000
Debt instruments at FVTOCI	18	Performing	Lifetime ECL – not credit-impaired	11,048	25,283
Financial assets at amortised costs					
Trade receivables	17	Performing	Lifetime ECL – not credit-impaired	60,233	70,526
		Watch list	Lifetime ECL – not credit-impaired	43,762	46,480
		In default	Lifetime ECL – credit-impaired	55	–
				104,550	117,006
Other receivables	17	Performing	12m ECL	14,337	15,619
Deposits	17	Performing	12m ECL	125	1,273
Bank balances	19	Performing	12m ECL	45,236	91,602
Fixed deposit	19	Performing	12m ECL	29,040	15,000

Based on the impairment assessment performed by the Group as at 31 December 2023, the Group applied average loss rates of 0.25% and 4.76% (2022: 0.21% and 4.75%) to trade receivables under internal credit ratings of performing and watch list, respectively.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

27. FINANCIAL INSTRUMENTS (Continued)

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

Credit risk and impairment assessment (Continued)

Movement in the loss impairment account in respect of trade receivables (lifetime ECL under the simplified approach) during the year is as follows:

	2023 HK\$'000	2022 HK\$'000
As at 1 January	2,346	1,979
(Reversal)/provision for impairment loss during the year	(116)	387
Exchange realignment	–	(20)
As at 31 December	2,230	2,346

The following significant changes in the gross carrying amounts of trade receivables contributed to the decrease in the loss allowance during the year:

- origination of new trade receivables net of those settled resulted in a decrease in loss allowance of HK\$1,966,000 (2022: HK\$2,593,000); and
- decrease in days past due over 30 days resulted in a decrease in loss allowance of HK\$2,082,000 (2022: HK\$2,207,000).

Liquidity risk

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

The Group relies on bank borrowings as a significant source of liquidity. As at 31 December 2023, the Group has available unutilised bank facilities of approximately HK\$467,922,000 (2022: HK\$610,796,000). Details of the bank borrowings are set out in Note 24.

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

27. FINANCIAL INSTRUMENTS (Continued)

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

Liquidity risk (Continued)

Liquidity and interest risk table

	Weighted average effective interest rate %	On demand or less than 1 month HK\$'000	1-3 months HK\$'000	3 months to 1 year HK\$'000	1-2 years HK\$'000	Total contractual undiscounted cash flow HK\$'000	Carrying amount at 31 December 2023 HK\$'000
2023							
Trade and other payables		120,920	-	-	-	120,920	120,920
Amount due to a related party		609	-	-	-	609	609
Bank borrowings	6.63	107,348	10,582	-	-	117,930	117,518
		228,877	10,582	-	-	239,459	239,047
2022							
Trade and other payables		146,238	-	-	-	146,238	146,238
Amount due to a related party		333	-	-	-	333	333
Bank borrowings	5.25	195,089	26,045	-	-	221,134	220,428
Lease liabilities	3.34	225	451	2,029	58	2,763	2,696
		341,885	26,496	2,029	58	370,468	396,695

Bank borrowings with a repayment on demand clause are included in the “on demand or less than 1 month” time band in the above maturity analysis. As at 31 December 2023, the aggregate carrying amounts of these bank borrowings amounted to HK\$117,518,000 (2022: HK\$220,428,000). Taking into account the Group’s financial position, the directors of the Company do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors of the Company believe that such bank borrowings will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

27. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value measurements of financial instruments

This note provides information about how the Group determines fair values of various financial assets.

Some of the Group's financial instruments are measured at fair value for financial reporting purposes.

In estimating the fair value, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group will perform the valuation by establishing the appropriate valuation techniques and inputs to the model.

(i) Fair value of the Group's financial assets that are measured at fair value on a recurring basis

Debt instruments at FVTOCI are measured at fair value at the end of each reporting period and their fair value classified as Level 3 in fair value hierarchy was HK\$11,048,000 as at 31 December 2023 (2022: HK\$25,283,000).

The fair value was estimated by discounted cash flow. Future cash flows are estimated based on the future cash collection discounted at a rate that reflects the credit risk of various counterparties. The management considers the fluctuation in the discount rate would not result in a significant change in the fair value. No fair value change on debt instruments at FVTOCI for the years ended 31 December 2023 and 2022.

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.

Reconciliation of Level 3 fair value measurements

Details of reconciliation of financial assets at FVTOCI measured at Level 3 fair value measurement are set out as below:

	2023 HK\$'000	2022 HK\$'000
As at 1 January	25,283	6,342
Additions	11,048	25,283
Settlements	(25,283)	(6,342)
As at 31 December	11,048	25,283

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

27. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value measurements of financial instruments (Continued)

(ii) Fair value of financial instruments that are recorded at amortised cost

The directors of the Company consider that the carrying amounts of financial assets and liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values due to the short-term maturities of these assets and liabilities.

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

For financial instruments which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

28. RETIREMENT BENEFIT PLANS

The Group participates a MPF Scheme for all qualifying employees in Hong Kong under the Mandatory Provident Fund Schemes Ordinance, a defined contribution scheme managed by an independent trustee. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rule of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at a rate of 5% specified in the rules, but subject to a cap of HK\$1,500. The only obligation of the Group with respect of MPF Scheme is to make the required contributions at rate specified under the scheme.

The employees employed in the PRC are members of the state-managed retirement benefit schemes operated by the PRC government. The PRC subsidiaries are required to contribute a certain percentage of their basic payroll to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit schemes is to make the required contributions at rate specified under the schemes.

The total expenses of HK\$2,288,000 was recognised in profit or loss during the year ended 31 December 2023 (2022: HK\$2,743,000).

29. RELATED PARTY TRANSACTIONS AND BALANCES

(a) During the year, the Group entered into the following significant transactions with related parties:

Name of parties	Nature of transactions	2023	2022
		HK\$'000	HK\$'000
S.A.S. Investment Company Limited ("S.A.S. Investment") (Note 1)	Interest expenses on lease liabilities	–	19
	Lease liabilities	–	2,788
	Short-term lease expenses	2,062	1
Subsidiaries of S.A.S. Dragon (Note 2)	Sales of electronic products	33,151	1,183
	Short-term lease expenses	82	–
	Interest expenses on lease liabilities	3	5
	Lease liabilities	30	171

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

29. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(a) (Continued)

Note 1: S.A.S. Investment is a substantial shareholder of the Company, who held 448,846,000 (2022: 204,663,000) of the issued share capital of the Company as at 31 December 2023. The Company is an associate of S.A.S. Investment as S.A.S. Investment can exercise significant influence over the Company.

Note 2: S.A.S. Dragon is the ultimate holding company of S.A.S. Investment and is therefore deemed to be interested in the equity interests held by S.A.S. Investment. The Company is an associate of a subsidiary of S.A.S. Dragon.

Note 3: Hi-Level Technology Limited and Shenzhen Hi-Level Technology Development Limited, subsidiaries of the Company, and related company, a subsidiary of S.A.S. Dragon, entered into tenancy agreements pursuant to which the related company as the landlord agreed to lease office premises and warehouses to Hi-Level Technology Limited and Shenzhen Hi-Level Technology Development Limited as tenants with HK\$ nil consideration from 1 September 2023 to 31 December 2023. Dr. Yim Yuk Lun, Stanley *BBS JP* and Mr. Yim Tsz Kit, Jacky, the directors of the Company, are the beneficial owners of the related company.

(b) Details of the outstanding balances with related party are set out in the consolidated statement of financial position and in Note 23.

(c) The compensation paid to the key management personnel was as follows:

Compensation of key management personnel

	2023 HK\$'000	2022 HK\$'000
Salaries and other benefits	3,062	2,570
Retirement benefits scheme contributions	125	97
	3,187	2,667

The remuneration of key management personnel is determined with regard to the performance of the individuals and market trends.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

30. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

The statement of financial position of the Company as at 31 December 2023 is as follows:

	2023 HK\$'000	2022 HK\$'000
Non-current Assets		
Amount due from a subsidiary	52,258	15,314
Investment in subsidiaries	10,887	10,887
	63,145	26,201
Current Assets		
Prepayments	164	198
Tax recoverable	72	–
Bank balances and cash	212	107
	448	305
Current Liabilities		
Other payables	4	4
Taxation payable	–	31
	4	35
Net Current Assets	444	270
Net Assets	63,589	26,471
Capital and Reserves		
Share capital	9,691	6,528
Share premium and reserves (Note)	53,898	19,943
Total Equity	63,589	26,471

Approved and authorised for issue by the Board of Directors on 22 March 2024 and signed on its behalf by

Dr. Yim Yuk Lun, Stanley *BBS JP*
Director

Mr. Yim Tsz Yu, Jeffrey
Director

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

30. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (Continued)

Note:

	Share premium HK\$'000	Special reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
As at 1 January 2022	53,406	100,152	(15,150)	138,408
Loss for the year	–	–	(118,465)	(118,465)
As at 31 December 2022 and 1 January 2023	53,406	100,152	(133,615)	19,943
Profit for the year	–	–	375	375
Issue of new shares upon rights issue (Note 25)	33,580	–	–	33,580
As at 31 December 2023	86,986	100,152	(133,240)	53,898

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

31. PARTICULARS OF SUBSIDIARIES

Particulars of the Company's subsidiaries as at 31 December 2023 and 31 December 2022 are as follows:

Name of subsidiaries	Place and date of incorporation/ establishment/ operations	Issued and fully paid share capital/ registered capital	Attributable equity interest held by the Company Directly		Principal activities
			2023	2022	
Hi-Level (BVI) Limited	British Virgin Islands 24 September 2015	US\$1	100%	100%	Investment holding
Hi-Level Technology Limited (揚宇科技有限公司)	Hong Kong 15 December 2000	HK\$25,000,000	100%	100%	Sales of electronic products with the provision of independent design house services
Video Innovation Tech Limited (捷成科技有限公司)	Hong Kong 24 October 2001	HK\$500,000	100%	100%	Sales of electronic products with the provision of independent design house services
Shenzhen Hi-Level Technology Development Limited (深圳揚煜科技開發有限公司) (Note)	The PRC 8 September 2003	HK\$80,000,000	100%	100%	Sales of electronic products with the provision of independent design house services
Hi-Level (Shanghai) Technology Limited (上海揚禹電子貿易有限公司) (Note)	The PRC 21 September 2007	HK\$6,000,000	100%	100%	Sales of electronic products

Note: These companies are limited companies established in the PRC.

None of the subsidiaries had any debt securities outstanding at the end of the year or at any time during the year.

32. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Non-cash transaction:

During the year ended 31 December 2023, the Group had certain trade payables of US\$200,877,000 (equivalent to HK\$1,515,093,000) financed through invoice financing arrangement by the relevant banks directly (2022: US\$1,376,573,000 (equivalent to HK\$2,986,035,000)).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

32. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(b) Reconciliation of liabilities arising from financing activities:

	Lease liabilities (Notes 22) HK\$'000	Bank borrowings (Note 24) HK\$'000	Total HK\$'000
As at 1 January 2022	6,372	302,343	308,715
Changes from cash flows:			
New bank and other loans raised	–	3,080,743	3,080,743
Repayment during the year	(5,641)	(3,162,658)	(3,168,299)
Interest paid	(210)	(7,520)	(7,730)
Total changes from financing cash flows:	(5,851)	(89,435)	(95,286)
Other changes:			
New lease capitalised	2,264	–	2,264
Interest expenses	210	7,520	7,730
Lease modification	97	–	97
Exchange realignment	(396)	–	(396)
Total other changes	2,175	7,520	9,695
As at 31 December 2022 and 1 January 2023	2,696	220,428	223,124
Changes from cash flows:			
New bank and other loans raised	–	1,515,093	1,515,093
Repayment during the year	(1,831)	(1,618,003)	(1,619,834)
Interest paid	(59)	(8,226)	(8,285)
Total changes from financing cash flows:	(1,890)	(111,136)	(113,026)
Other changes:			
Interest expenses	59	8,226	8,285
Lease termination	(979)	–	(979)
Exchange realignment	114	–	114
Total other changes	(806)	8,226	7,420
As at 31 December 2023	–	117,518	117,518

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

33. EQUITY-SETTLED SHARE OPTION SCHEME OF THE COMPANY

Pursuant to a written resolution of the shareholders of the Company dated 23 December 2015, the share option scheme (the “2015 Scheme”) was approved and adopted. The Scheme was established for the purpose of providing incentives or rewards for the contribution of directors of the Company and the Eligible Persons, and will expire on 22 December 2025. Under the 2015 Scheme, the directors of the Company may at their discretion grant options to the Eligible Persons.

Options granted must be taken up within 14 days of the date of grant. The maximum number of shares of the Company in respect of which options may be granted under the 2015 Scheme shall not exceed 30% of the issued share capital of the Company at any point in time. The total number of shares of the Company in respect of which options may be granted under the 2015 Scheme must not in aggregate exceed 10% of the total nominal value of the share capital of the Company in issue immediately following completion of the rights issue and placing. The maximum number of shares in respect of which options may be granted to any individual in any 12-month period shall not exceed 1% of the shares in issue on the last date of such 12-month period unless approval of the shareholders of the Company has been obtained in accordance with the GEM Listing Rules.

Options may be exercised during such period (including the minimum period, if any, for which an option must be held before it can be exercised) as may be determined by the directors of the Company (which shall be less than ten years from the date of issue of the relevant option). Upon acceptance of the option, the grantee shall pay HK\$1.00 to our Company as consideration for the grant. The exercise price is determined by the directors of the Company, and will not be less than the higher of (i) the closing price of the Company’s shares on the date of grant, (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company’s share.

During the years ended 31 December 2023 and 2022, no share option has been granted under this scheme.

34. EVENT AFTER THE REPORTING PERIOD

On 1 February 2024, the Board proposed that the English name of the Company be changed from “Hi-Level Technology Holdings Limited” to “V & V Technology Holdings Limited” and the dual foreign name in Chinese of the Company be changed from “揚宇科技控股有限公司” to “時騰科技控股有限公司”.

Financial Summary

RESULTS

For the year ended 31 December

	2019	2020	2021	2022	2023
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	1,801,130	2,254,195	2,847,359	1,732,213	1,202,816
Profit/(loss) before taxation	17,421	38,832	(46,650)	(68,402)	3,980
Income tax expense	(2,769)	(6,705)	(304)	(143)	(38)
Profit/(loss) for the year	14,652	32,127	(46,954)	(68,545)	3,942

ASSETS AND LIABILITIES

At 31 December

	2019	2020	2021	2022	2023
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Total Assets	555,090	558,856	754,181	413,129	316,080
Total Liabilities	(417,173)	(390,137)	(650,696)	(385,926)	(246,798)
Net Assets and Total Equity	137,917	168,719	103,485	27,203	69,282