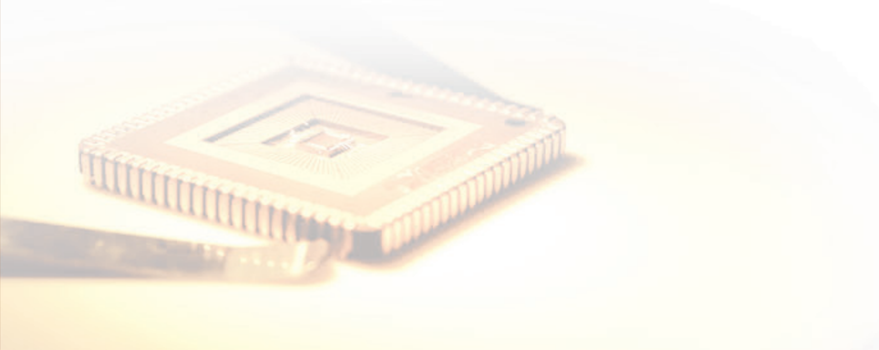
nichetech

NICHE-TECH SEMICONDUCTOR MATERIALS LIMITED
駿碼半導體材料有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 8490)

ANNUAL REPORT 2023



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

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Director

Mr. Li Chiu Fan

Independent Non-executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

COMPANY SECRETARY

Mr. Tsoi Kin Lung

AUTHORISED REPRESENTATIVES

Dr. Chow Bok Hin Felix
Mr. Tsoi Kin Lung

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

LEGAL ADVISER

Kwok Yih & Chan

AUDITOR

Gary Cheng CPA Limited
Registered Public Interest Entity Auditors

PRINCIPAL BANKERS

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

REGISTERED OFFICE

Windward 3,
Regatta Office Park
P.O. Box 1350
Grand Cayman KY1-1108, Cayman Islands

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Ocorian Trust (Cayman) Limited
Windward 3,
Regatta Office Park
P.O. Box 1350
Grand Cayman KY1-1108, Cayman Islands

HONG KONG SHARE REGISTRAR

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

WEBSITE

www.nichetech.com.hk

STOCK CODE

8490

Dear Shareholders,

On behalf of the board (the "**Board**") of directors (the "**Directors**") of Niche-Tech Semiconductor Materials Limited (the "**Company**") and its subsidiaries (collectively the "**Group**"), I am delighted to present the annual results of the Group for the year ended 31 December 2023 (the "**Review Year**" or "**2023**").

OVERVIEW

In light of the lingering effects of novel coronavirus ("**COVID-19**") in the first half of the Review Year and continuous geopolitical complications around the world, the global economy remained under pressure during the Review Year. The economy of the People's Republic of China (the "**PRC**") has shown signs of improvement starting from the second half of 2023.

Amid the challenging macro environment during the Review Year, the Group experienced a tough time in the first half of the Review Year due to the reduced demand of semiconductor products, while in the second half, the Group's sales revenue and gross profit has increased significantly alongside with the recovering economy. Against this backdrop, the Group recorded a 2.4% decrease in revenue to approximately HK$212.6 million from approximately HK$217.9 million for the year ended 31 December 2022 (the "**Previous Year**" or "**2022**"). Gross profit only decreased by 5.3% to approximately HK$54.9 million for the Review Year from approximately HK$58.0 million for 2022. The gross profit margin slightly decreased to 25.8% for the Review Year from 26.6% for the Previous Year. Profit attributable to the owners of the Company for the Review Year was approximately HK$0.5 million (2022: approximately HK$8.6 million). Earnings before interest, taxes, depreciation of plant and equipment and amortization of intangible assets ("**EBITDA**") for the Review Year was approximately HK$28.6 million (2022: approximately HK$34.1 million).

During the Review Year, the Group has endeavored to expand its customer base by seeking high power semiconductor devices like Insulated Gate Bipolar Transitor ("**IGBT**") clients and continued to enhance its R&D capability and develop its product to capture market opportunities. The Group's strong investment in R&D has been recognised and received great support from Chinese government. The Group was awarded the State-level Technologically Advanced "Little Giant" Enterprise (國家級專精特新「小巨人」) by the Ministry of Industry and Information Technology, and Guangdong Province "Technologically Advanced" Small and Medium-sized Enterprises (廣東省「專精特新」中小企業) by the Guangdong Provincial Department of Industry and Information Technology.

FORWARD

Stepping into 2024, the global economy and political situation remain volatile. In the PRC, the government is launching economic policies to enhance domestic growth. As Chinese government is launching 5G development policies and economic activities are expected to resume normal gradually, the market's demand for bonding wires and semiconductor packaging related encapsulants are expected to grow in the coming years. To embrace the volatilities and uncertainties, the Group has been adopting necessary safety measures and operating procedures to minimize epidemic after effect on the Group's business. The Directors remain positive about the industry in the long run and the Group's future development.

With the rapid growth of 5G, the demand for high-power semiconductors like IGBT product is expected to boost in the coming year. Looking ahead, the Group will continuously seek new business cooperation and focus on the innovation of materials for advanced semiconductors which could be applied to electric vehicles, mini-LED, artificial intelligence and 5G communications industries. The Directors believe that the Group's established position in the electronic packaging materials industry, together with its competitive strengths and flexible business strategies, will overcome the impact of post-pandemic and contribute more revenue growth to the Group, and generate maximum return to the holders (the "**Shareholders**") of the shares (the "**Shares**") of the Company.

APPRECIATION

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

Dr. Chow Bok Hin Felix
Executive Chairman and Executive Director

Hong Kong, 28 March 2024

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is an established semiconductor packaging materials manufacturer specializing in the development, manufacture, and sales of the bonding wire and encapsulant with headquarter in Hong Kong and production facilities in Shantou, the PRC.

The Group continued to sell its products directly to more than 600 customers, including renowned manufacturers of LEDs, camera modules and ICs primarily in the PRC. During the Review Year, the market demand of semiconductor products remained affected by the Epidemic situation in the first half of 2023. However, as the PRC's economy had gradually improved since the second half of 2023, the Group's revenue and gross profit only decreased by 2.4% and 5.3% respectively against the corresponding period of 2022. It is noteworthy that the Group's sales revenue has increased significantly since the third quarter of 2023. The Group's revenue and gross profit in the second half of 2023 increased by 17.0% and 19.2% respectively against the corresponding period of 2022 due to better gross profit margin with improved product mix of sales. The Group has also acquired several PRC leading IGBT clients during the Review Year.

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

FINANCIAL OVERVIEW

Revenue

The Group's revenue principally consisted of the income derived from its main products, namely bonding wire and encapsulant. During the Review Year, the Group recorded a revenue of approximately HK$212.6 million, a slight decrease of 2.4% from approximately HK$217.9 million for the Previous Year. The revenue of bonding wire products recorded a decrease of 5.9% to approximately HK$99.7 million (2022: approximately HK$106.0 million) while the revenue of encapsulant products recorded a increase of 5.6% to approximately HK$106.0 million (2022: approximately HK$100.4 million). The decrease in revenue was due to the decrease in the average selling prices of the Group's products.

Cost of Sales and Gross Profit

The Group's cost of sales mainly comprises direct material costs, direct labor costs and manufacturing overhead. During the Review Year, the Group recorded cost of sales of approximately HK$157.7 million (2022: approximately HK$159.9 million). The gross profit of the Group decreased slightly to approximately HK$54.9 million for the Review Year (approximately HK$58.0 million for 2022). Gross profit margin also decreased slightly to approximately 25.8% for the Review Year from approximately 26.6% for the Previous Year. During the Review Year, the lower average selling prices of the Group's products led to the decrease in gross profit margin.

Other Income, Other Gains and Losses

Other income, other gains and losses recorded a net gain of approximately HK$5.6 million for the Review Year (2022: approximately HK$4.3 million). The increase was the combined effect of: i) the one-off and non-recurring subsidies (approximately HK$2.6 million) granted from the government authorities in the PRC for the Group's technology improvement on production skills and research as a High and New Technology Enterprise in the PRC; ii) the decrease in net foreign exchange gains from approximately HK$2.4 million in 2022 to approximately HK$0.9 million for the Review Year due to the change in exchange rate of Renminbi ("**RMB**").

Expenses

Selling and distribution expenses decreased to approximately HK$13.0 million during the Review Year (2022: approximately HK$14.4 million), mainly due to the decrease in sales commission paid.

Administrative expenses for the Review Year increased by approximately HK$3.9 million to approximately HK$36.2 million (2022: approximately HK$32.3 million), mainly due to the increase in staff cost and the legal and professional fees paid for the major and connected transaction.

Finance costs sharply increased by 115.4% to approximately HK$4.1 million (2022: approximately HK$1.9 million) due to the increase in bank borrowings and the increase in interest rate during the Review Year.

Profit for the year

By virtue of the combined effects of the foregoing, profit attributable to owners of the Company for the Review Year was approximately HK$0.5 million (2022: approximately HK$8.6 million).

HUMAN RESOURCES MANAGEMENT

As at 31 December 2023, the Group employed 183 full-time employees (2022: 179). The remuneration of employees is presented in note 9 to the consolidated financial statements. Based on the Group's remuneration policy, the employees' remuneration is determined with reference to the experience and qualifications of individual's performance. The Group also ensures that all employees are provided with adequate training and continued professional opportunities according to their needs.

FINANCIAL RESOURCES, LIQUIDITY AND CAPITAL STRUCTURE

The Group finances its operations primarily through cash generated from operating activities and interest-bearing bank borrowings. The Group recorded net current assets of approximately HK$70.6 million as at 31 December 2023 (31 December 2022: approximately HK$111.4 million). As at 31 December 2023, the Group's current ratio was approximately 1.6 (31 December 2022: approximately 2.6) and the Group's gearing ratio (the total borrowings divided by the total equity of the Group at the end of the Review Year) was approximately 42.7% (31 December 2022: approximately 14.0%). The Group's variable-rate bank borrowings carried interest from 3.05% to 3.50% (2022: 3.05% to 3.50%) over Hong Kong Interbank Offered Rate per annum. The effective interest rate were from 7.81% to 9.07% as at 31 December 2023 (2022: 6.26%). The Group's fixed-rate borrowings carried interests at effective rates (which were also the contracted rates) from 1.20% to 3.85% per annum as at 31 December 2023 (2022: nil). As at 31 December 2023, the Group's bank borrowings and bank overdraft amounted to approximately HK$94.3 million (31 December 2022: approximately HK$31.9 million). As at 31 December 2023, the bank borrowings amounted to approximately HK42,303,000 (2022: approximately HK$26,280,000) were secured by unlimited corporate guarantee provided by the Company, certain corporate guarantee amounts provided by Niche-Tech Kaiser (Shantou) Limited ("**Niche-Tech Shantou**") and certain personal guarantee amounts provided by the director of the Company respectively. As at 31 December 2023, the Group had total bank facilities of approximately HK$122.3 million (31 December 2022: approximately HK$67.6 million). As at 31 December 2023, the capital structure of the Group consisted of equity attributable to owners of the Company of approximately HK$220.9 million (31 December 2022: approximately HK$228.7 million).

MANAGEMENT DISCUSSION AND ANALYSIS

FUTURE STRATEGIES AND PROSPECTS

Amid the challenging environment, the PRC market has been adapting to the new normal of minimizing the relentless impact of pandemic and the external political and economic turmoil. With the post-pandemic economic recovery measures in PRC, the domestic economy is recovering progressively. In light of this, the Group has been focusing on domestic sales in recent years. With the signs of recovery of the global market, the export of semiconductors is expected to increase to normal level gradually. Moreover, in view of the rapid development in the 5G network and the growing trend of big data processing, it is expected that the demand of semiconductors will increase. According to Expert Market Research, the global semiconductor market size reached approximately USD625.05 billion in 2023. The market is projected to grow at a CAGR of 7.7% between 2024 and 2032, reaching a value of around USD1,218.58 billion by 2032. As a reputable technology-focused manufacturer, the Group is well equipped with the capabilities of keeping abreast of the latest industry trend through continuous R&D capabilities. The Group will position it favorably to tackle upcoming uncertainties in global economy and seize the significant opportunities ahead.

Due to the keen market competition, the average selling price of the Group's products is expected to decrease. However, the sales volume of the Group's products is expected to increase due to the increasing market demand for bonding wires and encapsulants. With an aim at capturing the opportunities arising from the expected market recovery and the fast-growing 5G industry, the Group has been actively developing new products and looking for new clients. Three series of new products of Die Attach Adhesive, namely Non-conductive Epoxy Based Adhesive, Non-conductive Silicon Based Adhesive and Electrical Conductive Silver Adhesive for LED applications will be launched as scheduled, and their product application will be extended to cover other semiconductors and the 5G industry after formulary modification to capture opportunities arising from the growing 5G industry. Meanwhile, the Group has developed a new copper alloy bonding wire specially designed for the power IC and IGBT products, which has been tried and accredited by top customers in the PRC. One of the top ten PRC Semiconductor power IC companies has placed orders for heavy copper alloy bonding wire with the Company. The new products are expected to contribute to the Group's revenue with increasing demand in the coming years. With the rapidly growing 5G networks, the Group is investing more resources in developing upstream packaging materials for the 5G sector, which is likely to be another driver of growth for the Group.

Looking ahead, the Group will continue to enhance its R&D capabilities, with a view to developing advanced and high-quality products to seize the opportunities of the emerging markets of 5G network, automotive electrification, industrial automation, internet of things and artificial intelligence. In the meantime, the Group has been actively seeking possible targets for mergers and acquisitions. As for the mini-LED display, the Group will continue the development of and/or seek for new technologies to provide customers with more enhanced products to meet customer demands for enhancing their competitiveness. In spite of the existing after-effect of pandemic, the Directors strongly believe that the Group's established position in the semiconductor packaging materials industry, competitive strengths and flexible business strategies will facilitate its long-term growth.

ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

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

EXPOSURE TO FOREIGN EXCHANGE RISK

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

CHARGE ON ASSETS

As at 31 December 2023, there was no significant pledge on the Group's assets (31 December 2022: Nil).

DIVIDEND

No interim dividend was declared by the Board and the Board does not recommend the payment of final dividend for the year ended 31 December 2023 (2022: interim dividend of HK$0.0031 per Share and final dividend of HK$0.0022 per Share were declared and paid).

CONTINGENT LIABILITIES

As at 31 December 2023, the Group did not have any material contingent liabilities or guarantees (31 December 2022: Nil).

SEGMENT INFORMATION

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

SIGNIFICANT INVESTMENTS AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

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

EVENT AFTER THE REPORTING PERIOD

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

COMPARISON BETWEEN BUSINESS OBJECTIVES AND ACTUAL BUSINESS PROGRESS

The following table is a comparison between the Group's business objectives as set out in the prospectus of the Company dated 17 May 2018 (the "**Prospectus**") regarding the listing of the Shares (the "**Listing**") and the Group's actual business progress for the period from the date of the Listing to 31 December 2023.

Business objectives	Actual business progress up to 31 December 2023
Expand production capacity and upgrade manufacturing facilities	
– Acquire machineries and equipment and upgrade manufacturing facilities for new production lines	The Group had upgraded and expanded the production lines and related facilities both of G&S bonding wire and encapsulant in 2019, which commenced commercialised production in 2020. The Group had continued to add related machineries at the bottleneck of production line to meet the demand of customers' orders since 2020.
– Acquire machineries and equipment for quality control	The Group acquired and installed certain equipment to enhance the quality control over the production process and finished products' inspection for both bonding wire and encapsulant products since 2019.
– Acquire or invest on bonding wire business or related business	N/A
Devote R&D resources	
– Acquire machineries and equipment for R&D enhancement	The Group had purchased certain machineries and equipment for the improvement of existing R&D facilities since 2019.
– Engage external consultants for R&D projects	The Group had engaged an assistant professor from Anhui University of Technology as R&D consultants to assist in the R&D activities for the new encapsulant projects. The Group also had engaged a professor from National Cheng Kung University (Taiwan) and an expert in metal materials as the R&D consultants to assist in the Group's R&D activities for the new Bonding wire projects. On the other hand, the Group had engaged a third party to assist new project in the field of Solar Energy.
– Acquire new intellectual property or develop new intellectual property	The Group had purchased IPs of bonding wire and encapsulant to enrich its product categories during the past three years.
Increase sales and marketing activities	The Group engaged a personnel relation advisor to perform branding and digital marketing work.
General working capital	The Group relocated its headquarter to Hong Kong Science Park and hired R&D experts and related personnel after Listing. Additional working capital was required as a result of increase in production capacity.

USE OF PROCEEDS FROM THE LISTING

The net proceeds from the Listing received by the Company were approximately HK$83.5 million (after deduction of Listing expenses). The net proceeds had been intended to be used in accordance with the proposed implementation plans as disclosed under the section headed "Statement of Business Objectives and Use of Proceeds" in the Prospectus. Having considered the changes in the business environment, in order to utilise the net proceeds in a more effective way and to facilitate efficient management of the Company's financial resources, the Board resolved to reallocate the unutilised net proceeds on 30 July 2021 and 14 June 2023 (details of the changes were disclosed in the Company's announcements dated 30 July 2021 and 14 June 2023, respectively). Details of the changes in the use of the net proceeds and the utilisation of the net proceeds from the Listing to 31 December 2023 are as follows:

	Original allocation of net proceeds HK$ million	Change in allocation of net proceeds at 30 July 2021 HK$ million	Change in allocation of net proceeds at 14 June 2023 HK$ million	Utilised net proceeds up to 31 December 2023 HK$ million	Unutilised revised net proceeds as at 31 December 2023 HK$ million
Expand production capacity and upgrade manufacturing facilities					
– Acquire or invest on bonding wire business or related business	–	19.4	(19.4)	–	–
– Acquire machineries and equipment for quality control	3.4	0.7	–	(4.1)	–
– Acquire machineries and equipment and upgrading manufacturing facilities for new production lines	41.9	(20.1)	(0.8)	(21.0)	–
Devote R&D resources					
– Acquire new intellectual property or develop new intellectual property	–	10.2	23.1	(33.3)	–
– Acquire machineries and equipment for R&D enhancement	19.5	(8.3)	(2.9)	(8.3)	–
– Engage external consultants for R&D projects	5.9	(1.9)	–	(4.0)	–
Increase sales and marketing activities	5.9	–	–	(5.9)	–
General working capital	6.9	–	–	(6.9)	–
Total	83.5	–	–	(83.5)	–

As at 31 December 2023, all net proceeds from the Listing had been utilised.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Dr. CHOW Bok Hin Felix (周博軒) ("Dr. Chow"), aged 42, is the founder of the Group, and was appointed as an executive Director and the executive chairman of the Board on 21 February 2017. He is primarily responsible for the overall management, strategic planning, operations and development of the Group. Dr. Chow is the son of Professor Chow, an executive Director.

Dr. Chow has over 21 years of experience in the electronics materials industry. He founded the Group in April 2006 and was appointed as a director of Niche-Tech Shantou. Dr. Chow was listed as one of the 200 Most Promising Young Chiu Chow Entrepreneurs in 2012. He was appointed as a member of the Shantou Provincial Committee of the Chinese People's Political Consultative Conference since 2005. He has also been a member of the China Overseas Friendship Association since 2019. He was appointed as a director of Hong Kong Applied Science and Technology Research Institute in October 2022. Dr. Chow won the Young Industrialist Award of Hong Kong 2023, which was organized by the Federation of Hong Kong Industries.

Dr. Chow obtained a Bachelor of Arts degree from the University of Southern California in the United States. He also furthered his studies by completing an Entrepreneurial Masters Programme hosted by the Massachusetts Institute of Technology Enterprise Forum and Entrepreneurs' Organisation. In February 2023, he obtained the Doctor of Business Administration (DBA) degree from the City University of Hong Kong.

Professor CHOW Chun Kay Stephen (周振基) ("Professor Chow"), *GBS, SBS, BBS, JP*, aged 69, is the co-founder of the Group and was appointed as an executive Director on 21 February 2017. He is primarily responsible for the overall strategic planning and development of the Group. Professor Chow is the father of Dr. Chow, an executive Director and the executive chairman of the Board.

Professor Chow has over 42 years of experience in the electronics materials industry. He co-founded the Group in April 2006 and was appointed as a director of Niche-Tech Shantou. He is also a director of Niche-Tech Holdings Limited. Professor Chow served as the president of the Chiu Chow Chamber of Commerce from 2012 to 2014, the chairman of the Tung Wah Group of Hospitals from 2001 to 2002 and the council chairman of the Hong Kong Academy for Performing Arts from 2016 to 2021.

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

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

Mr. SHI Yiwu (石逸武) ("Mr. Shi"), aged 41, was appointed as an executive Director on 6 September 2017. He assists the Board in overseeing the operations and development of the Group.

Mr. Shi has over 17 years of experience in the electronics materials industry. He joined the Group as a R&D project supervisor of Niche-Tech Shantou in May 2007. He was then promoted to deputy manager of the R&D department of Niche-Tech Shantou in February 2008 and R&D director of the chemical department of Niche-Tech Shantou in December 2014. Mr. Shi was further promoted to the general manager of Niche-Tech Shantou in May 2016 and has been holding this position since then. Prior to joining the Group, Mr. Shi had worked as a processing engineer in Shengyi Technology Co., Ltd. from July 2005 to January 2007.

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

NON-EXECUTIVE DIRECTOR

Mr. LI Chiu Fan (李超凡) ("Mr. Li"), aged 66, was appointed as a non-executive Director on 8 March 2021. He is primarily responsible for the overall strategic planning of the Group.

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

Professor NG Wang Wai Charles (吳宏偉) ("Professor Ng"), aged 62, was appointed as an independent non-executive Director on 8 May 2018. He is primarily responsible for providing independent advice to the Board.

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

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

Professor Ng received the R. M. Quigley Award from the Canadian Geotechnical Society in 2007, 2012 and 2016, the 2020 National Natural Science Award (2nd Class) by the State Council of China (中國國家2020年度自然科學獎二等獎), the 2015 Scientific Technological Advancement Award (2nd Class) by the State Council of China (中國國家2015年度科技進步獎二等獎) and the 2013 Scientific Advancement Technological Award (1st Class) by the Ministry of Education, China (中國教育部2013年度科技進步獎一等獎).

Mr. TAI Chun Kit (戴進傑) ("Mr. Tai"), aged 41, was appointed as an independent non-executive Director on 8 May 2018. He is primarily responsible for providing independent advice to the Board.

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

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

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. POON Lai Yin, Michael (潘禮賢) ("Mr. Poon"), aged 52, was appointed as an independent non-executive Director of the Company on 28 June 2019, and is the chairman of the Audit Committee and a member of the Remuneration Committee and a member of Nomination Committee of the Company.

Mr. Poon has over 20 years of experience in corporate management, business development, financial reporting, business advisory, auditing and accounting. From March 1995 to February 1997, he worked in Chan Chak Chung & Co. and his last position was audit senior. From March 1997 to June 1999, he worked in Ho & Au Yeung and his last position was audit semi-senior. From November 2000 to March 2002, he served as senior accountant in Arthur Anderson & Co., which was merged into PricewaterhouseCoopers in 2002. Mr. Poon obtained a bachelor's degree in administrative studies from York University, Canada in June 1995, a master's degree in practicing accounting from Monash University, Australia in July 1998, an executive master's degree in business administration in October 2022 from City University of Hong Kong and the master's degree in public administration from Tsinghua University, PRC in January 2024.

Mr. Poon passed Certified Environmental, Social and Governance Analyst® (CESGA) from The European Federation of Financial Analysis Societies (EFFAS®) in December 2022. Mr. Poon has been a fellow member of HKICPA since July 2009, and a member with CPA Australia since March 2000 respectively. Mr. Poon passed the qualification examination of Asset Management Association of China (中國證券投資基金業協會從業資格考試) in 2016. From April 2019 to February 2020, Mr. Poon has been a Licensed Representative for Type 6 (advising on corporate finance) regulated activity of Canfield Corporate Finance Company Limited, a licensed corporation.

Mr. Poon is an executive director of Huakang Biomedical Holdings Company Limited (the shares of which are listed on the GEM of the Stock Exchange with stock code: 8622) since August 2017. Mr. Poon has also been an independent non-executive director LFG Investment Holdings Limited (the shares of which are listed on the Main Board of the Stock Exchange with stock code: 3938) since September 2019. He is an independent non-executive director of Smartac International Holdings Limited (formerly known as Smartac Group China Holdings Limited, the shares of which were listed on the Main Board of the Stock Exchange with stock code: 395 and were delisted on February 2023) from January 2010. From November 2006 to June 2022, Mr. Poon was an independent non-executive director of China Uptown Group Company Limited (the shares of which are listed on the main board of the Stock Exchange with stock code: 2330). From March 2019 to November 2023, Mr. Poon was an independent non-executive director of Teamway International Group Holdings Limited (the shares of which are listed on the Main Board of the Stock Exchange with stock code: 1239).

SENIOR MANAGEMENT

Mr. TSOI Kin Lung (蔡建龍), aged 48, was appointed as the company secretary of the Group on 28 June 2019. Mr. Tsoi joined the Company in April 2019. He is in charge of the company secretarial work of the Group.

Mr. Tsoi has over 22 years of experience in financial management, corporate finance and auditing. He is an associate member of the Hong Kong Institute of Certified Public Accountants. He holds a Bachelor's Degree in Business Administration from The Chinese University of Hong Kong in 1998. Mr. Tsoi was a financial controller and company secretary of a company listed on the Main Board of the Stock Exchange.

Mr. LUO Yongxiang (羅永祥), aged 38, is the R&D director of the Group. Mr. Luo joined the Group on 7 September 2009. He is responsible for overseeing the R&D of new chemical products. From 2009 to 2016, Mr. Luo was responsible for the examination of engineering projects in the chemical department.

Mr. Luo has over 14 years of experience in researching on new micro-electronic materials with high attainments, especially epoxy, silicone and acrylate. Mr. Luo has also made publications including Chinese Journal of Scientific and Technical Periodicals in 2016 and Electronics and Packaging, a magazine published in Wuxi City, Jiangsu Province in 2012 and 2013.

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

Mr. HUANG Peng (黃鵬), aged 44, is the production director of the Group. Mr. Huang joined the Group on 10 February 2011. He is responsible for the production and information management of the Group.

Mr. Huang has over 13 years of experience in researching on the informationisation, standardisation and production of advanced enterprise management systems. Prior to joining the Group, Mr. Huang had worked as an administrative personnel responsible for production management in China Circuit Technology (Shantou) Corporation, a subsidiary of Guangdong Goworld Co., Ltd., a company listed on the Shenzhen Stock Exchange (stock code: 000823), from 2004 to 2011.

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

COMPANY SECRETARY

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

For the year ended 31 December 2023, Mr. Tsoi has complied with the GEM Listing Rules by taking not less than 15 hours of relevant professional training.

COMPLIANCE OFFICER

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

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

CORPORATE GOVERNANCE PRACTICES

The Company places high value on the corporate governance practice and the Board firmly believes that a good corporate governance practice can improve accountability and transparency for the benefit of the Shareholders. The Company complied with Corporate Governance Code (the "**CG Code**") as set out in Appendix C1 to the GEM Listing Rules for the Review Year.

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

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

BOARD OF DIRECTORS

Board Composition

The Board currently comprises seven members, including three executive Directors, namely Dr. Chow (executive chairman), Professor Chow and Mr. Shi, one non-executive Director, namely Mr. Li, and three independent non-executive Directors, namely Professor Ng, Mr. Tai and Mr. Poon.

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Pursuant to code provision C.2.1 of the CG Code, the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing.

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

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

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

NON-EXECUTIVE DIRECTOR

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

ROLE AND FUNCTION OF THE BOARD

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

DELEGATION BY THE BOARD

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

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

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

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

BOARD DIVERSITY POLICY

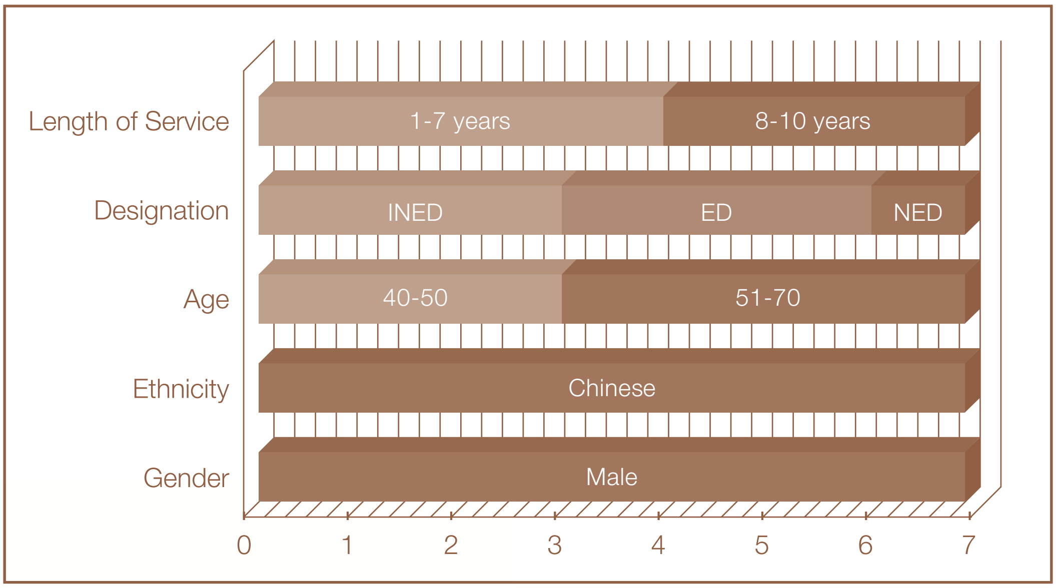
The Company has adopted a board diversity policy (the "**Board Diversity Policy**") on 8 May 2018 which sets out the approach to achieve and maintain diversity on the Board in order to enhance the effectiveness of the Board in compliance with Rule 17.104 of the GEM Listing Rules.

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

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

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

The Board composition are summarized as follows:



Currently, all Board members are male. The Board has set down its goals to appoint one female as Board member no later than 31 December 2024 as part of its effort to achieve diversity on the Board level. The Nomination Committee will continue to monitor and actively consider different aspects of diversity in the boardroom, and recommend further actions or plan to the Board when necessary.

The gender ratio of employees of the Group for the year ended 31 December 2023 by rank is:

Rank	Number of male employees	Number of female employees
Senior management	8	3
Middle management	13	5
General staff	91	63

To achieve the goal of employee diversity, the management team will consider gender as one of the factors in staff recruitment to strike, to the maximum extent possible, a gender balance.

PROFESSIONAL DEVELOPMENT OF THE DIRECTORS

In compliance with code provision C.1.4 of the CG Code, all Directors, namely Dr. Chow, Professor Chow, Mr. Shi, Mr. Li, Professor Ng, Mr. Tai and Mr. Poon, had participated in continuous professional development during the Review Year to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. The Directors had provided the relevant record to the Company for the Review Year.

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

BOARD MEETINGS

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

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

NUMBER OF MEETINGS AND ATTENDANCE RECORDS

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

	No. of Meetings attended/Eligible to attend					
Name of Directors	**Board**	**Audit Committee**	**Nomination Committee**	**Remuneration Committee**	**Annual General Meeting**	**Extraordinary General Meeting**
Executive Directors						
Dr. Chow	5/5	N/A	1/1	1/1	1/1	1/1
Professor Chow	5/5	N/A	1/1	N/A	1/1	1/1
Mr. Shi	5/5	N/A	N/A	N/A	1/1	1/1
Non-executive Director						
Mr. Li	5/5	N/A	N/A	N/A	1/1	1/1
Independent non-executive Directors						
Professor Ng	5/5	5/5	1/1	1/1	1/1	1/1
Mr. Poon	5/5	5/5	1/1	1/1	1/1	1/1
Mr. Tai	5/5	5/5	1/1	1/1	1/1	1/1

BOARD COMMITTEE

Audit Committee

The Company established an audit committee (the "**Audit Committee**") on 8 May 2018 with written terms of reference in compliance with Rules 5.28 to 5.29 of the GEM Listing Rules and code provisions D.3.3 and D.3.7 of the CG Code. The terms of reference setting out the Audit Committee's authority, duties and responsibilities are available on both the Stock Exchange's website and the Company's website. The primary duties of the Audit Committee mainly include reviewing and approving of the Group's financial reporting process and internal control and risk management system, overseeing the audit process and performing other duties and responsibilities as assigned by the Board. As at 31 December 2023, the Audit Committee consisted of three members, who were three independent non-executive Directors, namely Professor Ng, Mr. Tai and Mr. Poon. Mr. Poon, who processes the appropriate professional qualifications as required under Rules 5.05(2) and 5.28 of the GEM Listing Rules, was the chairman of the Audit Committee.

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

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

Remuneration Committee

The Company established a remuneration committee (the "**Remuneration Committee**") on 8 May 2018 with written terms of reference in compliance with Rules 5.34 to 5.36 of the GEM Listing Rules and code provision E.1.2 of the CG Code. The terms of reference setting out the Remuneration Committee's authority, duties and responsibilities are available on both the Stock Exchange's website and the Company's website. The primary duties of the Remuneration Committee include formulating the remuneration policy, reviewing and recommending to the Board the terms of the remuneration packages of the Directors and senior management of the Group, and reviewing and approving performance-based remuneration with reference to corporate goals and objective resolved by the Board from time to time. As at 31 December 2023, the Remuneration Committee consisted of an executive Director and three independent non-executive Directors, being Dr. Chow, Mr. Poon, Mr. Tai and Professor Ng. Professor Ng was the chairman of the Remuneration Committee. Details of the remuneration of Directors are set out in note 10 to the consolidated financial statements.

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

Nomination Committee

The Company established a nomination committee (the "**Nomination Committee**") on 8 May 2018 with written terms of reference in compliance with Rule 5.36A of the GEM Listing Rules and principle B.3 of the CG Code. The terms of reference setting out the Nomination Committee's authority, duties and responsibilities are available on both the Stock Exchange's website and the Company's website. The primary duties of the Nomination Committee include formulating the nomination policy and making recommendations to any proposed changes to the Board. As at 31 December 2023, the Nomination Committee consisted of two executive Directors and three independent non-executive Directors, being Professor Chow, Dr. Chow, Mr. Poon, Mr. Tai and Professor Ng. Dr. Chow was the chairman of the Nomination Committee.

Nomination Policy

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

(a) Reputation for integrity;

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

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

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

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

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

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

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

Corporate Governance Function

All members of the Board are responsible for performing the corporate governance functions. The terms of reference of corporate governance functions was adopted by the Board and is in compliance with code provision A.2.1 of the CG Code. The Board will review the policy of the corporate governance and the corporate governance report of the Company annually.

DIRECTORS' SECURITIES TRANSACTIONS

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

AUDITOR'S REMUNERATION

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

Services rendered to the Group	**Fees paid and payable**	
	2023	2022
	HK$'000	HK$'000
Audit services:		
Annual audit	**990**	1,320
Non-audit services*	**150**	30
	1,140	1,350

* In connection with the major transaction and tax services

RISK MANAGEMENT AND INTERNAL CONTROLS

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

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

Internal Controls

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

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

Risk Management

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

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

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

DISSEMINATION OF INSIDE INFORMATION

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

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

INVESTOR RELATIONS AND COMMUNICATION

The Board recognises the importance of good communications with all Shareholders. The Company encourages two-way communications with both its institutional and private investors. A Shareholder's communication policy was adopted by the Board at the Board meeting held on 8 May 2018 aiming at providing the Shareholders and potential investors with ready and timely access to balanced and understandable information of the Company. The Board reviewed the implementation and effectiveness of the Shareholder's communication policy and considered it to be effective. The annual general meetings provide a valuable forum for direct communication between the Board and the Shareholders. The chairman of the Board as well as Chairmen of the Board Committees together with the auditor will present to answer Shareholders' questions. The circulars of the annual general meetings are distributed to all Shareholders at least 21 days before the meetings. Separate resolutions are proposed at general meetings on each separate issue and voting of which are taken by poll pursuant to the GEM Listing Rules. Any results of the poll are published on both the Stock Exchange's website and the Company's website. All corporate communication with Shareholders will be posted on the Company's website for Shareholders' information. Further, the Company has adopted mechanism for electronic dissemination of corporate communications in accordance with Rule 16.04A and Rule 16.04B of the GEM Listing Rules. For details, please refer to the Company's letter dated 2 February 2024 to registered Shareholders and non-registered Shareholders, respectively.

During the Review Year, an annual general meeting was held on 14 June 2023 and an extraordinary general meeting was held on 2 August 2023.

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

CONSTITUTIONAL DOCUMENTS

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

COMPANY SECRETARY

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

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

SHAREHOLDERS' RIGHT

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

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

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are set out in note 34 to the consolidated financial statements. The Group is principally engaged in the development, manufacture and sales of semiconductor packaging materials.

RESULTS AND DIVIDENDS

The results of the Group for the Review Year are set out in the consolidated statement of profit or loss and other comprehensive income on page 73.

No interim dividend was declared by the Board and the Board does not recommend the payment of final dividend for the year ended 31 December 2023 (2022: interim dividend of HK$0.0031 per Share and final dividend of HK$0.0022 per Share were declared and paid).

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The annual general meeting ("**AGM**") is scheduled to be held on Monday, 3 June 2024. For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Wednesday, 29 May 2024 to Monday, 3 June 2024, both days inclusive, during which period no transfer of Shares will be registered. In order to attend and vote at the AGM, unregistered holders of Shares should ensure that all Share transfer documents accompanied by the relevant Share certificates must be lodged with the share registrar of the Company in Hong Kong, Boardroom Share Registrars (HK) Limited, 2103B, 21/F, 148 Electric Road, North Point, Hong Kong, for registration not later than 4:30 p.m. on Tuesday, 28 May 2024.

FINANCIAL SUMMARY

A summary of the published results and assets and liabilities of the Group for the last five financial years ended 31 December 2023, as extracted from the audited financial statements, is set out on page 142 in the Annual Report. This summary does not form part of the audited consolidated financial statements.

REVENUE AND SEGMENT INFORMATION

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

PLANT AND EQUIPMENT

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

SHARE CAPITAL AND SHARE OPTIONS SCHEMES

Details of the Company's share capital and share option schemes are set out in notes 25 and 33 to the consolidated financial statements respectively.

RESERVES

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

PRE-EMPTIVE RIGHTS

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

RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS

Details of the significant related party transactions entered into by the Group during the Review Year are set out in note 32 to the consolidated financial statements. Save as the transaction set out under "Related party transaction and balance" which constituted a connected transaction of the Company under Chapter 20 of the GEM Listing Rules, the remaining related party transactions as set out in note 32 to the consolidated financial statements did not fall under the classification of connected transaction or containing connected transaction in Chapter 20 of the GEM Listing Rules.

To the best knowledge of the Directors, in relation to the aforesaid transactions, the Company has complied with the relevant disclosure requirements in accordance with Chapter 20 of the GEM Listing Rules.

DISTRIBUTABLE RESERVES

As at 31 December 2023, the Company's reserves available for distribution, calculated in accordance with the Companies Act of the Cayman Islands, amounted to approximately HK$143.3 million (31 December 2022: HK$156.2 million). This includes the Company's share premium in the amount of approximately HK$121.0 million (31 December 2022: HK$122.5 million) as at 31 December 2023, which may be distributable to the Shareholder provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

MAJOR CUSTOMERS AND SUPPLIERS

During the Review Year, sales to the Group's five largest customers accounted for approximately 42.2% (2022: 42.6%) of the Group's total sales and the largest customer included therein amounted to approximately 14.1% (2022: 14.3%).

During the Review Year, purchases from the Group's five largest suppliers accounted for approximately 66.5% (2022: 55.7%) of the Group's total purchases and purchase from the largest supplier included therein amounted to approximately 33.4% (2022: 19.6%).

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

BUSINESS REVIEW

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

PRINCIPAL RISKS AND UNCERTAINTIES

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

Risk relating to the Industry

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

Risk relating to concentration of suppliers

The Group is dependent upon a small number of suppliers for raw materials that it uses in manufacturing its products. The largest and top five suppliers of the Group accounted for approximately 33.4% and 66.5% of our total purchase in the Review Year, respectively (2022: 19.6% and 55.7% respectively). There is no assurance that the business relationship of the Group with its suppliers will continue in the future. To reduce the risk, the Group has expanded its supplier base for high quality suppliers. The Group has also developed its own products which are produced through reliable subcontractors to secure sources of products supply.

Risks relating to conducting business in the PRC

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

Risk relating to products' competitiveness

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

Financial risks

Details of financial risks are set out in note 29 to the consolidated financial statements.

ENVIRONMENTAL POLICIES AND PERFORMANCE

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

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

The ESG Report containing an overview of the ESG performance of the Group's operations for the Review Year is contained on pages 34 to 66 of this Annual Report.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

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

RELATIONSHIP WITH SUPPLIERS, CUSTOMERS AND OTHER STAKEHOLDERS

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

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

DIRECTORS

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

Executive Directors

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

Non-executive Director

Mr. Li Chiu Fan

Independent Non-executive Directors

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

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

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

DIRECTORS' SERVICE CONTRACTS

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

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

INTERESTS IN COMPETING BUSINESS

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

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

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

EMOLUMENT POLICY

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

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

The Group has an adopted share option scheme as an incentive to eligible employees. Details of the share option schemes of the Group are set out in note 33 to the consolidated financial statements of this Annual Report.

EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

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

PERMITTED INDEMNITY PROVISION

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

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

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

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

INDEPENDENCE CONFIRMATION

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

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

Save as those disclosed in note 32 to the consolidated financial statements, there were no other transactions, arrangements or contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party, and in which a Director or its connected entities had a material interest (whether directly or indirectly) subsisting at the end of the year or at any time during the Review Year under Chapter 20 of the GEM Listing Rules.

CONTRACTS OF SIGNIFICANCE

Save as those disclosed in note 32 to the consolidated financial statements, there had been no contract of significance (i) between the Company or any of its subsidiaries and a controlling shareholder (as defined in the GEM Listing Rules) of the Company or any of its subsidiaries; or (ii) for the provision of services to the Company or any of its subsidiaries by a controlling shareholder or any of its subsidiaries, during the Review Year.

MANAGEMENT CONTRACTS

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

RETIREMENT BENEFIT SCHEMES

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

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

As at 31 December 2023, the interests and short positions of the Directors and chief executives of the Company in the Shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "**SFO**")), which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transaction by Directors to be notified to the Company and the Stock Exchange were as follows:

Long positions in the Shares

Name of Directors	Nature of interest/ holding capacity	Number of Shares held	Percentage of issued share capital of the Company *(Note 1)*
Dr. Chow *(Note 2)*	Interest in a controlled corporation	357,000,000	50.60%
Professor Chow *(Note 2)*	Interest in a controlled corporation	357,000,000	50.60%
	Beneficial owner	510,000	0.07%
Mr. Li	Beneficial owner	16,050,000	2.27%

Notes:

(1) As at 31 December 2023, the Company's issued share capital was HK$7,055,000 divided into 705,500,000 Shares of HK$0.01 each.

(2) Niche-Tech Investment Holdings Limited ("**BVI Holdings**") is beneficially owned as to 40% by Dr. Chow and 60% by Professor Chow. By virtue of SFO, Dr. Chow and Professor Chow are deemed to be interested in the 357,000,000 Shares held by BVI Holdings.

Interests in shares of the associated corporations of the Company

Name of Director/ Chief Executive	Name of associated corporation	Nature of interest/ holding capacity	Number of shares held/ interested in the associated corporations	Percentage of shareholding
Professor Chow *(Notes 1 and 2)*	Chows Investment Group Limited ("**BVI Chows**")	Beneficial owner	6	60.00%
Dr. Chow *(Notes 1 and 2)*	BVI Chows	Beneficial owner	4	40.00%
Professor Chow *(Notes 1 and 2)*	BVI Holdings	Interest in a controlled corporation	10,000,000	100.00%
Dr. Chow *(Notes 1 and 2)*	BVI Holdings	Interest in a controlled corporation	10,000,000	100.00%
Mr. Li *(Note 3)*	BVI Holdings	Beneficial owner	714,286	7.14%

Notes:

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

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

3. BVI Chows issued an exchangeable loan note to Mr. Li for an amount of HK$10,000,000 in respect of 714,286 shares in the issued share capital of BVI Holdings. The maturity date of the exchangeable loan note had been extended.

Save as disclosed above, as at 31 December 2023, none of the Directors nor chief executives of the Company had or was deemed to have any other interests and short positions in the Shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transaction by Directors to be notified to the Company and the Stock Exchange.

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

So far as is known to the Directors, as at 31 December 2023, the persons (other than Directors or chief executive of the Company) had, or were deemed to have, interests or short positions (directly or indirectly) in the Shares or underlying shares of the Company that would fall to be disclosed to the Company and the Stock Exchange under the provision of Divisions 2 and 3 of Part XV of the SFO for being recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

Long positions in the Shares

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

Notes:

(1) As at 31 December 2023, the Company's issued ordinary share capital was HK$7,055,000 divided into 705,500,000 shares of HK$0.01 each.

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

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

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

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

Save as disclosed above, as at 31 December 2023, the Directors were not aware of any other persons (other than the Directors or the chief executive of the Company) who had, or was deemed to have, interest or short positions in the Shares or underlying shares would fall to be required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO for being recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

DIRECTORS' SECURITIES TRANSACTIONS

Details of Directors' securities transactions are set out in the section headed "Corporate Governance Report" on pages 14 to 22 of this Annual Report.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

CORPORATE GOVERNANCE CODE

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

CHARITABLE DONATIONS

The Group made charitable donations of HK$147,000 during the Review Year (2022: HK$33,500).

DIVIDEND POLICY

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

– the Articles of Association of the Company;

– the applicable restrictions and requirements under the laws of the Cayman Islands;

– any banking or other funding covenants by which the Company is bound from time to time;

– the investment and operating requirements of the Company; and

– any other factors that have material impact on the Company.

SUFFICIENCY OF PUBLIC FLOAT

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

INDEPENDENT AUDITOR

The consolidated financial statements for the Review Year have been audited by GCCPAL, who will retire and, being eligible, will offer themselves for re-appointment at the AGM. A resolution will be proposed at the AGM for the re-appointment of GCCPAL as auditor of the Company. There were no other changes in auditors of the Company during the past three years.

DEED OF NON-COMPETITION

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

On behalf of the Board

Chow Bok Hin Felix
Executive Chairman and Executive Director

Hong Kong, 28 March 2024

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

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THE REPORT

As the global emphasis on Environmental, Social, and Governance ("**ESG**") issues continues to rise, the Group profoundly understands the importance of integrating these elements into our business operations. Therefore, the Group is committed to implementing sustainable development strategies at various levels, reflected from strategic planning to daily operations. The Group values environmental protection, prioritizes employee welfare, strict product responsibility, adheres to professional ethics and business morals, and actively engages in community investment. We hope to provide lasting value by sharing our sustainable development concepts and performances with our stakeholders.

This report (the "**Report**") is the Group's ongoing initiatives to continuously provide stakeholders with the Group's ESG policies, measures, and performance. We hope to establish long-term trust relationships with different stakeholders with public and transparent information disclosure. The Group will continue to improve its sustainable development performance, providing stakeholders with higher quality Environmental, Social, and Governance reports and related information disclosure.

Reporting Scope

This ESG Report is prepared in accordance with the disclosure requirements listed in the "Environmental, Social and Governance Reporting Guide" ("**ESG Reporting Guide**") in Appendix C2 to the GEM Listing Rules of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). Due to the principle of materiality, the report covers the main businesses of the Group's headquarters office in Hong Kong and the production plant in Shantou (collectively referred to as "**each operating point**[1]") during the Review Year (i.e., from 1 January 2023 to 31 December 2023), including the business operations of developing, producing, and selling semiconductor packaging materials.

Reporting Principle

This Report is based on the four major reporting principles outlined in the "ESG Reporting Guide". According to the principles of "Materiality", "Consistency", "Quantification", and "Balance", the information disclosed in this Report is collected and compiled.

Reporting Principle	The Applications
Materiality	During the Review Year, the Group invited important stakeholders to conduct an assessment, which was to determine the structure and content of this Report.
Consistency	Unless otherwise specified, the Group adopted consistent methodologies for quantitative data.
Quantitative	The Group, when feasible, discloses environmental and social information in a quantitative manner, and reveals the relevant calculation standards, methodologies, and reference sources.
Balance	The Group prepares this Report with a fair and unbiased attitude to ensure that the content carried is disclosed fairly about its own performance.

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

Confirmation and Approval

All information disclosed is derived from the Group's internal documents and statistical data. The ESG Report has been confirmed and approved by the Board on 28 March 2024.

Opinion and Feedback

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

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

SUSTAINABILITY GOVERNANCE

The Board Statement

The Group's Board prioritizes sustainable development, overseeing environmental, social, and governance matters within operations. Using our established sustainable development governance framework, the Board maintains consistent communication and supervision, regularly evaluating, reviewing, and managing significant issues. This approach ensures effective management of related matters, policies, and strategies. The Board also monitors the progress of established ESG-related goals, frequently reviewing their progress and assessing factors such as effectiveness and relevance to ensure alignment with management policies and strategies.

Governance structure

The sustainable development management structure of the Group plays a key role in achieving sustainable goals. As the international community, countries, local governments, investment markets, and institutions continue to increase their demands and concerns for sustainable development, the Group recognizes that the importance of sustainable development issues must be enhanced. The Group has integrated sustainable development issues into operational supervision, regularly identifying and managing significant risks and opportunities, and formulating targeted ESG governance systems, strengthening supervision and ensuring effective sustainable development governance structures.

To deepen the commitment to sustainable development, the Group has established a "Social, Governance Work Committee" ("**Committee**"). Under the leadership of the Board, the Committee is represented by the General Manager of Niche-Tech Shantou, responsible for assisting the Board in handling sustainable development-related matters, and supervising the implementation and reporting of related matters in daily operations. The powers and responsibilities of the Committee have been clearly defined in the "Social and Governance Work Regulations", including regular identification and handling of significant risks and opportunities, and the formulation of targeted ESG management systems, etc., to strengthen the Group's operational supervision. The Group ensures the comprehensive implementation of sustainable development governance with a top-down management structure, continuously improves its own sustainability performance, and deeply integrates sustainability concepts into business strategies and daily operations to achieve the Group's sustainable development goals.

The Group is committed to the management of sustainable development and has identified seven categories to effectively formulate related management systems and strategies. The efforts of the Group help the Committee and related departments to establish corresponding governance strategies. In addition, the Group has set environmental and social related goals, which are recorded in the "2023 Environmental and Safety Target Analysis and Management Plan". To ensure that the Group achieves these goals, the Board reviews progress and effectiveness regularly according to the "Target, Indicators, and Management Plan", ensuring that goals and strategies are in line with relevant environmental standards and social expectations, and at the same time help to adjust strategies in a timely manner to meet possible challenges.

The 7 Aspects	• Society • Environment • Health and safety • Security • Employment relationship • Ethical conducts • Relations with the community and other business related individuals

Risk Management

The Group places high emphasis on managing ESG-related risks. We understand that strict and effective risk management mechanisms can ensure the stability of our operations and strengthen our response to various situations. As such, we've carefully formulated the "Risk and Opportunities Monitoring Procedures" to guide our risk management efforts. According to this procedure, we conduct regular risk assessments to ensure every department can effectively manage and respond to different risks, identify and control them, and timely improve and optimize risk management strategies.

In addition, the Committee regularly evaluates the ESG risk management efforts of each department and unit following the established procedures. This ensures the implementation of risk management tasks and continuous improvement of strategies and procedures. The Committee also regularly reports the status of risk management to the Board to ensure they have a comprehensive understanding of the Group's risk management and can make informed decisions.

Risk Management Process	1. To plan and building a management team 2. To identify risks and opportunities 3. To conduct risks assessment 4. To control risk 5. To develop measures

During the Review Year, the Group identified the following significant ESG risks and formulated various targeted regulatory measures to avoid or reduce their impact on the Group.

Aspects	Risks description	Management measures
Environment	**Waste Disposal** • Improper handling of hazardous waste (including liquids and solids), such as direct disposal, can cause water and soil pollution • Leakage during the placement and transportation of chemicals, untimely handling or improper handling plan, causing environmental pollution	**Waste Disposal** • Collect waste liquid and solid waste centrally and clearly mark the collection area; • Hand over to qualified outsourcing units for recycling; • Operate in accordance with regulations, hazardous waste separation and timely transfer • Designate an emergency treatment plan, in case of an accident, follow the chemical spill treatment plan
	Supplier Management • Cooperative suppliers cannot ensure that the incoming materials are environmentally friendly, resulting in the purchased materials not meeting the requirements of "Hazardous Substances Free (HSF) in the Production Process"	**Supplier Management** • Require suppliers to sign a commitment not to use harmful substances • Require suppliers to provide external inspection reports for the data provided • If there is any material change, the supplier must carry out harmful substance inspection
	Employee Awareness and Training • Lack of environmental awareness among employees, or causing negative environmental impacts during the work process • The identification, collection, and publicity of applicable environmental regulations are not enough, the corresponding company's internal activities and environmental factors are not clear enough, causing employees' awareness of law-abiding to be weak	**Employee Awareness and Training** • Strengthen relevant training for employees • New employees need to pass the training assessment before they can take up their positions
	Compliance Performance • The requirements and inspection efforts of environmental laws and regulations have increased, and the Group has not been able to meet the requirements, resulting in non-compliant products, or affecting the Group's output and stability	**Compliance Performance** • Timely revise internal production and control standards to ensure Group operation compliance

Aspects	Risks description	Management measures
Governance and Social	**Employee Health and Safety** • The operation of production equipment causes environmental noise pollution, which causes long-term harm to the health of personnel. • The organizational structure is unreasonable, the division of management responsibilities is unclear, leading to work omission, quality and safety accidents, causing property safety and personal safety. • Lack of employee safety awareness and training, or cause quality or safety accidents, even causing work stoppage.	**Employee Health and Safety** • Evaluate noise factors when purchasing equipment; • Regular maintenance and overhaul of equipment; • Employees wear earplugs • Recruit professional technical talents that meet job requirements; • Establish a regional responsibility system for the management structure, and arrange responsible persons for each area to ensure timely inspection.
	Supplier Management • Due to unqualified raw material supply, the product quality is not up to standard, causing production delivery delay. • The supplier's occupational health and safety awareness and ability are insufficient, and their supply materials and personnel working environment may not meet the occupational health requirements.	**Supplier Management** • In the order, clearly state the product technical specifications to ensure that the supplier understands the relevant requirements; • Provide suppliers with occupational safety training suggestions and guidelines. • Actively reflect opinions to suppliers. • Regularly review the quality of supply goods to ensure that they meet the company's requirements before cooperation can be started.
	Product Production Management • Improper warehouse management, or stacking storage causes product defects, or causes fire and explosion accidents, causing serious casualties and financial loss. • The raw materials or products fail the inspection, causing problems with the final product quality. • The product quality inspection does not meet the standard, causing defective products to flow into the market, or compensation caused by quality problems, and even negative impact on the Group image.	**Product Production Management** • The production raw materials and finished products must be inspected and passed by the quality control department before they can be put into production and sales. • Establish a regional responsibility system for the management structure, and arrange responsible persons for each area to ensure timely inspection.

In addition to these risks, the Group is also aware of the positive impacts and opportunities brought about by comprehensive governance for sustainable development. During the Review Year, the Group established relevant measures for the following significant ESG possibilities to seize the opportunities, and increase its sustainable development performance and management.

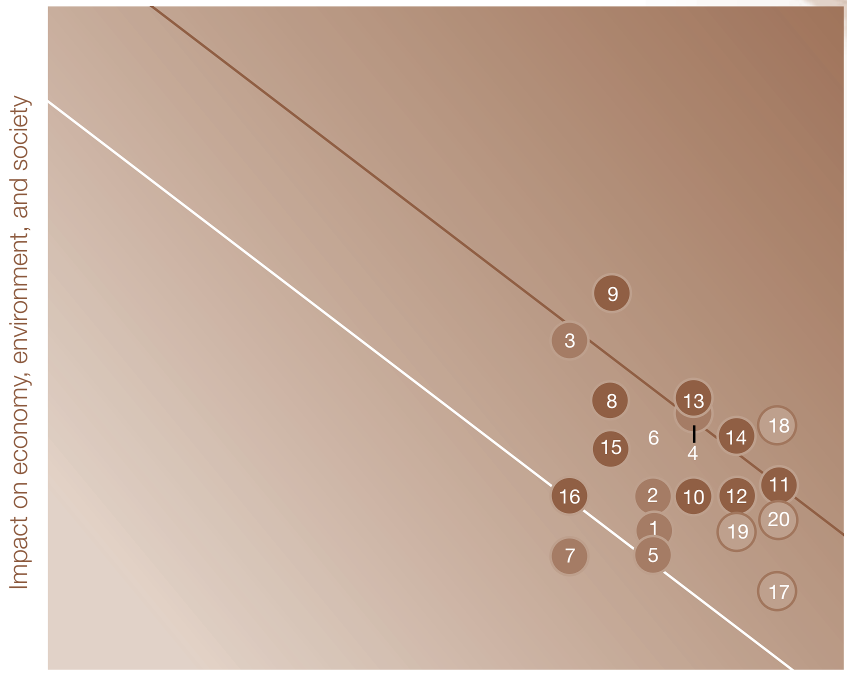
Aspects	Opportunity description	Management measures
Governance	**Manpower** • The overall improvement in the education level of the market labour force can effectively enhance the talent capability configuration of the Group.	**Manpower** • Attract more talents to join the company by setting up attractive benefits and welfare.
	Reputation • By adhering to rigorous occupational health and safety management requirements, a good social image can be established, effectively enhancing the company's reputation.	**Reputation** • Strengthen internal cultural construction and emphasize compliance.
	New Product Production • The demand for plating products in the semiconductor industry is strong, but due to the rigorous local environmental protection requirements, our company has not yet set up an electroplating production line.	**New Product Production** • Gradually introduce electroplating production lines or outsource to foundries.

STAKEHOLDER ENGAGEMENT

The Group recognizes the significant impact of stakeholder involvement on achieving business goals and ensuring sustained success. As such, the Group is consistently committed to forging and preserving beneficial, long-term relationships with stakeholders. In doing so, the Group respects and appreciates stakeholders' opinions, striving to comprehend their expectations and needs thoroughly. Moreover, stakeholder communication goes beyond addressing their current needs. It also provides insights into future market trends, enabling swift adaptation. Through constant, in-depth dialogues and exchanges, the Group has built a robust connection with stakeholders, collectively working towards common goals and values. The Group remains dedicated to ensuring that stakeholder engagement strategies continue to bolster business growth and remain aligned with the Group's mission, vision, and values.

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

At the same time, the Group understands the importance of identifying key issues, focusing on regular communication and feedback with all stakeholders. The Group firmly believes that these feedbacks will provide extremely important references for the Group's strategy formulation and policy planning, and will integrate them into the strategy and policy formulation process in a timely manner, ensuring that decisions can better reflect the expectations and needs of stakeholders. During the Review Year, the Group invited directors and Group's employees to identify key issues, understand their opinions and expectations on different ESG matters, to help formulate effective sustainable development strategies and policies.



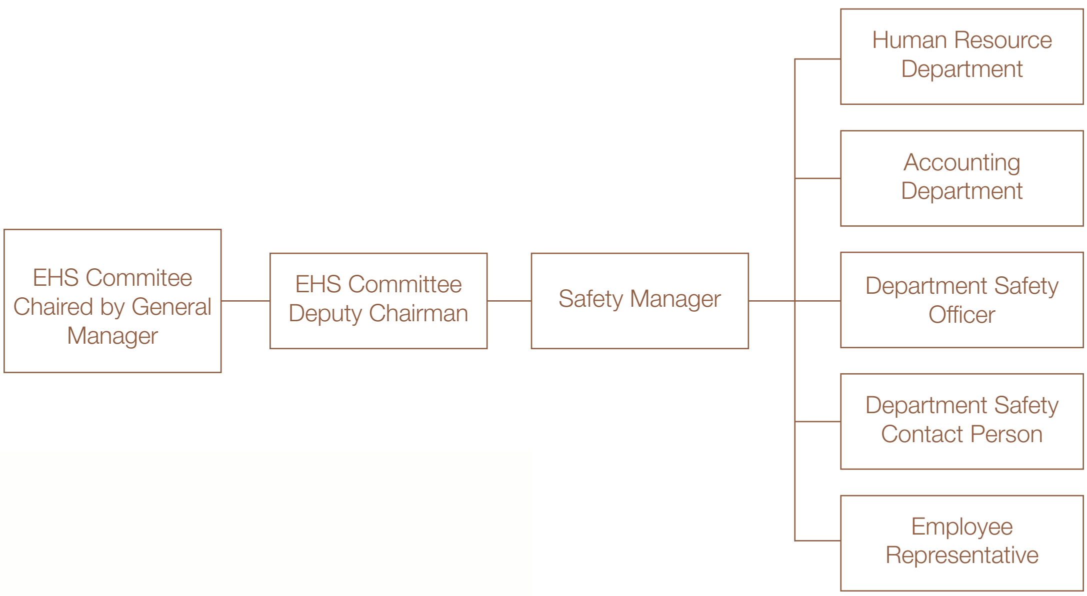
Aspects	Issues	
Environmental protection	1	Air Pollutants Emissions
	2	Green House Gases Emissions
	3	Wastes
	4	Energy
	5	Water
	6	Raw Materials
	7	Climate Changes & Resilience
Social	8	Employment Practices
	9	Training and Development
	10	Diversity and Equal Opportunities
	11	Occupational Health and Safety
	12	Labour Standards
	13	Product and Services Responsibility
	14	Privacy and Data Safety
	15	Responsible Supply Chain Management
	16	Community Participation and Investment
Governance	17	Anti-corruption
	18	Risk Management
	19	Compliance Management
	20	Intellectual Property Protection

The Group will continue to perfect its stakeholder communication mechanisms and sustainable development management systems, and will timely expand the coverage of stakeholders identified for important issues for a more comprehensive assessment and analysis.

ENVIRONMENTAL AND SAFETY MANAGEMENT

Governance Structure

The Group fully recognizes the important position of environmental protection and employment safety in corporate social responsibility, and takes this as a core value, committed to reducing the impact of business activities on the environment, and actively building a safe and stable working environment. The Group has established an internal environment and occupational health and safety management system in accordance with ISO 14001 and ISO 45001 international standards to ensure that business operations meet global best practices. In addition, the Group has established the Environment, Health and Safety (EHS) Committee and the Safety Production Management Committee. These committees are not only responsible for formulating and reviewing the Group's environmental and safety policies and policies, but also responsible for fully identifying, managing and reducing the risks that may arise during the operation process, to ensure that business operations comply with all relevant regulations and standards.



In terms of operational compliance, the Group strictly adheres to the "Environmental Protection Law of the People's Republic of China", the "Water Pollution Prevention Law of the People's Republic of China", the "Water Pollution Control Regulations (Hong Kong Law Chapter 358)", the "Labour Law of the People's Republic of China", the "Safe Production Law of the People's Republic of China", the "Occupational Disease Prevention Law of the People's Republic of China", the "Occupational Safety and Health Regulations (Hong Kong Law Chapter 509)" and other laws and regulations, national standards, and industry standards. At the same time, the Group has established internal policies such as the "Environmental Manual", "Regulations on Waste Gas, Waste Water and Noise Management", "Energy Saving and Emission Reduction Management Regulations", "Environmental Factor Identification and Evaluation Control Procedures", and "Climate Change Management Regulations", integrating legal requirements into daily operations. The Group has listed various environmental protection procedures or regulations, practicing its commitment to environmental protection. The Group's internal policies include waste disposal methods, measures to improve environmental benefits, and specific operational steps to ensure the implementation and effectiveness of environmental policies. To ensure employee safety, the Group also identifies and manages various potential risks through the "Occupational Health and Safety Management Manual" and implements workplace safety measures in factories, such as providing personal protective equipment. The Group will provide regular training to enhance employees' safety awareness and occupational health and safety capabilities.

In the Review Year, the Group did not find any cases of violation of environmental and safety-related laws and regulations. In the future, the Group will continue to optimize environmental policies and practices to achieve higher standards of environmental protection and occupational health and safety.

Target & Progress

During the Review Year, the Group has set clear goals in areas such as waste management, resource use, occupational health and safety, demonstrating our commitment to environmental protection and employee safety. The Group uses quantitative and directional methods to strengthen regulatory performance, and has further set quantitative goals in the environmental domain, aiming to achieve higher standards in reducing the impact of our operations on the environment.

The Group understands that goal-setting requires continuous review and adjustment. Therefore, the Group is committed to continuously reviewing the effectiveness and performance of our goals, and expanding or raising related requirements as appropriate, reflecting our concern for environmental protection and employee safety, and demonstrating the Group's commitment to corporate social responsibility. In order to better achieve environmental and safety objectives, the Group's internal policies and procedures integrate these into daily business operations. These policies and procedures include specific operating steps such as waste disposal methods and measures to improve environmental benefits, to ensure the effective implementation of environmental and safety goals.

Aspects	Targets	Completion
Environmental	• Annual kitchen fume emission concentration ≤2.0 μg/L • Annual wastewater treatment meets the emission standards in accordance with relevant guidelines • Annual electricity consumption per RMB10,000 of output ≤150 kWh/ RMB10,000 • Annual water consumption per RMB10,000 of output ≤1 cubic meter/ RMB10,000 • Quarterly paper consumption ≤70 reams • Noise standards during the day and night are no higher than 65 decibels and 55 decibels, respectively • Zero environmental pollution	Achieved
Safety	• Zero deaths, serious accidents • Zero major fires, explosions, electric shocks, and leak accidents • Zero occupational diseases • No more than 1% minor injury rate • Workplace noise not exceeding 85 decibels in an 8-hour work system • Zero food poisoning rate • 100% distribution and use of labour protection supplies • 100% effectiveness of fire protection equipment operation	Achieved

For the actions taken by the Group to achieve the targets set above, please refer to the behind chapters focusing on the Group's annual performance and management approaches.

In the future, the Group will maintain its goal-oriented management approach, optimizing environmental and safety policies. Actively addressing various challenges, the Group aims to enhance its environmental protection and safety performance. This is to meet higher environmental and safety standards, fulfill the Group's mission of providing a safe working environment for employees, and contribute positively to society and the environment.

HIGHLIGHTS OF ANNUAL MANAGEMENT MEASURES

1. Training and Development

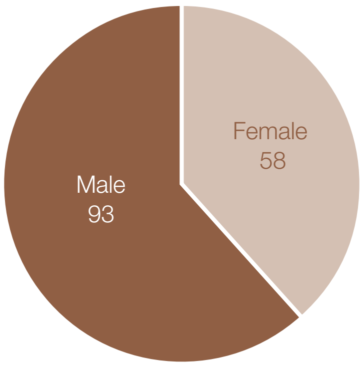
The Group values the personal skill development of employees. Guided by the "Procedures for Educational Training Management", the Group provides targeted training activities for employees at different stages, ensuring the most suitable treatment for them. For new and existing employees, the Group plans and implements training activities corresponding to job requirements, aimed at enhancing their capabilities to improve performance. The pre-job training content for new employees includes corporate culture, professional ethics, industry-related knowledge, and basic job skills, to help them quickly adapt to the Group's operating mode and understand their responsibilities and required knowledge. For existing employees, the Group offers "on-the-job training" and "external training" types of training activities, aimed at helping them enhance their professional skills according to the needs of their respective departments and positions, and fully prepare for their future development. Employees also need to accept different forms of assessments in response to related training content, ensuring their clear understanding of related information, and its effective application in daily work.

In addition, the human resources department of the Group will formulate a comprehensive "Annual Training Plan" based on the Group's development, business needs, and departmental needs. Each department will arrange monthly training activities based on the content and operation of the plan, thereby continuously improving the level of employees in knowledge, skills, and job performance. The Group also adjusts positions or salaries based on the annual job performance evaluation results of employees. At the same time, the evaluation results also provide reference for training and development opportunities that match the direction of employee job development, ensuring that employees can continue to grow and develop in their careers.

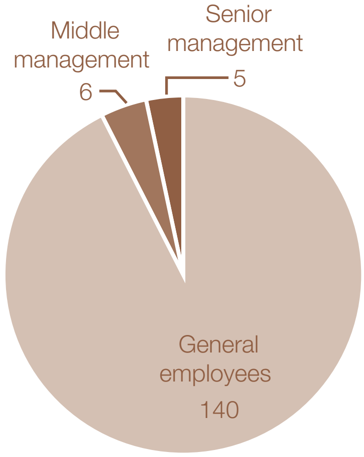
Orientation training	On-the-job training	External training
Provide pre-job training to help adapt to the work environment and position, and ensure that new employees have the skills needed for work through assessment.	For job and skill requirements, invite professional external lecturers or internal specialists to provide employees with knowledge, skills, and attitude annual internal training.	Hire external personnel for specialized training, or assign employees to external organizations or units for specialized training as needed. The content covers topics such as specialized business, professional skills, and skills.

During the Review Year, the number of trained employees in the Group was 151, with an average training time of 9.94 hours.

Number of Trained Employees by Gender



Number of Trained Employees by Employment Category



2. Product Responsibility

The Group is well aware of the importance of product responsibility and recognizes that only products of high quality, safety, and reliability can win the trust of customers and establish long-term business relationships with them. To ensure that the Group's products meet the highest quality and safety standards, the Group strictly adheres to the "People's Republic of China Product Quality Law", "People's Republic of China Patent Law", and "Competition Ordinance (Hong Kong Law Chapter 619)" and other relevant laws and regulations. In addition, the Group has also established a comprehensive set of internal policies, including "Poor Quality Cost Management Procedures", "Corrective and Preventive Measures Management Procedures", "Customer Complaints and Returns Handling Procedures", and "Intellectual Property, Confidentiality and Non-competition Management Regulations", to ensure that the Group's products and services are always of the highest quality.

The Group's quality assurance management standards and procedures cover many areas, including product inspection and measures monitoring, non-conforming product monitoring, corrective and preventive measures monitoring and product safety monitoring. At the same time, the Group will regularly conduct internal audits to ensure that products and services are legal and compliant. In addition, to help the Group's customers better understand the Group's products, the Group has produced detailed corporate and product brochures, which include product specifications, application ranges, and usage methods. In accordance with the internal procedural requirements of the "Chemical Safety Technical Instructions", the Group has affixed product information labels to the packaging of its products, including product type, characteristics, chemical technical data, and chemical safety information cards, to ensure that customers clearly understand the relevant product information. The Group attaches great importance to customer opinions and feedback, and provides multiple channels for customers to complain or give feedback on the Group's products and services. The Group's professional customer service team will investigate and respond according to the "Customer Complaints and Returns Handling Procedures", and will develop appropriate improvement measures or product recall plans based on the investigation results and the severity of the situation.

When handling customer information and data, the Group strictly complies with all relevant privacy and data protection regulations. The Group has established a set of strict procedures and rules as internal guidelines, which are complied by all employees, to ensure the proper handling of confidential customer information and to ensure that no work infringes on the rights of any intellectual property owner. We will terminate the use of products or services immediately if any cases of violating the rights of the IP owners are found. In order to strengthen the confidentiality of internal confidential information and customer privacy, the Group has implemented security monitoring in its network deployment to ensure the stability of the Group's industrial control systems. In addition, the Group has adopted the latest defense equipment to isolate and protect the network perimeter. For important data or information, the Group adopts an isolated storage method to improve data security.

During the Review Year, the Group did not notice any violations of health, safety, advertising, labelling, and privacy-related regulations related to products and services. If there are any violations, the Group will handle them according to the established internal policies and rules, such as recalling products or issuing statements. In addition, during the Review Year, the Group did not have any products that needed to be recalled due to health or safety issues after being sold or shipped, and did not receive any customer complaints.

3. Resources Consumption

The Group attaches great importance to the issue of resource consumption and has already taken a series of proactive measures to reduce the consumption of resources and energy. The Group adheres to the 3R principle: reduce use, reuse, and recycle, and has developed a set of energy and water-saving measures to achieve comprehensive green operations. In addition, the Group provides clear environmental guidelines to its employees and regularly monitors the consumption of related resources to ensure that the impact of operational activities on the environment is minimized. In business operations, electricity is the main energy consumption, followed by the consumption of fossil fuels by vehicles, water resources, and natural resources such as packaging materials used in the production process.

The Group has established an environmental protection working Group, which is responsible for supervising and managing areas such as water resources and packaging materials. The Group is committed to strengthening and improving the measures related to these areas to achieve higher environmental benefits. To achieve these goals, the Group regularly reviews and updates its environmental protection policies and promotes environmental messages to employees through internal communications to raise their environmental awareness.

In line with the country's policy on resource use, the Group has made every effort to reduce electricity consumption and uses electricity off-peak during peak hours. This strategy not only effectively reduces the Group's energy consumption but also ensures the stable supply of electricity to the local community. The Group is well aware that as a responsible corporation, it has an obligation to participate in environmental protection work and contribute to environmental protection with the community. In addition, the water resources required for the Group's operations are supplied by municipal agencies. Looking back at the Review Year, the Group did not encounter the problem of finding suitable water sources.

Employee Awareness	Operation Equipment
• Post slogans about saving resources in visible places; • Encourage the use of double-sided printing; • Encourage the use of emails and other methods for daily work communication to reduce the use of paper; • Reuse envelopes and file folders; and • Recycle used paper.	• Install energy source, water efficiency labels and more efficient equipment; • Install light sensors to reduce power consumption during non-use periods; • Set start times for air conditioning systems and set energy-saving modes for equipment; • Set double-sided printing as the default mode; • Use recycled paper or environmentally friendly paper; • Regularly inspect and maintain equipment to ensure its effectiveness; and • Regularly review and monitor resource usage performance.

The Group will continue to monitor the consumption of resources and seek more ways to further reduce the impact on the environment. It believes that only continuous progress can truly achieve the goal of sustainable development.

During the Review Year, the total energy consumption of the Group was 2,384.25MWh, with an intensity of 17.80 MWh per 1,000 square feet, a slight increase of 4.24% compared to last year. The total energy consumptions included 52.76MWh of diesel and petrol consumed in PRC, and 2,331.48MWh of electricity consumed in both Hong Kong and PRC. Besides, the water consumption decreased slightly from 10,853 cubic meters to 10,526 cubic meters, with an intensity of 0.05cubic meters per/1,000 RMB, a decrease of 16.67% compared to last year.

Resource usage	**2023**	
	Total	**Intensity**
Total energy consumption	2,384.25 MWh	17.80 MWh/1,000 square feet
Total water consumption	10,526 cubic metres	0.05 cubic metres/1,000 RMB

During the Review Year, the Group's packaging material consumption mainly consisted of paper, plastic bags, and boxes, with a total weight of 198.96 tonnes and a intensity of 1.03 tonnes/million RMB, representing the increase of 25.62% and 22.62%, respectively, compared to last year. The increase was mainly due to the growing sales performance in 2023.

Packaging materials	**2023**	
	Total	**Intensity**
Packaging materials	198.96 tonnes	1.03 tonnes/million RMB

PEOPLE-ORIENTED

Occupational Health & Safety

The Group understands that ensuring employees work in a safe environment is not only the responsibility of the company, but also the important foundation for achieving excellent operational efficiency. Therefore, the Group has invested a lot of resources and efforts to ensure the implementation and supervision of occupational health and safety policies.

In addition to the clear guidelines on health and safety in the "Occupational Health and Safety Management Manual", the Occupational Health and Safety Committee of the Group oversees the overall occupational health and safety of multiple departments such as human administration, procurement, production, finance, and sales. It mainly focuses on planning and supervising all policies and measures related to occupational health and safety, ensuring that all employees can follow safe operating methods when performing their work, and can take appropriate actions in time when facing possible risks. In addition, the Group has an occupational health and safety implementation team to monitor the implementation of policies and measures, and to identify possible risks in the operation process. Once any risk is identified, the team will develop corresponding improvement plans for review and implementation.

To ensure that the occupational health and safety management system of the Group can meet international standards, the Group entrusts a third party to conduct independent health and safety audits, covering the safety issues of employees and workplaces, ensuring comprehensive supervision of all possible safety issues, and can take appropriate actions in a timely manner.

Personal awareness	Working equipment
• Cover information of health and safety measures during the trainings for new employees • Provide health and safety training • Post health and safety information on the notice boards and intranet	• Provide personal protective equipment • Regular check and maintain equipment

In the future, the Group will continue to conduct occupational health and safety risk assessments, and will continue to provide various training to employees to enhance their awareness and handling ability of health and safety issues. The Group firmly believes that only through continuous learning and progress can a truly safe and healthy working environment be established. In the past three years, the Group has not had any work-related fatalities, and there were no incidents of work-related injuries during the Review Year. However, the Group understands that safety and health are a continuous process, and the Group will continue to invest resources and efforts to ensure that it can continue to maintain and improve safety and health standards.

Employment System

The Group attaches great importance to the welfare and rights of its employees, strictly adhering to all laws related to labour, including the "Labour Law of the People's Republic of China," "Labour Contract Law of the People's Republic of China," "Interim Provisions on Wage Payment," "Interim Supplementary Provisions on Wage Payment," "Social Insurance Law of the People's Republic of China," "Regulations on the Management of Housing Provident Fund of the State Council of the People's Republic of China," "Special Regulations on the Labour Protection of Female Workers," "Special Protection Regulations for Minors," and "Employment Ordinance (Chapter 57 of the Laws of Hong Kong)," etc. In addition, based on these legal regulations, the Group has established a series of internal policies, including the "Employee Handbook," "Anti-Discrimination Management System," and "Management System for Female Workers and Minors," etc., which provide clear guidance to its employees and ensure that they are treated fairly and equitably at work.

In accordance with its internal policies and relevant regulations, the Group has clearly defined matters such as employee compensation, recruitment and termination arrangements, promotion opportunities, working hours, and rest arrangements, striving to create a fair and just work environment and regarding employee welfare and rights as a top priority. At the same time, in the "Anti-Discrimination Management System," the Group has clearly stipulated that it has a zero-tolerance attitude towards any form of discrimination. The Group understands that all employees are valuable assets, and regardless of their race, nationality, social status, religion, disability, or sexual orientation, the Group will treat them fairly and justly.

To continuously improve and understand the actual situation, the Group encourages employees to actively express their views and opinions. If employees notice any unreasonable behavior, they can make suggestions or complaints to the relevant departments through internal channels such as face-to-face meetings, mail, and suggestion boxes, according to the reporting system. The Group will seriously handle all suggestions and complaints and ensure strict confidentiality to protect the rights of each employee.

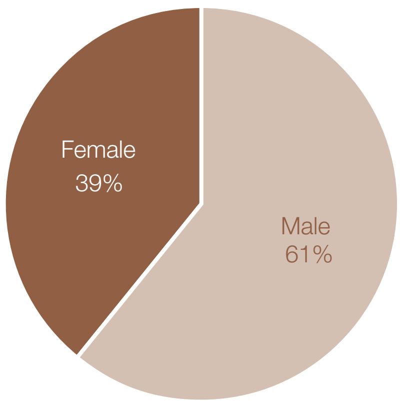
Recruitment and dismissal	• Conduct recruitment through legal channels, and will not recruit through illegal intermediaries or illegal labour markets • During the recruitment period, check the applicant's valid documents and resume, ensure their work qualifications, and avoid risks such as hiring minors • If an employee cannot meet the corresponding job requirements, commits illegal acts, violates internal policies, etc., the Group will terminate the employment relationship with them, and handle the termination of employment according to policies and regulations, such as providing compensation, reporting to law enforcement departments
Salary and promotion	• Regularly review market rates and annual employee performance evaluation results to adjust their salary level • Regularly review and adjust salary levels to maintain competitiveness, motivation, fairness and economic principles • Make job adjustments based on employee's work performance, attitude and annual performance evaluation results, as well as through self-nomination, supervisor recommendation, and cross-departmental recommendation
Welfare and benefits	• In addition to statutory holidays, employees enjoy paid leave and unpaid leave, including maternity leave, paternity leave, marriage leave, bereavement leave, etc. • Female employees have paid pregnancy check leave, work breaks, and nursing leave. Within the child's first 3 years of age, both parents have 10 days per year of parental leave to ensure their childcare rights during work.
Labour Standards	• Verify the personal information such as ID cards of the hired persons to ensure that the employees meet the legal working age to avoid hiring child labour. • If any child labour is found, the Human Resources and Administration Department will immediately stop their work or recruitment process, arrange for a physical examination, ensure that they are under proper health condition, arrange for someone to send them back to their original residence, and report to the relevant departments. • Clearly do not advocate working overtime or working outside office hours, and adopt a zero-tolerance attitude towards forcing employees to work. • If overtime is required due to business needs, it must be approved and recorded by the department head or general manager and future time off or overtime pay must be offered.

The Group firmly believes that a fair and just working environment has a crucial impact on boosting employee morale and productivity. Therefore, the Group will continue to strive to ensure that its employment system can meet the needs of all employees and protect their rights to the greatest extent.

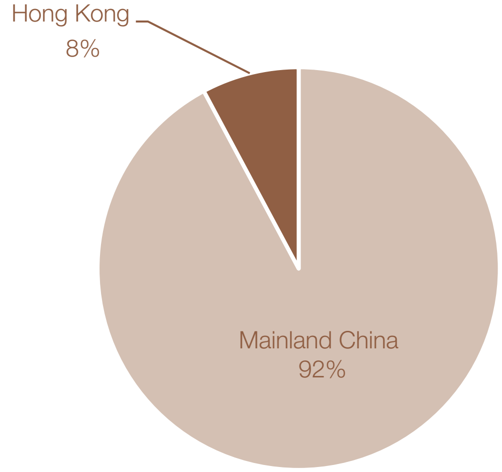
Looking back on the Review Year, the Group was not aware of any violations of laws and regulations related to employment and labour standards. If violations are confirmed during the regular supervision process or after receiving an application, the Group will handle the case according to internal policies and regulations, such as terminating the employment contract or reporting to law enforcement departments.

As of 31 December 2023, the Group had a total of 183 employees, including 112 males and 71 females. In addition, the turnover rate of the Group during the Review Year was 11.48%, including 15.18% of male employees and 5.63% of female employees.

Number of Employees by Gender



Number of Employees by Location



ENVIRONMENTAL PROTECTION

Waste

The Group is acutely aware of the importance of environmental protection, and recognizes the key role proper management of hazardous and non-hazardous waste generated during operations plays in maintaining the environment and ensuring workplace safety. The Group is committed to implementing effective waste management strategies, especially for hazardous waste generated during production processes.

During production, the hazardous waste used by this Group includes substances containing organic solvents, mineral oils, organic resins, and mercury, all of which are hazardous substances listed in the China's National Inventory of Hazardous Wastes. The Group strictly follows the guidelines in the Waste Management Protocols for storage and treatment, and ensures that these hazardous wastes are entrusted to qualified third-party organizations for compliant recycling and treatment. The Group not only classifies and stores waste according to its nature, but also sets up ledgers for outbound and inbound storage to facilitate tracking and management.

For recyclable or non-recyclable waste, the Group entrusts local waste treatment companies for recycling or collection. This not only helps reduce disposal volumes but also improves the recycling rate of waste. The Group always encourages employees to sort recyclable items for easier recycling and reuse. In addition, the Property Management and Administrative Management Departments of the Group are also responsible for handling general office waste. The Group carries out regular cleaning and classifies waste according to type to achieve more effective waste management and reduce environmental pollution. The Group also posts promotional slogans next to trash bins to remind employees of the correct waste classification and disposal methods.

Non-hazardous waste	Hazardous waste
• Set up recycling bins for sorting recyclable waste • Clearly define storage areas and methods, and provide clear storage guidelines • Put up promotional signage next to waste bins • Encourage the use of reusable products	• Control and record hazardous waste to ensure proper handling • Arrange qualified contractors for disposal • Declare on the government hazardous waste disposal platform to ensure the accuracy and timeliness of data

The Group will continue to optimize waste management strategies to protect the environment more effectively and ensure workplace safety.

During the Review Year, the Group's non-hazardous waste includes operational production waste and domestic waste, with a total amount of 7.26 tonnes and a intensity of 0.05 tonnes/thousand square feet. Hazardous waste includes organic resin waste, organic solvent waste liquid, waste mineral oil, and waste lamps, with a total amount of 11.19 tonnes and a intensity of 0.06 tonnes/million RMB. Compared with last year, the total amount of non-hazardous waste in the Review Year is approximately the same as last year, while the total amount of hazardous waste has increased by 100%, mainly due to the Group's increased output during the Review Year, coupled with the cleanup of old hazardous waste.

Waste	**2023**	
	Total	**Intensity**
Non-hazardous waste	7.26 tonnes	0.05 tonnes/1,000 square feet
Hazardous waste	11.19 tonnes	0.06 tonnes/million RMB

GHG Emissions & Air Pollutants

The Group understands that the carbon emissions and air pollutants generated during operation have far-reaching impacts on the environment, and therefore constantly seeks effective methods to minimize these impacts to the greatest extent. The Group's main sources of air pollutants and greenhouse gas emissions come from fuel use in vehicles and electricity consumption. In order to reduce the Group's carbon footprint, the Group has outlined environmental operation policies and related measures in its internal policies, aimed at reducing air pollutants generated during operations to mitigate the impact on the surrounding environment. In addition, the Group has implemented a series of measures to monitor the reduction of carbon emissions, including the implementation of vehicle usage registration forms, recording the use of vehicles, etc., to strengthen monitoring performance.

Monitoring	Reduction
• Implement a vehicle use registration form to record the use of company vehicles • Monitor and review the use of vehicles regularly • Regularly monitor vehicle exhaust and greenhouse gas emissions	• Encourage the use of public transport or electric vehicles • Reduce business travel • Encourage the use of online meetings

The Group will continue to monitor carbon emissions and air pollutants, and seek to further improve environmental protection operation strategies, in order to achieve the Group's environmental goals. The Group believes that through continuous efforts and improvement, we can fulfill corporate environmental commitments and, responsibilities, and create value for customers, employees and the community.

Looking back on the Review Year, the total GHG gas emissions of the Group were 1,340.56 tonnes of CO_2e-, with a intensity of 10.01 tonnes of CO_2e- per 1,000 square feet. Compared with last year, the total emissions and intensity both slightly increased by 2.7%.

Greenhouse gas emissions[2]	**2023**	
	Total	**Intensity**
Scope 1[3]	15.90 tonnes of CO_2e-	Not applicable
Scope 2[4]	1,324.66 tonnes of CO_2e-	
Total greenhouse gas emissions	1,340.56 tonnes of CO_2e-	10.01 tonnes of CO_2e-/1,000 square feet

2 The quantification process and emission factor of greenhouse gas emissions refer to the "Guidelines for Accounting and Reporting of Greenhouse Gas Emissions and Reductions from Buildings (Commercial, Residential or Public Use)" by the Hong Kong Environmental Protection Agency and the Electrical and Mechanical Services Department, the "CLP 2022 Sustainable Development Report", and the "Notice on the Management of Greenhouse Gas Emission Reporting by Power Industry Enterprises for the Years 2023-2025".

3 Scope 1 emissions include the use of vehicles used in mainland China factories.

4 Scope 2 emissions include purchased electricity consumed by operation points.

In addition, the Group's nitrogen oxides, sulfur oxides, and inhalable suspended particles during the Review Year were 6.87 kg, 0.09 kg, and 0.33 kg respectively. Overall speaking, the amount of air pollutant emissions is similar to that of last year's emissions.

Air pollutants emissions[5]	**2023**	
	Total	**Unit**
Nitrogen oxides	6.87	kg
Sulphur oxides	0.09	kg
Respiratory suspended particles	0.33	kg

Environment and Natural Resources

In addition to paying attention to the environmental performance of offices and production plants, the Group also values the mitigation of the impact of operations on the external environment and natural resources. To ensure understanding and management of its own environmental impact, the Group conducts environment factor identification and risk assessment every year according to environmental-related standards, laws and regulations, frequency of incidents, scale and severity of environmental impact and other indicators, and formulates response measures for potential risks or impacts and management measures for existing situations to reduce the occurrence of these impacts and risks. Moreover, to further reduce the impact of operations on the environment and natural resources, the Group avoids investing in asset classes and industries that may have a negative impact on the environment and provides financing for projects that have a positive impact on the environment, such as green buildings and clean water, to practice green investment and corporate environmental responsibility.

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

5 The methodology of calculating air pollutant emissions refers to the "Technical Guide for the Compilation of a List of Atmospheric Pollutant Emissions from Road Vehicles (Trial)" by the Ministry of Ecology and Environment of the People's Republic of China.

Climate Change

With the increasingly severe and frequent impact of climate change on the global economy and society, the Group clearly understands the urgency of formulating related management policies and measures. The stability of our supply chain and business development are highly tied with the impacts brought by climate change, such as extreme weathers. To mitigate climate change and strengthen resilience, the Group has established the "Regulations on Monitoring Climate Change", which reduce carbon emissions from the source, strengthen the climate resilience of operations and projects, and reduce or eliminate their threats to the enterprise.

Mitigate emissions	Strengthen the climate resilience
• Support the application of renewable energy • Encourage external and internal parties to reduce energy consumption and greenhouse gas emissions • Encourage the application of new technologies and processes to reduce emissions	• Implement special working arrangements • Actively adopt local climate-related policies or industry requirements

In response to the rising importance of climate change in global society and investment markets, the Group will closely monitor its changes and timely discuss related regulatory systems or strategies, further strengthening its own climate-related governance performance and climate resilience, reducing the risks and impacts brought by climate change in the future.

OPERATING PRACTICES

Supply Chain Management

The Group deeply understands that robust and transparent supply chain management has a profound impact on the operations of a company. Therefore, the Group has established a comprehensive and rigorous supply chain management system, which includes a clear supply chain management oversight mechanism, and monitors the performance and compliance of all suppliers. To ensure that the supply chain performance meets the required standards and expectations, the Group's internal regulations such as Supplier Management and Assessment, Supplier Environmental Agreement and Quality Assurance Agreement not only clearly stipulate the relevant provisions, but also provide specific methods for evaluation and oversight. Relevant departments and responsible employees will assist suppliers in understanding and complying with these regulations, further ensuring the stability and compliance of the supply chain.

At the same time, the Group understands the importance of managing environmental and social issues and risks in the supply chain. Therefore, it takes into account related factors in the bidding and supplier selection stages, as well as in the risk assessment process. The Group will prioritize suppliers who have a positive or lesser impact on the environment, while monitoring the performance and compliance of suppliers in environmental and social aspects according to internal policies, avoiding cooperation with armed groups in conflict areas, and firmly not supporting any suppliers that violate human rights or regulations.

To ensure effective supply chain management, the Group will regularly review the performance of suppliers on the supplier list, evaluating their product quality, operational performance, material safety, process monitoring, and environmental performance, to ensure their performance and operational policies are in line with the standards jointly set by the Group. If a supplier is found to not meet the relevant standards, the Group will give them a chance to correct. However, if a supplier continuously fails to pass the evaluation, the Group will terminate the cooperative relationship.

Procurement and Supplier Management Protocol	
Step 1	**Assess new suppliers** • Request samples for trial and technical information or site visits depending on the characteristics of the new supplier • Prepare evaluation reports and propose preliminary cooperation list
Step 2	**Confirm list of suppliers** • After approval, issue the Supplier Environmental Agreement and the Quality Assurance Agreement to the cooperating suppliers and require their signatures
Step 3	**Adjust cooperation plan** • According to the results of regular assessments, decisions are made to maintain partnerships with corresponding suppliers, propose improvements, suspend partnerships, or remove them from the list
Step 4	**Regular assessment** • Establish relevant evaluation intervals for different types of suppliers, monitor and ensure their performance meets the standards; • Based on the characteristics of the suppliers, require them to provide ROHS or other corresponding reports for supervision and evaluation; and • Regularly assess the product quality, delivery performance, service performance, etc. of suppliers to ensure they meet the guidelines and expectations of both parties.

During the Review Year, the Group had a total of 98 cooperative suppliers, situated in Mainland China, Hong Kong, Singapore, and Taiwan. Among them, suppliers from mainland took up the largest share, with a total of 90 suppliers.

Anti-corruption

The Group believes that fair, transparent and ethical business practices are the core of corporate success and sustainable development. The Group strictly complies with the "Anti-Money Laundering Law of the People's Republic of China" and the "Prevention of Bribery Ordinance (Hong Kong Law Chapter 201)" and other relevant laws and regulations, and based on this, has established the "Prevention of Bribery Policy", "Anti-Money Laundering Management Regulations" and "Anti-Fraud Procedures", to ensure that business operations comply with the highest ethical and regulatory standards, achieving fairness and transparency.

The Group is committed to strengthening internal control mechanisms and performance, and clearly states in the relevant internal policies and rules its zero-tolerance attitude towards any non-compliant behaviors, including but not limited to money laundering, bribery and fraud. We strictly comply with the relevant laws and regulations, including but not limit to the Prevention of Bribery Ordinance in Hong Kong and the Criminal Law of the People's Republic of China. In addition, in order to fully and effectively ensure operational ethics, the Group has further established a reporting system for employees to anonymously or non-anonymously report any suspected non-compliant behaviors, allowing employees to report misconduct in a safe environment and ensuring timely handling of these issues. In addition, the Group regularly assigns employees to review the compliance performance of their own departments, and develop improvement measures for potential or existing problems, to early identify and manage potential regulatory risks, and ensure that compliance standards continue to be strengthened and improved.

Whistle-blowing mechanism	
Step 1	Suspected corruption case is found
Step 2	Employees make reports in-person or through phone calls and email
Step 3	Handle the personal information and report of the whistleblower confidentiality, and investigate in accordance with the principle of "case by case"
Step 4	If the report is substantiated, appropriate disciplinary action will be taken based on the severity of the case

During the Review Year, the Group has not found any legal cases regarding corrupt practices brought against itself or its employees, nor any cases of violation of relevant laws and regulations. In order to maintain operational compliance, the Group has provided an average of 1 hour of anti-corruption training activities for its employees and the Board, which helps them to learn from the past and strengthen their compliance and professional conduct.

COMMUNITY INVESTMENT

The Group understands the close relationship between social development stability and sustainable business development, and has established relevant internal policies and procedures to ensure their integration into the operational decision-making process. The Group's Community Investment Policy Statement clearly outlines its own expectations for community investment, hoping to continue serving the community through volunteer services, charity activities, and sponsorship donations, and to jointly build a stable development space.

Support and donate to programs and activities that can bring positive impact to society as much as possible
The Group understands that social issues such as extreme weather, epidemics, and wealth disparity are causing varying degrees of impact and may lead to ongoing or irreversible results. The Group expects to assist in alleviating related issues through its own measures while various government organizations strive to improve regional or global issues, to enhance the living standard of disadvantaged communities, and to provide assistance to those in need. The aim was to provide financial assistance to organizations focused on different areas, benefiting a wider community. During the Review Year, the Group donated a total of HK$147,000 to various charities contributing to different aspects of the society, such as education and health.

In addition, the Group also mobilized employees to participate in the "Delivering Coolness" event organized by the Dragon Lake District General Union, to provide heatstroke relief drinks to frontline employees in the industrial area, reduce the occurrence of heatstroke cases, and express gratitude to frontline workers.

APPENDIX

Key Performance Indicators

Environmental key performance indicators	2023	2022	Unit
Air pollutant emissions[6]			
Nitrogen oxides	6.87	5.28	kg
Sulphur oxides	0.09	0.09	kg
Respiratory suspended particles	0.33	0.33	kg
Greenhouse gases emissions[7]			
Scope 1[8]	15.90	16.68	Tonnes of CO_2e-
Scope 2[9]	1,324.66	1,288.48	Tonnes of CO_2e-
Total greenhouse gas emissions	1,340.56	1,305.16	Tonnes of CO_2e-
Intensity	10.01	9.75	Tonnes of CO_2e-/1,000 square feet
Waste			
Non-hazardous wastes	7.26	7.14	Tonnes
Non-hazardous wastes intensity	0.05	0.05	Tonnes/1,000 square feet
Hazardous wastes[10]	11.19	6.25	Tonnes
Hazardous wastes intensity	0.06	0.03	Tonnes/million RMB
Energy consumption[11]			
Direct energy consumption	52.76	60.53	MWh
Indirect energy consumption	2,331.48	2,226.77	MWh
Total energy consumption	2,384.25	2,287.30	MWh
Energy consumption intensity	17.80	17.08	MWh/1,000 square feet
Water consumption			
Total water consumption	10,526.00	10,853.00	cubic metres
Water consumption Intensity	0.05	0.06	cubic metres/1,000 RMB
Packaging materials[12]			
Total packaging materials	198.96	158.38	Tonnes
Packaging material intensity	1.03	0.84	Tonnes/million RMB

6 The methodology of calculating air pollutant emissions refers to the "Technical Guide for the Compilation of a List of Atmospheric Pollutant Emissions from Road Vehicles (Trial)" by the Ministry of Ecology and Environment of the People's Republic of China.

7 The quantification process and emission factor of greenhouse gas emissions refer to the "Guidelines for Accounting and Reporting of Greenhouse Gas Emissions and Reductions from Buildings (Commercial, Residential or Public Use)" by the Hong Kong Environmental Protection Agency and the Electrical and Mechanical Services Department, the "CLP 2022 Sustainable Development Report", and the "Notice on the Management of Greenhouse Gas Emission Reporting by Power Industry Enterprises for the Years 2023-2025".

8 Scope 1 emissions include the use of vehicles used in mainland China factories.

9 Scope 2 emissions include purchased electricity consumed by operation points.

10 Hazardous waste mainly includes waste organic solvents and waste containing organic solvents, waste mineral oil and waste containing mineral oil, organic resin waste, and mercury-containing waste.

11 The total energy consumptions included 52.76MWh of diesel and petrol consumed in PRC, and 2,331.48MWh of electricity consumed in both Hong Kong and PRC.

12 The packaging materials mainly include gift boxes, plastic bags, boxes, etc.

Social key performance indicators		**2023**
Number of Employees		
Gender	Male	112
	Female	71
Age	Below 31 years old	23
	31-40 years old	97
	41-50 years old	55
	Above 50 years old	8
Employment type	Full-time	183
	Part-time	0
Geographical region	Mainland China	169
	Hong Kong	14
Employment category	General employees	154
	Middle management	18
	Senior management	11
Total		183
Employment new hire rate		
Gender	Male	14.29%
	Female	8.45%
Age	Below 31 years old	21.74%
	31-40 years old	14.43%
	41-50 years old	3.64%
	Above 50 years old	12.50%
Employment type	Full-time	12.02%
	Part-time	0.00%
Geographical region	Mainland China	10.65%
	Hong Kong	28.57%
Employment category	General employees	12.99%
	Middle management	11.11%
	Senior management	0.00%
Total		12.02%

Social key performance indicators		**2023**
Employee turnover rate		
Gender	Male	15.18%
	Female	5.63%
Age	Below 31 years old	30.43%
	31-40 years old	11.34%
	41-50 years old	1.82%
	Above 50 years old	25.00%
Employment type	Full-time	11.48%
	Part-time	0.00%
Geographical region	Mainland China	10.06%
	Hong Kong	28.57%
Employment category	General employees	11.69%
	Middle management	5.56%
	Senior management	18.18%
Total		11.48%
Health and safety of employees		
Number of work-related injuries		0
Lost days due to work injuries		0
Number of work-related fatalities		0
Training of employees		
Gender	Male	93 (83%)
	Female	58 (82%)
Employment category	General employees	140 (91%)
	Middle management	6 (33%)
	Senior management	5 (45%)
Total		151 (83%)

Social key performance indicators		**2023**
Average training hours of employees (hours)[13]		
Gender	Male	8.26
	Female	8.12
Employment category	General employees	9.04
	Middle management	3.31
	Senior management	4.52
Total		9.94
Number of suppliers		
Geographical region	Mainland China	90
	Hong Kong	5
	Singapore	2
	Taiwan	1
Number of suppliers verified by certification bodies	ISO 9000	35
	ISO 14000	20
Number of suppliers where practices are being implemented	Number and percentage of suppliers that have implemented purchasing practices	98 (100%)
	Number and percentage of suppliers that have implemented ESG practices	20 (20.4%)
Total		98
Anti-corruption training		
Average training hours (hours)	Employees	1
	The Board	1

[13] Formula: the total training hours of the employees of the specific category/the total number of employees of the specific category.

HKEX ESG REPORTING GUIDE CONTENT INDEX

Aspects	Description	Page/Remark
A1 Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	51-54
A1.1	The types of emissions and respective emissions data.	53-54
A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions and intensity.	54, 58
A1.3	Total hazardous waste produced and intensity.	51-52, 58
A1.4	Total non-hazardous waste produced and intensity.	51-52, 58
A1.5	Description of emission target(s) set and steps taken to achieve them.	43-44
A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	51-52, 43-44
A2 Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	47-48
A2.1	Direct and/or indirect energy consumption by type in total and intensity.	47, 58
A2.2	Water consumption in total and intensity.	47, 58
A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	43-44
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	47-48
A2.5	Total packaging material used for finished products and per unit produced.	48, 58

Aspects	Description	Page/Remark
A3 The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	54
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	54
A4 Climate Change		
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	55
A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	55
B1 Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	49-51
B1.1	Total workforce by gender, employment type, age Group and geographical region.	51, 59
B1.2	Employee turnover rate by gender, age Group and geographical region.	60
B2 Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	49
B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	60
B2.2	Lost days due to work injury.	60
B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	49

Aspects	Description	Page/Remark
B3 Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	45-46
B3.1	The percentage of employees trained by gender and employee category.	46, 60-61
B3.2	The average training hours completed per employee by gender and employee category.	46, 60-61
B4 Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	49-51
B4.1	Description of measures to review employment practices to avoid child and forced labour.	50
B4.2	Description of steps taken to eliminate such practices when discovered.	50
B5 Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	55-56
B5.1	Number of suppliers by geographical region.	56, 61
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	55-56
B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	55-56
B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	55-56

Aspects	Description	Page/Remark
B6 Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	46-47
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	47
B6.2	Number of products and service-related complaints received and how they are dealt with.	61
B6.3	Description of practices relating to observing and protecting intellectual property rights.	46-47
B6.4	Description of quality assurance process and recall procedures.	46-47
B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	46-47
B7 Anti-corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	56-57
B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	57
B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	56-57
B7.3	Description of anti-corruption training provided to directors and staff.	56-57

Aspects	Description	Page/Remark
B8 Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	57
B8.1	Focus areas of contribution.	57
B8.2	Resources contributed to the focus area.	57

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

TO THE MEMBERS OF NICHE-TECH SEMICONDUCTOR MATERIALS LIMITED
駿碼半導體材料有限公司
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Niche-Tech Semiconductor Materials Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 73 to 141, 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 policy information and other explanatory information.

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

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

KEY AUDIT MATTER (Continued)

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td colspan="2">Capitalisation of development costs</td></tr>
<tr><td>We identified the capitalisation of development costs as a key audit matter due to the magnitude of the amount and the significant judgment involved to determine the expenditure to be capitalised.

As disclosed in note 15 to the consolidated financial statements, additions to development costs amounted to approximately HK$8,046,000 during the year ended 31 December 2023 and the carrying amount of development costs was approximately HK$50,763,000 as at 31 December 2023. The Group capitalises significant costs incurred during the design and development phase of internal projects for development of new technology and new products.

Details of the criteria for the expenditure to be capitalised are disclosed in note 3 to the consolidated financial statements. The capitalisation involved management's judgment in assessing of whether technical and commercial feasibility had been achieved for each of the projects. The assessment of technical feasibility is based on the management assessment of whether successful product testing had been performed. The assessment of commercial feasibility is based on the profit forecast of each development project prepared by the management based on certain key assumptions, including revenue generated and relevant market analysis.</td><td>Our procedures in relation to capitalisation of development costs included:

• Obtaining an understanding of the key controls over the capitalisation of development costs;

• Obtaining the commercial and technical feasibility reports provided by the management and assessing the reasonableness of the commercial and technical feasibility by reference to our knowledge of the Group's business and industry and market information;

• Obtaining the progress reports and/or testing reports of projects provided by the management and enquiring the management about the technical feasibility of each new technology and product;

• Performing an analysis of expenditure incurred for each development project and enquiring with the management regarding the progress of each project to determine if the criteria for capitalisation are met;

• Testing the appropriateness of expenses capitalised on a sample basis, by agreeing the material costs, overhead and technicians' hours incurred to external invoices and payroll records; and

• Obtaining profit forecast prepared by the management for each development project for those intangible assets not yet available for the use at the end of the reporting period and assess the appropriateness of key assumptions, including revenue generated and relevant market analysis from launching of the relevant products associated with the development project.</td></tr>
</table>

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
Expected credit loss of trade and bills receivables	
We identified the expected credit loss ("**ECL**") of trade and bills receivables as a key audit matter due to the assessment of ECL involve significant management judgment and estimation uncertainty. As disclosed in note 18(a) to the consolidated financial statements, the Group had trade receivables of approximately HK$74,564,000 and bills receivables of approximately HK$38,856,000 representing approximately 32% of the total assets of the Group. Significant management judgements and estimations are required in assessing the ECL for the trade and bill receivables. Under the model, the Group assesses lifetime ECL individually for debtors with credit impaired and collectively for the remaining using a matrix internal credit rating grouping based on historical default rate, repayment status and forward-looking information.	Our procedures in relation to the ECL of trade and bills receivables included: • Reviewing the management's judgement and estimate used in assessment process and challenging the reasonableness of inputs and assumptions used in estimating the ECL of trade and bills receivables; • Obtaining an understanding of how the ECL of trade and bills receivables were assessed by the management; • Challenging management's assumption and judgement in determining ECL on trade and bills receivables as at 31 December 2023, the reasonableness of management's grouping of the trade debtors in the provision matrix, and the basis of expected credit loss rates applied; and • Testing on sample basis, payment history, past due status of the trade and bill receivables and the settlements subsequent to the end of the reporting period.

OTHER INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The engagement director on the audit resulting in the independent auditor's report is Ms. Lo Mei Yan.

Gary Cheng CPA Limited
Certified Public Accountants
Lo Mei Yan
Practising Certificate Number: P08056

Hong Kong
28 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	5	**212,589**	217,859
Cost of sales		**(157,678)**	(159,867)
Gross profit		**54,911**	57,992
Other income, other gains and losses	6	**5,619**	4,305
Net impairment losses (recognised)/reversed under expected credit loss model		**(151)**	517
Selling and distribution expenses		**(13,033)**	(14,411)
Administrative expenses		**(36,184)**	(32,309)
Finance costs	7	**(4,056)**	(1,883)
Profit before taxation		**7,106**	14,211
Income tax expense	8	**(6,596)**	(5,571)
Profit for the year	9	**510**	8,640
Other comprehensive expense			
Item that will not be reclassified to profit or loss:			
Exchange differences on translation from functional currency to presentation currency		**(8,407)**	(23,662)
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operation		**1,734**	4,017
Other comprehensive expense for the year		**(6,673)**	(19,645)
Total comprehensive expense for the year		**(6,163)**	(11,005)
Earnings per share			
– basic (HK cents)	12	**0.07**	1.22

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	NOTES	2023 HK$'000	2022 HK$'000
NON-CURRENT ASSETS			
Plant and equipment	13	**35,784**	41,301
Right-of-use assets	14	**13,626**	11,938
Intangible assets	15	**118,445**	69,076
Deposits paid for acquisition of plant and equipment and intangible assets		**5,000**	5,440
Rental deposits		**758**	562
Deferred tax assets	16	**1,553**	1,776
		175,166	130,093
CURRENT ASSETS			
Inventories	17	**37,445**	33,664
Trade and bills receivables	18(a)	**113,420**	105,302
Other receivables, prepayments and deposits	18(b)	**5,133**	2,399
Bank deposits	19(a)	**17,900**	19,145
Bank balances and cash	19(b)	**9,068**	21,070
		182,966	181,580
CURRENT LIABILITIES			
Trade and other payables	20	**19,973**	23,614
Contract liabilities	21	**174**	718
Lease liabilities	22	**4,097**	5,238
Deferred income	23	**1,286**	1,324
Tax payable		**3,578**	7,325
Bank borrowings	24(a)	**60,069**	26,280
Bank overdrafts	24(b)	**23,219**	5,640
		112,396	70,139
NET CURRENT ASSETS		**70,570**	111,441
TOTAL ASSETS LESS CURRENT LIABILITIES		**245,736**	241,534

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	NOTES	2023 HK$'000	2022 HK$'000
NON-CURRENT LIABILITIES			
Bank borrowings	*24(a)*	**10,989**	–
Lease liabilities	*22*	**11,637**	9,321
Deferred income	*23*	**2,172**	3,560
		24,798	12,881
NET ASSETS		**220,938**	228,653
CAPITAL AND RESERVES			
Share capital	*25*	**7,055**	7,055
Reserves		**213,883**	221,598
		220,938	228,653

The consolidated financial statements on pages 73 to 141 were approved and authorised for issue by the Board of Directors on 28 March 2024 and are signed on its behalf by:

Chow Bok Hin Felix
Director

Chow Chun Kay Stephen
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

	Share capital HK$'000	Share premium HK$'000	Other reserve HK$'000 *(note i)*	Capital reserve HK$'000	Exchange reserve HK$'000	Statutory reserve HK$'000 *(note ii)*	Retained earnings/ (accumulated losses) HK$'000	Total equity HK$'000
At 1 January 2022	7,055	126,034	100,000	1	2,044	11,264	(3,213)	243,185
Profit for the year	–	–	–	–	–	–	8,640	8,640
Dividend recognised as distribution *(note 11)*	–	(3,527)	–	–	–	–	–	(3,527)
Exchange differences arising on translation of foreign operation to presentation currency	–	–	–	–	(23,662)	–	–	(23,662)
Exchange differences arising on translation of foreign operation	–	–	–	–	4,017	–	–	4,017
Total comprehensive expense for the year	–	(3,527)	–	–	(19,645)	–	8,640	(14,532)
Transfer to statutory reserve	–	–	–	–	–	3,077	(3,077)	–
At 31 December 2022	7,055	122,507	100,000	1	(17,601)	14,341	2,350	228,653
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**510**	**510**
Dividend recognised as distribution *(note 11)*	**–**	**(1,552)**	**–**	**–**	**–**	**–**	**–**	**(1,552)**
Exchange differences arising on translation of foreign operation to presentation currency	**–**	**–**	**–**	**–**	**(8,407)**	**–**	**–**	**(8,407)**
Exchange differences arising on translation of foreign operation	**–**	**–**	**–**	**–**	**1,734**	**–**	**–**	**1,734**
Total comprehensive expense for the year	**–**	**(1,552)**	**–**	**–**	**(6,673)**	**–**	**510**	**(7,715)**
Transfer to statutory reserve	**–**	**–**	**–**	**–**	**–**	**3,196**	**(3,196)**	**–**
At 31 December 2023	**7,055**	**120,955**	**100,000**	**1**	**(24,274)**	**17,537**	**(336)**	**220,938**

Notes:

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

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

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

* *English name for identification purposes only.*

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

	2023 HK$'000	2022 HK$'000
OPERATING ACTIVITIES		
Profit before taxation	**7,106**	14,211
Adjustments for:		
Finance costs	**3,943**	1,883
Net loss on disposal of plant and equipment	**1**	266
Depreciation of plant and equipment	**1,472**	2,711
Depreciation of right-of-use assets	**3,080**	2,801
Amortisation of intangible assets	**56**	197
Release of deferred income	**(1,298)**	(1,367)
Net impairment losses recognised/(reversed) under expected credit loss model	**151**	(517)
Bank interest income	**(781)**	(280)
Unrealised exchange gains	**(1,346)**	(3,412)
Written-off of other payables	**–**	(182)
Operating cash flows before movements in working capital	**12,384**	16,311
Decrease in inventories	**10,812**	13,153
Increase in trade and bills receivables	**(87,879)**	(76,215)
Increase in other receivables, prepayments and deposits	**(3,032)**	(65)
(Decrease)/increase in trade and other payables	**(3,182)**	185
(Decrease)/increase in contract liabilities	**(528)**	190
Cash used in operations	**(71,425)**	(46,441)
Income tax paid	**(9,953)**	(1,520)
NET CASH USED IN OPERATING ACTIVITIES	**(81,378)**	(47,961)
INVESTING ACTIVITIES		
Development costs paid	**(6,619)**	(7,358)
Deposits paid for acquisition of plant and equipment and intangible assets	**(5,043)**	(5,615)
Purchases of plant and equipment	**(2,047)**	(11,096)
Bank interest received	**781**	280
Proceeds on disposal of plant and equipment	**2**	470
Payment on acquisition of intangible assets	**(48,570)**	(257)
NET CASH USED IN INVESTING ACTIVITIES	**(61,496)**	(23,576)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

	NOTES	2023 HK$'000	2022 HK$'000
FINANCING ACTIVITIES			
Repayment of bank borrowings		**(68,345)**	(41,849)
Payment of lease liabilities, including related interests		**(5,193)**	(4,195)
Interests paid to bank borrowings		**(2,474)**	(624)
Interests paid to bank overdrafts		**(648)**	(75)
New bank borrowings		**190,130**	135,759
Dividends paid	*11*	**(1,552)**	(3,527)
NET CASH GENERATED FROM FINANCING ACTIVITIES		**111,918**	85,489
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(30,956)**	13,952
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**34,575**	20,483
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**130**	140
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		**3,749**	34,575
Represented by:			
Bank deposits	*19(a)*	**17,900**	19,145
Bank balances and cash		**9,068**	21,070
Bank overdrafts	*24(b)*	**(23,219)**	(5,640)
		3,749	34,575

1. GENERAL INFORMATION

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

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

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

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

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

In the current year, the Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2023 for the preparation of the consolidated financial statements:

HKFRS 17	Insurance Contracts
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Polices
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

The application of the new and amendments to HKFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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

New and Amendments to HKFRSs in issue but not yet effective

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

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[1]
Amendments to HKAS 1	Non-current Liabilities with Covenants [1]
Amendments to HKFRS 10 and HKAS 28	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 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 Effective for annual periods beginning on or after a date to be determined.

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

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

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

Amendments to HKAS 1 – Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) (the "2020 Amendments") and Amendments to HKAS 1 Non-current Liabilities with Covenants (the "2022 Amendments")

The 2020 Amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

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

(ii) specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that the classification should not be affected by management intentions or expectations to settle the liability within 12 months.

For rights to defer settlement for at least twelve months from reporting date which are conditional on the compliance with covenants, the requirements introduced by the 2020 Amendments have been modified by the 2022 Amendments. The 2022 Amendments specify that only covenants with which an entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date. Covenants which are required to comply with only after the reporting period do not affect whether that right exists at the end of the reporting period.

In addition, the 2022 Amendments specify the disclosure requirements about information that enables users of financial statements to understand the risk that the liabilities could become repayable within twelve months after the reporting period, if an entity classifies liabilities arising from loan arrangements as non-current when the entity's right to defer settlement of those liabilities is subject to the entity complying with covenants within twelve months after the reporting period.

The 2022 Amendments also defer the effective date of applying the 2020 Amendments to annual reporting periods beginning on or after 1 January 2024. The 2022 Amendments, together with the 2020 Amendments, are effective for annual reporting periods beginning on or after 1 January 2024, with early application permitted. If an entity applies the 2020 Amendments for an earlier period after the issue of the 2022 Amendments, the entity should also apply the 2022 Amendments for that period.

Based on the Group's outstanding liabilities as at 31 December 2023, the application of the amendments will not result in change in the classification of the Group's liabilities.

3. MATERIAL ACCOUNTING POLICY INFORMATION

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

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

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

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

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

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

The principal accounting policies adopted are as follows:

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Basis of consolidation

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

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

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

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

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

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

Revenue from contracts with customers

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

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

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

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Revenue from contracts with customers (Continued)

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

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

Sale with a right of return/exchange

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

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

(b) a refund liability/contract liability; and

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

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

Leases

Definition of a lease

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

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

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

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Leases (Continued)

The Group as a lessee

Allocation of consideration to components of a contract

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

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

Short-term leases

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

Right-of-use assets

The cost of right-of-use assets includes:

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

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

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

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

Refundable rental deposits

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

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Leases (Continued)

The Group as a lessee *(Continued)*

Lease liabilities

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

The lease payments include:

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

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

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

Lease modifications

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

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

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

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

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Foreign currencies

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

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

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

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

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Any specific borrowing that remains outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

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

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

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

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Retirement benefit costs

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

Short-term employee benefits

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

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

Cash and cash equivalents

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

Taxation

Income tax expense represents the sum of current and deferred income tax expense.

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

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

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

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

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Taxation (Continued)

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

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

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

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to the lease liabilities, and the related assets separately. The Group recognises a deferred tax asset related to lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised and a deferred tax liability for all taxable temporary differences.

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

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

In assessing any uncertainty over income tax treatments, the Group considers whether it is probable that the relevant tax authority will accept the uncertain tax treatment used, or proposed to be use by individual group entities in their income tax filings. If it is probable, the current and deferred taxes are determined consistently with the tax treatment in the income tax filings. If it is not probable that the relevant taxation authority will accept an uncertain tax treatment, the effect of each uncertainty is reflected by using either the most likely amount or the expected value.

Plant and equipment

Plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes. Plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Plant and equipment (Continued)

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

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

Intangible assets

Intangible assets acquired separately

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

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

Internally-generated intangible assets – research and development expenditure

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

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

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

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Intangible assets (Continued)

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

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

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

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

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

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

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

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

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

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

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

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

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

Inventories

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

Equity-settled share-based payment transactions

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

Financial instruments

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

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Financial instruments (Continued)

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

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

Financial assets

Classification and subsequent measurement of financial assets

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

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

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

Amortised cost and interest income

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

Impairment of financial assets

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

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Financial instruments (Continued)

Financial assets *(Continued)*

Impairment of financial assets (Continued)

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

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

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

(i) *Significant increase in credit risk*

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

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

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

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Financial instruments (Continued)

Financial assets *(Continued)*

Impairment of financial assets (Continued)

(i) Significant increase in credit risk (Continued)

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

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

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

(ii) Definition of default

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

(iii) Credit-impaired financial assets

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

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

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

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

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

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Financial instruments (Continued)

Financial assets *(Continued)*

Impairment of financial assets (Continued)

(iv) *Write-off policy*

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

(v) *Measurement and recognition of ECL*

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

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

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

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

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

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

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Financial instruments (Continued)

Financial liabilities or equity

Classification as debt or equity

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

Equity instruments

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

Financial liabilities

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

Derecognition of financial liabilities

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

Provisions

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

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

Capitalisation of development costs

As at 31 December 2023, the carrying amount of the Group's development costs are approximately HK$50,763,000 (2022: HK$52,257,000). The capitalisation involves management's judgment in assessing whether technical and commercial feasibility can be achieved. Technical feasibility is evaluated based on testing results of products and commercial feasibility are evaluated based on forecasts with assumptions on revenue to be generated and relevant market analysis of the relevant products.

Impairment assessment of intangible assets not yet available for use

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

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

As at 31 December 2023, the carrying amount of intangible assets not yet available for use was approximately HK$8,934,000 (2022: HK$5,907,000).

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Impairment assessment of intangible assets with indefinite useful lives

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

Provision of ECL for trade and bills receivables

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

The ECL assessment is sensitive to changes in estimates. The information about the Group's trade and bills receivables and the ECL are disclosed in notes 18(a) and 29(b), respectively.

Recognition of deferred taxation

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Under the Law of the PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, PRC Enterprise Income Tax ("**EIT**") is calculated at 25% of the assessable profits for Niche-Tech Shantou. Pursuant to the relevant laws and regulations in the PRC, Niche-Tech Shantou is granted tax incentives as a High and New Technology Enterprise and is entitled to a concessionary rate of 15% for 3 years from December 2021 to December 2024.

In accounting for deferred tax assets on deferred income in respect of government grants, in case where the expected timing of release of deferred income is different from the previous expectation, an adjustment on the opening deferred tax assets may arise, and will be recognised in profit or loss in the period in which such expectation is revised. As at 31 December 2023, the carrying amount of deferred tax assets on deferred income in respect of government grants was approximately HK$865,000 (2022: HK$1,089,000).

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

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

Plant and equipment, right-of-use assets and intangible assets are stated at costs less accumulated depreciation and amortisation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgement and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset (including right-of-use assets and intangible assets), the Group estimates the recoverable amount of the cash generating unit to which the assets belong, including allocation of corporate assets when a reasonable and consistent basis of allocation can be established, otherwise recoverable amount is determined at the smallest group of cash generating units, for which the relevant corporate assets have been allocated. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the recoverable amounts.

Allowances recognised in respect of inventories

The management of the Group reviews an ageing analysis at the end of each reporting period and makes allowance for obsolete and slow-moving items identified that are no longer suitable for sale or use. The Group makes allowance for inventories based on the assessment of the net realisable value. The management estimates the net realisable value for inventories based on subsequent usage and sales, ageing analysis and current market conditions. As at 31 December 2023, the carrying amounts of inventories were approximately HK$37,445,000 (2022: HK$33,664,000) and no impairment loss has been recognised for the years ended 31 December 2023 and 2022.

5. REVENUE AND SEGMENT INFORMATION

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

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

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

An analysis of revenue by major products is as follows:

	2023 **HK$'000**	2022 HK$'000
Bonding wire	**99,747**	105,955
Encapsulant	**105,986**	100,372
Others	**6,856**	11,532
	212,589	217,859

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

5. REVENUE AND SEGMENT INFORMATION (Continued)

Geographical information

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

	2023 HK$'000	2022 HK$'000
PRC excluding Hong Kong	**211,179**	216,475
Hong Kong	**741**	883
Overseas	**669**	501
	212,589	217,859

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

	2023 HK$'000	2022 HK$'000
PRC excluding Hong Kong	**84,492**	83,513
Hong Kong	**88,363**	44,242
	172,855	127,755

Information about major customers

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

	2023 HK$'000	2022 HK$'000
Customer A	**29,891**	31,254
Customer B	**22,491**	–*

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

6. OTHER INCOME, OTHER GAINS AND LOSSES

	2023 HK$'000	2022 HK$'000
Bank interest income	**781**	280
Bad debt recovery	**49**	–
Government subsidy income (note)	**3,867**	1,765
Loss on sales of scrap materials	**–**	(40)
Net losses on disposal of plant and equipment	**(1)**	(266)
Net foreign exchange gains	**913**	2,368
Sundry income	**10**	16
Written-off of other payables	**–**	182
	5,619	4,305

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

There were also value added tax ("VAT") refund and subsidies granted from the government authorities in the PRC for the Group's technology improvement on production skills and research as a High and New Technology Enterprise in the PRC. The subsidies are one-off and non-recurring in nature.

7. FINANCE COSTS

	2023 HK$'000	2022 HK$'000
Bank charges	**113**	–
Interest on bank borrowings	**375**	–
Interest on bank overdrafts	**648**	68
Interest on discounted bills with recourse	**456**	181
Interest on lease liabilities	**748**	766
Interest on trust receipt loans	**1,750**	868
	4,090	1,883
Less: amounts capitalised in the cost of qualifying assets (note)	**(34)**	–
	4,056	1,883

Note: For the year ended 31 December 2023, borrowing cost was capitalised arising from the funds borrowed specifically for the purpose of obtaining qualifying assets.

8. INCOME TAX EXPENSE

	2023 **HK$'000**	2022 HK$'000
The income tax expense comprises:		
Current – PRC:		
Charge for the year	**4,331**	4,974
Withholding tax	**2,779**	1,161
Overprovision in prior years	**(688)**	(735)
Deferred tax *(note 16)*	**174**	171
	6,596	5,571

Under the Law of the PRC on Enterprise Income Tax ("**EIT Law**") and Implementation Regulation of the EIT Law, the standard tax rate of PRC entities is 25% for both years. Pursuant to the relevant laws and regulations in the PRC, Niche-Tech Shantou is granted tax incentive as a High and New Technology Enterprise and is entitled to a concessionary tax rate of 15% for the years ended 31 December 2023 and 2022.

The statutory tax rate of the relevant group entities in Hong Kong is 16.5%. No provision for Hong Kong Profits Tax had been provided for the years ended 31 December 2023 and 2022 as the relevant group entities in Hong Kong have no assessable profits for both years.

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

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

	2023 **HK$'000**	2022 HK$'000
Profit before taxation	**7,106**	14,211
Tax at PRC EIT rate of 15% (note)	**1,066**	2,132
Tax effect of expenses not deductible for tax purpose	**2,720**	2,433
Tax effect of income not taxable for tax purpose	**(590)**	(1,368)
Tax effect of tax losses not recognised	**2,910**	2,296
Effect on different tax rates of subsidiaries operating in other jurisdictions	**(448)**	(288)
Withholding income tax on distributed profits from the PRC subsidiary	**2,779**	1,161
Additional deduction arising from research and development expenses	**(1,153)**	(60)
Overprovision in prior years	**(688)**	(735)
Income tax expense for the year	**6,596**	5,571

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

9. PROFIT FOR THE YEAR

	2023 **HK$'000**	2022 HK$'000
Profit for the year has been arrived at after charging/(crediting):		
Directors' remuneration:		
Fees	**560**	480
Other emoluments, salaries and other benefits	**5,814**	3,884
Retirement benefit scheme contributions	**57**	60
	6,431	4,424
Other staff costs:		
Staff salaries and allowances	**27,398**	28,535
Retirement benefit scheme contributions	**2,798**	2,828
	30,196	31,363
Total staff costs	**36,627**	35,787
Capitalised in intangible assets	**(3,644)**	(3,824)
Capitalised in inventories	**(9,219)**	(9,212)
	23,764	22,751
Depreciation of plant and equipment	**6,624**	8,258
Capitalised in intangible assets	**(1,214)**	(1,529)
Capitalised in inventories	**(3,938)**	(4,018)
	1,472	2,711
Amortisation of intangible assets	**10,982**	9,683
Capitalised in inventories	**(10,926)**	(9,486)
	56	197
Depreciation of right-of-use assets	**3,996**	3,499
Capitalised in intangible assets	**(213)**	(255)
Capitalised in inventories	**(703)**	(443)
	3,080	2,801
Auditor's remuneration	**990**	1,320
Cost of inventories recognised as expenses	**157,678**	159,867
Research and development costs (excluding staff costs and depreciation) recognised as expenses (included in administrative expenses)	**477**	447
Net losses on disposal of plant and equipment	**1**	266
Expenses relating to short term leases (included in selling and distribution expenses)	**72**	38
Written-off of other payables	**–**	(182)

10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Executive directors and chief executive

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

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

For the year ended 31 December 2023

	Directors' Fees HK$'000	**Salaries and allowances HK$'000**	**Retirement benefit scheme contributions HK$'000**	**Total HK$'000**
Dr. Chow	**–**	**3,256**	**18**	**3,274**
Professor Chow	**–**	**1,856**	**–**	**1,856**
Mr. Shi	**–**	**702**	**39**	**741**
	–	**5,814**	**57**	**5,871**

For the year ended 31 December 2022

	Directors' fees HK$'000	Salaries and allowances HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
Dr. Chow	–	2,256	18	2,274
Professor Chow	–	1,056	–	1,056
Mr. Shi	–	572	42	614
	–	3,884	60	3,944

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

10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

(b) Non-executive director

For the year ended 31 December 2023

	Director's fees HK$'000	Salaries and allowances HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
Mr. Li Chiu Fan	**140**	**–**	**–**	**140**

For the year ended 31 December 2022

	Director's fees HK$'000	Salaries and allowances HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
Mr. Li Chiu Fan	120	–	–	120

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

(c) Independent non-executive directors

For the year ended 31 December 2023

	Directors' fees HK$'000	Salaries and allowances HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
Professor Ng Wang Wai Charles	**140**	**–**	**–**	**140**
Mr. Poon Lai Yin Michael	**140**	**–**	**–**	**140**
Mr. Tai Chun Kit	**140**	**–**	**–**	**140**
	420	**–**	**–**	**420**

10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

(c) Independent non-executive directors (Continued)

For the year ended 31 December 2022

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

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

(d) Five highest paid individuals

The five highest paid individuals of the Group included three (2022: two) directors of the Company for the year ended 31 December 2023 and details of their emoluments are set out in note 10(a). The emoluments of the remaining individuals are as follows:

	2023 HK$'000	2022 HK$'000
Salaries and allowances	**1,388**	2,305
Retirement benefit scheme contributions	**26**	54
	1,414	2,359

The emoluments were within the following band:

	Number of employees	
	2023	2022
Nil to HK$1,000,000	**2**	2
HK$1,000,001 – HK$1,500,000	**–**	1
	2	3

10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

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

There was no arrangement under which directors or the chief executive waived or agreed to waive any remuneration for both years.

11. DIVIDENDS

	2023 **HK$'000**	2022 HK$'000
Dividends recognised as distributions during the year:		
No interim dividend for 2023 was declared or paid (2022: 2022 interim dividend of HK$0.00310 per share)	**–**	2,187
2022 final dividend of HK$0.00220 per share (2022: 2021 final dividend of HK$0.00190 per share)	**1,552**	1,340
	1,552	3,527

No final dividend has been proposed for ordinary shareholders of the Company (2022: final dividend of HK$0.00220) since the end of the reporting period.

12. EARNINGS PER SHARE

	2023 **HK$'000**	2022 HK$'000
Earnings		
Profit for the purpose of basic earnings per share:		
Profit for the year attributable to owners of the Company	**510**	8,640

	2023 **'000**	2022 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**705,500**	705,500

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

13. PLANT AND EQUIPMENT

	Plant and machinery HK$'000	Furniture, Fixture and equipment HK$'000	Leasehold improvements HK$'000	Motor vehicles HK$'000	Total HK$'000
COST					
At 1 January 2022	94,173	939	19,574	2,184	116,870
Additions	10,426	63	607	–	11,096
Disposals	–	–	–	(1,338)	(1,338)
Exchange realignment	(6,947)	(53)	(1,400)	(66)	(8,466)
At 31 December 2022	97,652	949	18,781	780	118,162
Additions	1,000	24	622	401	2,047
Disposals	(24)	–	–	–	(24)
Exchange realignment	(2,539)	(19)	(540)	(26)	(3,124)
At 31 December 2023	**96,089**	**954**	**18,863**	**1,155**	**117,061**
ACCUMULATED DEPRECIATION					
At 1 January 2022	58,122	599	15,112	1,176	75,009
Provided for the year	5,576	39	2,454	189	8,258
Eliminated on disposals	–	–	–	(602)	(602)
Exchange realignment	(4,595)	(39)	(1,111)	(59)	(5,804)
At 31 December 2022	59,103	599	16,455	704	76,861
Provided for the year	5,361	43	1,178	42	6,624
Eliminated on disposals	(21)	–	–	–	(21)
Exchange realignment	(1,674)	(14)	(479)	(20)	(2,187)
At 31 December 2023	**62,769**	**628**	**17,154**	**726**	**81,277**
CARRYING VALUES					
At 31 December 2023	**33,320**	**326**	**1,709**	**429**	**35,784**
At 31 December 2022	38,549	350	2,326	76	41,301

13. PLANT AND EQUIPMENT (Continued)

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

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

14. RIGHT-OF-USE ASSETS

	Leased equipment HK$'000 *(note i)*	**Leased motor vehicles** HK$'000 *(note ii)*	**Leased properties** HK$'000 *(note iii)*	**Total** HK$'000
As at 31 December 2023				
Carrying amount	**49**	**2,395**	**11,182**	**13,626**
As at 31 December 2022				
Carrying amount	71	1,441	10,426	11,938

	2023 HK$'000	2022 HK$'000
Depreciation charge	**3,996**	3,499
Exchange realignment	**(220)**	(742)
Expenses relating to a short-term lease	**72**	38
Total cash outflow for leases	**5,193**	4,195
Addition of right-of-use assets	**5,904**	2,891
Remeasurement of right-of-use assets due to lease modification	**–**	(479)

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

14. RIGHT-OF-USE ASSETS (Continued)

Notes:

(i) Leased equipment

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

(ii) Leased motor vehicles

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

(iii) Leased properties

For the years ended 31 December 2023 and 2022, the Group leases various offices and factories for its operations and residential properties as staff quarter. Lease contracts are entered into for fixed terms of 3 years to 22 years (2022: 20 months to 22 years) without any renewal and termination options for both years. Lease terms are negotiated on an individual basis. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

During the year ended 31 December 2022, a lessor agreed to provide rent concession on an operating lease for six months from 1 April 2022 to 30 September 2022. There was no change in the lease term of the modified lease and the Group remeasured the lease liability by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

(iv) Leases committed

At 31 December 2023, the Group entered into a new lease that are not yet commenced, with average non-cancellable period for 20 months. The total future undiscounted cash flows over the non-cancellable period amounted to approximately HK$1,820,000.

15. INTANGIBLE ASSETS

	Patent and trademark HK$'000	Technology know-how HK$'000	Club membership HK$'000	Computer software HK$'000	Development costs HK$'000	Total HK$'000
COST						
At 1 January 2022	8,738	7,500	1,485	977	84,731	103,431
Additions	2,800	–	–	–	9,142	11,942
Exchange realignment	(96)	–	–	(76)	(6,873)	(7,045)
At 31 December 2022	11,442	7,500	1,485	901	87,000	108,328
Additions	10,100	43,834	–	–	8,046	61,980
Exchange realignment	(118)	(49)	–	(26)	(2,552)	(2,745)
At 31 December 2023	**21,424**	**51,285**	**1,485**	**875**	**92,494**	**167,563**
ACCUMULATED AMORTISATION AND IMPAIRMENT						
At 1 January 2022	2,085	125	–	603	29,430	32,243
Provided for the year	997	750	–	90	7,846	9,683
Exchange realignment	(91)	–	–	(50)	(2,533)	(2,674)
At 31 December 2022	2,991	875	–	643	34,743	39,252
Provided for the year	1,618	1,260	–	56	8,048	10,982
Exchange realignment	(36)	(1)	–	(19)	(1,060)	(1,116)
At 31 December 2023	**4,573**	**2,134**	**–**	**680**	**41,731**	**49,118**
CARRYING VALUES						
At 31 December 2023	**16,851**	**49,151**	**1,485**	**195**	**50,763**	**118,445**
At 31 December 2022	8,451	6,625	1,485	258	52,257	69,076

Development costs are internally generated. Other than certain technology know-how of HK$45,500,000 and club membership were acquired from connected persons, the remaining technology know-how, patent and trademark and computer software were acquired from third parties.

15. INTANGIBLE ASSETS (Continued)

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

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

Technology know-how represented six completed and fully developed sets of technology and exclusive formula, relating to the production of the Composite Metal Material Bonding Wire, Encapsulation of Mini-LED and other products, which were determined by reference to historical costs.

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

Included in development costs is an amount of approximately HK$4,654,000 (2022: HK$6,584,000) representing development cost capitalised for a silicon encapsulant project. The project enhances the production of silicon encapsulant. The net carrying amount will therefore be amortised over the remaining useful lives of 3 (2022: 4) years.

As at 31 December 2023, development costs amounting to approximately HK$8,934,000 (2022: HK$5,907,000) related to development projects in progress for the development of products and production techniques that are not yet available for use.

16. DEFERRED TAX ASSETS

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

	2023 HK$'000	2022 HK$'000
Deferred tax assets	**3,908**	3,712
Deferred tax liabilities	**(2,355)**	(1,936)
	1,553	1,776

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

	Allowance for doubtful debts HK$'000	Deferred income in respect of government grants HK$'000	Right-of-use assets HK$'000	Lease liabilities HK$'000	Accruals HK$'000	Accelerated tax depreciation HK$'000	Tax loss HK$'000	Total HK$'000
At 1 January 2022	126	1,394	(514)	514	583	(1,112)	1,112	2,103
Effect of lease modification	–	–	(376)	376	–	–	–	–
Credit/(charge) to profit or loss	28	(205)	662	(662)	6	(596)	596	(171)
Exchange realignment	(10)	(100)	–	–	(46)	–	–	(156)
At 31 December 2022	144	1,089	(228)	228	543	(1,708)	1,708	1,776
Effect of lease modification	**–**	**–**	**(816)**	**816**	**–**	**–**	**–**	**-**
Credit/(charge) to profit or loss	**28**	**(195)**	**289**	**(289)**	**(7)**	**108**	**(108)**	**(174)**
Exchange realignment	**(5)**	**(29)**	**–**	**–**	**(15)**	**–**	**–**	**(49)**
At 31 December 2023	**167**	**865**	**(755)**	**755**	**521**	**(1,600)**	**1,600**	**1,553**

As at 31 December 2023, the Group had unused tax losses of approximately HK$87,483,000 (2022: HK$70,499,000) available to offset against future profits. A deferred tax asset has been recognised in respect of approximately HK$9,699,000 (2022: HK$10,353,000) of such losses. No deferred tax asset has been recognised in respect of the remaining unused tax losses of approximately HK$77,784,000 (2022: HK$60,146,000) due to unpredictability of future profit streams.

Under the EIT Law, 5% withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. Deferred taxation had not been provided for in the consolidated financial statements in respect of temporary differences attributable to retained earnings of Niche-Tech Shantou amounting to approximately HK$80,743,000 as at 31 December 2023 (2022: HK$105,479,000) as the Group was in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

17. INVENTORIES

	2023 HK$'000	2022 HK$'000
Raw materials and consumables	**6,487**	6,768
Work in progress	**2,391**	1,957
Finished goods	**28,567**	24,939
	37,445	33,664

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

(a) Trade and bills receivables

	2023 HK$'000	2022 HK$'000
Trade receivables	**76,782**	66,843
Less: Allowance for credit losses	**(2,218)**	(5,467)
	74,564	61,376

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

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

(a) Trade and bills receivables (Continued)

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

	2023 **HK$'000**	2022 HK$'000
1 – 30 days	**24,841**	21,295
31 – 60 days	**18,915**	18,306
61 – 90 days	**14,339**	10,467
Over 90 days	**16,469**	11,308
	74,564	61,376

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

As at 31 December 2023, included in the Group's trade receivables balance are debtors with aggregate net carrying amount of approximately HK$15,593,000 (2022: HK$13,799,000) which are past due as at the reporting date. Out of the past due balance, approximately HK$429,000 (2022: HK$613,000) has been past due for 90 days or more and is not considered as in default as there are long term/on-going relationship and good repayment records from these customers. The Group does not hold any collateral over these balances.

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

	2023 **HK$'000**	2022 HK$'000
United States Dollars ("**US$**")	**653**	251
HK$	**18**	–
	671	251

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

(a) Trade and bills receivables (Continued)

	2023 HK$'000	2022 HK$'000
Bills receivables	**38,981**	44,087
Less: Allowance for credit losses	**(125)**	(161)
	38,856	43,926

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

	2023 HK$'000	2022 HK$'000
1 – 30 days	**7,488**	8,337
31 – 60 days	**4,433**	6,806
61 – 90 days	**5,875**	5,795
Over 90 days	**21,060**	22,988
	38,856	43,926

The maturity period of all bills receivables as at 31 December 2023 and 2022 is within 1 year.

Transfers of financial assets

The following were the Group's bills receivables as at 31 December 2023 and 2022 that were transferred to banks by discounting those bills receivables on a full recourse basis. As the Group has not transferred the significant risks and rewards relating to these bills receivables, it continues to recognise the full carrying amount of the bills receivables and has recognised the cash received on the transfer as bank borrowings (note 24(a)). These bills receivables are carried at amortised cost in the consolidated statement of financial position.

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

(a) Trade and bills receivables (Continued)

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

	2023 **HK$'000**	2022 HK$'000
Carrying amount of transferred assets	**28,755**	–
Carrying amount of associated liabilities	**(28,755)**	–
Net position	**–**	–

Details of impairment assessment of trade and bills receivables for the years ended 31 December 2023 and 2022 are set out in note 29(b).

(b) Other receivables, prepayments and deposits

	2023 **HK$'000**	2022 HK$'000
Deposits	**1,039**	669
Other receivables	**1,728**	226
Prepayments	**2,366**	1,504
	5,133	2,399

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

	2023 **HK$'000**	2022 HK$'000
HK$	**1,417**	716

Details of impairment assessment of other receivables and deposits for the years ended 31 December 2023 and 2022 are set out in note 29(b).

19. BANK DEPOSITS/BANK BALANCES AND CASH

(a) Bank deposits

	2023 HK$'000	2022 HK$'000
Bank deposits with original maturity of less than 3 months	**17,900**	19,145

Bank deposits carried fixed interests at market rates of 5.33% (2022: 0.16% to 2.31%) per annum as at 31 December 2023.

(b) Bank balances and cash

Bank balances carried interest at prevailing market rates which range from 0.00% to 0.66% (2022: 0.00% to 0.35%) per annum as at 31 December 2023.

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

	2023 HK$'000	2022 HK$'000
US$	**315**	285
HK$	**412**	190
RMB	**1**	53
	728	528

Details of impairment assessment of bank deposits/bank balances and cash for the years ended 31 December 2023 and 2022 are set out in note 29(b).

20. TRADE AND OTHER PAYABLES

	2023 **HK$'000**	2022 HK$'000
Trade payables	**12,397**	13,401
Other payables *(Note)*	**2,305**	921
Other tax payables	**1,408**	4,099
Accrued expenses	**3,863**	5,193
	19,973	23,614

Note: Included in the other payables as at 31 December 2023 is HK$1,760,000 (2022: Nil) of payable in relation to the purchase of the Intellectual Properties to Niche-Tech Investment Holdings Limited ("**BVI Holdings**"), which is beneficially owned by Professor Chow and Dr. Chow. Details please refer to note 32.

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

	2023 **HK$'000**	2022 HK$'000
1 – 30 days	**5,580**	6,874
31 – 60 days	**3,277**	2,973
61 – 90 days	**1,450**	2,007
Over 90 days	**2,090**	1,547
	12,397	13,401

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

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

	2023 **HK$'000**	2022 HK$'000
US$	**1,053**	289
HK$	**1,035**	2,583
	2,088	2,872

21. CONTRACT LIABILITIES

	2023 HK$'000	2022 HK$'000
Amount received in advance for delivery of semiconductor packaging materials	**174**	718

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

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

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

During the year ended 31 December 2023, revenue of approximately HK$694,000 (2022: HK$536,000) was recognised and was included in the contract liabilities balance at the beginning of that year.

22. LEASE LIABILITIES

	2023 HK$'000	2022 HK$'000
Lease liabilities payable:		
Within one year	**3,370**	4,226
Within a period of more than one year but not more than two years	**3,559**	2,043
Within a period of more than two years but not more than five years	**8,028**	5,508
Within a period of more than five years	**777**	2,782
	15,734	14,559
Less: Amounts that contain a repayable on demand clause and due for settlement within 12 months shown under current liabilities	**(3,370)**	(4,226)
Less: Amounts that contain a repayable on demand clause and repayable after 1 year shown under current liabilities	**(727)**	(1,012)
Amounts due for settlement after 12 months shown under non-current liabilities	**11,637**	9,321

During the year ended 31 December 2023 and 2022, lease liabilities were arisen from the leased motor vehicles under finance leases (note 14(ii)) and certain lease liabilities were secured by the personal guarantee of Dr. Chow, the director of the Company.

The effective interest rate for the lease liabilities as at 31 December 2023 ranged from 3.84% to 8.00% per annum (2022: 3.84% to 6.05% per annum).

22. LEASE LIABILITIES (Continued)

During the year ended 31 December 2022, a lessor agreed to provide rent concession to the Group through reduction in rentals. The Group opted not to apply the practical expedient under HKFRS 16.46A and concluded the changes in consideration of lease contracts that were not part of the original terms and conditions are accounted for as lease modification. Accordingly, there was a reduction of the Group's lease liabilities of approximately HK$479,000 and a corresponding adjustment of the same amount to the right-of-use assets.

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

	2023 **HK$'000**	2022 HK$'000
HK$	**4,821**	1,917

23. DEFERRED INCOME

	2023 **HK$'000**	2022 HK$'000
Balance at beginning of the year	**4,884**	6,732
Released to profit or loss *(note)*	**(1,298)**	(1,367)
Exchange realignment	**(128)**	(481)
Balance at end of the year	**3,458**	4,884

	2023 **HK$'000**	2022 HK$'000
Deferred income	**3,458**	4,884
Less: Amount to be recognised as income within one year included in current liabilities	**(1,286)**	(1,324)
Amount to be recognised as income after one year	**2,172**	3,560

Note: As at 31 December 2023 and 2022, the deferred income represents government grants received in advance from the relevant government authorities of the PRC for the development of products and production techniques.

24. BANK BORROWINGS/BANK OVERDRAFTS

(a) Bank Borrowings

	2023 HK$'000	2022 HK$'000
Carrying amounts of bank borrowings based on scheduled repayment dates set out in the loan agreements:		
Within one year	**27,503**	–
Within a period of more than one year but not more than two years	**6,295**	–
Within a period of more than two years but not more than five years	**4,694**	–
	38,492	–
Carrying amounts of bank borrowings that contain a repayment on demand clause but repayable within one year	**32,566**	26,280
	71,058	26,280
Less: Amounts due within one year shown under current liabilities	**(60,069)**	(26,280)
Amounts shown under non-current liabilities	**10,989**	–
Secured	**71,058**	26,280

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

	2023 HK$'000	2022 HK$'000
Variable-rate bank borrowings	**40,841**	26,280
Fixed-rate bank borrowings	**30,217**	–
	71,058	26,280

As at 31 December 2023, the Group's variable-rate bank borrowings carried interest which ranged from 3.05% to 3.50% over Hong Kong Interbank Offered Rate ("HIBOR") per annum (2022: 3.05% to 3.50% over HIBOR per annum) quoted by certain banks in Hong Kong. The effective interest rates ranged from 7.81% to 9.07% (2022: 6.26%) per annum as at 31 December 2023.

The Group's fixed-rate borrowings as at 31 December 2023 carried interest at effective rates (which were also the contracted rates) ranged from 1.20% to 3.85% (2022: Nil) per annum.

As at 31 December 2023, the bank borrowings amounted to approximately HK$42,303,000 (2022: HK$26,280,000) were secured by unlimited corporate guarantee provided by the Company, certain corporate guarantee amounts provided by Niche-Tech Shantou and certain personal guarantee amounts provided by the director of the Company respectively.

As at 31 December 2023, approximately HK$28,755,000 (2022: Nil) were secured on bills receivables of the same amount (Note 18 (a)).

24. BANK BORROWINGS/BANK OVERDRAFTS (Continued)

(b) Bank Overdrafts

As at 31 December 2023, two bank overdrafts of approximately HK$23,219,000, which is repayable on demand clause and repayable within 90 days or on demand, carrying interest rates which ranged from 4.15% to 8.22% per annum. Certain bank overdrafts of approximately HK$17,873,000 were guaranteed by the Company, some directors of the Company and the HKMC Insurance Limited under the SME Financing Guarantee Scheme.

As at 31 December 2022, the bank overdraft of approximately HK$5,640,000 (equivalent to RMB5,000,000), which is repayable on demand clause and repayable within 90 days, carrying interest rates at 4.45% per annum.

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

	2023 **HK$'000**	2022 HK$'000
HK$	**17,873**	–

25. SHARE CAPITAL

	Number of shares	**Share capital** HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 January 2022, at 31 December 2022 and 31 December 2023	2,000,000,000	20,000
Issued and fully paid:		
At 1 January 2022, at 31 December 2022 and 31 December 2023	705,500,000	7,055

26. RETIREMENT BENEFIT SCHEMES

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

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

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

The only obligation of the Group with respect to these retirement benefit schemes is to make the specified contributions. During the years ended 31 December 2023 and 2022, the total amounts contributed by the Group to the schemes and costs charged to the profit or loss and capitalised as intangible assets represent contributions paid or payable to the schemes by the Group. The retirement benefit scheme contributions made by the Group amounted to approximately HK$2,855,000 (2022: approximately HK$2,888,000) for the year ended 31 December 2023.

27. CAPITAL COMMITMENTS

	2023 **HK$'000**	2022 HK$'000
Capital expenditure contracted for but not provided for in the consolidated financial statements in respect of:		
– intangible assets	**900**	2,860
– plant and equipment	**1,181**	46
	2,081	2,906

28. CAPITAL RISK MANAGEMENT

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

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

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

29. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2023 HK$'000	2022 HK$'000
Financial assets		
Amortised cost	**143,163**	146,974
Financial liabilities		
Amortised cost	**129,984**	70,093

(b) Financial risk management objectives and policies

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

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

Market risk

Currency risk

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

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

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

	Assets		Liabilities	
	2023 HK$'000	2022 HK$'000	2023 HK$'000	2022 HK$'000
US$	**968**	536	**1,053**	289
HK$	**1,847**	906	**23,729**	4,500
RMB	**1**	53	**–**	–

29. FINANCIAL INSTRUMENTS (Continued)

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

Market risk *(Continued)*

Currency risk (Continued)

Sensitivity analysis

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

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

The analysis is prepared on the same basis for 2022.

	2023 **HK$'000**	2022 HK$'000
Impact on post-tax profit		
US$	**37**	(1)
HK$	**(3,728)**	(1,760)
RMB	**–**	2

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

Interest rate risk

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

29. FINANCIAL INSTRUMENTS (Continued)

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

***Market risk** (Continued)*

Interest rate risk (Continued)

Sensitivity analysis

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

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2023 would decrease/increase by approximately HK$245,000 (2022: HK$110,000).

Credit risk and impairment assessment

As at 31 December 2023 and 2022, the financial assets whose carrying amounts best represent the maximum exposure to credit risk.

Trade and bills receivables

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

The Group's concentration of credit risk by geographical locations is mainly in the PRC, which accounted for 98% (2022: 99%) of the total trade receivables as at 31 December 2023.

The Group has concentration of credit risk as 17% (2022: 14%) and 51% (2022: 50%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively.

Bank deposits and bank balances

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

29. FINANCIAL INSTRUMENTS (Continued)

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

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

Other receivables and deposits and rental deposits

For other receivables and deposits and rental deposits, the directors of the Company make periodic individual assessment on the recoverability of these balances based on historical settlement records, past experience, and/or also quantitative and qualitative information that is reasonable and supportive forward-looking information. The directors of the Company believe that there is no significant increase in credit risk of these amounts since initial recognition and the Group provides ECL based on 12m ECL. For the years ended 2023 and 2022, the Group assessed that the 12m ECL for other receivables and deposits, rental deposits were insignificant and thus no allowance for credit loss was recognised.

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

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

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

29. FINANCIAL INSTRUMENTS (Continued)

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

Credit risk and impairment assessment *(Continued)*

Other receivables and deposits and rental deposits (Continued)

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

	Internal credit rating	12-month or lifetime ECL	Gross carrying amount 2023 HK$'000	Gross carrying amount 2022 HK$'000
Financial assets at amortised costs				
Bank deposits	Low risk	12m ECL	**17,900**	19,145
Bank balances	Low risk	12m ECL	**9,050**	20,881
Other receivables and deposits	Low risk	12m ECL	**1,995**	716
Rental deposits	Low risk	12m ECL	**780**	741
Trade receivables	*(Note)*	Lifetime ECL	**74,933**	61,746
	Loss	Credit impaired	**1,849**	5,097
Bills receivables	*(Note)*	Lifetime ECL	**38,981**	44,087

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

Provision matrix – internal credit rating

As part of the Group's credit risk management, the Group applies internal credit rating for its customers in relation to its operation. The following table provides information about the exposure to credit risk for those trade and bills receivables (excluding trade and bills receivables which are credit-impaired) which are assessed collectively based on provision matrix as at 31 December 2023 and 2022 within lifetime ECL (not credit-impaired). Debtors with credit-impaired with gross carrying amount of approximately HK$1,849,000 (2022: HK$5,097,000) as at 31 December 2023 and 2022 were assessed individually.

29. FINANCIAL INSTRUMENTS (Continued)

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

Credit risk and impairment assessment *(Continued)*

Provision matrix – internal credit rating (Continued)

Gross carrying amount

Internal credit rating	Average loss rate	Trade receivables as at 31 December 2023 HK$'000	Average loss rate	Trade receivables as at 31 December 2022 HK$'000
Low risk	0.39%	7,049	0.48%	7,475
Watch list	0.46%	65,179	0.50%	51,304
Doubtful	1.53%	2,705	2.63%	2,967
		74,933		61,746

Internal credit rating	Average loss rate	Bills receivables as at 31 December 2023 HK$'000	Average loss rate	Bills receivables as at 31 December 2022 HK$'000
Low risk	0.32%	38,981	0.37%	44,087

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

During the year ended 31 December 2023, the Group recorded net impairment allowance of approximately HK$183,000 (2022: net reversal of impairment allowance of HK$461,000) for trade receivables and net reversal of impairment allowance of approximately HK$32,000 (2022: HK$56,000) on bills receivables, based on the provision matrix and/or individual assessment.

29. FINANCIAL INSTRUMENTS (Continued)

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

Credit risk and impairment assessment *(Continued)*

Provision matrix – internal credit rating (Continued)

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

	Lifetime ECL (not credit-Impaired) HK$'000	Lifetime ECL (credit-impaired) HK$'000	Total HK$'000
As at 1 January 2022	611	5,605	6,216
Impairment losses recognised	547	257	804
Impairment losses reversed	(562)	(759)	(1,321)
Transfer to credit-impaired	(19)	19	–
Exchange realignment	(46)	(25)	(71)
As at 31 December 2022 and at 1 January 2023	531	5,097	5,628
Impairment losses recognised	498	433	931
Impairment losses reversed	(510)	(270)	(780)
Transfer to credit-impaired	(10)	10	–
Written-off	–	(3,407)	(3,407)
Exchange realignment	(15)	(14)	(29)
As at 31 December 2023	**494**	**1,849**	**2,343**

Receivables for which an impairment provision was recognised were written-off against the provision when the outstanding balances were uncollectible. None of the written-off amount are still subject to enforcement activities for both years.

Liquidity risk

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

29. FINANCIAL INSTRUMENTS (Continued)

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

Liquidity risk *(Continued)*

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

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

Liquidity tables

	Weighted average effective interest rate	On demand or less than 1 year	1 year to 5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 December 2023						
Trade and other payables	–	19,973	–	–	19,973	19,973
Fixed-rate bank borrowings	1.66	30,217	–	–	30,217	30,217
Variable-rate bank borrowings	8.59	31,141	11,910	–	43,051	40,841
Bank overdrafts	7.28	23,219	-	–	23,219	23,219
Lease liabilities	6.12	4,202	12,861	787	17,850	15,734
		108,752	24,771	787	134,310	129,984

	Weighted average effective interest rate	On demand or less than 1 year	1 year to 5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 December 2022						
Trade and other payables	–	23,614	–	–	23,614	23,614
Variable-rate bank borrowings	6.26	26,280	–	–	26,280	26,280
Bank overdrafts	4.45	5,640	–	–	5,640	5,640
Lease liabilities	3.84 - 6.05	4,841	8,814	2,883	16,538	14,559
		60,375	8,814	2,883	72,072	70,093

29. FINANCIAL INSTRUMENTS (Continued)

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

Liquidity risk *(Continued)*

Liquidity tables (Continued)

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

Bank borrowings and bank overdrafts with a repayable on demand clause are included in the "on demand or less than 1 year" time band in the above maturity analysis. As at 31 December 2023, the aggregate undiscounted principal amounts of these bank borrowings and bank overdrafts amounted to approximately HK$76,622,000 (2022: HK$31,920,000). Taking into account the Group's financial position, the directors of the Company do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors of the Company believe that such bank borrowings and bank overdrafts will be repaid in accordance with the scheduled repayment dates set out in the loan agreements, details of which are set out in the table below:

	On demand or less than 1 year HK$'000	1 year to 5 years HK$'000	Over 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
As at 31 December 2023					
Fixed-rate bank borrowings	**30,268**	**–**	**–**	**30,268**	**30,217**
Variable-rate bank borrowings	**23,478**	**–**	**–**	**23,478**	**23,186**
Bank overdrafts	**23,257**	**–**	**–**	**23,257**	**23,219**
	77,003	**–**	**–**	**77,003**	**76,622**

	On demand or less than 1 year HK$'000	1 year to 5 years HK$'000	Over 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
As at 31 December 2022					
Variable-rate bank borrowings	23,881	3,156	–	27,037	26,280
Bank overdrafts	5,693	–	–	5,693	5,640
	29,574	3,156	–	32,730	31,920

(c) Fair value measurements of financial instruments

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

30. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Bank borrowings HK$'000	**Interest payables on bank borrowings (included in other payable)** HK$'000	**Interest payables on bank overdrafts (included in other payable)** HK$'000	**Lease liabilities** HK$'000	**Dividend payables** HK$'000	**Total** HK$'000
As at 1 January 2022	23,610	–	17	16,479	–	40,106
Financing cash flows *(note)*	93,910	(624)	(75)	(4,195)	(3,527)	85,489
Non-cash changes						
Finance costs	–	1,049	68	766	–	1,883
New lease entered *(note 14)*	–	–	–	2,891	–	2,891
Settlement through bills receivables *(note 31)*	(90,720)	(181)	–	–	–	(90,901)
Exchange realignment	(520)	–	(2)	(903)	–	(1,425)
Dividend declared *(note 11)*	–	–	–	–	3,527	3,527
Remeasurement of lease liabilities *(note 14)*	–	–	–	(479)	–	(479)
As at 31 December 2022 and 1 January 2023	**26,280**	**244**	**8**	**14,559**	**–**	**41,091**
Financing cash flows *(note)*	**121,785**	**(2,474)**	**(648)**	**(5,193)**	**(1,552)**	**111,918**
Non-cash changes						
Finance costs	**–**	**2,581**	**648**	**748**	**–**	**3,977**
New lease entered/lease modified *(note 14)*	**–**	**–**	**–**	**5,904**	**–**	**5,904**
Settlement through bills receivables *(note 31)*	**(76,748)**	**–**	**–**	**–**	**–**	**(76,748)**
Exchange realignment	**(259)**	**–**	**(1)**	**(284)**	**–**	**(544)**
Dividend declared *(note 11)*	**–**	**–**	**–**	**–**	**1,552**	**1,552**
As at 31 December 2023	**71,058**	**351**	**7**	**15,734**	**–**	**87,150**

Notes:

The amounts for financing activities included:

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

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

31. MAJOR NON-CASH TRANSACTION

During the year ended 31 December 2023, short-term bank borrowings drawn on discounted bills with recourse of approximately HK$76,748,000 (2022: HK$90,901,000) have been repaid through settlement on maturity of bills receivables previously discounted to the relevant banks.

32. RELATED PARTY DISCLOSURES

	2023	2022
	HK$'000	HK$'000
Compensation of key management personnel		
– Short-term benefits	**6,666**	4,708
– Post-employment benefits	**106**	112
	6,772	4,820

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

Related party transaction and balance

On 14 June 2023, Niche-Tech (HK) and BVI Holdings, entered into the agreement pursuant to which Niche-Tech (HK) agreed to purchase the Intellectual Properties owned by BVI Holdings for the consideration of HK$38,000,000. The completion date of the transaction was 8 December 2023.

33. SHARE-BASED PAYMENT TRANSACTIONS

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

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

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

The exercisable period of an option, which shall not exceed 10 years from the date of grant, is determined by the Board of Directors of the Company at their discretion. Therefore, no share options lapsed or were exercised or cancelled during the year and there were no outstanding share options as at 31 December 2023 and 2022.

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

34. PARTICULARS OF SUBSIDIARIES

Name of subsidiary	Place and date of incorporation/ establishment	Kind of legal entity	Place of operation	Issued and fully paid share capital/registered capital	Equity interest attributable to the Group as at 31 December 2023	2022	Principal activities
Directly held							
Niche-Tech BVI	BVI 2 January 2014	Limited liability company	Hong Kong	Ordinary share US$1	**100%**	100%	Investment holding
Indirectly held							
Niche-Tech Holdings	Hong Kong 9 May 2012	Limited liability company	Hong Kong	Ordinary shares HK$125,000,000	**100%**	100%	Development, manufacture and sales of semiconductor packaging materials (2022: Investment holding)
Niche-Tech Kaiser International Inc.	BVI 16 March 2012	Limited liability company	Hong Kong	Ordinary share US$1	**100%**	100%	Investment holding
Niche-Tech Kaiser (Shantou) Limited 汕頭市駿碼凱撒有限公司*(notes ii & iii)*	The PRC 29 April 2006	Limited liability company	The PRC	Registered capital RMB100,000,000	**100%**	100%	Development, manufacture and sales of semiconductor packaging materials
Niche-Tech (HK)	Hong Kong 26 April 2012	Limited liability company	Hong Kong	Ordinary shares HK$36,000,000	**100%**	100%	Trading of semiconductor packaging materials
Neat Wave Limited	Hong Kong 5 January 1990	Limited liability company	Hong Kong	Ordinary shares HK$2	**100%**	100%	Inactive

Notes:

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

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

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

35. EVENTS AFTER THE REPORTING PERIOD

Save as disclosed elsewhere in this report, there were no material subsequent events took place after 31 December 2023 and up to the date of this report.

36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2023 HK$'000	2022 HK$'000
NON-CURRENT ASSETS		
Plant and equipment	51	46
Investment in a subsidiary	93,936	93,936
	93,987	93,982
CURRENT ASSETS		
Prepayments	596	623
Amounts due from subsidiaries	58,883	73,481
Bank balances	8	18
	59,487	74,122
CURRENT LIABILITIES		
Other payables and accruals	951	2,583
Amount due to a subsidiary	2,177	2,241
	3,128	4,824
NET CURRENT ASSETS	56,359	69,298
NET ASSETS	150,346	163,280
CAPITAL AND RESERVES		
Share capital	7,055	7,055
Reserves	143,291	156,225
	150,346	163,280

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

Movement of the Company's reserves

	Share premium HK$'000	Capital reserve HK$'000 *(note)*	Exchange reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2022	126,034	93,078	2,289	(51,721)	169,680
Loss for the year	–	–	–	(3,900)	(3,900)
Dividend recognised as distribution *(Note 11)*	(3,527)	–	–	–	(3,527)
Exchange differences arising on translation to presentation currency	–	–	(6,028)	–	(6,028)
At 31 December 2022	122,507	93,078	(3,739)	(55,621)	156,225
Loss for the year	–	–	–	(9,554)	(9,554)
Dividend recognised as distribution *(Note 11)*	(1,552)	–	–	–	(1,552)
Exchange differences arising on translation to presentation currency	–	–	(1,828)	–	(1,828)
At 31 December 2023	**120,955**	**93,078**	**(5,567)**	**(65,175)**	**143,291**

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

FINANCIAL SUMMARY

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

	For the year ended 31 December				
	2023	2022	2021	2020	2019
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Consolidated statement of profit or loss					
Revenue	**212,589**	217,859	249,039	171,558	213,006
Gross profit	**54,911**	57,992	58,341	34,357	41,685
Profit/(loss) before taxation	**7,106**	14,211	10,507	(11,923)	1,561
Income tax expense	**(6,596)**	(5,571)	(3,658)	(2,189)	(2,245)
Profit/(loss) for the year	**510**	8,640	6,849	(14,112)	(684)
Consolidated statement of financial position					
Non-current assets	**175,166**	130,093	132,036	126,193	116,977
Current assets	**182,966**	181,580	199,785	178,652	204,667
Current liabilities	**(112,396)**	(70,139)	(70,234)	(53,814)	(69,859)
Net current assets	**70,570**	111,441	129,551	124,838	134,808
Non-current liabilities	**(24,798)**	(12,881)	(18,402)	(18,973)	(20,358)
Net assets	**220,938**	228,653	243,185	232,058	231,427

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