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**APEX ACE**  
**APEX ACE HOLDING LIMITED**  
**光麗科技控股有限公司\***  
*(Incorporated in the Cayman Islands with limited liability)*  
**(Stock Code: 6036)**

**ANNOUNCEMENT OF ANNUAL RESULTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

**RESULTS HIGHLIGHT**

- Revenue increased by 1.9% to HK\$2,689.1 million (Year 2021: HK\$2,640.1 million)
- Gross profit margin was 4.3% (Year 2021: 8.6%)
- Net loss attributable to the owners of the Company for the Year 2022 was HK\$32.4 million (Year 2021: net profit of HK\$6.7 million)
- Basic loss per share for the Year 2022 was 3.13 HK cents (Year 2021: earnings per share 0.67 HK cents)

*Note:* Rounding adjustments have been made to the amounts and percentage figures included in this announcement, including information presented in thousands or millions of units.

**ANNUAL RESULTS**

On behalf of the board of directors of Apex Ace Holding Limited (the “Company”, the “Directors” and the “Board”, respectively), I present the audited consolidated financial results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 December 2022 (the “Year 2022”) together with the comparative figures for the year ended 31 December 2021 (the “Year 2021”). These audited financial results for the Year 2022 have been reviewed by the audit committee of the Board (the “Audit Committee”).

\* For identification purpose only

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*FOR THE YEAR ENDED 31 DECEMBER 2022*

	<i>Note</i>	<b>Year 2022</b> <b>HK\$'000</b>	Year 2021 HK\$'000
Revenue	3	<b>2,689,094</b>	2,640,100
Cost of sales		<b>(2,574,218)</b>	(2,414,026)
Gross profit		<b>114,876</b>	226,074
Other income	4	<b>5,255</b>	9,682
Increase in fair value of investment property		<b>200</b>	–
Reversal of impairment loss/(impairment loss) on trade receivables		<b>7,594</b>	(40,393)
Impairment loss on loans, interest and other receivables		<b>(3,865)</b>	(2,345)
Fair value loss in financial instrument at fair value through profit or loss		<b>(484)</b>	–
Fair value loss in derivative asset		<b>(3,178)</b>	–
Distribution and selling expenses		<b>(54,495)</b>	(75,629)
Administrative expenses		<b>(79,802)</b>	(84,698)
Finance costs	5	<b>(19,968)</b>	(9,584)
(Loss)/profit before tax	6	<b>(33,867)</b>	23,107
Income tax credit/(expense)	7	<b>831</b>	(6,487)
(Loss)/profit for the year		<b>(33,036)</b>	16,620
Other comprehensive income/(expense)			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		<b>(5,977)</b>	1,605
<i>Items that may not be reclassified subsequently to profit or loss:</i>			
Surplus on revaluation of leasehold land and buildings		–	2,889
Deferred tax arising on revaluation of leasehold land and buildings		–	(544)
Other comprehensive (expense)/income for the year, net of tax		<b>(5,977)</b>	3,950
Total comprehensive (expense)/income for the year		<b>(39,013)</b>	20,570

	<i>Note</i>	<b>Year 2022</b> <b>HK\$'000</b>	Year 2021 <i>HK\$'000</i>
(Loss)/profit for the year attributable to:			
– Owners of the Company		<b>(32,386)</b>	6,735
– Non-controlling interests		<b>(650)</b>	9,885
		<u><b>(33,036)</b></u>	<u>16,620</u>
Total comprehensive (expenses)/income for the year attributable to:			
– Owners of the Company		<b>(38,157)</b>	10,511
– Non-controlling interests		<b>(856)</b>	10,059
		<u><b>(39,013)</b></u>	<u>20,570</u>
(Loss)/earnings per share attributable to owners of the Company			
– Basic	<i>8</i>	<u><b>(3.13) HK cents</b></u>	<u>0.67 HK cents</u>
– Diluted		<u><b>(3.13) HK cents</b></u>	<u>0.67 HK cents</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

		As at 31 December 2022	As at 31 December 2021
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment	10	90,807	63,486
Right-of-use assets	10	9,367	1,216
Investment property	11	51,200	51,000
Financial instrument at fair value through profit or loss	12	12,674	–
Intangible assets		12,280	18,409
Deposits paid for acquisition of property, plant and equipment		–	1,305
Deferred tax assets		11,806	9,784
		188,134	145,200
		188,134	145,200
<b>Current assets</b>			
Derivative asset		1,001	–
Inventories		174,970	251,865
Trade receivables	13	499,292	484,626
Other receivables, deposits and prepayments		49,682	67,924
Income tax receivable		793	759
Bank balances, restricted balance and cash		99,562	143,743
		825,300	948,917
		825,300	948,917
<b>Current liabilities</b>			
Trade payables	14	131,812	160,863
Other payables, accruals and deposit received		22,789	44,442
Lease liabilities – current portion		2,885	668
Bank borrowings, secured		483,666	538,545
Income tax payable		3,873	5,014
		645,025	749,532
		645,025	749,532
<b>Net current assets</b>		180,275	199,385
<b>Total assets less current liabilities</b>		368,409	344,585

		As at <b>31 December</b> <b>2022</b> <i>HK\$'000</i>	As at 31 December 2021 <i>HK\$'000</i>
	<i>Note</i>		
<b>Non-current liabilities</b>			
Convertible bond (“CB”)	<i>15</i>	<b>15,227</b>	–
Lease liabilities – non-current portion		<b>6,731</b>	556
Deferred tax liabilities		<b>3,901</b>	3,683
		<u><b>25,859</b></u>	<u>4,239</u>
<b>Net assets</b>		<u><b>342,550</b></u>	<u>340,346</u>
<b>Capital and reserves</b>			
Share capital	<i>16</i>	<b>10,751</b>	10,096
Reserves		<b>290,413</b>	294,732
		<u><b>301,164</b></u>	<u>304,828</u>
<b>Equity attributable to owners of the Company</b>		<b>301,164</b>	304,828
Perpetual subordinated convertible securities (“PSCS”)		<b>10,000</b>	–
Non-controlling interests		<b>31,386</b>	35,518
		<u><b>342,550</b></u>	<u>340,346</u>
<b>Total equity</b>		<u><b>342,550</b></u>	<u>340,346</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 4 July 2012 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of its registered office is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and the address of its principal place of business is Units 2-3, 1/F., Sun Cheong Industrial Building, 1 Cheung Shun Street, Kowloon, Hong Kong. The Company is an investment holding company and the principal activities of its subsidiaries are sales and integration of semiconductors, electronic components and storage systems.

The shares of the Company (the “Shares”) in issue were initially listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 16 March 2018.

The consolidated financial statements are presented in Hong Kong dollar (“HK\$”) which is also the functional currency of the Company.

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

### (a) New and revised HKFRSs adopted as at 1 January 2022

For the current year, the Group has adopted for the first time the following amendments to HKFRSs issued by the HKICPA, which are effective for the Group’s accounting period beginning on 1 January 2022.

Amendments to HKFRS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRS 3	Reference to the Conceptual Framework
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combinations
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020

The application of amendments to HKFRSs had no material impact on the financial position and the financial results of the Group.

**(b) New and revised HKFRSs issued but not yet effective**

The Group has not applied the following new and amendments to HKFRSs that have been issued but are not yet effective for the current year.

HKFRS 17	Insurance Contracts and the related amendments <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>2</sup>
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback <sup>3</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-Current and related amendments to Hong Kong Interpretation 5 (2020) <sup>1</sup>
Amendments to HKAS 1 (2022)	Non-current Liabilities with Covenants <sup>3</sup>
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies <sup>1</sup>
Amendments to HKAS 8	Definition of Accounting Estimates <sup>1</sup>
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from Single Transaction <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2023.

<sup>2</sup> Effective for annual periods beginning on or after a date to be determined.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2024.

The Group is assessing the full impact of the new standard, and amendments to standards.

### 3. REVENUE AND SEGMENT INFORMATION

Segment information reported internally was analysed on the basis of the type of products sold and activities carried out by the Group's operating division. The Group is currently operating in two operating segments as follows:

- (a) Digital Storage Products; and
- (b) General Components.

	Year 2022 <i>HK\$'000</i>	Year 2021 <i>HK\$'000</i>
<b>SEGMENT REVENUE</b>		
Digital Storage Products	2,019,970	1,988,841
General Components	669,124	651,259
	<u>2,689,094</u>	<u>2,640,100</u>
	<b>Year 2022 <i>HK\$'000</i></b>	<b>Year 2021 <i>HK\$'000</i></b>
<b>SEGMENT RESULTS</b>		
Digital Storage Products	44,499	146,390
General Components	70,377	79,684
	<u>114,876</u>	<u>226,074</u>
Total reportable segment profit	114,876	226,074
Other income	5,255	9,682
Increase in fair value of investment property	200	–
Fair value loss on financial instrument at fair value through profit or loss	(484)	–
Fair value loss on derivative asset	(3,178)	–
Finance costs	(19,968)	(9,584)
Depreciation of property, plant and equipment	(5,227)	(4,282)
Depreciation of right-of-use assets	(1,826)	(1,305)
Amortisation of intangible assets	(4,826)	(4,607)
Reversal of impairment loss/(impairment loss) on trade receivables	7,594	(40,393)
Impairment loss on loans, interest and other receivables	(3,865)	(2,345)
Unallocated corporate expenses	(122,418)	(150,133)
	<u>(33,867)</u>	<u>23,107</u>
(Loss)/profit before tax	(33,867)	23,107
Income tax credit/(expenses)	831	(6,487)
	<u>831</u>	<u>(6,487)</u>
(Loss)/profit for the year	<u><b>(33,036)</b></u>	<u><b>16,620</b></u>

## Geographical information

The Group is domiciled in Hong Kong. The following table sets out information about the geographical location of (i) the Group's revenue from external customers; and (ii) the Group's non-current assets. The geographical location of customers is based on the location of the customers. The geographical location of the non-current assets other than deposits paid for acquisition of property, plant and equipment, financial instrument at fair value through profit or loss, and deferred tax assets is based on the physical location of the assets in case of property, plant and equipment, investment property and right-of-use assets, and the location of operations to which they are allocated in case of intangible asset.

	Year 2022 <i>HK\$'000</i>	Year 2021 <i>HK\$'000</i>
<b>Revenue from external customers</b>		
Hong Kong	390,802	586,810
The People's Republic of China ("The PRC")	2,200,140	1,939,137
Others	98,152	114,153
	<u>2,689,094</u>	<u>2,640,100</u>
	As at 31 December 2022 <i>HK\$'000</i>	As at 31 December 2021 <i>HK\$'000</i>
<b>Non-current assets</b>		
Hong Kong	132,970	105,413
The PRC	30,609	28,698
Others	75	–
	<u>163,654</u>	<u>134,111</u>

## Information about major customers

The Group's revenue from customers which accounted for 10% or more of the Group's total revenue are as follow:

		Year 2022 <i>HK\$'000</i>	Year 2021 <i>HK\$'000</i>
Customer A	Digital Storage Products	<u>643,303</u>	<u>483,081</u>

#### 4. OTHER INCOME

	Year 2022 <i>HK\$'000</i>	Year 2021 <i>HK\$'000</i>
Bank interest income	184	341
Rental income	1,352	1,440
Government Subsidies	344	–
Commission income	574	4,824
Sundry income	2,801	3,077
	<u>5,255</u>	<u>9,682</u>

#### 5. FINANCE COSTS

	Year 2022 <i>HK\$'000</i>	Year 2021 <i>HK\$'000</i>
Discounting charges on factoring loans	4,571	2,907
Interest on convertible bond	883	–
Interest on other bank borrowings	14,339	6,636
Interest expense on lease liabilities	175	41
	<u>19,968</u>	<u>9,584</u>

## 6. (LOSS)/PROFIT BEFORE TAX

(Loss)/profit for the year has been arrived at after charging and crediting:

	Year 2022 <i>HK\$'000</i>	Year 2021 <i>HK\$'000</i>
Cost of inventories recognised as an expenses	2,567,228	2,409,059
Write-down of inventories	6,990	4,967
Auditor's remuneration	1,552	1,448
Depreciation of property, plant and equipment	5,227	4,282
Depreciation – right-of-use assets	1,826	1,305
Amortisation of distribution right ( <i>note 1</i> )	4,826	4,607
Net foreign exchange loss	5,822	366
Short term leases expenses in respect of land and buildings	1,469	2,111
Commission expenses	24,722	42,426
Research and development expenses ( <i>note 2</i> )	3,105	2,804
Staff costs including director's emoluments		
– Basic salaries and allowance	44,359	54,469
– Share-based payments	1,311	903
– Contributions to defined contribution retirement plans	4,655	4,424
– Messing and welfare	451	1,378
Loss on disposal of property, plant and equipment	<u>20</u>	<u>–</u>

*Notes:*

1. Amortisation of intangible assets was included in administrative expenses.
2. Staff costs of approximately HK\$2,243,000 (2021: HK\$2,077,000) were included in research and development expenses.

## 7. INCOME TAX CREDIT/(EXPENSE)

	Year 2022 <i>HK\$'000</i>	Year 2021 <i>HK\$'000</i>
Current tax –		
Hong Kong Profits Tax	879	7,990
PRC tax	94	256
(Over)/under-provision in prior years – Hong Kong profits tax	(157)	63
Under-provision in prior years – PRC tax	23	94
	<u>839</u>	<u>8,403</u>
Deferred tax	<u>(1,670)</u>	<u>(1,916)</u>
Total income tax (credit)/expense recognised in profit or loss for the year	<u><u>(831)</u></u>	<u><u>6,487</u></u>

Hong Kong Profits Tax is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits of the qualifying group entity and at 16.5% on the estimated assessable profits above HK\$2 million. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%.

For qualified small and thin-profit enterprises in the PRC, the annual taxable income up to RMB 1 million (inclusive) is subject to an effective Enterprise Income Tax rate of 2.5% from 1 January 2021 to 31 December 2022; where the annual taxable income exceeds RMB 1 million but does not exceed RMB 3 million (inclusive), the amount in excess of RMB 1 million is subject to an effective Enterprise Income Tax rate of 5% from 1 January 2022 to 31 December 2024. Certain PRC subsidiaries of the Company enjoy this preferential income tax treatment for the years.

## 8. (LOSS)/EARNINGS PER SHARE

### Basic (loss)/earnings per share

The calculation of the basic (loss)/earnings per share attributable to the owners of the Company for the Year 2022 is based on the following data:

	<b>Year 2022</b> <i>HK\$'000</i>	Year 2021 <i>HK\$'000</i>
(Loss)/profit for the year attributable to owners of the Company	<b>(32,386)</b>	6,735
Interest on PSCS	<u>(50)</u>	<u>–</u>
(Loss)/earnings used in the calculation of basic earnings per share	<u><b>(32,436)</b></u>	<u>6,735</u>
	<b>31 December</b> <b>2022</b>	31 December 2021
<b>Number of ordinary shares</b>		
Weighted average number of ordinary shares in issue for the purpose of basic earnings per share	<u><b>1,036,498,027</b></u>	<u>1,000,000,000</u>

For the Year 2022, the weighted average number of ordinary shares for the purpose of calculation of basic earnings per share has been adjusted after taking into account the shares held by the custodian (the “Custodian”) pursuant to the restricted share award scheme.

## Diluted (loss)/earnings per share

The (loss)/earnings used in the calculation of diluted earnings per share are as follows:

	<b>Year 2022</b>	Year 2021
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
(Loss)/earnings used in the calculation of basic and diluted earnings per share	<u><u>(32,436)</u></u>	<u><u>6,735</u></u>

For Year 2022, as the Group incurred losses, the potential ordinary shares under share awards scheme, PSCS and CB are not included in the calculation of diluted loss per share as their inclusion would be anti-dilutive.

For Year 2021, weighted average number of ordinary shares for the purpose of diluted earnings per share is as follows:

	Year 2021
<b>Number of ordinary shares</b>	
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,000,000,000
Unvested shares under share award scheme	<u>2,700,740</u>
Weighted average number of ordinary shares in issue for the purpose of diluted earnings per share	<u><u>1,002,700,740</u></u>

## 9. DIVIDENDS

The Board of Directors did not recommend any dividend for the Year 2022 (Year 2021: Nil).

For the Year 2022, a subsidiary of the Company made the following distributions:

	<b>Year 2022</b> <b>HK\$'000</b>	Year 2021 <i>HK\$'000</i>
Dividend declared and paid to non-controlling shareholder by Data Star Inc.	<u>3,276</u>	<u>2,621</u>

## 10. ADDITIONS OF PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

During the Year 2022, additions of property, plant and equipment of the Group mainly comprise the addition of a property amounting to approximately HK\$31,305,000, of which HK\$30,000,000 represented the consideration paid (“Consideration”) to Nicegoal Limited, a company controlled by Mr. Lee Bing Kwong (a controlling shareholder, an executive Director, the chairman of the Board and the chief executive officer of the Company), and HK\$1,305,000 represented the direct costs arising from the acquisition, and additions of leasehold improvements of approximately HK\$1,590,000.

During the Year 2022, additions of right-of-use assets mainly comprise the addition of new leases amounting to approximately HK\$10,327,000.

## 11. INVESTMENT PROPERTIES

	<b>As at</b> <b>31 December</b> <b>2022</b> <b>HK\$'000</b>	As at 31 December 2021 <i>HK\$'000</i>
<b>At fair value</b>		
At 1 January	<b>51,000</b>	51,000
Increase in fair value	<u>200</u>	<u>–</u>
At 31 December	<u><b>51,200</b></u>	<u>51,000</u>

The Group’s investment property is a commercial property located in Hong Kong and leased out to a third party. The investment property was revalued by independent professional property valuers on 31 December 2022 and 31 December 2021, respectively, on an open market value basis.

## 12. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December 2022 <i>HK\$'000</i>	As at 31 December 2021 <i>HK\$'000</i>
Deposit placed for life insurance policy, included in non-current assets	<u>12,674</u>	<u>–</u>

During the Year 2022, the Group subscribed for a life insurance policy with an insurance company for a member of the senior management of the Company who is a son of Mr. Lee Bing Kwong (the chairman of the Board, executive Director and the Chief Executive Officer) and Ms. Lo Yuen Lai (executive Director). Under the policy, the beneficiary and policy holder is the Company's wholly-owned subsidiary and the total insured sum is US\$8,000,000 (approximately HK\$62,400,000). The Group was required to pay an upfront deposit of approximately US\$1,694,000 (approximately HK\$13,211,000), including a premium charge at inception of the policy amounting to approximately US\$7,000 (approximately HK\$53,000). The Group can terminate the policy at any time and receive cash value of the policy at the date of withdrawal, which is determined by the upfront payment plus accumulated interest earned and minus the accumulated insurance charge and policy expense charge ("Cash Value"). In addition, if withdrawal is made between the 1st to 18th policy year, there is a specified amount of surrender charge. The insurance company will pay the Group an interest of 5.25% per annum on the outstanding Cash Value of the policy for the first year. Commencing on the 2nd year, the interest will be a variable return with minimum guaranteed interest rate of 2% per annum by the insurance company on an annual basis.

During the Year 2022, a fair value loss of approximately HK\$484,000 (2021: HK\$ nil) was recognised in profit or loss.

As at 31 December 2022, the entire deposit placed for a life insurance policy had been pledged as security for certain bank borrowings (2021: HK\$ nil).

### 13. TRADE RECEIVABLES

	As at 31 December 2022 <i>HK\$'000</i>	As at 31 December 2021 <i>HK\$'000</i>
Trade receivable	562,741	555,873
Less: allowance for impairment	<u>(63,449)</u>	<u>(71,247)</u>
	<u><b>499,292</b></u>	<u><b>484,626</b></u>

The following is an ageing analysis of trade receivables based on the invoice date:

	As at 31 December 2022 <i>HK\$'000</i>	As at 31 December 2021 <i>HK\$'000</i>
0-30 days	211,630	207,769
31-60 days	142,883	148,497
61-90 days	64,134	85,076
More than 90 days	<u>144,094</u>	<u>114,531</u>
Less: Allowance for impairment	<u>562,741</u>	<u>555,873</u>
	<u><b>(63,449)</b></u>	<u><b>(71,247)</b></u>
	<u><b>499,292</b></u>	<u><b>484,626</b></u>

The Group's trading terms with its customers are mainly on open account terms, except for new customers, where payment in advance is normally required. The balance of the trade receivables is on open account terms, which is normally covered by customers' letters of credit or factored to external financial institutions. The credit terms vary from 1 day to 120 days after the monthly statement. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are regularly reviewed by management. Trade receivables are non-interest-bearing and their carrying amounts approximate to their fair values.

### 14. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of each reporting period, based on the invoice date, is as follows,

	As at 31 December 2022 <i>HK\$'000</i>	As at 31 December 2021 <i>HK\$'000</i>
Trade payables:		
0-30 days	71,745	114,580
31-60 days	14,045	26,844
61-90 days	9,303	8,506
More than 90 days	<u>36,719</u>	<u>10,933</u>
	<u><b>131,812</b></u>	<u><b>160,863</b></u>

## 15. CONVERTIBLE BOND

	<i>HK\$'000</i>
Liability component at 1 January 2021, 31 December 2021 and 1 January 2022	–
Add: liability component on initial recognition	14,444
Add: effective interest expenses	883
Less: coupon payment	<u>(100)</u>
Liability component at 31 December 2022	<u><u>15,227</u></u>

During the Year 2022, the Company issued the CB in the principal amount of HK\$20,000,000 to Nicegoal Limited to satisfy a portion of the Consideration. The coupon rate of the CB is 0.5% per annum. The CB will mature in the fifth anniversary of the issue date, i.e. 23 February 2027 (the “Maturity Date”), or can be converted into 57,140,000 shares at any time up to and including the date falling on the seventh day immediately prior to the Maturity Date at the bondholder’s option at rate of HK\$0.35 per share. At any time prior to the Maturity Date, the Company shall have the right to partly or fully redeem the CB early, by giving 10 business days’ prior notice in writing to the bondholder.

The CB comprises a liability component, an equity conversion component and an early redemption option. The Group appointed a professional valuer to estimate the fair values of the CB and its components and option at initial recognition.

The fair value of the liability component was calculated by using a market interest rate of similar non-extendable and non-convertible bonds. The fair value of the convertible bond was valued by using Hull Method. The CB issued during the Year 2022 recognised in the consolidated statement of financial position at its initial recognition are as follows:

	<i>HK\$'000</i>
Fair value of the CB issued	20,000
Fair value of derivative asset ( <i>note 1</i> )	4,179
Less: fair value of liability component of CB	<u>(14,444)</u>
Equity conversion component ( <i>note 2</i> )	<u><u>9,735</u></u>

<sup>1</sup> The amount represented the early redemption option granted to the Company and has been included in derivative asset in the consolidated statement of financial position at initial recognition.

<sup>2</sup> The equity conversion component will remain in the convertible bond equity reserve until the embedded conversion option is exercised or the CB matures.

## 16. SHARE CAPITAL

	Number of shares	Amount HK\$
The Company		
Ordinary shares of HK\$0.01 each		
Authorised:		
As at 1 January 2021, 31 December 2021, 1 January 2022 and 31 December 2022	<u>2,000,000,000</u>	<u>20,000,000</u>
Issued and fully paid:		
As at 1 January 2021	1,000,000,000	10,000,000
Shares issued under restricted share award scheme	<u>9,550,000</u>	<u>95,500</u>
As at 31 December 2021 and 1 January 2022	1,009,550,000	10,095,500
Issued during the Year 2022 ( <i>note 1</i> )	<u>65,560,000</u>	<u>655,600</u>
As at 31 December 2022	<u>1,075,110,000</u>	<u>10,751,100</u>

### Note

- On 10 May 2022, the Company and a placing agent (the “Placing Agent”) entered into a conditional placing agreement, pursuant to which, among other things, the Company conditionally agreed to place through the Placing Agent, on a best effort basis, up to 67,500,000 placing shares (“Placing Shares”) at the placing price of HK\$0.4 per Placing Share under general mandate (the “Placing”). On 26 May 2022, the Company announced that a total of 65,560,000 Placing Shares were successfully placed by the Placing Agent. All the Placing Shares rank pari passu with the existing shares in issue in all respects.
- During the Year 2022, the Company caused the Custodian to purchase the Shares on the Stock Exchange for the Restricted Share Award Scheme as follows:

Month of purchase	Number of ordinary shares	Price per share		Aggregate consideration paid HK\$'000
		Highest (HK\$)	Lowest (HK\$)	
January 2022	4,150,000	0.290	0.285	1,199
September 2022	1,480,000	0.335	0.338	499
October 2022	1,440,000	0.343	0.350	500

As at 31 December 2022, 14,710,000 of the Company’s shares are held by the Custodian (31 December 2021: 9,550,000).

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **INDUSTRIAL OVERVIEW**

The Group is a Hong Kong-based distributor of semiconductors and other electronic components, and is engaged in the supply of digital storage products and general electronic components along with the provision of complementary technical support. It focuses on identifying, sourcing, selling and distributing quality electronic components produced by branded upstream manufacturers to downstream manufacturers within the technology, media and telecommunications sector in Mainland China and Hong Kong.

During the Year 2022, the global economy slowed down due to the Russian-Ukrainian conflict, fluctuations of raw material prices and exchange rate, as well as the continued pandemic, which constrained the development of the semiconductor industry. The domestic semiconductor industry in Mainland China has also suffered business austerity or suppression as a result of the U.S. suppression on the development of China's semiconductor industry. In particular, since the second half of 2022, as progressive innovation in the personal computer, mobile phone, consumer electronics and other markets have entered the decline stage, the weak demand in the consumer market has caused chip suppliers to cut back on orders. The pressure on chip manufacturers to reduce inventory has risen sharply, and the semiconductor industry has entered a downward cycle. However, the demand for chips in the realm of automotive electronics, high-power renewable energy, energy storage and industrial automation remains high under the systematic destocking cycle, bringing new development opportunities for semiconductor enterprises.

### **BUSINESS REVIEW**

As a stable supplier of digital storage products and general electronic components, the Group's short-term results were challenged by the contraction in industry demand in the second half of 2022. However, the Group has been proactive in addressing market challenges and continues to explore new growth areas to build up strength for future development. During the Year 2022, the Group achieved revenue of HK\$2,689.1 million, a slight increase compared to Year 2021, while loss attributable to owners of the Company was HK\$32.4 million, compared to a profit of HK\$6.7 million in Year 2021, mainly due to the drop in gross profit margin and fast rising interest rates.

## **By Product type**

### ***Digital Storage Products***

The Group's digital storage products include DRAM, FLASH and MCP memory products, which are widely applied to multimedia, mobile devices and telecom products. Final products include set-top boxes, smart TVs, wearable devices, mobile phones, wifi router, ADSL modem, fibre optical router and etc. These products also include optical and mass storage products, which are mainly used in enterprise-level storage and server systems.

During the Year 2022, revenue generated from this product segment amounted to HK\$2,020.0 million (Year 2021: HK\$1,988.8 million). Gross profit of the segment decreased to HK\$44.5 million (Year 2021: HK\$146.4 million), representing a decrease of 69.6% compared to 2021. Gross profit margin was 2.2% (Year 2021: 7.4%). The exceptionally high gross profit margin in the Year 2021 was due to the inventory rebuilt after the first wave of COVID-19 pandemic in 2020. Gross profit margin for the Year 2022 was below the industry norm, which was affected by the overall inventory buildup in the channel caused by the optimism for the Year 2021 as well as the domestic pandemic control measures in the Mainland China. We expect that the inventory level and the gross profit margin will resume to the long term industry level after volatility in 2021 and 2022.

### ***General Components***

General components include switches, connectors, passive components, main chips, sensors, power semiconductors and analog-to-digital converters, which are mainly designed for use in mobile and multimedia devices.

The Group achieved revenue generated from this segment was HK\$669.1 million for the Year 2022 (Year 2021: HK\$651.3 million). However, gross profit of this segment decreased by 11.7% to HK\$70.4 million (Year 2021: HK\$79.7 million) due to lower prices for most of the general components as a result of lower demand. Gross profit margin decreased slightly to 10.5% (Year 2021: 12.2%).

## **FINANCIAL REVIEW**

### **Revenue**

The two major product segments, namely (i) Digital Storage Products; and (ii) General Components, contributed 75.1% and 24.9% of the Group's total revenue during the Year 2022 respectively.

The Group's revenue for the Year 2022 was HK\$2,689.1 million (Year 2021: HK\$2,640.1 million), representing an increase of 1.9% from the Year 2021. The increase was a result of a combination of the weak demand in the consumer market and the downward cycle in semiconductor industry.

### **Gross profit and gross profit margin**

The Group's gross profit for the Year 2022 amounted to HK\$114.9 million (Year 2021: HK\$226.1 million), representing a decrease of 49.2% when compared with the Year 2021. The gross profit margin is 4.3% (Year 2021: 8.6%).

### **Other income and increase in fair value of investment property**

During the Year 2022, the Group recognised an increase in the fair value of an investment property amounted HK\$0.2 million (Year 2021: nil). The other income dropped from HK\$9.7 million in Year 2021 to HK\$5.3 million in the Year 2022, which was mainly due to drop in commission income in the Year 2022.

### **Reversal of impairment loss/impairment loss on trade receivables**

A reversal of impairment loss on trade receivables of approximately HK\$7.6 million was recognised during the Year 2022 (Year 2021: impairment loss of HK\$40.4 million) arising from the recent settlements of trade receivables for which provision of impairment were recognised in previous years.

In respect of trade receivables, the Group has put in place a credit policy and will perform credit evaluations on all customers requiring credit over a certain amount. Certain trade receivable balances on open account terms are covered by customers' letters of credit or are factored to external financial institutions.

As at 31 December 2021, trade receivables past due over one year amounted to approximately HK\$68.6 million, of which approximately HK\$8.7 million (the “Settlement Sum”) had been settled during the Year 2022.

As at 31 December 2022, trade receivables past due over one year amounted to HK\$60.5 million (31 December 2021: HK\$68.6 million) and provision for impairment loss had been made for the entire amount (31 December 2021: HK\$62.9 million). Substantially all of which was brought forward from the Year 2021. To the best knowledge of the Directors, the past due over one year as at 31 December 2022 was mainly attributable to the business deterioration of several customers as a result of COVID-19 pandemic. Up to the date of this announcement, no settlement has been made by these customers save for the Settlement Sum.

The Group has been negotiating various repayment schedules with customers taking into account their respective circumstances. Contemporaneous to the negotiations and rescheduling, we have also sought legal advice from our Hong Kong legal advisor and PRC legal advisor on the procedures for taking legal actions against the relevant customers and/or their guarantors (if any).

For the customers who have been making partial repayments from time to time, we have not taken any legal action. The Group will pay close attention to their business development and continue monitoring their progress of repayment. If they cease to make any further repayment or if the amount of their further repayment is not to the Group’s satisfaction, the Group shall take necessary legal actions.

The Group aims to maintain healthy business relationships with these customers while taking all reasonable steps to recover the trade receivables as it is the Group’s belief that their business performance should progressively improve as the COVID-19 pandemic gradually subsides.

### **Distribution and selling expenses**

The distribution and selling expenses mainly include salaries of marketing and sales staff, commission expenses, transportation fees, freight charges, declarations and sample expenses. For the Year 2022, distribution and selling expenses amounted to approximately HK\$54.5 million (Year 2021: HK\$75.6 million), mainly as the result of decreased commission expenses.

## **Administrative expenses**

Administrative expenses primarily comprise salaries and benefits (including emoluments to executive Directors), legal and professional fees, insurance, short-term lease expenses and other premises fees, foreign exchange differences, bank charges and depreciation expenses. The Group's administrative expenses decreased by HK\$4.9 million to HK\$79.8 million in Year 2022 (Year 2021: HK\$84.7 million), which was mainly attributable to the appropriate cost control measures implemented by the Group.

## **Finance costs**

The Group's finance costs mainly represent interest expenses on its bank borrowings during the Year 2022. Such bank borrowings were obtained by the Group for general working capital needs. The Group had finance costs of approximately HK\$20.0 million (Year 2021: HK\$9.6 million), which edged up on the back of an increased use of factoring loans, import loans and trust receipts loans and increase in market interest rate.

## **Net (loss)/profit for the Year**

Net loss for the Year 2022 amounted to HK\$33.0 million, compared with a net profit of HK\$16.6 million in Year 2021.

## **Net (loss)/profit attributable to the owners of the Company**

The net loss attributable to the owners of the Company for the Year 2022 was HK\$32.4 million, compared with a HK\$6.7 million net profit attributable to the owners of the Company in Year 2021. The deterioration was mainly due to the drop in gross profit resulting from the extent of increase in product costs was more than that of the increase in product selling price of the Group, even though that was slightly offset by decreased distribution and selling expenses and administrative expenses.

## LIQUIDITY AND FINANCIAL RESOURCES

During the Year 2022, the Group met its liquidity requirements principally through a combination of internal resources and bank borrowings. The Group's cash resources as at 31 December 2022 were approximately HK\$99.6 million (31 December 2021: HK\$143.7 million) and were mainly denominated in Renminbi ("RMB"), Hong Kong dollars ("HK\$") and United States dollars ("US\$").

As at 31 December 2022, the Group's total outstanding bank borrowings amounted to approximately HK\$483.7 million (31 December 2021: HK\$538.5 million), which mainly comprised bank factoring loans, import loans, trust receipts loans, instalment loans and revolving loans. The Group's bank borrowings that were unrestricted and carried at amortised cost with a clause of repayment on demand are classified as current liabilities. The gearing ratio decreased from 158.6% as at 31 December 2021 to 148.4% as at 31 December 2022 as a result of the prudent approach taken by the management of the Group to manage its business finances. Gearing ratio is calculated based on total loans and borrowings divided by total equity at the respective reporting date. The improved gearing ratio in the Year 2022 was mainly due to (i) increased total equity resulting from placing of new Shares on 26 May 2022 and (ii) impact on acquisition of property with consideration settled by the issue of PSCS in the principal amount of HK\$10.0 million and CB in the principal amount of HK\$20.0 million, of which HK\$10.0 million and HK\$9.7 million are recognised as equity, respectively.

The Group's financial statements are presented in HK\$. The Group carried out its business transactions mainly in HK\$, RMB and US\$. As the HK\$ remained pegged to the US\$, there was no material exchange risk in this respect. As the portion of RMB revenue is insignificant, there is no material exchange risk in this respect. The Group currently does not have any interest rate hedging policies. However, the management monitors the Group's exposure to interest rate risk on an ongoing basis and will consider hedging that risk should the need arise. Credit risk was mainly hedged through credit policy and factored into external financial institutions.

## PSCS AND CB

On 21 October 2021, I-Sky Electronic Limited, a wholly-owned subsidiary of the Company (the “Purchaser”), the Company and Nicegoal Limited (the “Vendor”), which is ultimately wholly-owned by Mr. Lee Bing Kwong, a controlling Shareholder, an executive Director, the chairman of the Board and the chief executive officer of the Company, entered into a sale and purchase agreement (as supplemented on 25 November 2021) (the “Agreement”), pursuant to which the Vendor has agreed to sell, and the Purchaser has conditionally agreed to purchase, the target property, namely Unit No. 1, 1st Floor, Sun Cheong Industrial Building, Nos. 2 Cheung Yee Street, Cheung Sha Wan, Hong Kong (the “Target Property”) at the consideration of HK\$30.0 million. The consideration shall be settled by the issue of the PSCS in the principal amount of HK\$10.0 million and the CB in the principal amount of HK\$20.0 million. On 23 February 2022, the Company issued the CB in the principal amount of HK\$20.0 million and the PSCS in the principal amount of HK\$10.0 million to the Vendor for the acquisition of the Target Property pursuant to the terms of the Agreement as detailed in the circular of the Company dated 13 January 2022. The PSCS was issued without maturity date, it bears a distribution rate of 0.5% per annum and carries rights to convert the principal amount into Shares at a conversion price of HK\$0.35 per Share (to be rounded down to the nearest board lot of 5,000 Shares as per the deed poll constituting the PSCS), convertible into 28,570,000 conversion Shares, representing 2.66% of the issued Shares as at 31 December 2022 and as at the date of this announcement or 2.59% as enlarged by the conversion Shares. The Company has an option to redeem the PSCS at any time at 100% or 50% of their principal amount plus any accrued but unpaid distribution.

The CB was issued with a maturity of five years from date of issue (i.e. 23 February 2022), it bears an interest rate of 0.5% per annum and carries rights to convert the outstanding principal amount into Shares at a conversion price of HK\$0.35 per Share subject to adjustment (to be rounded down to the nearest board lot of 5,000 Shares as per the instrument constituting the CB), convertible into 57,140,000 conversion Shares, representing 5.31% of the issued shares of the Company as at 31 December 2022 and as at the date of this announcement or 5.05% as enlarged by the conversion Shares of CB. The Company has an option to redeem the CB at any time before their maturity in whole or in part of their principal amount plus any accrued but unpaid interest.

The aggregate conversion shares of CB and PSCS represent 7.97% of the issued shares of the Company as at 31 December 2022 and at the date of this announcement or 7.38% as enlarged by the conversion Shares.

## **CONTINGENT LIABILITIES**

As at 31 December 2022, the Group did not have any material contingent liabilities.

## **CHARGES ON ASSETS**

As at 31 December 2022, the banking facilities of the Group were secured by its trade receivables with an aggregate carrying amount of approximately HK\$138.5 million (31 December 2021: HK\$321.8 million), the legal charge over the investment property of the Group of approximately HK\$51.2 million (31 December 2021: HK\$51.0 million), the Group's leasehold land and buildings valued at approximately HK\$79.2 million (31 December 2021: HK\$50.8 million), the deposit placed for life insurance policy of the Group of approximately HK\$12.7 million (31 December 2021: HK\$ nil), personal guarantee executed by Mr. Pai Yin Lin (a director and a non-controlling shareholder of subsidiaries of the Company) and corporate guarantees executed by the Group.

## **DIVIDEND**

The Board has resolved not to recommend any final dividend for the Year 2022 (Year 2021: nil).

## **EMPLOYMENT AND REMUNERATION POLICY**

As at 31 December 2022, the Group had 142 employees (as at 31 December 2021: 140) in Hong Kong and the PRC. The Group's remuneration policy is built on the principle of equitability with incentive-based, performance-oriented and market-competitive remuneration packages for its employees. Remuneration packages are normally reviewed on a regular basis. Other staff benefits include provident fund contributions, medical insurance coverage and performance-based bonuses. In addition, the Company has adopted a share option scheme and a restricted share reward scheme as incentives or rewards for eligible participants for their contribution to the Group, and the Company also provides continuous training to its employees to improve their marketing skills and enhance their product knowledge.

## **RESTRICTED SHARE AWARD SCHEME**

On 23 July 2021, the Company granted 9,550,000 restricted shares (the “Restricted Shares”) to nine selected participants (the “Grantees”) in accordance with the terms of the Restricted Share Award Scheme (“Scheme”) at nil consideration, and as a result, on 12 August 2021, the Company issued and allotted 9,550,000 Restricted Shares under the general mandate granted by the shareholders of the Company (the “Shareholders”) at the general meeting of the Company held on 26 May 2021 to the custodian nominated by the Company (the “Custodian”). These Restricted Shares are held on trust by the Custodian who shall transfer the Restricted Shares to the Grantees in three tranches subject to satisfaction of the vesting conditions as specified in the grant notice issued to each Grantee. To the best knowledge of the Directors, none of the Grantees is a Director, chief executive or substantial shareholder (as defined in the Listing Rules) of the Company, or an associate (as defined in the Listing Rules) of any of them. The Custodian and its ultimate beneficial owner(s), and all of the Grantees are third parties independent of the Company and are not connected persons of the Company. During the Year 2022, 1,910,000 Restricted Shares have been vested. Accordingly, there were 7,640,000 Restricted Shares unvested as at 31 December 2022, which represented 0.71% of the issued share capital as at 31 December 2022 and as at the date of this announcement. In addition, the Custodian purchased a total of 7,070,000 Shares on the market for the Scheme on 20 January 2022, 21 January 2022 and the period from 29 September 2022 to 7 October 2022 respectively. Accordingly, the Custodian held 14,710,000 Shares, representing 1.4% of the issued Shares as at 31 December 2022 and as at the date of this announcement.

Details of the grant of the Restricted Shares are set out in the Company’s announcement dated 23 July 2021. Capitalised terms used herein shall have the same meanings as those defined in such announcement.

## USE OF NET PROCEEDS FROM LISTING

The net proceeds received by the Company from the global offering of the Shares (the “Global Offering”) in March 2018 was approximately HK\$116.9 million and the net proceeds received by the Company under the Placing was approximately HK\$25,566,000. The net proceeds received under the Global Offering and the Placing had been applied by the Company from 16 March 2018 up to 31 December 2022 as follows:

	Application of Net Proceeds <i>HK\$'000</i>	Actual Use of Net Proceeds up to 31 December 2022 <i>HK\$'000</i>	Actual Use of Net Proceeds during the Year 2022 <i>HK\$'000</i>	Unused Net Proceeds <i>HK\$'000</i>	Percentage of Unused Net Proceeds %	Expected timeframe of full utilisation of unused Net Proceeds
<b>Intended Use of Net Proceeds</b>						
<b>Under the Global Offering</b>						
Repayment of bank loans	39,045	39,045*	–	–	–	–
Establishing a new product and development department	2,810	2,810*	–	–	–	–
Strengthening sales and marketing and technical support team by recruiting staff and providing trainings	10,750	10,750*	–	–	–	–
Enhancing warehouse and office in Hong Kong	4,600	2,459*	337	2,141	47	Q2 2023 – Q4 2023
Installing enterprise resource planning and supporting software	7,090	4,813*	391	2,277	32	Q3 2023 – Q4 2024
Establishing new offices in the PRC	5,027	5,027*	–	–	–	–
Acquisition and establishment of Shenzhen head office	35,888	–	–	35,888	100	Q3 2023 – Q4 2024
Working capital for general corporate purpose	11,690	11,690*	–	–	–	–
<b>Under the Placing</b>						
General working capital	25,566	25,566*	25,566	–	–	–

The Company will continue to utilise the net proceeds from the Global Offering for the purposes as mentioned above.

\* *Such net proceeds had been used as intended.*

## **MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES**

The Group did not have any material acquisitions and disposals of subsidiaries, associates and joint ventures during the Year 2022.

## **SIGNIFICANT INVESTMENTS HELD AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS**

Save for the acquisition of the Target Property involving the issue of the PSCS and the CB, which was completed on 23 February 2022 upon fulfilment of all the conditions and the deposit placed for life insurance policy as detailed in note 12 to the consolidated financial statements in this announcement, the Group did not have any significant investments held as at 31 December 2022 and did not have any future plans for material investments or capital assets as of the date of this announcement.

## **SUBSEQUENT EVENT**

The Board is not aware of any significant event affecting the Group and requiring disclosure that has been taken place subsequent to 31 December 2022 and up to the date of this announcement.

## **PROSPECTS**

Looking ahead, the domestic market of Mainland China has gradually recovered with the full release of the pandemic prevention and control. The demand environment in some product areas is expected to improve with the recovery of the economy, and the pressure on chip inventory will gradually be released. With the rebound of downstream demand, the global semiconductor industry is expected to rebound from the bottom in 2023.

Specifically, in terms of automotive electronics, with the increasing demand for new energy vehicles in Mainland China and abroad, the market demand for automotive semiconductors continues to rise, and automotive semiconductor chips are expanding against the trend, with market share expected to expand gradually.

In terms of energy storage and photovoltaics, with the continuous advancement of the “dual carbon” strategy, the proportion of non-polluting energy such as solar energy, wind energy and water energy in energy supply will increase steadily. In the Guiding Opinions for Central SOEs to Promote High-quality Contribution to Carbon Peak and Carbon Neutrality, the State-owned Assets Supervision and Administration Commission of the People’s Republic of China (SASAC) has set a rigid requirement of 50% of the installed capacity of new energy by 2025 for the “Five Major Power Groups and Four Minor Giants (五大四小)” central enterprises in power generation. According to the installed capacity plan announced by the “Five Major Power Groups and Four Minor Giants”, the total installed capacity achieved by them would be 450GW in 2025. With the continuous growth of installed capacity for new energy, photovoltaic inverters, photovoltaic panels, battery storage and other related components will also usher in long-term demand growth.

In the fields of intelligent manufacturing and IoT, the semiconductor industry will experience rapid growth driven by the “New Infrastructure” represented by 5G network, Industrial Internet/IoT, as China is investing heavily in 5G, AI, IoT and new technologies of cloud computing and big data.

Further, the trend of counter globalisation of the semiconductor industry is inevitable, as the United States is attempting to impose tougher technological blockade on China’s semiconductor industry and geopolitical conflicts taking the semiconductor industry as the target are becoming more serious. The localisation replacement of semiconductor industry is associated with national security, and it is an irresistible trend that China’s semiconductor industry will accelerate the localisation replacement. Our Group has been aggressively developing relationship with local suppliers and helping local customers quicken the localization replacement process.

Faced with the new development of chip industry, the Group will continue to pursue the diversification strategy, gradually expand the businesses in emerging fields (including automobile electronics and new energy) with great market potential, strengthen the advantages in the traditional market and develop emerging markets, so as to enhance the competitiveness. In the supply chain, the Group will cooperate with external advantageous resources, coordinate and enhance the construction of supply chain ecosystem, to promote the virtuous development of upstream and downstream sectors and strengthen the resilience of the supply chain. For product offering, the Group will strengthen innovation to consolidate the advantages of existing product portfolio and launch new products, thereby adapting to the changes of market demands and empowering long-term performance growth.

For new energy/photovoltaic power businesses, the Group has established the new energy design team during the Year 2022 to design inverters for photovoltaic power and energy storage application. Meanwhile, the Group is also expanding the sales of new material batteries in the new energy field. Going forward, the Group will further intensify production efforts to meet the increasing market demands, and improve the weighting of this segment to cultivate new source of revenue, therefore ensuring the steadiness and sustainability of business operation.

For financial management, the Group will further improve the financial management system, enhance the financial management standard and capital efficiency and reduce the capital cost, so as to enable the improvement of business management standard and core competitiveness. For this end, the Group will strengthen the control of cost structure, capital investment and expenditures, leveraging these measures to contribute to the realisation of business goals.

From the long-term perspective, driven by electrification and intelligence, the semiconductor industry will witness the driver of demand growth shifting from consumer electronics represented by cellphones and personal computer to emerging fields represented by new energy vehicles, industrial control, photovoltaic power, energy storage and IoT facilities, with the demands growing steadily, and a new round of chip design innovation cycle and localisation replacement cycle will be blazed. The Group will vigorously promote research and development undertaking and further expand the market coverage, to enhance the market position and competitiveness in the microelectronics distribution industry. For the new businesses of new energy/photovoltaic power, the Group will intensify research and development efforts and fully develop the marketing advantage to seize the opportunities arising from rapid development of the new energy industry, thus diversifying the sources of revenue and achieving high-quality development.

## **PURCHASE, SALES OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY**

Save for the purchase of 7,070,000 Shares during the Year 2022 through the Custodian as set out in the section headed “Restricted Share Award Scheme” in this announcement, the Company did not redeem any of its Shares listed on the Stock Exchange nor did the Company or any of its subsidiaries purchase or sell any of such Shares during the Year 2022.

## **COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE**

The Company is dedicated to adopting, maintaining and ensuring high standards of corporate governance practices and principles in the best interest of the Group and the Shareholders. The Company has adopted the applicable code provisions and, where appropriate, adopted certain recommended best practices as set out in Part 2 of the Corporate Governance Code contained in Appendix 14 to the Listing Rules (“CG Code”). Save as disclosed below, the Board considered that the Company had complied with all applicable code provisions set out in the CG Code during the Year 2022.

Under code provision C.2.1 of the CG Code, the roles of the chairman and chief executive should be separate and should not be performed by the same individual. Mr. Lee Bing Kwong (“Mr. Lee”), who has considerable experience in the semiconductor and other electronic components industry, is the chairman of the Board (the “Chairman”) and the chief executive officer of the Company (the “CEO”). The Board believes that vesting the roles of both the Chairman and the CEO in Mr. Lee has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning of the Group. The Board considers that this structure will not impair the balance of power between the Board and the management of the Company. The balance of power is further enhanced by the Audit Committee, which comprises all independent non-executive Directors and is responsible for overseeing the internal control procedures of our Group. The independent non-executive Directors have free and direct access to the Company’s independent auditor and independent professional advisers when considered necessary. The Board will, nevertheless, review the structure from time to time and separate the roles of the Chairman and the CEO to two individuals, if appropriate.

## **COMPLIANCE WITH THE MODEL CODE**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the “Model Code”) as the code for dealing in securities of the Company by the Directors. A specific enquiry was made by the Company with each of the Directors and all the Directors confirmed that they had complied with the requirements set out in the Model Code throughout the Year 2022.

## **REVIEW OF ANNUAL RESULTS**

The Audit Committee has reviewed and confirmed the accounting principles and practices adopted by the Group, and the Group’s audited annual results for the Year 2022 and discussed auditing, internal control, risk management systems and financial reporting matters of the Group.

The Audit Committee comprises three independent non-executive Directors, namely Mr. Yim Kwok Man (chairman), Mr. Cheung Siu Kui and Dr. Chow Terence. None of them is employed by or otherwise affiliated with the former or current independent auditor of the Company.

## **SCOPE OF WORK OF AUDITOR**

The figures in respect of the Group’s consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position and the related notes thereto for the Year 2022 as set out in the this preliminary announcement have been agreed by the Company’s independent auditor, Graham H.Y. Chan & Co., to the amounts set out in the Group’s audited consolidated financial statements for the Year 2022. The work performed by the Auditor in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagement issued by the HKICPA and consequently, no assurance has been expressed by the Auditor on this preliminary announcement.

## CONSTITUTIONAL DOCUMENTS

On 29 June 2022, the Company amended its articles of association in order to (i) conform its existing articles of association to the core shareholder protection standards; (ii) reflect certain updates in relation to the Listing Rules and the applicable laws of the Cayman Islands; and (iii) make other consequential and housekeeping improvements, by way of adoption of new articles of association. The adoption of the new articles of association had been approved by the Shareholders in the annual general meeting of the Company held on 29 June 2022 and the new articles of association has been published on the respective websites of the Stock Exchange and the Company.

## PUBLICATION OF THE ANNUAL REPORT

The annual report of the Company for the Year 2022 containing all the information required by Appendix 16 to the Listing Rules will be published on the respective websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.apexace.com>) in the manner as required by the Listing Rules and will be despatched to the Shareholders around the end of April 2023.

## APPRECIATION

I, on behalf of the Board, would like to take this opportunity to thank all our Shareholders, business partners, bankers and customers for their continuing support to the Group. I would also like to thank my fellow Directors, the management team and our staff for their dedication and commitment in contributing to the success of the Group.

On behalf of the Board  
**Apex Ace Holding Limited**  
**Lee Bing Kwong**

*Executive Director, Chairman and Chief Executive Officer*

Hong Kong, 28 March 2023

*As at the date of this announcement, the executive Directors are Mr. Lee Bing Kwong (Chairman and Chief Executive Officer), Mr. Lo Yuen Kin and Ms. Lo Yuen Lai; and the independent non-executive Directors are Mr. Cheung Siu Kui, Mr. Yim Kwok Man and Dr. Chow Terence.*