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LEADWAY TECH

高維科技

Leadway Technology Investment Group Limited
高維科技投資集團有限公司

(formerly known as HNA Technology Investments Holdings Limited 海航科技投資控股有限公司)

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 2086)

ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2022

HIGHLIGHTS

- Revenue of the Group for the year ended 31 December 2022 decreased by 4% to HK\$94.2 million (2021: HK\$98.1 million).
- Gross profit of the Group for the year ended 31 December 2022 decreased by 7% to HK\$48.6 million (2021: HK\$52.3 million).
- The Group recorded a profit for the year of HK\$1.1 million (2021: loss of HK\$21.3 million) for the year ended 31 December 2022.
- The Board did not recommend payment of the final dividend for the year ended 31 December 2022.

RESULTS

The board of directors (the “Board”) of Leadway Technology Investment Group Limited (formerly known as HNA Technology Investments Holdings Limited) (the “Company”) is pleased to announce the consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2022 together with the comparative figures for the corresponding period in 2021.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS*for the year ended 31 December 2022 (Expressed in Hong Kong dollars)*

	<i>Notes</i>	2022 \$'000	2021 \$'000
Revenue	3	94,234	98,114
Cost of sales and services		<u>(45,639)</u>	<u>(45,797)</u>
Gross profit		48,595	52,317
Other income	4	2,138	457
Selling and distribution costs		(4,596)	(4,259)
Research and development expenses		(12,911)	(32,937)
Administrative expenses		<u>(31,872)</u>	<u>(34,986)</u>
Profit/(loss) from operations		1,354	(19,408)
Finance costs	5(a)	<u>(228)</u>	<u>(387)</u>
Profit/(loss) before taxation	5	1,126	(19,795)
Income tax	6	<u>–</u>	<u>(1,528)</u>
Profit/(loss) for the year attributable to the equity shareholders of the Company		<u>1,126</u>	<u>(21,323)</u>
Earnings/(losses) per share	7		
Basic		0.352 cents	(6.673 cents)
Diluted		<u>0.352 cents</u>	<u>(6.673 cents)</u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2022 (Expressed in Hong Kong dollars)

	2022	2021
	\$'000	\$'000
Profit/(loss) for the year	1,126	(21,323)
Other comprehensive income for the year (after tax)		
<i>Items that will not be reclassified to profit or loss:</i>		
Remeasurement of defined benefit obligations	(122)	342
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of financial statements of foreign operations	<u>(4,515)</u>	<u>1,105</u>
Total comprehensive income for the year	<u>(3,511)</u>	<u>(19,876)</u>
Attributable to:		
Equity shareholders of the Company	<u>(3,511)</u>	<u>(19,876)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2022 (Expressed in Hong Kong dollars)

	Notes	2022 \$'000	2021 \$'000
Non-current assets			
Property, plant and equipment		7,556	8,122
Intangible assets		7,324	4,165
Defined benefits obligations		177	307
		<u>15,057</u>	<u>12,594</u>
Current assets			
Inventories		29,404	20,202
Trade and other receivables	8	16,654	16,569
Other financial assets		209	231
Current tax recoverable		497	560
Cash and cash equivalents		39,969	51,543
		<u>86,733</u>	<u>89,105</u>
Current liabilities			
Trade and other payables	9	19,814	14,467
Lease liabilities		3,085	3,900
		<u>22,899</u>	<u>18,367</u>
Net current assets		<u>63,834</u>	<u>70,738</u>
Total assets less current liabilities		<u>78,891</u>	<u>83,332</u>
Non-current liabilities			
Lease liabilities		960	1,890
NET ASSETS		<u>77,931</u>	<u>81,442</u>
CAPITAL AND RESERVES			
Share capital		31,956	31,956
Reserves		45,975	49,486
TOTAL EQUITY ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY		<u>77,931</u>	<u>81,442</u>

NOTES

(Expressed in Hong Kong dollars unless otherwise indicated)

1 GENERAL INFORMATION

Leadway Technology Investment Group Limited (formerly known as HNA Technology Investments Holdings Limited) (the “Company”) was incorporated in the Cayman Islands on 13 April 2000 as an exempted company with limited liability under the Companies Law (Revised) of the Cayman Islands. Its registered office is located at P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands and its principal place of business is at Units 4108–4110, 41st Floor, Manhattan Place, 23 Wang Tai Road, Kowloon Bay, Hong Kong.

The consolidated financial statements for the year ended 31 December 2022 comprise the Company and its subsidiaries (together referred to as the “Group”).

2.1 BASIS OF PREPARATION

The final results set out in this announcement do not constitute the consolidated financial statements of the Group for the year ended 31 December 2022 but are extracted therefrom. The financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the applicable disclosure requirements of the Hong Kong Companies Ordinance. The financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The HKICPA has issued certain amendments to HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2.2 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current accounting period reflected in the financial statements.

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

2.2 CHANGES IN ACCOUNTING POLICIES

The Group has applied the following amendments to HKFRSs for the current accounting period:

- Amendments to HKAS 16, *Property, plant and equipment: Proceeds before intended use*
- Amendments to HKAS 37, *Provisions, contingent liabilities and contingent assets: Onerous contracts - cost of fulfilling a contract*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the amended HKFRSs are discussed below:

Amendments to HKAS 16, *Property, plant and equipment: Proceeds before intended use*

The amendments prohibit an entity from deducting the proceeds from selling items produced before that asset is available for use from the cost of an item of property, plant and equipment. Instead, the sales proceeds and the related costs should be included in profit and loss. The amendments do not have a material impact on these financial statements as the Group does not sell items produced before an item of property, plant and equipment is available for use.

Amendments to HKAS 37, Provisions, contingent liabilities and contingent assets: Onerous contracts – cost of fulfilling a contract

The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts.

Previously, the Group included only incremental costs when determining whether a contract was onerous. In accordance with the transitional provisions, the Group has applied the new accounting policy to contracts for which it has not yet fulfilled all its obligations at 1 January 2022, and has concluded that none of them is onerous.

3 REVENUE AND SEGMENT REPORTING

(a) Revenue

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

(i) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by the timing of revenue recognition is as follows:

	2022	2021
	\$'000	\$'000
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by timing of revenue recognition		
– Point in time	94,150	97,857
– Over time	84	257
	94,234	98,114

Disaggregation of revenue from contracts with customers by geographic markets is disclosed in notes 3(b).

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

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

At 31 December 2022 and 31 December 2021, there are no transaction prices allocated to the remaining performance obligations under the Group's existing contracts.

(b) Segment reporting

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

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

	Revenue from external customers		Specified non-current assets	
	2022 <i>\$'000</i>	2021 <i>\$'000</i>	2022 <i>\$'000</i>	2021 <i>\$'000</i>
Europe	55,766	51,451	–	–
Asia Pacific	28,916	31,549	14,880	12,287
The Americas	7,448	12,005	–	–
Middle East and Africa	2,104	3,109	–	–
	94,234	98,114	14,880	12,287

4 OTHER INCOME

	2022 \$'000	2021 \$'000
Government subsidies*	1,424	247
Interest income	450	125
Sundry income	264	85
	<u>2,138</u>	<u>457</u>

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

- (i) The Group successfully applied for Employment Support Scheme subsidy during 2022, \$1,111,000 (2021: \$nil) was granted by the Hong Kong government under the anti-epidemic fund. The purpose of the subsidy was to provide financial support to employers to retain employees who might otherwise be made redundant.
- (ii) The Group successfully applied for research and development subsidy from government in Shenzhen, the mainland China of \$243,000 (2021: \$162,000). The purpose of the subsidy is to encourage innovation by granting financial assistance to commercial entities whose research and development projects meet certain criteria.
- (iii) The Group successfully applied for Distance Business Programme subsidy during 2021, \$91,000 was granted by the Hong Kong Productivity Council. The purpose of the subsidy is to support enterprises to adopt IT solutions to continue their business and services during the epidemic.

5 PROFIT/(LOSS) BEFORE TAXATION

Profit/(loss) before taxation is arrived at after charging/(crediting):

	2022 \$'000	2021 \$'000
(a) Finance costs:		
Interest on lease liabilities	<u>228</u>	<u>387</u>
	2022 \$'000	2021 \$'000
(b) Staff costs:		
Contributions to defined contribution retirement plans	1,795	1,764
Net (income)/expenses recognised in respect of a defined benefit retirement plan	<u>(15)</u>	<u>142</u>
Total retirement costs	1,780	1,906
Salaries, wages and other benefits	<u>37,931</u>	<u>35,416</u>
	39,711	37,322
Less: amount capitalised into development costs	<u>(6,390)</u>	<u>(498)</u>
	<u>33,321</u>	<u>36,824</u>
	2022 \$'000	2021 \$'000
(c) Other items:		
Amortisation of intangible assets	3,406	11,421
Depreciation		
– property, plant and equipment	1,700	3,113
– right-of-use assets	4,086	4,016
Impairment losses		
– property, plant and equipment	–	716
– trade receivables	73	581
– intangible assets	–	2,462
Auditors' remuneration	1,410	1,302
Net gain on disposal of property, plant and equipment	(14)	(35)
Net foreign exchange (gain)/loss	(4,233)	1,498
Cost of inventories	<u>45,187</u>	<u>45,219</u>

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

	2022 \$'000	2021 \$'000
Current tax – Philippines Income Tax		
Provision for the year	–	12
Under-provision in respect of prior years	–	45
	–	57
Deferred tax		
Origination and reversal of temporary differences	–	1,471
Income tax expense	–	1,528

Notes:

- (i) No provision for Hong Kong Profits Tax has been made in the financial statements for the years ended 31 December 2022 and 2021 as the Group has sustained losses for taxation purpose. The provision for Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the year.
- (ii) There is no provision for Philippines Income Tax for 2022 as the Group has sustained losses for taxation purpose. The provision for Philippines Income Tax for 2021 was calculated at 25% of the estimated taxable income or 1% on gross income incurred for the year, whichever is higher, in accordance with the National Internal Revenue Code of the Philippines.
- (iii) In accordance with the relevant mainland China corporate income tax laws, regulations and implementation guidance notes, the statutory income tax rate applicable to the Company's subsidiaries in the mainland China is 25%, except for the following companies:
 - (a) Logyi Limited (“Logyi”)

Logyi was granted the “small and micro sized enterprise” status from 2018 onwards and enjoys the preferential corporate income tax rate of 2.5%.
 - (b) ACS Technologies (Shenzhen) Limited (“ACS Shenzhen”)

ACS Shenzhen was granted the “high and new technology enterprise” status and enjoys the preferential corporate income tax rate of 15% for three years between 2021 and 2023.
- (iv) Taxation for other entities is charged at the appropriate current rates of taxation ruling in the relevant tax jurisdictions.

7 EARNINGS/(LOSSES) PER SHARE

(a) Basic earnings/(losses) per share

The calculation of basic earnings/(losses) per share is based on profits attributable to ordinary equity shareholders of the Company of \$1,126,000 (2021: loss of \$21,323,000) and the weighted average of 319,565,000 (2021: 319,565,000) ordinary shares in issue for the year ended 31 December 2022.

(b) Diluted earnings/(losses) per share

Diluted earnings/(losses) per share for the year ended 31 December 2022 and 2021 are the same as the basic earnings/(losses) per share as there are no dilutive potential ordinary shares.

8 TRADE AND OTHER RECEIVABLES

	2022 \$'000	2021 \$'000
Trade receivables, net of loss allowance	10,545	12,499
Prepayments	1,103	945
Deposits paid	3,608	2,390
Other receivables	1,398	735
	<u>16,654</u>	<u>16,569</u>

The amount of the Group's other receivables, deposits and prepayments expected to be recovered or recognised as expense after more than one year is \$1,695,000 (2021: \$1,327,000). All of the other trade and other receivables are expected to be recovered or recognised as expense within one year.

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

	2022 \$'000	2021 \$'000
Within 1 month	8,056	6,691
1 to 2 months	760	3,705
2 to 3 months	520	1,977
3 to 12 months	1,209	126
	<u>10,545</u>	<u>12,499</u>

Trade receivables are generally due within 7 days to 3 months from the date of billing.

9 TRADE AND OTHER PAYABLES

	2022 \$'000	2021 \$'000
Trade payables	10,161	9,166
Accruals	5,223	3,687
Receipt in advance from customers	4,430	1,614
	<u>19,814</u>	<u>14,467</u>

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

	2022 \$'000	2021 \$'000
Within 1 month	6,199	6,077
1 to 3 months	3,962	3,048
3 months to 1 year	-	41
	<u>10,161</u>	<u>9,166</u>

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

DIVIDEND

The Board did not recommend payment of the final dividend, for the year ended 31 December 2022 (2021: Nil).

The declaration, payment and amount of future dividend will be decided by the Board and will depend upon, among other things, the Group's results of operations, capital requirements, cash flows, general financial condition and such other factors as the Board may consider important.

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from Friday, 19 May 2023 to Wednesday, 24 May 2023, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for attendance of annual general meeting, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Thursday, 18 May 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the year ended 31 December 2022, the Group's revenue decreased by 4% to HK\$94.2 million (2021: HK\$98.1 million); gross profit was HK\$48.6 million (2021: HK\$52.3 million) with a gross profit margin of 52% (2021: 53%). Profit for the year was HK\$1.1 million (2021: loss of HK\$21.3 million). Earnings before interest, tax, depreciation and amortisation (EBITDA) recorded a profit of HK\$10.5 million (2021: loss of HK\$0.9 million). Basic earnings per share for the year was HK0.352 cents (2021: losses per share of HK6.673 cents).

Revenue

The Group's revenue only slightly decreased by 4% during the year, from HK\$98.1 million in 2021 to HK\$94.2 million in 2022, despite the pandemic and a challenging macroeconomic environment. Although the disruptions caused by the outbreak of novel coronavirus disease (the "COVID-19") in early 2020 began to alleviate during the year, the disruptions caused by the COVID-19 in the mainland China in the last quarter of 2022 and the geopolitical tensions between China and the United States still affected our products shipment schedule.

Gross Profit Margin

The gross profit margin was 52% during the year (2021: 53%) with no material fluctuation noted for both years.

Operating Expenses

Total operating expenses decreased by 32%, from HK\$72.2 million in 2021 to HK\$49.4 million in 2022. The significant decrease in operating expenses is mainly attributable to the decrease in depreciation and amortisation of property, plant and equipment and intangible assets, a net exchange gain recorded during 2022 as opposed to a net exchange loss recorded last year, more capitalisation of staff salaries as development costs, as well as effective cost control of the Group.

Statement of Financial Position

As at 31 December 2022, the Group's net assets amounted to HK\$77.9 million (2021: HK\$81.4 million). The decrease of HK\$3.5 million was mainly due to the net profit of HK\$1.1 million offsetted with movement in exchange reserve of HK\$4.6 million during the year.

DIVIDEND POLICY

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

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

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

BUSINESS REVIEW

The Group primarily operates in the financial technology and smart living industries as a contactless reader, smart cards, and associated devices provider.

The Group encountered several difficulties during the year, which affected both product demand and the Group's production capacity and efficiency. Firstly, the trade war between China and the United States has had a major impact on the current business environment. The worldwide spread of COVID-19 has also threatened the global economy. The Group's sales efforts were often disrupted, negatively impacting the Group's overall commercial performance. Despite the above factors, the Group's revenue only slightly decreased by 4% during the year, and we are pleased to report that there is a profit of HK\$1.1 million for the year in contrast to the loss of HK\$21.3 million for 2021.

As the COVID-19 epidemic began to subside worldwide, and in order to explore more market opportunities and expand our customer base, the Group participated several exhibitions during the year, including the IOTE 2022 (18th) International Internet of Things Exhibition in Shenzhen, the mainland China in September 2022, Identity Week America in Washington D.C., the United States in October 2022, and LTA-UITP Singapore International Transport Conference & Exposition (SITCE) in Singapore in November 2022.

The Group received the "Guangzhou Digital Epidemic Prevention Sentinel" certificate for health code verification terminal in August 2022 and won the Innovation Product Prize at the IOTE Gold Award 2022 award ceremony in September 2022. These must serve as inspirations on the Group's contributions to the intellectual technology business and increase the Group's morale.

The Group's controlling shareholders changed hands at the beginning of the year in January 2022. Several board members resigned and several new board members were appointed during the year. We maintain continuity with the Company's current operations and direction. The new shareholders and directors bring a wealth of experience in business development and management within the technology sector. We put this knowledge to use by keeping an eye out for new opportunities for the Group's operations.

PROSPECTS

The Group's activities and financial situation is affected by the economic downturn caused by COVID-19 and the trade war between China and the United States. COVID-19 and the trade war will be monitored to determine their impact on the Group's financial condition, cash flows, and operational performance. During the year, COVID-19 has loosened, enabling nations to relax trade and travel restrictions to undertake more business. Despite all these challenges, we strive to expand our product line, improve our product quality, and take advantage of the growing contactless payment market.

During the year, there is improvement in global supply of integrated circuit (“IC”) chips. Supply of IC chips on major product lines is more stable compared to 2021. To cater the high demand for IC chips on our products, the Group performs more spot-buy of materials in the open market to fulfil the urgent need. The Group is also undergoing extensive selection of IC chips to increase future supply flexibility.

The Group has maintained its concentration on smart living and identification goods and has increasingly relied on advertising and promotion to spread the word about its wares. Improving existing products, reducing costs by optimising bills of materials, and releasing brand-new products are all part of the plan.

In the coming year, the Group will join several tradeshows, including the RFID Journal LIVE! in Florida, the United States in May 2023, and Seamless Asia in Singapore in June 2023. We plan to further participate in more exhibitions in the second half of 2023 for promoting our products and our corporate image in the industry.

The Group is actively looking for different development opportunities. Some financial institutions are ready to cooperate with the Group and provide credit facilities if needed. The Group may also increase capital by financing activities if necessary, for strengthening existing business or developing other businesses in order to increase the profitability of the Group.

RISK FACTORS

The Group’s results of operations, financial condition and growth prospects may be affected by risks and uncertainties directly or indirectly pertaining to the Group’s businesses. The risk factors set out below are those that could result in the Group’s results of operations, financial condition and growth prospects differing materially from expected or historical results. Such factors are by no means exhaustive or comprehensive and there might be other risks 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.

Operation Risk

Reliance on a limited number of large customers

Sales to the top five customers accounted for 25% of the Group’s revenue for the year ended 31 December 2022 (2021: 21%). The risk of relying on limited number of customers is not high. We keep maintaining a pool of customers to minimise the risks of over-reliance on few key customers. However, there is no assurance that the demand for the products of the Group from these customers can be maintained in the future. In the event that the demand from them decreases significantly and the Group is unable to find replacement customers on terms acceptable to the Group, performance of the Group may be adversely affected.

Reliance on certain independent manufacturers for manufacturing smart card and smart card reader

The Group does not own any production facilities. We subcontract substantially all of our production activities to external manufacturers in the mainland China. During the year ended 31 December 2022, the Group engaged three (2021: three) manufacturers for manufacturing smart card, all of them were engaged by the Group for at least over 5 years. The Group developed two more manufacturers for manufacturing smart card reader during the year. Now, the Group engaged three (2021: one) manufacturers for manufacturing smart card reader both in the mainland China and Hong Kong. The Group will continue sourcing suitable partners to secure the manufacturing of smart card and smart card reader.

However, financial or other difficulties faced by these manufacturers or any change in the Group's relationship with these manufacturers could affect the Group's ability to meet product delivery schedule and may in turn adversely affect the Group's business operations.

Reliance on ability to attract and retain skilled engineers

The performance of the Group depends, to a significant extent, on the continued services and performance of its research, development and deployment teams. As at 31 December 2022, 39% (2021: 43%) of fulltime employees of the Group are engineers for research, development and deployment and 67% (2021: 61%) of them served the Group for over 5 years. Competition for employees with the requisite skills, qualifications and experience in the industry is intense. If the Group is unable to attract, retain and motivate skilled engineers in the future, the operations of the Group may be adversely affected.

Business Risk

Rapid changes in technology

The Group operates in a market which is characterised by rapid changes in technology, industry standards, customer preferences and frequent introductions and enhancements of products and services. Accordingly, the performance of the Group will depend on overall market demand on smart card technology and related products and its ability to improve the functions and reliability of its products and services and adapt to new industry standards and customer preferences. In the event of the Group failing to adapt successfully to such changes, the performance and growth prospects of the Group may be adversely affected.

Relatively high capital expenditure on new products and services

The introduction of new products and services in response to rapid changes in technology, industry standards and customer preferences require substantial capital expenditure. During the year ended 31 December 2022, the Group recorded HK\$6.6 million (2021: HK\$0.6 million) on development costs of new products and services. The relative high level of capital expenditure may have an adverse impact on the financial resources of the Group. In the event that the new products and services do not achieve market acceptance or there is substantial delay in the process, the performance and growth prospects of the Group may be adversely affected.

Financial Risk

The Group is exposed to a variety of key financial risks including credit risk, which is mainly derived from offering credit terms to customers, but the risk of cash shortage due to the time delay from payment to suppliers to collecting cash from customers. Also, there is a risk of default from customers and the trade receivables become non-recoverable.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

At all times the Group maintains a healthy liquidity position. As at 31 December 2022, the Group's cash and cash equivalents amounted to HK\$40.0 million (31 December 2021: HK\$51.5 million). The Group's net assets as at 31 December 2022 was HK\$77.9 million (31 December 2021: HK\$81.4 million).

The Group's equity capital and the cash generated from operating activities, has been applied to fund its working capital and other operational needs. The Group recorded net cash inflow in operating activities of HK\$2.0 million (2021: HK\$2.8 million) during the year, the amount decreased as a result of more cash consumed in daily operations such as purchase of inventories during the year. The Group recorded net cash outflow in investing activities of HK\$8.9 million (2021: HK\$1.2 million) during the year, the amount increased as a result of more capital expenditures spent on development projects during the year. The Group recorded net cash outflow in financing activities of HK\$4.4 million (2021: HK\$4.4 million) during the year, which was due to the capital and interest elements of lease rentals paid.

GEARING RATIO

The Group's gearing ratio, calculated by reference to the ratio of total borrowings to total equity attributable to the owners of the Company as at 31 December 2022, was 0% (2021: 0%).

DISPOSALS AND ACQUISITIONS

During the year ended 31 December 2022, the Group did not have any material disposals or investments of subsidiaries and affiliated companies.

FUTURE PLANS RELATING TO MATERIAL INVESTMENT OR CAPITAL ASSET

As at 31 December 2022, the Group did not have any capital commitment related to acquisition of property, plant and equipment, nor any plan authorised by the Board for other substantial investment or additions of capital assets.

EXPOSURE TO EXCHANGE RATE FLUCTUATIONS

The assets, liabilities and transactions of the Group are primarily denominated in Hong Kong dollars, United States dollars and Renminbi. As Hong Kong dollars is pegged to United States dollars, exchange risk arising from United States dollars does not have significant financial impact to the Group. The Group manages its foreign exchange risk by performing regular reviews of the Group's net foreign exchange.

PLEDGE OF ASSETS

As at 31 December 2022, the Group did not pledge any of its material assets (2021: nil).

CONTINGENT LIABILITIES

As at 31 December 2022, the Company had no significant contingent liabilities (2021: nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2022, the Group had 122 (2021: 107) full time employees. Staff costs recognised in profit or loss for the year amounted to HK\$33.3 million (2021: HK\$36.8 million). Remuneration policies and packages for the Group's employees are based on individual qualifications, performance, experience, and conditions prevailing in the industry. In addition, various training sessions are offered to employees to enhance their product and market knowledge.

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

During the year ended 31 December 2022, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares.

CHANGE OF COMPANY NAME

Pursuant to a special resolution passed at the annual general meeting of the Company held on 24 May 2022 and approved by the Registrar of Companies in Cayman Islands and Hong Kong, the English name of the Company was changed from "HNA Technology Investments Holdings Limited" to "Leadway Technology Investment Group Limited" and the Chinese name of the Company was changed from "海航科技投資控股有限公司" to "高維科技投資集團有限公司" effective on 27 May 2022.

CORPORATE GOVERNANCE CODE

During the year ended 31 December 2022, the Company has adopted the code provisions set out in the Corporate Governance Code (the “CG Code”) contained in Appendix 14 of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The directors of the Company are of the opinion that the Company has complied with the code provisions set out in the CG Code for the year ended 31 December 2022, except the following:

Code Provision C.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Following the appointment of Mr. Zhang Xueqin as the co-chairman and the chief executive officer of the Company on 26 February 2022, the Company has deviated from Code Provision C.2.1 of the CG Code as set out in Appendix 14 of the Listing Rules. However, the Board believes that vesting the roles of both co-chairman and chief executive officer in Mr. Zhang Xueqin has the benefit of ensuring consistent and continuous planning and execution of the Company’s strategies and will enable the Board to function more effectively when Mr. Mai Zhaoping, the co-chairman and executive director of the Company, is not available to attend the Board meeting in person. It is expected that Mr. Zhang Xueqin will perform the other functions and responsibilities of the chairman under the CG Code. The Board considers that the balance of power and authority, accountability and independent decision-making under the present arrangement will not be impaired in light of the diverse background and experience of the Board, with not less than one third of them being independent non-executive directors.

Details of the Company’s corporate governance principles and processes will be available in the 2022 annual report.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding directors’ securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) set out in Appendix 10 to the Listing Rules. Having made specific enquiry of all directors, all directors have complied with the required standard as set out in the Model Code and its code of conduct regarding directors’ securities transactions by the directors adopted by the Company for the year ended 31 December 2022.

REVIEW OF ANNUAL RESULTS BY AUDIT COMMITTEE

The audit committee of the Company has reviewed the annual results of the Group for the year ended 31 December 2022 with the management and recommended its adoption by the Board. The financial figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2022 as set out in the preliminary announcement have been compared by the Group's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's draft consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by the auditor.

ANNUAL REPORT AND FURTHER INFORMATION

This announcement can be found on the Company's website (www.leadwayinv.com) and the Stock Exchange's website (www.hkexnews.hk). The 2022 annual report will be despatched to all shareholders and made available on the respective websites of the Company and the Stock Exchange in due course.

By order of the Board of
Leadway Technology Investment Group Limited
Mai Zhaoping **Zhang Xueqin**
Co-chairmen

Hong Kong, 29 March 2023

As at the date of this announcement, the Board comprises six executive directors, namely Mr. Mai Zhaoping, Mr. Zhang Xueqin, Ms. Mai Qiqi, Mr. Chan Chun Leung, Ms. Xu Tingting and Mr. Wong Chi Ho, two non-executive directors, namely Mr. Mai Ziye and Mr. Xing Yi and four independent non-executive directors, namely Dr. Lin Tat Pang, Mr. Lai Chi Leung, Mr. Zhang Dingfang and Mr. Gu Tianlong.