You should read the following discussion and analysis in conjunction with our combined financial statements including the notes thereto, as set forth in the Accountants' Report included as Appendix I to this document. The Accountants' Report has been prepared on the basis set out in Appendix I to this document and in accordance with our accounting policies that are in conformity with IFRSs.

Our historical results do not necessarily indicate our performance for any future periods. The following discussion and analysis of our financial conditions and results of operations contain forward-looking statements that involve risks and uncertainties. Our actual results may differ from those discussed below due to a number of factors, including those set out in the sections headed "Risk factors", "Forward-looking statements", "Business" and elsewhere in this document.

Potential investors should read the whole of the Accountants' Report set out in Appendix I to this document and not rely merely on the information contained in this section.

OVERVIEW

Established in 2005, we are a back-end semiconductor transport media manufacturer engaging in precision manufacturing on engineering plastics casings, in which we derived our revenue principally from the sale of tray and tray related products during the Track Record Period. Other than specializing in the design, development, manufacture and sales of tray and tray related products, we have also included carrier tape in our product categories since 2019. In addition to back-end semiconductor transport media, we also provided MEMS and sensor packaging, the revenue from the sales of which accounted for approximately 3.5%, 3.9% and 8.7% for the year ended 31 December 2021, 2022 and 2023, respectively. According to the F&S Report, we ranked the third among all tray and tray related products manufacturers in the global back-end semiconductor shipping and transport media industry in 2023.

Our back-end semiconductor transport media products, namely tray and tray related products, which are containers which store semiconductor components during their production and delivery processes using mainly precision engineering plastics, and carrier tape, are mainly used for the protection of semiconductor devices, including power discrete semiconductor device, optoelectronic, IC and sensors, etc, while our MEMS and sensor packaging provides an encasement designed to promote the electrical contacts that deliver signals to the circuit board of an electronic device and also to protect the MEMS and sensors from potentially damaging external elements and the corrosive effects of age. Supported by our professional R&D and material engineering department and sales and marketing personnel and customizable manufacturing platform and design enablement services, we are able to cater a great variety of customer-specific requests and ease up the timely completion of complex designs that are optimized in terms of cost and performance. During the Track Record Period, we had developed over 1,500 product specifications in various dimensions with different thermal, mechanical and physical properties metrics, which satisfy our customers' specifications and required quality standards. Due to the nature of our products, we serve customers from the semiconductor industry. With over 15 years of development, we have established a broad customer base including some of the international fabless-foundry semiconductor companies, IDM Companies and IC assembly and packaging test house. The majority of sales of our Group has been derived from the sales of tray and tray related products worldwide, especially in Southeast Asia, the PRC and Taiwan. Further, we have also established sales network in Europe, the U.S., Korea and Japan. For each of the three years ended 31 December 2023, approximately 35.6%, 35.6% and 36.6% of our revenue was generated from our sales in the Southeast Asia countries, while approximately 27.3%, 24.3% and 26.1% of our revenue was generated from our sales in the PRC for each of the relevant year. We also generated approximately 19.3%, 23.0% and 18.0% of our revenue from our sales in Taiwan for each of the three years ended 31 December 2023.

Benefiting from the fast-growing global semiconductor industry and with our R&D and product development capabilities, for each of the years ended 31 December 2021, 2022 and 2023, our revenue amounted to approximately HK$202.9 million, HK$257.6 million and HK$189.0 million, respectively, whereas our gross profit amounted to approximately HK$86.7 million, HK$101.9 million and HK$72.0 million, respectively.

MAJOR FACTORS AFFECTING OUR FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

Our results of operations, financial condition and year to year comparability of our financial performance are principally affected by the following factors:

The demand from our customers and the demand for their products

During the Track Record Period, we derived over 90% of our revenue from the sale of back-end semiconductor transport media products, tray and tray related products and carrier tape. Our back-end semiconductor transport media products are mainly used during the production and delivery process of semiconductor devices, including IC chips, modules, microcontrollers and sensors, etc and we mainly serve customers from the semiconductor industry including fabless-foundry semiconductor companies, IDM companies and IC assembly and packaging test companies. Therefore, our business is highly driven by the semiconductor industry and the demands for our customers' products. According to the F&S Report, despite the decrease in global market size of semiconductor industry by sales value in 2023, it is forecasted to increase at a CAGR of 8.8% from US$595.3 billion in 2024 to US$832.7 billion in 2028. For further details, please refer to the section headed "Business – Competitive strengths – Our business is semiconductor industry driven and we will be benefited from the long-term growth of the global semiconductor industry" in this document. If the performance of the semiconductor industry deteriorates and the demand for our customers' products decreases due to unforeseeable reasons, our financial performance will be adversely affected.

The following table illustrates the hypothetical fluctuations in the revenue on our profit before tax in FY2021, FY2022 and FY2023, assuming all other factors remained unchanged.

	For the year ended 31 March					
	2021		2022		2023	
Hypothetical change in revenue	**Profit before tax**	**Change in profit before tax**	**Profit before tax**	**Change in profit before tax**	**Profit before tax**	**Change in profit before tax**
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
+10%	52,139	63.7	52,755	95.4	25,553	283.9
+5%	41,991	31.9	39,876	47.7	16,104	142.0
0	31,844	0.0	26,998	0.0	6,656	0
-5%	21,697	-31.9	14,120	-47.7	-2,792	-142.0
-10%	11,549	-63.7	1,242	-95.4	-12,241	–283.9

Cost of raw materials

Our cost of raw material represents our major component of cost of sales that accounted for approximately 47.5%, 47.3% and 41.8% of our cost of sales for the year ended 31 December 2021, 2022 and 2023 respectively. Our major raw materials comprised PPO, ABS, recycled material, re-compound material and formulated material. The purchase price of our raw materials are generally determined with reference to the prevailing market conditions, which may be subject to a number of factors, such as the market demand in the semiconductor industry and other industries, supply chain, shipping logistics issue and upstream cost of production according to the F&S Report and are beyond our control. Our profit margins and results of operations may be directly and materially affected by the price fluctuations if any.

The following table illustrates the hypothetical fluctuations in the cost of raw materials on our profit before tax for the year ended 31 December 2021, 2022 and 2023, assuming all other factors remained unchanged.

	For the year ended 31 December					
	2021		2022		2023	
Hypothetical change in cost of raw materials	**Profit before tax**	**Change in profit before tax**	**Profit before tax**	**Change in profit before tax**	**Profit before tax**	**Change in profit before tax**
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
+10%	26,326	(17.3)	19,636	(27.3)	1,762	(73.5)
+5%	29,085	(8.7)	23,317	(13.6)	4,209	(36.8)
0	31,844	–	26,998	–	6,656	–
-5%	34,603	8.7	30,679	13.6	9,103	36.8
-10%	37,362	17.3	34,360	27.3	11,550	73.5

Cost of labour

Our labour cost amounted to approximately 19.4%, 20.6% and 21.1% of our cost of sales for the year ended 31 December 2021, 2022 and 2023, respectively. Our production process is labour-intensive. As at the Latest Practicable Date, over 60.0% of our employees are responsible for our manufacturing function in the PRC. According to the F&S Report, the average monthly salary of production and equipment operators in the manufacturing industry in the PRC has increased at a CAGR of 7.1% from 2019 to 2023 and it is forecasted to further increase at a CAGR of 6.4% from 2024 to 2028. Should the labour costs continue to increase, our results of operations may be materially affected.

The following table illustrates the hypothetical fluctuations in the cost of labour on our profit before tax for the years ended 31 December 2021, 2022 and 2023, assuming all other factors remain unchanged:

	For the year ended 31 December					
	2021		2022		2023	
Hypothetical change in cost of labour	Profit before tax	Change in profit before tax	Profit before tax	Change in profit before tax	Profit before tax	Change in profit before tax
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
+10%	29,569	(7.1)	23,796	(11.8)	4,186	(37.1)
+5%	30,895	(3)	25,397	(5.9)	5,421	(18.6)
0	31,844	–	26,998	–	6,656	–
-5%	32,792	3	28,599	5.9	7,891	18.6
-10%	34,119	7.1	30,200	11.8	9,126	37.1

Our reputation, customer relationships and market presence

We derived over 90% of our revenue from the sales of tray and tray related products during the Track Record Period. According to the F&S Report, among all the tray and tray related products manufacturers in the back-end semiconductor transport media industry, we ranked the third in the globe in 2023 in terms of sales revenue, with a market share of approximately 8.4%. Our Directors consider our success depends heavily on our long-established relationship with our customers. We have maintained over 10 years of business relationship with our five largest customers during the Track Record Period and approximately 60.9%, 58.4% and 54.9% of our revenue was attributable to our five largest customers in each of the three years ended 31 December 2023, respectively. For further details regarding our customers, please refer to the section headed "Business – Customers" in this document. There is no assurance that we shall always be able maintain such favourable reputation and customer relationship, we may not be able to maintain our revenue from the sales of tray and tray related products and hence our market share during the Track Record Period.

We also maintained a broad market presence. During the Track Record Period, our revenue was derived from Southeast Asia, the PRC, Taiwan, the United States, Europe, Hong Kong, Korea and Japan, in which over 35% of our revenue was derived from Southeast Asia and over 18.0% was derived from Taiwan. Approximately 27.3%, 24.3% and 26.1% of our revenue for each of the three years ended 31 December 2023 was derived from the PRC, respectively. If our performance in any of these jurisdictions deteriorates, our financial conditions may be materially and adversely affected.

Production capacity and utilisation rate

Our results of operations are significantly affected by the production capacity and utilisation rate of our production facilities. We believe that the expansion of our production facilities will enable us to increase the sales volume of our products, which in turn significantly broaden our market reach and continue to drive our growth of business in the foreseeable future. Please refer to the paragraphs headed "Business – Business Strategies – Increase our production capacity and capabilities by promoting automation of our production process, upgrading our production facilities and acquiring requisite machineries" in this document. In addition, the utilisation rates of our production facilities have significant impact on our gross profit margin. A high utilisation rate allows the fixed costs to be more widely apportioned and enables us to enhance our operating efficiency and achieve economies of scale and hence improve our gross profit margin. As the manufacturing overheads component of our cost of sales is relatively fixed in nature and not directly correlated with changes in production level, we stand to benefit from higher production levels and utilisation rates. We may face lower gross profit margin and accordingly lower profitability if we fail to achieve economies of scale through higher production level and utilisation rate.

For the year ended 31 December 2021, 2022 and 2023, our utilisation rate of tray and tray related products of our Shatian Production Factory were 95.4%, 89.1% and 65.2% and our utilisation rate of tray and tray related products of our Houjie Production Factory were 89.5%, 101.9% and 76.5% respectively. For our carrier tape products, our utilisation rate were 10.0%, 17.2% and 17.3% for the year ended 31 December 2021, 2022 and 2023. The utilisation rate of our MEMS and sensor products packaging solution (flow sensor module) of our Shatian Production Factory for the year ended 31 December 2021, 2022 and 2023 were 89.2%, 97.1% and 82.3% respectively. The utilisation rate of MEMS and sensor products packaging solution (ERAQFN) of our Shatian Production Factory for the year ended 31 December 2021, 2022 and 2023 were 37.7%, 102.5% and 102.5% respectively. The fluctuation of the utilisation rate was generally in line with the fluctuation in customer demands of the products. For details, please refer to the sections headed "Business – Production capacity and utilisation" in this document.

BASIS OF PRESENTATION

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Act of the Cayman Islands on 7 February 2022. In preparation of the **[REDACTED]**, we underwent the Reorganisation, the details of which are more fully set out in the paragraph headed "History, Development and Reorganisation – Reorganisation" in this document.

The Company is an investment holding company. The principal activities of the operating companies becoming the Company's subsidiaries now comprising our Group, are research and development, manufacturing and sales of back-end semiconductor transport media and MEMS and sensor packaging (the "**Listing Business**").

Pursuant to the Reorganisation described above, the Company became the holding company of the companies now comprising our Group on 20 April 2022. The Company has not been involved in any other business prior to the Reorganisation and does not meet the definition of a business. The Reorganisation is merely a recapitalisation of the Listing Business with no change in management of such business and the ultimate Controlling Shareholders of the Listing Business remain the same. And the Company is considered as the acquiree for accounting purposes.

Accordingly, for the purpose of this document, the consolidated financial information has been prepared and presented as a continuation of the consolidated financial statements of the operating companies, with the assets and liabilities of our Group recognised and measured at the carrying amounts of the Listing Business under the combined financial statements of the Operating Companies for all periods presented.

The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and combined statements of cash flows for the Track Record Period include the results, changes in equity and cash flows of the Listing Business as if our Group structure after the Reorganisation had been in existence throughout the Track Record Period.

The consolidated statements of financial position of our Group as at 31 December 2021, 31 December 2022 and 31 December 2023 have been prepared to present the assets and liabilities of the Listing Business as if our Group structure after the Reorganisation had been in existence throughout the Track Record Period, the Listing Business had always been operated by our Group and the current group structure had been in existence at those dates taking into account the respective date of incorporation, where applicable.

Our consolidated financial information has been prepared in accordance with IFRS Accounting Standards ("**IFRSs**"), which comprise all standards and interpretations approved by the International Accounting Standards Board ("**IASB**"). Our consolidated financial information also complies with the applicable disclosure provisions of the GEM Listing Rules and with the disclosure requirements of the Companies Ordinance. For more information on the basis of presentation of the financial information included herein, please refer to Note 2 to the Accountants' Report as set out in Appendix I to this document.

MATERIAL ACCOUNTING POLICY INFORMATION

The material accounting policy information applied in the preparation of our consolidated financial information are set out in Note 4 to the Accountants' Reports as set out in the Appendix I to this document. Set out below are the more important accountant policies:

Revenue from contracts with customers

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

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

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

A contract asset represents our Group's right to consideration in exchange for goods or services that our Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents our Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

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

Leases

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

As a lessee

Short-term leases

Our Group applies the short-term lease recognition exemption to leases of exhibition halls and warehouses that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

Right-of-use assets

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

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

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

Refundable rental deposits

Refundable rental deposits paid are accounted under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

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

The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable.

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

Our Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

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

Lease modifications

Except for COVID-19-related rent concessions in which our Group applied the practical expedient, our Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

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

Our Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset.

Changes in the basis for determining the future lease payments as a result of interest rate benchmark reform

For changes in the basis for determining the future lease payments as a result of interest rate benchmark reform, our Group applies the practical expedient to remeasure the lease liabilities by discounting the revised lease payments using the unchanged discount rate and makes a corresponding adjustment to the related right-of-use assets. A lease modification is required by interest rate benchmark reform if, and only if, both of these conditions are met:

- the modification is necessary as a direct consequence of interest rate benchmark reform; and

- the new basis for determining the lease payments is economically equivalent to the previous basis (i.e. the basis immediately preceding the modification).

COVID-19-related rent concessions

In relation to rent concessions that occurred as a direct consequence of the COVID-19 pandemic, our Group has elected to apply the practical expedient not to assess whether the change is a lease modification if all of the following conditions are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

- any reduction in lease payments affects only payments originally due on or before 30 June 2022; and

- there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying IFRS 16 if the changes are not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

Foreign currencies

In preparing the historical financial information of our Group, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

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

Exchange differences relating to the retranslation of our Group's net assets in Chinese Renminbi ("**RMB**") and Singaporean dollars ("**SGD**") to our Group's presentation currency (i.e. HK$) are recognised directly in other comprehensive income and accumulated in translation reserve. Such exchange differences accumulated in the translation reserve may be reclassified to profit or loss subsequently.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

Property, plant and equipment

Property, plant and equipment are stated in the consolidated statements of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with our Group's accounting policy. Such properties are classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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

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

MATERIAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of consolidated financial information in conformity with IFRSs requires the use of certain material accounting estimates. It also requires management to exercise its judgement in the process of applying our Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are material to the our consolidated financial information are disclosed in Note 5 to the Accountants' Report as set out in Appendix I to this document.

We believe that the following material accounting estimates and assumptions involve the most material or subjective judgments and estimate used in the preparation of our consolidated financial information:

Current and deferred income taxes

Material judgement is required in determining the provision for income tax. There are many transactions and calculations for which the ultimate determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the income tax and deferred tax provision in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different.

For details, please refer to the subsection headed "Taxation" in Note 4 to the Accountants' Report as set out in Appendix I to this document.

Net realisable value of inventories

Net realisable value of inventories is the estimated selling prices in the ordinary course of business less estimated selling expenses. These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of changes in economic conditions in places where our Group operates and changes in customer taste and competitor actions in response to changes in market conditions. Management reassesses these estimates at each reporting date.

Provision of ECL for trade receivables

Trade receivables with credit-impaired are assessed for expected credit loss ("**ECL**") individually. In addition, our Group uses practical expedient in estimating ECL on trade receivables which are not assessed individually using a provision matrix. The provision rates are based on aging of debtors as groupings of various debtors taking into consideration the Group's historical default rates and forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered. The provision of ECL is sensitive to changes in estimates.

HISTORICAL FINANCIALS

Prior to the Track Record Period, we recorded accumulated losses of approximately HK$8.6 million as at 1 January 2021. The accumulated loss as at 1 January 2021 was primarily due to the accumulated loss of UBOTIC of approximately HK$53.9 million as at 1 January 2021, which were primarily attributable to the high initial R&D and sales, marketing and business development expenses for MEMS and sensor packaging. According to the F&S Report, MEMS and sensor packaging industry is considered a highly specialised industry which requires sophisticated and long product development cycle, extensive technical know-how and considerable investment in corresponding machinery. Our Group, as a participant in the MEMS and sensor packaging industry, made considerable investments at the initial stage of business for product development which included (i) purchase of machineries and equipment; (ii) recruitment of engineers with high calibre; and (iii) application of patents, as well as (iv) expenses in our sales and marketing efforts to promote the products developed. Further, the initial rate of return of the R&D products developed by UBOTIC is relatively low as considerable time was used in exploring suitable markets for their commercialisation. Our Directors believe that a sophisticated and long R&D cycle is often required from product development and commercialisation of products and consider our investment in MEMS and sensor packaging is prudent and reasonable.

The net loss position of UBOTIC from 2010 to 2019 reflected our continuous efforts to innovate products of high commercial value and explore profitable markets to commercial our products developed in the initial stage of business of UBOTIC. As a result of our ongoing effort in building the client base and market presence of UBOTIC, its financial performance has turned around to be profit-making since 2020. Our Directors also consider that UBOTIC has reached a more mature stage and currently is able to harvest from the products successfully developed from the R&D projects throughout the years and bring profits to our Group.

The accumulated loss as at 1 January 2021 was also partly attributable to the accumulated loss of UBoT Enterprise which the loss was primarily caused by the upfront investment made in the Houjie Production Factory, including but not limited to rent and construction and reinforcement work, prior to the commencement of its operation in June 2021, and certain costs in relation to the R&D projects for MEMS and sensor packaging being continuously borne by UBoT Enterprise.

Our Group recorded a drop in net profit for the year ended 31 December 2023 of approximately HK$16.7 million or approximately 76.9% as compared to the year ended 31 December 2022. Our Directors are of the view that the decrease in profitability in the year ended 31 December 2023 was because our operating expenses remained at similar level at approximately HK$53.7 million as compared to that of approximately HK$55.4 million in the year ended 31 December 2022, when our revenue decreased for approximately HK$68.6 million or approximately 26.6% and our gross profit decreased for approximately HK$29.9 million or approximately 29.7% during the corresponding periods. Our profit for the year was affected by (i) total operating expenses, which are less variable in nature and accounted for 21.5% and 28.4% to our total revenue for the year ended 31 December 2022 and 2023, respectively. Particularly, our selling and distribution expenses as a percentage to our gross profit increased from 24.6% for the year ended 31 December 2022 to 29.6% for the year ended 31 December 2023, while our administrative expenses as a percentage to our gross profit increased from 25.6% for the year ended 31 December 2022 to 38.4% for the year ended 31 December 2023; (ii) the effect of non-recurring **[REDACTED]** accounted for approximately **[REDACTED]** of our gross profit; and (iii) the increase in finance costs of approximately 16.8% from approximately HK$4.1 million for the year ended 31 December 2022 to approximately HK$4.8 million for the year ended 31 December 2023 as a result of the high interests environment in the year ended 31 December 2023.

Our Directors consider that there was no major obstacle or changes in the operation of our business in the year ended 31 December 2023. For the year ended 31 December 2023, the decrease in gross profit of approximately 29.7% was substantially in line with the decrease in revenue of approximately 26.6% as compared to the year ended 31 December 2022. The gross profit margin during the Track Record Period was 42.7%, 39.6% and 38.1%, respectively. Our Directors are of the view that the proportion of our fixed costs increased as our revenue decreased temporarily as our operating expenses, such as staff costs and benefits, travelling expenses, professional fees, depreciation and bank charges are not directly related to sales volume and therefore do not change proportionally to the drop in sales volume and revenue. We expect our total operating expense as a percentage to our total revenue and gross profit will decrease as our business picks up given it is expected that the semiconductor industry will maintain a relatively high overall growth rate going forward. Further, in view of the long term growth of the semiconductor industry, our Directors are of the view that the temporary slowdown in demand in the year ended 31 December 2023 will not carry long term effect that necessitates adjustments in our operating scale and product development plans and that our continuous input is beneficial for our Group and Shareholders as a whole in the long term. Please also refer to the paragraphs headed "Business – Business Sustainability" in this document for details.

RESULTS OF OPERATIONS

The following table presents the results of operations of our Group during the Track Record Period, which are derived from the consolidated statements of profit or loss and other comprehensive income as set out in the Accountants' Report in Appendix I to this document.

	Year ended 31 December		
	2021	**2022**	**2023**
	HK$'000	*HK$'000*	*HK$'000*
Revenue	202,948	257,565	188,969
Cost of sales	(116,272)	(155,687)	(116,989)
Gross profit	86,676	101,878	71,980
Other income	74	947	145
Other gains and losses	1,070	(5,967)	(2,174)
(Provision for) reversal of impairment losses on financial assets	(76)	(354)	493
Administrative expenses	(23,827)	(26,091)	(27,640)
Selling and distribution expenses	(22,742)	(25,074)	(21,282)
Research and development expenses	(4,104)	(4,270)	(4,822)
Finance costs	(3,209)	(4,096)	(4,784)
[REDACTED]	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Profit before taxation	31,844	26,998	6,656
Income tax expense	(5,448)	(5,200)	(1,618)
Profit for the year	26,396	21,798	5,038

Non-IFRS Measures

Adjusted profit for the year

In addition to the IFRS measures in our consolidated financial information, we also use the non-IFRS financial measure of adjusted profit for the year (Non-IFRS measures), to evaluate our operating performance. We believe that this non-IFRS measure provides useful information to investors in understanding and evaluating our consolidated results of operations in the same manner as our management by eliminating potential impacts of the **[REDACTED]** relating to the **[REDACTED]** and in comparing financial results across accounting periods and to those of our peer companies. The following table sets forth the reconciliation between the profit for the year and the adjusted profit (Non-IFRS measures) for the years indicated:

	Year ended 31 December		
	2021	**2022**	**2023**
	HK$'000	*HK$'000*	*HK$'000*
Profit for the year	26,396	21,798	5,038
[REDACTED]	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
[REDACTED](1)	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**

Note:

(1) Adjusted profit for the year (Non-IFRS measures) is calculated by profit for the year excluding **[REDACTED]**. The term adjusted profit for the year (Non-IFRS measures) is not defined under IFRS.

SELECTED LINE ITEMS IN THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Revenue

During the Track Record Period, our revenue was mainly generated from the sales of tray and tray related products. Our total revenue amounted to approximately HK$202.9 million, HK$257.6 million and HK$189.0 million for the year ended 31 December 2021, 2022 and 2023 respectively. The increase in the revenue from approximately HK$202.9 million for the year ended 31 December 2021 to approximately HK$257.6 million for the year ended 31 December 2022 was mainly attributable to the increase in the revenue generated from the PRC market with significant increase in sales volume and slight increase in average selling price for tray and tray related products. Our revenue decreased by approximately HK$68.6 million from approximately HK$257.6 million for the year ended 31 December 2022 to approximately HK$189.0 million for the year ended 31 December 2023. The decrease in revenue was mainly attributable to the decrease in sales volume of our tray and tray related products in the PRC, Taiwan and the United States as a result of the temporary slowdown in the semiconductor industry in 2023 due to factors such as geopolitical tensions and the global macroeconomic downturn. In particular, the CAC's ban on operators of key infrastructure in the PRC to procure semiconductors from one of our major customers based in the United States had contributed to our deteriorated financial performance in the year. The market size of the global semiconductor industry decreased by approximately 8.1% in 2023. During the Track Record Period, the sales volume for tray and tray related products in the PRC increased by approximately 12.7% from approximately 7.1 million for the year ended 31 December 2021 to approximately 8.0 million for the year ended 31 December 2022 and decreased by approximately 16.3% to approximately 6.7 million for the year ended 31 December 2023. The average selling price of tray and tray related products in the PRC also slightly increased from RMB6.51 (approximately HK$7.83 at the then prevailing exchange rate) for the year ended 31 December 2021 to RMB6.77 (approximately HK$7.83 at the then prevailing exchange rate) for the year ended 31 December 2022 while we recorded a slightly lower average selling price of tray and tray related products in the PRC of RMB6.63 (approximately HK$7.30 at the then prevailing exchange rate) for the year ended 31 December 2023, which was maintained at a lower level than that in the overseas countries at HK$8.06, HK$9.03 and HK$8.70 for the respective years given the competition in price in the PRC as a market strategy to maintain our market presence in the PRC. The increase in the average selling price of tray and tray related products in the year ended 31 December 2022 was because we sold more customised products in the year with higher unit price which were more sought-after along with the market growth while the decrease in the average selling price of tray and tray-related products in the year ended 31 December 2023 was because less customers requested our customised products with higher unit price in the year as a result of market downturn and lukewarm market sentiments.

By product category

Our major products can be grouped into three categories, namely (i) tray and tray related; (ii) MEMS and sensor packaging; and (iii) carrier tape. The table below sets forth the breakdown of our revenue by our product categories during the Track Record Period:

	Year ended 31 December					
	2021		2022		2023	
	Revenue	% of total	Revenue	% of total	Revenue	% of total
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Product category						
Tray and tray related	195,429	96.3	246,954	95.9	172,250	91.2
MEMS and sensor packaging	7,152	3.5	10,092	3.9	16,508	8.7
Carrier tape	367	0.2	519	0.2	211	0.1
Total	202,948	100.0	257,565	100.0	188,969	100.0

Sales of tray and tray related products generated a substantial portion of our revenue, accounting for approximately 96.3%, 95.9% and 91.2% of our total revenue for the year ended 31 December 2021, 2022 and 2023, respectively.

By geographical locations

For each of the three years ended 31 December 2023, approximately 35.6%, 35.6% and 36.6% of our sales was derived from sales in Southeast Asia, respectively, while we also sold our products to the PRC, Taiwan, Hong Kong, Korea and Japan and overseas markets including the United States and Europe. The following table sets forth our revenue from geographical locations for the year indicated:

	Year ended 31 December					
	2021		2022		2023	
	Revenue	% of total	Revenue	% of total	Revenue	% of total
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Southeast Asia	72,219	35.6	91,694	35.6	69,152	36.6
Singapore	11,994	5.9	13,003	5.0	7,054	3.7
Malaysia	20,330	10.0	21,497	8.3	19,893	10.5
Indonesia	811	0.4	1,184	0.5	33	0.0*(Note)*
Philippines	25,909	12.8	40,600	15.8	23,017	12.2
Thailand	13,175	6.5	15,410	6.0	19,155	10.2
PRC	55,495	27.3	62,647	24.3	49,342	26.1
Taiwan	39,195	19.3	59,159	23.0	33,982	18.0
The United States	16,782	8.3	20,059	7.8	4,906	2.6
Europe	3,433	1.7	8,248	3.2	14,027	7.4
Hong Kong, Korea and Japan	15,824	7.8	15,758	6.1	17,560	9.3
Total	202,948	100.0	257,565	100.0	188,969	100.0

Note: The percentage is minimal and represents less than 0.1% of our total revenue.

During the Track Record Period, Southeast Asia, which mainly included the Philippines, Malaysia, Indonesia, Thailand and Singapore, was our largest market by geographical location, accounting for approximately 35.6%, 35.6%, and 36.6% of our total revenue for the year ended 31 December 2021, 2022 and 2023, respectively. Our revenue generated from the Southeast Asia market increased by approximately HK$19.5 million or 27.0% from approximately HK$72.2 million for the year ended 31 December 2021 to approximately HK$91.7 million for the year ended 31 December 2022. Such increase was primarily attributable to (i) the continuous effect from the acquisition of business of Customer D took place in 2021 and (ii) the increase in orders placed by Customer B as such customer expanded its business scale by inventing a new model of computer memory in November 2021 and increased their demand for our products since the beginning of 2022. Furthermore, our Group established business relationship with a new Indonesia-based branch of an existing customer and obtained more orders from such customer. Our revenue generated from the Southeast Asia market decreased by approximately HK$22.5 million or 24.5%, from approximately HK$91.7 million for the year ended 31 December 2022 to approximately HK$69.2 million for the year ended 31 December 2023. Such decrease was mainly attributable to the decrease in order intake from Customer D who adjusted its inventory policy and moderated its orders in light of deteriorated demand for its products in Asia in the period.

The sales of our products in the PRC contributed to approximately 27.3%, 24.3% and 26.1% of our total revenue for the years ended 31 December 2021, 2022 and 2023, respectively.

Our revenue generated in the PRC increased by approximately HK$7.1 million, or 12.8% from approximately HK$55.5 million for the year ended 31 December 2021 to approximately HK$62.6 million for the year ended 31 December 2022. Such increase was mainly driven by (i) the increased sales orders from our existing customers in the PRC as a result of our expanded range of product and service offering arose from our R&D initiatives and the expansion of business scale of our customers; and (ii) new customers in the PRC engaged as a result of our ongoing sales and marketing efforts during the year ended 31 December 2022, which increased from 56 for the year ended 31 December 2021 to 68 for the year ended 31 December 2022. Our growth in business scale in the PRC in FY2022 was also attributable to the favourable factors brought forth by the trade war between the United States and China. For further details, please refer to the section headed "Industry Overview – Market Outlook in Selected Regions – Growth outlook of the back-end semiconductor transport media industry in the PRC" in this document. Our revenue generated in the PRC decreased by approximately HK$13.3 million, or 21.2% from approximately HK$62.6 million for the year ended 31 December 2022 to approximately HK$49.3 million for the year ended 31 December 2023. Such decrease was mainly attributable to the general decrease in orders received from our major customers (including Customer C) especially in the first quarter of 2023 which was primarily due to the temporary slowdown in the semiconductor industry in 2023 due to factors such as geopolitical tensions and the global macroeconomic downturn, which was partially offset by the expansion of customer base in the PRC in the year ended 31 December 2023. During the year ended 31 December 2023, we had 27 new PRC customers as compared to the year ended 31 December 2022.

The sales of our products in Taiwan contributed to approximately 19.3%, 23.0% and 18.0% of our total revenue for the year ended 31 December 2021, 2022 and 2023, respectively. Our revenue generated in Taiwan increased by approximately increased by approximately HK$20.0 million, or 51.0%, from approximately HK$39.2 million for the year ended 31 December 2021 to approximately HK$59.2 million for the year ended 31 December 2022. Such increase was mainly attributable to the increase in orders placed by Customer A arising from its business growth and one of our customers based in Taiwan, which acted as subcontractor for Customer B, increased its purchase orders as a result of the expansion in scale of Customer B in the corresponding period. Our revenue generated in Taiwan decreased by approximately HK$25.2 million, or 42.6% for the year ended 31 December 2023, from approximately HK$59.2 million for the year ended 31 December 2022 to approximately HK$34.0 million for the year ended 31 December 2023. Such decrease was mainly attributable to (i) the decrease in orders from Customer A in Taiwan which experienced a decline in demand from its downstream customers as a result of the temporary slowdown in the semiconductor industry in 2023 and (ii) the decrease in orders placed by our customer in Taiwan which acted as a subcontractor for Customer B as there was a decline in demand for the products of Customer B in the year.

The sales of our products in the United States contributed to approximately 8.3%, 7.8% and 2.6% of our total revenue for the year ended 31 December 2021, 2022 and 2023, respectively. Our revenue generated in the United States increased by approximately HK$3.3 million, or 19.6% from approximately HK$16.8 million for the year ended 31 December 2021 to approximately HK$20.1 million for the year ended 31 December 2022. Such increase was primarily attributable to the increase in orders from Customer B which were delivered in the United States. Our revenue generated in the United States amounted to approximately HK$4.9 million for the year ended 31 December 2023. Such decrease was mainly attributable to the decrease in demand from one of our major customers in the United States as a result of the CAC's ban on operators of key infrastructure in the PRC to procure semiconductors from such customer based in the United States since the second quarter of 2023. For details, please refer to the paragraphs headed "Business – Impact of the Trade War on our business" in this document.

The sales of our products in Europe contributed to approximately 1.7%, 3.2% and 7.4% of our total revenue for the year ended 31 December 2021, 2022 and 2023, respectively. Our revenue generated in Europe increased by approximately HK$4.8 million, or 141.2% from approximately HK$3.4 million for the year ended 31 December 2021 to approximately HK$8.2 million for the year ended 31 December 2022. Such increase was attributable to the increase in orders received from Customer D for our MEMS and sensor packaging which were delivered in Europe during the year ended 31 December 2022. Our revenue generated in Europe increased by approximately HK$5.8 million from approximately HK$8.2 million for the year ended 31 December 2022 to approximately HK$14.0 million for the year ended 31 December 2023. Such increase was primarily attributable to the increase in orders placed by our existing customers as we obtained new product qualifications for MEMS and sensor packaging.

The sales of our products in Hong Kong, Korea and Japan contributed to approximately 7.8%, 6.1% and 9.3% of our total revenue for the year ended 31 December 2021, 2022 and 2023, respectively. Our revenue generated from Hong Kong, Korea and Japan remained stable at approximately HK$15.8 million for the year ended 31 December 2021 and 2022. Our revenue generated from Hong Kong, Korea and Japan increased slightly from approximately HK$15.8 million for the year ended 31 December 2022 to approximately HK$17.6 million for the year ended 31 December 2023, primarily due to the increase in orders in Japan of approximately HK$3.1 million for tray and tray related products as a result of the business expansion of a customer in Japan for the year ended 31 December 2023.

Cost of sales

Our cost of sales primarily consists of cost of raw material, labour cost and manufacturing overhead. During the Track Record Period, the breakdown of our cost of sales was as follows:

	Year ended 31 December					
	2021		2022		2023	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Raw material	55,176	47.5	73,623	47.3	48,939	41.8
Labour cost	22,572	19.4	32,023	20.6	24,699	21.1
Manufacturing overhead	38,524	33.1	50,041	32.1	43,351	37.1
Total	116,272	100.0	155,687	100.0	116,989	100.0

Our cost of sales amounted to approximately HK$116.3 million, HK$155.7 million and HK$117.0 million for each of the year ended 31 December 2021, 2022 and 2023, respectively. Our cost of sales represented approximately 57.3%, 60.4% and 62.0% of our total revenue for each of the year ended 31 December 2021, 2022 and 2023, respectively.

Our cost of raw materials of approximately HK$55.2 million, HK$73.6 million and HK$48.9 million for each of the year ended 31 December 2021, 2022 and 2023, respectively, primarily consisted of the costs of raw plastic materials, recycled plastic materials and re-compound plastic materials. The fluctuation in cost of raw materials was generally in line with the fluctuation in our sales amount. Our Directors consider that our cost of raw material consumed is affected by multiple factors such as the change in unit price of raw materials, the yield rate of our production facilities and product mix required by our customers that it may not be directly proportional to the increase or decrease in revenue and/or sales volume of our products in the same period.

Our labour cost of approximately HK$22.6 million, HK$32.0 million and HK$24.7 million for each of the year ended 31 December 2021, 2022 and 2023, respectively, primarily consisted of the salaries for our manufacturing staff.

Our manufacturing overhead of approximately HK$38.5 million, HK$50.0 million and HK$43.4 million for each of the year ended 31 December 2021, 2022 and 2023, respectively, primarily comprised depreciation expenses of property, plant and equipment, water and electricity, depreciation of right-of-use assets, packaging materials and consumables.

Please refer to the paragraph headed "Year to year comparison of results of operations" in this section for a discussion of material changes in our Group's cost of sales during the Track Record Period.

Gross profit and gross profit margin

The following table sets forth the breakdown of our gross profit and gross profit margin by our product categories and geographical location during the Track Record Period:

	Year ended 31 December					
	2021		2022		2023	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Product category						
Tray and tray related	84,284	43.1	96,622	39.1	63,431	36.8
MEMS and sensor packaging	2,276	31.8	5,051	50.0	8,466	51.3
Carrier tape	116	31.6	205	39.5	83	39.3
Total	86,676	42.7	101,878	39.6	71,980	38.1

	Year ended 31 December					
	2021		2022		2023	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Geographical location						
Southeast Asia	31,695	43.9	39,150	42.7	26,609	38.5
Singapore	5,677	47.3	5,208	40.1	2,806	39.8
Malaysia	7,622	37.5	6,630	30.8	6,416	32.3
Indonesia	217	26.7	180	15.1	6	19.8
Philippines	13,200	50.9	22,823	56.2	11,855	51.5
Thailand	4,979	37.8	4,309	28.0	5,526	28.8
PRC	23,436	42.2	20,213	32.3	14,104	28.6
Taiwan	17,002	43.4	23,733	40.1	13,488	39.7
The United States	6,324	37.7	8,476	42.3	2,532	51.6
Europe	1,281	37.3	4,035	48.9	6,880	49.0
Hong Kong, Korea and Japan	6,938	43.8	6,271	39.8	8,367	47.6
Total	86,676	42.7	101,878	39.6	71,980	38.1

For the years ended 31 December 2021, 2022 and 2023, our gross profit was approximately HK$86.7 million, HK$101.9 million and HK$72.0 million, respectively. Gross profit from the sale of tray and tray related products amounted to approximately HK$84.3 million, HK$96.6 million and HK$63.4 million, respectively. Gross profit from the sale of MEMS and sensor packaging amounted to approximately HK$2.3 million, HK$5.1 million and HK$8.5 million, respectively and gross profit from the sale of carrier tape accounted for approximately HK$116,000, HK$205,000 and HK$83,000, respectively.

Please refer to the paragraph headed "Year to year comparison of results of operations" in this section for a discussion of material changes in our Group's gross profit and gross profit margin during the Track Record Period.

Other income

The table below sets forth the breakdown of our Group's other income during the Track Record Period:

	Year ended 31 December					
	2021		2022		2023	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Government grants	56	75.7	919	97.0	56	38.6
Interest income	11	14.9	15	1.6	11	7.6
Sundry income	7	9.5	13	1.4	78	53.8
Total	74	100.0	947	100.0	145	100.0

Our Group's other income mainly comprises government grants which represented subsidies in response to COVID-19 for employment of the staff from the governments of Singapore, Hong Kong and PRC, respectively. For the year ended 31 December 2021, the government grants in the amount of approximately HK$56,000 represented the subsidies from the Job Support Scheme from the Singapore government. For the year ended 31 December 2022, we recorded government grants in the amount of approximately HK$0.9 million, which represented the government grant from the Employment Support Scheme from the Hong Kong government and other government subsidies from the PRC government. For the year ended 31 December 2023, we recorded government grants in the amount of approximately HK$56,000 which represented government subsidies from the PRC government. Please refer to the paragraph headed "Year to year comparison of results of operations" in this section for a discussion of material changes in our Group's other income during the Track Record Period.

Other gains and losses

The table below sets forth the breakdown of our Group's other gains and losses during the Track Record Period:

	Year ended 31 December		
	2021	**2022**	**2023**
	HK$'000	*HK$'000*	*HK$'000*
Gain/(loss) on exchange differences, net	2,266	(6,403)	(2,556)
Gain on fair value change of financial assets at fair value through profit or loss	416	349	411
Compensation income due to a fire accident	6,111	–	–
Loss of inventories due to fire accident	(7,723)	–	–
Gain/(loss) on disposal for property, plant and equipment	–	87	(29)
	1,070	(5,967)	(2,174)

Our Group's other gains and losses mainly comprises net gain/loss on exchange differences, gain on fair value change of financial assets at fair value through profit or loss, compensation income due to a fire accident and loss of inventories due to fire accident. Other gains amounted to approximately HK$1.1 million for the year ended 31 December 2021, and we recorded other losses of approximately HK$6.0 million for the year ended 31 December 2022, and we recorded other losses of approximately HK$2.2 million for the year ended 31 December 2023.

For the year ended 31 December 2021, we recorded fair value gain on financial assets in the amount of approximately HK$0.4 million and such gain represented the cash value of the life insurance policy. For the year ended 31 December 2021, loss of inventories and compensation income were due to a fire accident that occurred in our Shatian Warehouse in March 2021, which is one-off in nature. Such fire accident caused damages to certain inventories in the Shatian Warehouse with carrying amount of approximately HK$7.7 million. Our Group also received compensation from the insurance company during the year ended 31 December 2021 in the amount of approximately HK$6.1 million due to the fire accident.

For the year ended 31 December 2022, other losses were mainly attributable to the net loss on exchange differences in the amount of approximately HK$6.0 million and such loss was mainly due to the depreciation in Renminbi in FY2022.

For the year ended 31 December 2023, other losses were mainly attributable to the net loss on exchange differences in the amount of approximately HK$2.6 million and such loss was mainly due to the depreciation in Renminbi in FY2023.

Please refer to the paragraph headed "Year to year comparison of results of operations" in this section for a discussion of material changes in our Group's other gains and losses during the Track Record Period.

Selling and distribution expenses

The table below sets forth the breakdown of our Group's selling and distribution expenses during the Track Record Period:

	Year ended 31 December					
	2021		2022		2023	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Shipping and Freight-outbound fees	7,417	32.6	7,281	29.0	4,018	18.9
Bonded warehouse expenses	3,244	14.3	3,754	15.0	3,613	17.0
Travelling expenses	757	3.3	737	2.9	1,170	5.5
Business development expenses	2,993	13.2	3,221	12.9	3,107	14.6
Depreciation expenses	352	1.6	288	1.1	75	0.4
Office expenses	1,805	7.9	1,722	6.9	1,776	8.3
Marketing expenses	–	–	–	–	42	0.2
Salary and commission	6,174	27.1	8,071	32.2	7,481	35.1
Total	22,742	100.0	25,074	100.0	21,282	100.0

Our Group's selling and distribution expenses mainly comprises shipping and freight-outbound fees, bonded warehouse expenses, business development expenses and salary and commission. Our Group's selling and distribution expenses of approximately HK$22.7 million, HK$25.1 million and HK$21.3 million, representing 11.2%, 9.7% and 11.3% of our total revenue for the financial year ended 31 December 2021, 2022 and 2023, respectively.

Our shipping and freight-outbound fee of approximately HK$7.4 million, HK$7.3 million and HK$4.0 million for the year ended 31 December 2021, 2022 and 2023, respectively, primarily consisted of logistics fee to freight forwarder for delivery of our products.

Our bonded warehouse expenses of approximately HK$3.2 million, HK$3.8 million and HK$3.6 million for the year ended 31 December 2021, 2022 and 2023, respectively, primarily consisted of the rental of our oversea consignment warehouses.

Our business development expenses of approximately HK$3.0 million, HK$3.2 million and HK$3.1 million for the year ended 31 December 2021, 2022 and 2023, respectively, primarily consisted of promotion and entertainment expenses incurred by our sales and marketing personnel.

Our salary and commission of approximately HK$6.2 million, HK$8.1 million and HK$7.5 million for the year ended 31 December 2021, 2022 and 2023, respectively, which remained stable during the year ended 31 December 2021, 2022 and 2023, primarily consisted of the salary and commission paid to our sales and marketing personnel.

Please refer to the paragraph headed "Year to year comparison of results of operations" in this section for a discussion of material changes in our Group's selling and distribution expenses during the Track Record Period.

Administrative expenses

The table below sets forth the breakdown of our Group's administrative expenses during the Track Record Period:

	Year ended 31 December					
	2021		**2022**		**2023**	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Staff cost and benefits	17,436	73.2	19,030	73.0	20,645	74.7
Travelling expenses	150	0.6	291	1.1	769	2.8
Depreciation	712	3.0	714	2.7	840	3.0
Government rent and rates and building management fee	1,761	7.4	20	0.1	37	0.1
Professional fee	1,223	5.1	1,968	7.5	2,465	8.9
Bank charges	1,033	4.3	1,287	4.9	944	3.4
Office expenses	754	3.2	1,386	5.3	988	3.6
Others	758	3.2	1,395	5.4	952	3.5
Total	23,827	100.0	26,091	100.0	27,640	100.0

Our Group's administrative expenses mainly comprises staff cost and benefits, government rent and rates and building management fee and professional fee. Our administrative expenses amounted to approximately HK$23.8 million, HK$26.1 million and HK$27.6 million for each of the year ended 31 December 2021, 2022 and 2023, respectively. As a percentage of our total revenue, our administrative expenses accounted for approximately 11.7%, 10.1% and 14.6% during the Track Record Period.

Our staff cost and benefits of approximately HK$17.4 million, HK$19.0 million and HK$20.6 million for each of the year ended 31 December 2021, 2022 and 2023, respectively, primarily consisted of wages and salaries, pension scheme contributions, other staff benefits and emoluments for our executive Directors and remained stable during the Track Record Period.

Our government rent and rates and building management fee of approximately HK$1.8 million, HK$20,000 and HK$37,000 for each of the year ended 31 December 2021, 2022 and 2023, respectively, primarily consisted of office expenses, repair and maintenance, telephone expenses and factory management fee.

Our professional fee of approximately HK$1.2 million, HK$2.0 million and HK$2.5 million for each of the year ended 31 December 2021, 2022 and 2023, respectively, primarily consisted of audit fee and consultancy fee for factory renovation.

Our office expenses of approximately HK$0.8 million, HK$1.4 million and HK$1.0 million for each of the year ended 31 December 2021, 2022 and 2023, respectively, primarily consisted of the utilities of our Hong Kong Office.

Other expenses of approximately HK$0.8 million, HK$1.4 million and HK$1.0 million for each of the year ended 31 December 2021, 2022 and 2023, respectively, primarily consisted of sundry and general office expenses which also includes the tax surcharge for instalment payment. Our other expenses remained stable for the year ended 31 December 2021 and 2023. The increase in the year ended 31 December 2022 was primarily due to an one-off cleaning fee for the warehouse after the fire accident.

Please refer to the paragraph headed "Year to year comparison of results of operations" in this section for a discussion of material changes in our Group's administrative expenses during the Track Record Period.

Finance costs

The table below sets forth the breakdown of our Group's finance costs during the Track Record Period:

	Year ended 31 December		
	2021	**2022**	**2023**
	HK$'000	*HK$'000*	*HK$'000*
Interest on:			
– Bank borrowings and bank overdrafts	1,805	2,748	3,732
– Lease liabilities	1,404	1,348	1,052
	3,209	4,096	4,784

During the Track Record Period, our finance costs were attributable to the interests on bank borrowings and bank overdrafts our Group obtained to fund our business operations and the interest on lease liabilities. Our finance costs amounted to approximately HK$3.2 million, HK$4.1 million and HK$4.8 million for each of the year ended 31 December 2021, 2022 and 2023, respectively. For each of the year ended 31 December 2021, 2022 and 2023, our interest on bank borrowings and bank overdrafts amounted to approximately HK$1.8 million, HK$2.7 million and HK$3.7 million, respectively, while the interest on lease liabilities amounted to HK$1.4 million, HK$1.3 million and HK$1.1 million, respectively, both of which remained relatively stable during the Track Record Period. For further details regarding our bank borrowings, please refer to the paragraph headed "Indebtedness" below in this section.

Research and development expenses

During the Track Record Period, our research and development expenses were attributable to retaining R&D and material engineers and engaging engineering consultants. Our research and development expenses amounted to approximately HK$4.1 million, HK$4.3 million and HK$4.8 million for each of the year ended 31 December 2021, 2022 and 2023, respectively. For further details regarding our research and development expenses, please refer to the paragraph headed "Year to year comparison of results of operations" in this section for a discussion of material changes in our Group's research and development expenses during the Track Record Period.

Income tax expense (credit)

	Year ended 31 December		
	2021	**2022**	**2023**
	HK$'000	*HK$'000*	*HK$'000*
Income tax expense (credit) comprises:			
Hong Kong Profits Tax*(Note 1)*			
– Current year	5,434	6,154	970
– Underprovision in prior years	–	–	769
PRC Enterprise Income Tax ("**EIT**")*(Note 2)*			
– Current year	–	44	16
Singapore Corporate Income Tax			
– Current year	–	44	45
Deferred tax	14	(1,042)	(182)
	5,448	5,200	1,618

Notes:

1. Under the two-tiered profits tax rates regime of Hong Kong Profit Tax, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. 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%. Accordingly, for the Track Record Period, the Hong Kong Profits Tax of the qualifying group entity is calculated at 8.25% on the first HK$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK$2 million.

2. Under the Law of the PRC on EIT (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for the Track Record Period, except for certain of the subsidiaries are qualified as small and micro enterprises. For the year ended 31 December 2022, small and micro enterprises were entitled to tax rates of 2.5% on taxable income for the first RMB1,000,000 and tax rate of 5% on taxable income for the subsequent RMB1,000,000 to RMB3,000,000. For the year ended 31 December 2023, small and micro enterprises were entitled to tax rates of 5% on taxable income for the first RMB3,000,000.

	Year ended 31 December		
	2021	**2022**	**2023**
	HK$'000	*HK$'000*	*HK$'000*
Profit before taxation	31,844	26,998	6,656
Tax at applicable tax rate of 16.5%	5,254	4,455	1,098
Tax effect of income not taxable for tax purpose	(1,086)	(184)	(155)
Tax effect of expenses not deductible for tax purpose	1,455	1,506	1,097
Others *(Note)*	–	–	(1,014)
Tax concession	(10)	(412)	(12)
Tax effect on two-tiered tax rate	(165)	(165)	(165)
Underprovision in prior years	–	–	769
Income tax expense for the year	5,448	5,200	1,618

Note: The amount represents the temporary differences between the carrying amounts of right-of-use assets and lease liabilities as at 31 December 2023. The temporary differences in respect of the carrying amounts between right-of-use assets and lease liabilities were not significant as at 31 December 2021, 2022 and 2023.

Our Group recorded effective tax rates of approximately 17.1%, 19.3% and 24.3% for the years ended 31 December 2021, 2022 and 2013, respectively. The effective tax rate for the year ended 31 December 2021 was generally in line with the statutory profits tax rate of 16.5%. The effective tax rates for years ended 31 December 2022 and 2023 were higher than the statutory tax rate of 16.5%, which was primarily attributable to the tax effects of non-deductible expenses incurred during the years ended 31 December 2022 and 2023.

Historical Offshore Profits Claim and relevant tax provisions made

UBoT Inc. (HK) had lodged the Offshore Profits Claim on its whole trading profits arising from its business operations on the grounds that the relevant business transactions were effected outside Hong Kong from the years of assessment 2008/09 to 2021/22. The Offshore Profits Claim was formally withdrawn by UBoT Inc. (HK) in July 2023.

The IRD had been reviewing UBoT Inc. (HK)'s Offshore Profits Claim and had been issuing follow-up enquiry letters to UBoT Inc. (HK) to challenge its offshore profits claim position. The IRD had issued the Protective Assessments to UBoT Inc. (HK) for time-barred years from the year of assessment 2008/09 up to the year of assessment 2016/17. Before the Withdrawal, though UBoT Inc. (HK) had lodged objections on the Protective Assessments with the IRD, UBoT Inc. (HK) also purchased tax reserve certificates, made relevant tax payments in accordance with the protective Profits Tax assessments by installments, and made respective tax provision in the relevant years of assessment based on the stringent approach adopted by the IRD, with the assistance and advice from the independent Tax Consultant to cooperate with the IRD.

As advised by the Tax Consultant, the tax provisions made at the material time has duly taken into account the potential profits tax liabilities arising from the tax issues in dispute between the IRD and UBoT Inc. (HK), and therefore is adequate in case the IRD disallows UBoT Inc. (HK)'s offshore profits claim for the relevant years of assessment. For more details, please refer to the paragraphs headed "Business – Historical Offshore Profits Claim and depreciation allowance" in this document.

The profit/(loss) before tax contributed by UBoT Inc. (HK) during the Track Record Period was approximately HK$28,635,000, HK$29,214,000 and HK$(5,896,000) for the year ended 31 December 2021, 2022 and 2023 respectively, accounting for approximately 89.9%, 108.2% and (88.6%) of the profit before tax of our Group for the corresponding year, respectively. The net profit contributed by UBoT Inc. (HK) was more than 100% of the profit before tax of our Group for the year ended 31 December 2022 mainly because UBoT Enterprise incurred losses before tax in the relevant period and such loss offset part of the net profit contributed by UBoT Inc. (HK) in calculating net profits on group level. For details, please refer to the paragraphs headed "Profitability of UBoT Enterprise" in this section below.

Profitability of UBoT Enterprise

UBoT Enterprise incurred losses before tax of approximately HK$3.4 million and HK$6.0 million for FY2021 and FY2022 and profit before tax of approximately HK$2.7 million for FY2023, respectively, while UBoT Inc. (HK) recorded profits before tax of HK$28.6 million and HK$29.2 million for FY2021 and FY2022 and loss before tax of HK$5.9 million for FY2023, respectively.

As confirmed by our Directors and the Reporting Accountants, for the year ended 31 December 2021, UBoT Enterprise recorded a net loss approximately HK$3.4 million which mainly arose from (i) loss of inventories due to the fire accident occurred in our Shatian Warehouse in March 2021; (ii) the administrative expenses incurred in relation to the commencement of operation of the Houjie Production Factory; and (iii) the appreciation of Renminbi which adversely affected the revenue generated from the related party transactions between UBoT Enterprise and UBoT Inc. (HK) due to the settlement currency were Hong Kong dollars or US Dollars.

Given that the fluctuation of the exchange rate would affect the financial performance of UBoT Enterprise and unpredictability of the trend of the exchange rate, our Directors adjusted the settlement currency of the related party transactions between UBoT Enterprise and UBoT

Inc. (HK) from Hong Kong dollars to Renminbi in January 2022 in order to eliminate the impact of the fluctuation of the exchange rate. For the year ended 31 December 2022, UBoT Enterprise recorded a net loss of approximately HK$6.0 million which mainly arose from (i) the increase in the price of raw materials in the PRC as the suppliers of our Group increased the price to offset the exchange difference from the depreciation of Renminbi as the PRC suppliers mainly sourced raw materials from overseas companies; and (ii) loss in exchange difference of approximately RMB1.9 million arose from its short-term amounts due to UBoT Inc. (HK) for operational purpose on its current accounts as the value of Renminbi depreciated against other currencies during the period.

YEAR TO YEAR COMPARISON OF RESULTS OF OPERATIONS

Year ended 31 December 2023 compared to year ended 31 December 2022

Revenue

Our revenue decreased by approximately 26.6% from approximately HK$257.6 million for the year ended 31 December 2022 to approximately HK$189.0 million for the year ended 31 December 2023. The decrease was primarily due to the decrease in sales order of tray and tray related products by approximately 26.4% from approximately 28.4 million units in FY2022 to approximately 20.9 million units in FY2023 mainly attributable to a decrease in order intake from (i) our customers in the PRC and Southeast Asia due to the temporary slowdown in the semiconductor industry in 2023 due to factors such as geopolitical tensions and the global macroeconomic downturn; (ii) our sale in the United States as the orders received from one of our major customers decreased significantly as a result of the CAC's ban on operators of key infrastructure in the PRC to procure semiconductors from such customer based in the United States since the second quarter of 2023 and; (iii) the decrease in orders placed by the customers in Taiwan as a result of decline in demand for such products. In particular, the market size of the global semiconductor industry decreased by approximately 8.1% in 2023. The decrease in revenue was partially offset by an increase in sales of our MEMS and sensor packaging. Our Directors consider that such decrease was attributed by the slowdown in the semiconductor industry in the year ended 31 December 2023 due to factors such as geopolitical tensions and the global macroeconomic downturn, which was a short-term adjustment of the semiconductor industry and is not expected to be long-term in nature. Please refer to the section headed "Industry Overview – Global Market Size of Semiconductor Industry" for more details.

Cost of sales

Our cost of sales decreased by approximately 24.9% from approximately HK$155.7 million for the year ended 31 December 2022 to approximately HK$117.0 million for the year ended 31 December 2023. The decrease was the combined effect of the decrease in our cost of raw materials, labour costs and manufacturing overhead during the year ended 31 December 2023 which was in line with the consequential reduction in our production activities from our decrease in sales. Our cost of sales for the year ended 31 December 2023 showed a smaller extent of decrease as compared to our decrease in revenue primarily because part of our manufacturing overheads remained at similar level despite the decrease in production level.

Gross profit and gross profit margin

Our gross profit decreased by approximately 29.7% from approximately HK$101.9 million for the year ended 31 December 2022 to approximately HK$72.0 million for the year ended 31 December 2023 and our gross profit margin decreased slightly from 39.6% for the year ended 31 December 2022 to 38.1% for the year ended 31 December 2023. The decrease in our gross profit for the year ended 31 December 2023 was in line with our decrease in sales order of tray and tray related products. The decrease in gross profit margin was mainly because we sold less customised products with relatively higher unit price in order to cater to our customers' business needs, which was partially mitigated by the increase in proportion of sales volume for MEMS and sensor packaging for the year ended 31 December 2023, which had relatively a higher gross profit margin.

Other income

Our other income decreased by approximately 84.7% from approximately HK$0.9 million for the year ended 31 December 2022 to approximately HK$0.1 million for the year ended 31 December 2023. The decrease was primarily due to the decrease in government grants due to no one-off COVID-19 related subsidies was granted including (i) the Employment Support Scheme launched by the Hong Kong government; and (ii) the Job Support Scheme launched by Singapore government received.

Other gains and losses

We recorded other losses of approximately HK$6.0 million for year ended 31 December 2022 and approximately HK$2.2 million for the year ended 31 December 2023. The change was primarily due to the decrease in the net loss in exchange differences in the amount of HK$2.6 million due to the depreciation of Renminbi during the year.

Selling and distribution expenses

Our selling and distribution expenses decreased by approximately 15.1% from approximately HK$25.1 million for the year ended 31 December 2022 to approximately HK$21.3 million for the year ended 31 December 2023. The decrease was the combined effect of the decrease in our shipping and freight-outbound fee after the negative effects from the COVID-19 pandemic which caused the increase in fees further subsided, which was partially offset by the increase in travelling expenses with the uplift of most of the travel restrictions in 2023 as we continued our sales and marketing effort despite the slowdown of the market during the year.

Administrative expenses

Our administrative expenses slightly increased by approximately 5.7% from approximately HK$26.1 million for the year ended 31 December 2022 to approximately HK$27.6 million for the year ended 31 December 2023. This was mainly because (i) our staff costs and benefits increased as we engaged experienced personnel for business development in Southeast Asia and (ii) the increase in travelling expenses associated with the establishment of our Shanghai Office.

Finance costs

Our finance costs increased by approximately 16.8% from approximately HK$4.1 million for the year ended 31 December 2022 to approximately HK$4.8 million for the year ended 31 December 2023. The increase was primarily attributable to the increase in applicable interest rate of our bank borrowings due to the increase in HIBOR following the decision made by the Hong Kong Monetary Authority in respect of the upward adjustment of the base rate to approximately 4.75% to 5.75% in 2023 as compared to 0.75% to 4.75% in 2022 as a result of the rise in the benchmark federal funds rate during the relevant period.

Research and development expenses

Our research and development expenses increased by approximately 12.9% from approximately HK$4.3 million for the year ended 31 December 2022 to approximately HK$4.8 million for the year ended 31 December 2023. The increase was primarily attributable to the increase in product development requests for our carrier tape products as we continued our product development efforts in the year.

Profit for the year

As a result of the foregoing, our profit for the year decreased by approximately 76.7% from approximately HK$21.8 million for the year ended 31 December 2022 to approximately HK$5.0 million for the year ended 31 December 2023. The decrease in profitability in the year ended 31 December 2023 was because our operating expenses remained at similar level as compared to the year ended 31 December 2022 when our revenue decreased for approximately 26.6%. Our profit for the year was affected by our selling and distribution expenses of approximately HK$21.3 million and administrative expenses of approximately HK$27.6 million, which are less variable in nature and accounted for approximately 29.6% and 38.4% for our gross profit, respectively, as well as the effect of one-off **[REDACTED]** of our gross profit. Our net profit margin has decreased from 8.5% for the year ended 31 December 2022 to 2.7% for the year ended 31 December 2023. For details, please refer to the paragraphs headed "Financial Information – Historical Financials".

Non-IFRS measures – Adjusted profit and adjusted profit margin for the year

Our adjusted profit (Non-IFRS measures) for the year decreased by approximately **[REDACTED]** from approximately **[REDACTED]** for the year ended 31 December 2022 to approximately **[REDACTED]** for the year ended 31 December 2023 as a result of our decrease in sales of tray and tray related products in the year. Our adjusted profit margin (Non-IFRS measures) decreased from approximately **[REDACTED]** for the year ended 31 December 2022 to approximately **[REDACTED]** for the year ended 31 December 2023, which was in line with our decrease in our gross profit margin.

Year ended 31 December 2022 compared to year ended 31 December 2021

Revenue

Our revenue increased by approximately 26.9% from approximately HK$202.9 million for the year ended 31 December 2021 to approximately HK$257.6 million for the year ended 31 December 2022. The increase was primarily due to the increase in sales orders from our customers as a result of (i) expansion of business scale of our customers; (ii) our expanded range of product and service offering arose from our R&D efforts and (iii) the global recovery from the COVID-19 pandemic, and the engagement of new customers during the year ended 31 December 2022 as a result of our ongoing sales and marketing efforts. Given that our products and services are in complementary demand with the products offered by our customers, the expansion of business by our customers generally positively affects the demand for our products and services.

Cost of sales

Our cost of sales increased by approximately 33.9% from approximately HK$116.2 million for the year ended 31 December 2021 to approximately HK$155.7 million for the year ended 31 December 2022. The increase was the combined effect of the increase in our cost of raw materials, labour cost and manufacturing overhead during the year ended 31 December 2022 in line with our growth in sales volume. The increase in our cost of raw materials was mainly attributable to the increase in our sales volume and the increase in price of our raw materials. The increase in our labour cost was primarily because we employed more staff in connection with the commencement of operation of the Houjie Production Factory in June 2021 and the effect of the acquisition of UBOTIC MEMS into our Group in 2022.

Gross profit and gross profit margin

Our gross profit increased by approximately 17.5% from approximately HK$86.7 million for the year ended 31 December 2021 to approximately HK$101.9 million for the year ended 31 December 2022 and our gross profit margin decreased from 42.7% for the year ended 31 December 2021 to 39.6% for the year ended 31 December 2022. The increase in our gross profit was due to our increase in sales volume and revenue and economies of scale were achieved as labour cost and manufacturing overhead remained relatively stable and we sold more customised products with a relatively higher unit price in the year while the decrease in gross profit margin was primarily due to the increase in the price of raw materials which was partially offset by the increase in our average selling price.

Other income

Our other income increased by over 1,179.7% from approximately HK$74,000 for the year ended 31 December 2021 to approximately HK$0.9 million for the year ended 31 December 2022. The increase was primarily due to the increase in government grant from the Employment Support Scheme from the Hong Kong government in the amount of approximately HK$0.6 million and other government subsidies from the PRC government in the amount of approximately HK$0.2 million.

Other gains and losses

We recorded to other losses of approximately HK$6.0 million for the year ended 31 December 2022 as compared to other gains of approximately HK$1.1 million for the year ended 31 December 2021. The change was due to the increase in the net loss in exchange differences in the amount of approximately HK$6.4 million due to the depreciation in Renminbi in FY2022.

Selling and distribution expenses

Our selling and distribution expenses increased 10.3% from approximately HK$22.7 million for the year ended 31 December 2021 to approximately HK$25.1 million for the year ended 31 December 2022. The increase was the combined effect of: (i) the increase in our bonded warehouse expenses which was attributable to the increase in rates of bonded warehouses and the increase in our sales volume; (ii) the increase in our salary and commission arising from the increase in sales commission for sales representative in line with our growth in sales, which was partially offset by (iii) the decrease in our shipping and freight-outbound fee after the negative effects from the COVID-19 pandemic gradually subsided.

Administrative expenses

Our administrative expenses increased from approximately HK$23.8 million for the year ended 31 December 2021 to approximately HK$26.1 million for the year ended 31 December 2022. For the year ended 31 December 2022, despite the decrease in our government rent and rates and building management fee as our Group stopped engaging building management service in our production facilities, our administrative expenses increased as compared to the year ended 31 December 2021 because of the increase in our staff costs and benefits as the headcount of our Group increased and the one-off expense of cleaning fee for the warehouse after the fire accident.

Finance costs

Our finance costs increased by approximately 27.6% from approximately HK$3.2 million for the year ended 31 December 2021 to approximately HK$4.1 million for the year ended 31 December 2022. The increase was primarily attributable to the increase in applicable interest rate of our bank borrowings during the relevant period.

Research and development expenses

Our research and development expenses increased by approximately 4.0% from approximately HK$4.1 million for the year ended 31 December 2021 to HK$4.3 million for the year ended 31 December 2022. The increase was primarily attributable to the pay rise for certain key engineers and recruitment costs for research and development staff in the PRC.

Profit for the year

Our profit for the year decreased by approximately 17.4% from approximately HK$26.4 million for the year ended 31 December 2021 to approximately HK$21.8 million for the year ended 31 December 2022 primarily because of the effect of **[REDACTED]** which are of a non-recurring nature. Our net profit margin decreased from 13.0% for the year ended 31 December 2021 to 8.5% for the year ended 31 December 2022.

Non-IFRS measures – Adjusted profit and adjusted profit margin for the year

Our adjusted profit (Non-IFRS measures) for the year increased by approximately **[REDACTED]** from approximately **[REDACTED]** for the year ended 31 December 2021 to approximately **[REDACTED]** for the year ended 31 December 2022 after removing the effect of the **[REDACTED]** which are of a non-recurring nature. Such increase was in line with our increase with our gross profit as mentioned above. Our adjusted profit margin (Non-IFRS measures) decreased from approximately **[REDACTED]** for the year ended 31 December 2021 to approximately **[REDACTED]** for the year ended 31 December 2022, which was in line with our decrease in our gross profit margin.

NET CURRENT ASSETS AND CURRENT LIABILITIES

We recorded net current liabilities of approximately HK$11.7 million as at 31 December 2021 and net current assets of approximately HK$6.7 million and HK$9.8 million as at 31 December 2022 and 31 December 2023, respectively. The following table sets forth a breakdown of our current assets, current liabilities, and net current assets/liabilities as at the dates indicated:

	As at 31 December			As at 31 March
	2021	**2022**	**2023**	**2024**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)
Current assets				
Inventories	60,113	60,701	65,588	62,713
Trade and other receivables, deposits and prepayments	63,215	63,320	51,717	53,797
Financial assets at fair value through profit or loss	12,968	13,335	13,748	13,878
Amount due from a director	10,620	6,318	6,318	3,192
Amount due from a related company	2,954	–	–	–
Time deposits	–	–	–	–
Bank balances and cash	2,323	5,900	1,073	1,214
	152,193	149,574	138,444	134,794
Current liabilities				
Trade and other payables	75,648	52,741	55,828	54,619
Contract liabilities	340	62	20	16
Income tax provision	20,927	25,390	14,171	9,815
Bank overdrafts	3,261	–	2,932	2,973
Lease liabilities	10,097	7,002	7,670	7,748
Bank borrowings	53,599	57,680	48,064	46,875
	163,872	142,875	128,685	122,046
Net current (liabilities) assets	(11,679)	6,699	9,759	12,748

Our current assets during the Track Record Period mainly consists of inventory, trade and other receivables, deposits and prepayments, financial assets at fair value through profit or loss and amount due from a director of approximately HK$60.1 million, HK$63.2 million, HK$13.0 million and HK$10.6 million as at 31 December 2021, approximately HK$60.7 million, HK$63.3 million, HK$13.3 million and HK$6.3 million as at 31 December 2022, and approximately

HK$65.6 million, HK$51.7 million, HK$13.7 million and HK$6.3 million as at 31 December 2023. Our current liabilities during the Track Record Period mainly consists of trade and other payables, bank borrowings and income tax provision of approximately HK$75.6 million, HK$53.6 million and HK$20.9 million as at 31 December 2021, approximately HK$52.7 million, HK$57.7 million and HK$25.4 million as at 31 December 2022, and approximately HK$55.8 million, HK$48.1 million and HK$14.1 million as at 31 December 2023, respectively.

Our Directors confirm that we had no default or delay in payment of trade and non-trade payables and borrowings, and/or breaches of covenants during the Track Record Period that would have a material impact on our business, financial conditions and results of operations. We will keep on monitoring liquidity requirements on a regular basis to ensure that sufficient working capital is maintained. Our net current liabilities position as at 31 December 2021 was partly because we have used short-term bank loans and other borrowings to finance our capital expenditure and in particular, HK$12.6 million of bank borrowings would be practically repaid over one year after 31 December 2021, based on the repayment schedule and has been classified as current liabilities as they had a repayment on demand clause. The level of our net current liabilities as at 31 December 2021 was also subject to the effect of income tax provision of approximately HK$20.9 million in relation to the historical Offshore Profits Claim made before the Withdrawal.

Our net current assets increased from approximately HK$9.8 million as at 31 December 2023 to HK$12.7 million (unaudited) as at 31 March 2024, which was primarily due to the decrease in income tax provisions of approximately HK$4.4 million.

DESCRIPTION ON MAJOR COMPONENTS OF STATEMENTS OF FINANCIAL POSITION

Property, plant and equipment

During the Track Record Period, our property, plant and equipment consisted mainly of plant and machineries, moulds, fixture, furniture and equipment, leasehold improvements and construction in progress. As at 31 December 2021, 2022 and 2023, the book value of our property, plant and equipment were approximately HK$37.2 million, HK$41.2 million and HK$44.0 million, respectively. Such increase was mainly because we acquired more moulds for the production of our tray and tray related products.

Inventories

Inventories primarily comprise raw materials, work in progress and finished goods. The following table sets out the breakdown at our inventories as at the dates indicated which were stated at cost, as well as our inventory turnover days for the periods indicated:

	As at 31 December		
	2021	**2022**	**2023**
	HK$'000	*HK$'000*	*HK$'000*
Raw materials	22,921	17,052	14,546
Work in progress	5,709	10,819	11,808
Finished goods	31,483	32,830	39,234
	60,113	60,701	65,588

Our inventories remained stable, amounting to approximately HK$60.7 million as at 31 December 2022, as compared to approximately HK$60.1 million as at 31 December 2021. Our inventories as at 31 December 2023 increased to approximately HK$65.6 million due to the increase in finished goods from approximately HK$32.8 million as at 31 December 2022 to approximately HK$39.2 million as at 31 December 2023 due to the prolonged distribution schedule requested by our customer with the decrease in demand of the end customers for their products.

The following table sets forth the inventory turnover days for the periods indicated:

	Year ended 31 December		
	2021	**2022**	**2023**
Inventory turnover days(1)	155	142	197

Note:

(1) Inventory turnover days is derived by dividing the average of inventory at the beginning of the period and inventory at the end of the period (both net of provision) by the cost of sales for the relevant period and then multiplied by the number of calendar days in that period.

Inventory turnover days slightly decreased to 142 days as at 31 December 2022 as compared to 155 days as at 31 December 2021 as a result of the adjustment to inventory control of our Group since the alleviation of the COVID-19 pandemic. Inventory turnover days increased to 197 days as at 31 December 2023 due to the increase in inventory level arising from the prolonged distribution schedule requested by our customers with the decrease in demand of the end customers for their products and the decrease in cost of sales level because of lower production volume. As at 31 December 2023, approximately 33.0% of finished goods was held in our overseas bonded warehouses under consignment arrangement. As at the Latest Practicable Date, over 90% of the inventories are supported by the purchase order.

The following table sets forth the ageing analysis of our Group's inventories:

		As at 31 December		
		2021	**2022**	**2023**
		HK$'000	*HK$'000*	*HK$'000*
Raw materials:	Within 30 days	9,766	7,374	4,747
	31–60 days	1,147	1,982	2,236
	61–90 days	1,430	804	926
	91–180 days	1,388	2,782	1,373
	181–270 days	136	894	820
	271–365 days	336	662	796
	Over 365 days	8,718	2,554	3,648
		22,921	17,052	14,546
Work in progress:	Within 30 days	5,709	10,819	11,808
		5,709	10,819	11,808
Finished goods:	Within 30 days	16,912	13,114	14,859
	31–60 days	5,514	8,110	7,406
	61–90 days	2,590	2,777	2,632
	91–180 days	3,247	3,615	5,862
	181–270 days	1,756	2,224	2,436
	271–365 days	454	1,143	3,323
	Over 365 days	1,010	1,847	2,716
		31,483	32,830	39,234
	Total	60,113	60,701	65,588

As at 31 March 2024, approximately HK$40.8 million, accounting for approximately 62.2% of our inventories as at 31 December 2023, was consumed or sold. Our Group has an inventory policy to build sufficient inventory level to meet the demand of our overseas customers and to avoid any disruption in the supply chain. Our Directors confirm that during the Track Record Period there had not been recoverability issue for the inventories. Given that the unsold finished goods are supported by customer's demand forecast and impairment on overhead costs and direct labour costs has been made, our Directors are of the view that sufficient inventory provision has been made.

Trade and other receivables, deposits and prepayments

Trade Receivables

During the Track Record Period, our trade receivables primarily represented trade receivables from our customers for our products provided in ordinary course of business, amounted to approximately HK$40.7 million and HK$41.1 million, net of allowance for credit losses as at 31 December 2021 and 2022 respectively. Such increase was mainly due to the increase in sales. Our trade receivables amount to approximately HK$32.7 million as at 31 December 2023. Such decrease was mainly attributable to decrease in sales. A provision of ECL of HK$76,000 and HK$354,000 was provided for the years ended 31 December 2021 and 2022, respectively and a reversal of ECL of HK$493,000 was recognised for the year ended 31 December 2023.

Ageing analysis of trade receivables

Our Group's trading terms with customers include both on cash and on credit. The credit term, if any, generally ranges from 0 to 90 days during the Track Record Period. For new customers, payment in advance is normally required. Our Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by our Directors.

The aging analysis of trade receivables, net of allowance for doubtful debts, based on the invoice date, is as follows:

	As at 31 December		
	2021	**2022**	**2023**
	HK$'000	*HK$'000*	*HK$'000*
Within 30 days	20,858	19,835	13,807
31 days to 60 days	13,336	14,466	11,591
61 days to 90 days	5,506	5,623	5,788
91 days to 180 days	958	1,189	1,284
Over 180 days	8	–	272
Total	40,666	41,113	32,742

As at 1 January 2021, trade receivables from contracts with customers amounted to approximately HK$29.9 million, net of allowance for doubtful debts.

At the end of the accounting period ending 31 December 2021, 2022 and 2023 respectively, we reviewed trade receivables for evidence of impairment on both an individual and a collective basis by past due basis. The provision of ECL for receivables is recognised based on the credit history of its customers, indication of financial difficulties, default in payments, and current market conditions. After the assessment performed by the management of the Company, a provision of ECL of approximately HK$0.1 million and HK$0.4 million was provided for the years ended 31 December 2021 and 2022, respectively and a reversal of ECL of approximately HK$0.5 million was recognised for the year ended 31 December 2023 due to the decrease of gross carrying amount of trade receivables, which is a result of settlement of outstanding trade receivables as at 31 December 2022 during the year ended 31 December 2023 and the decrease in outstanding trade receivables at 31 December 2023. The management of the Company consider that the trade debtors are of good credit quality.

Trade receivables turnover days

The following table sets out for the periods presented the turnover of our average trade receivables:

	Year ended 31 December		
	2021	**2022**	**2023**
Trade receivables turnover days *(Note)*	63	58	71

Note: Trade receivables turnover days for a period equals the average of the opening and closing trade receivables less the allowance for credit losses divided by revenue for the same period and multiplied by the number of calendar days in that period.

Our trade receivables turnover days was 63 days, 58 days and 71 days respectively for the years ended 31 December 2021 and 2022 and 2023. For the year ended 31 December 2023, our trade receivables turnover days had increased to 71 days, which was mainly because our Group extended the credit terms of Customer D from 45 days to 60 days as per their request since 1 January 2023.

Our trade receivables as at 31 December 2023 amounted to approximately HK$32.7 million, of which HK$31.1 million, or 95.0%, were subsequently settled as at 31 March 2024.

Prepayments, deposits and other receivables

During the Track Record Period, our prepayments, deposits and other receivables mainly represented other receivables and deposits, tax reserve certificate and prepaid expenses. As at 31 December 2021, 2022 and 2023, our prepayments, deposits and other receivables remained stable, amounting to approximately HK$23.6 million, HK$24.1 million and HK$21.9 million, respectively.

	As at 31 December		
	2021	**2022**	**2023**
	HK$'000	*HK$'000*	*HK$'000*
Other receivables and deposits	2,892	3,408	4,635
Value added tax recoverable	2,418	2,885	2,274
Other receivable from insurance company	4,111	–	–
Prepayments paid to suppliers	2,502	2,946	3,682
Prepaid expenses	4,180	4,576	4,855
[REDACTED]	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Deferred issue costs	673	3,515	5,038
Tax reserve certificate	6,372	6,372	–
Total	23,645	24,106	21,922

HK$7.5 million, or 34.2% our prepayments, deposits and other receivables as at 31 December 2023 were subsequently settled as at 31 March 2024.

Financial assets at fair value through profit or loss

The financial assets at fair value through profit or loss represent unlisted investment in life insurance contracts for Mr. Tong. UBoT Inc. (HK) is the beneficiary of such investments. The carrying amounts represent the cash surrender value of the policies and approximate to their fair values at the end of the reporting period.

During the Track Record Period, the financial assets at fair value through profit or loss was approximately HK$13.0 million, HK$13.3 million, HK$13.7 million as at 31 December 2021, 2022 and 2023.

Amount due from related parties

The amount due from related parties consists of the amount due from a director and amount due from a related company. The amount due from a director was approximately HK$10.6 million, HK$6.3 million and HK$6.3 million as at 31 December 2021, 2022 and 2023, respectively. Such amount represents amount due from Mr. Tong, our executive Director and controlling shareholder primarily due to provision of funding to UBOTIC, HK$4.8 million of which will be offset after UBOTIC MEMS entering into our Group and the rest will be offset before **[REDACTED]**. The amount due from a related company was approximately HK$3.0 million, nil and nil as at 31 December 2021, 2022 and 2023. Such amount represents amount due from UBOTIC MEMS, which was controlled by Mr. Tong until our Group has acquired it from Mr. Tong on 31 March 2022, which had been offset after UBOTIC MEMS entered into our Group.

As at 31 December 2021 and 2022 and 2023, all of our amounts due from related parties were non-trade nature, unsecured, interest-free and repayable on demand.

Our Directors confirm that all the amounts (including the non trade balances) due from related companies will be fully settled before **[REDACTED]**. For further details, please refer to Note 20 of the Accountants' Report as set out in Appendix I to this document.

Bank balances and cash

Our bank balances and cash increased from approximately HK$2.3 million as at 31 December 2021 to approximately HK$5.9 million as at 31 December 2022 and decreased to approximately HK$1.1 million as at 31 December 2023. For details, please refer to the paragraph headed "Indebtedness" in this section.

Certain of the cash and bank balances denominated in RMB were placed with banks in the PRC. RMB is not freely convertible to other currencies. Under the PRC's Foreign Exchange Control Regulations and Administration of Settlement and Sales and Payment of Foreign Exchange Regulations, our Group is permitted to exchange RMB for foreign currencies through banks that are authorised to conduct foreign exchange business.

Trade and other payables

Trade payables

During the Track Record Period, our trade payables mainly represented trade payables to our suppliers. The following sets forth our trade payables as at 31 December 2021, 2022 and 2023 respectively:

	As at 31 December		
	2021	**2022**	**2023**
	HK$'000	*HK$'000*	*HK$'000*
Trade payables			
– third parties	44,699	33,050	36,495
– UBOTIC MEMS	6,863	–	–
	51,562	33,050	36,495

Our trade payables decreased from approximately HK$51.6 million as at 31 December 2021 to approximately HK$33.1 million as at 31 December 2022 because the trade payables to UBOTIC MEMS had been offset since we acquired UBOTIC MEMS in March 2022. Our trade payables remained relatively stable at approximately HK$36.5 million as at 31 December 2023. The credit period on purchases from suppliers is ranging from 0–120 days or payable upon delivery.

Aging analysis of trade payables

The following table sets forth a summary of ageing of our trade payables based on the invoice date is as follows:

	As at 31 December		
	2021	**2022**	**2023**
	HK$'000	*HK$'000*	*HK$'000*
Within 30 days	12,941	13,044	4,384
31 days to 60 days	8,421	7,652	5,299
61 days to 90 days	1,668	6,944	2,427
91 days to 180 days	2,762	3,212	12,531
181 days to 270 days	7,607	579	8,728
271 days to 365 days	3,521	608	2,472
Over 365 days	14,642	1,011	654
Total	51,562	33,050	36,495

The trade payables are short-term and hence the carrying values of the trade payables are considered to be a reasonable approximation of fair value.

Trade payables turnover days

The following table sets out for the periods presented the turnover of our average account payables:

	Year ended 31 December		
	2021	**2022**	**2023**
Trade payables turnover days *(Note)*	163	99	108

Note: Trade payables turnover days for a period equals the average of the opening and closing trade payables balance divided by cost of sales for the same period and multiplied by the number of calendar days in that period.

The trade payables turnover days decreased from 163 days for the year ended 31 December 2021 to 99 days for the year ended 31 December 2022 primarily due to increased payments were made according to business terms. The trade payables turnover days for the year ended 31 December 2023 remained relatively stable at 108 days.

Our trade payables as at 31 December 2023 amounted to approximately HK$36.5 million, of which approximately HK$7.3 million, or 20.0%, had been settled as at 31 March 2024.

Payroll and retirement benefit plan payables

During the Track Record Period, our payroll and retirement benefit plan payables mainly represented payroll and retirement benefit plan for our staff, amounting to approximately HK$10.5 million as at 31 December 2021. Our payroll and retirement benefit plan payables increased to approximately HK$10.9 million as at 31 December 2022, which was mainly attributable to the increase in staff salary and benefits of our Group during the year ended 31 December 2022. Our payroll and retirement benefit plan payables decreased to approximately HK$7.5 million as at 31 December 2023 as a result of the decrease in salary of the PRC staff as a result of the reduction in production activities.

Accrued expenses

During the Track Record Period, our accrued expenses mainly represented audit fee, consultancy fees and daily operation fee, such as sales point expenses and manufacturing overhead. As at 31 December 2021, our accrued expenses amounted to approximately HK$4.4 million. Our accrued expenses decreased to approximately HK$3.8 million as at 31 December 2022, which was mainly attributable to the decrease in accrued consultancy fees. Our accrued expenses decreased to approximately HK$3.4 million as at 31 December 2023 as a result of the decrease in the one-off cleaning fee for the warehouse after the fire accident.

***Accrued* [REDACTED]**

Accrued **[REDACTED]** were expenses in relation to the **[REDACTED]**, which were approximately **[REDACTED]** as at 31 December 2021, approximately **[REDACTED]** as at 31 December 2022 and approximately **[REDACTED]** as at 31 December 2023.

Payables for acquisition of property, plant and equipment

Our payables for acquisition of property, plant and equipment amounted to approximately HK$3.9 million as at 31 December 2021. Our payables for acquisition of property, plant and equipment decreased to approximately HK$0.8 million as at 31 December 2022, which was mainly attributable to our settlement of payables during the year ended 31 December 2022. Our payables for acquisition of property, plant and equipment increased to approximately HK$0.8 million as at 31 December 2023, which was mainly due to our investments in moulds for production based on the number of new specifications.

Other payables

During the Track Record Period, our other payables represented commission to sales representatives and shipping fee to forwarder. Our other payables amounted to approximately HK$3.6 million as at 31 December 2021. Our other payables decreased to approximately HK$3.0 million as at 31 December 2022, which was mainly attributable to the decrease in the payables of shipping fees to forwarder, which is in line with our decrease in shipping and freight-outbound fees. Our other payables increased to approximately HK$4.5 million as at 31 December 2023, which was mainly due to the accumulated commission of the sales representative which has yet to be settled as at 31 December 2023.

Income tax provision

Our Group's income tax provision has been provided at the applicable Hong Kong tax rate of 16.5%. Prior to the Withdrawal, UBoT Inc. (HK) had submitted the Offshore Profits Claim, and the income tax provision reflected management's best estimation. Following the Withdrawal, the income tax provision was adjusted to align substantially with the profits tax assessments issued by the IRD.

Our income tax provision amounted to approximately HK$20.9 million as at 31 December 2021, comprising of (i) approximately HK$15.5 million carried forward from prior years for the assessment years from 2008/09 to 2020/21; and (ii) an income tax provision of HK$5.4 million made during the year.

Our income tax provision increased from approximately HK$20.9 million as at 31 December 2021 to approximately HK$25.4 million as at 31 December 2022, representing an increase of approximately HK$4.5 million or 21.3%. Such increase was mainly attributable to a tax provision of approximately HK$6.1 million made for the year ended 31 December 2022, which was partially offset by a tax installment payment of approximately HK$1.8 million.

Our income tax provision decreased from approximately HK$25.4 million as at 31 December 2022 to approximately HK$14.2 million as at 31 December 2023, representing a decrease of approximately HK$11.2 million or 44.2%. Such decrease was primarily attributable to (i) the tax installment payment of approximately HK$6.7 million; and (ii) the utilisation of tax reserve certificates purchased amounted to approximately HK$6.4 million to offset against the final tax assessments for the assessment years 2008/09 to 2016/17 issued and assessed by the IRD in August 2023 after the Withdrawal.

LIQUIDITY AND FINANCIAL RESOURCES

Overview

During the Track Record Period, our Group's operations were generally funded through cash generated from our operations and bank borrowings. Our Directors believe that in the long run and after the **[REDACTED]**, our operations will continue to be funded by cash generated from our operations and bank borrowings.

Cash flow of our Group

The following table is a summary of our consolidated statements of cash flows for the years indicated:

Selected consolidated statements of cash flows

	Year ended 31 December		
	2021	**2022**	**2023**
	HK$'000	*HK$'000*	*HK$'000*
Operating cash flow before movement in working capital	47,973	47,278	28,515
Net cash from operating activities	8,186	34,312	27,780
Net cash used in investing activities	(7,819)	(14,208)	(14,134)
Net cash used in financing activities	(5,432)	(13,187)	(21,364)
Net (decrease) increase in cash and cash equivalents	(5,065)	6,917	(7,718)
Effect of foreign exchange rate changes	(616)	(79)	(41)
Cash and cash equivalent at the beginning of the year	4,743	(938)	5,900
Cash and cash equivalent at the end of the year	(938)	5,900	(1,859)

Cash flow from operating activities

During the Track Record Period, the cash inflows from our operating activities were primarily derived from the payments made by our customers for our products, while cash outflows for our operating activities were primarily attributable to (i) the purchase of raw materials from our suppliers and the increase in finished goods for coping with the demand from customers; (ii) the settlement of **[REDACTED]**; (iii) the settlement of our rental expenses; (iv) the payment of our staff costs; and (v) payments for other working capital needs.

For the year ended 31 December 2023, we had net cash from operating activities of approximately HK$27.8 million. This represents our profit before tax of approximately HK$6.7 million, adjusted mainly by (i) depreciation of property, plant and equipment of approximately HK$10.8 million; (ii) depreciation of right-of-use asset of approximately HK$6.5 million; (iii) finance cost of approximately HK$4.8 million; (iv) changes in working capital items that positively affected the operating cash flows, including the increase in trade and other payables of approximately HK$4.4 million and the decrease in trade and other receivables, deposits and prepayments of approximately HK$6.2 million; (v) changes in working capital items that negatively affected the operating cash flows, including the increase in inventories of approximately HK$4.6 million; and (vi) Hong Kong profit tax paid of approximately HK$6.7 million.

For the year ended 31 December 2022, we had net cash from operating activities of approximately HK$34.3 million. This represents our profit before tax of approximately HK$27.0 million, adjusted mainly by (i) depreciation of property, plant and equipment of approximately HK$8.9 million; (ii) depreciation of right-of-use asset of approximately HK$6.9 million; (iii) finance cost of approximately HK$4.1 million; (iv) changes in working capital items that positively affected the operating cash flows, including the decrease in inventories of approximately HK$2.9 million and the decrease in trade and other receivables, deposits and prepayments of approximately HK$1.5 million; (v) changes in working capital items that negatively affected the operating cash flows, including the decrease in trade and other payables of approximately HK$15.3 million; and (vi) income tax paid of approximately HK$1.8 million.

For the year ended 31 December 2021, we had net cash from operating activities of approximately HK$8.2 million. This represents our profit before tax for the year of approximately HK$31.8 million, adjusted mainly by (i) depreciation of property, plant and equipment of approximately HK$8.1 million; (ii) depreciation of right-of-use asset of approximately HK$6.6 million; (iii) finance cost of approximately HK$3.2 million; (iv) changes in working capital items that positively affected the operating cash flows, including the increase in trade and other payables of approximately HK$3.4 million; (v) changes in working capital items that negatively affected the operating cash flows, mainly including (a) the increase in inventories of approximately HK$21.4 million for coping with the demand of our customers; and (b) the increase in trade and other receivables, deposits and prepayments of approximately HK$19.7 million, (i) approximately HK$4.1 million of which represents the remaining outstanding compensation income due to the fire accident from the insurance company; (ii) approximately HK$1.5 million of which represents an increase in prepayments paid to suppliers mainly resulting from the acquisition of property, plant and equipment in the PRC; (iii) approximately HK$2.1 million of which represents an increase in prepaid expenses mainly resulting from repair and maintenance of the mould tooling; and (vi) income tax paid of approximately HK$2.1 million.

Cash flow used in investing activities

For the year ended 31 December 2023, we had net cash used in investing activities of approximately HK$14.1 million. The cash had primarily been spent on (i) purchase of property, plant and equipment of approximately HK$13.3 million; and (ii) deposits paid for acquisition of property, plant and equipment of approximately HK$1.4 million.

For the year ended 31 December 2022, we had net cash used in investing activities of approximately HK$14.2 million. The cash had primarily been spent on (i) purchase of property, plant and equipment of approximately HK$14.3 million; and (ii) advance to a director of approximately HK$5.1 million, offset by the (i) repayment from a director of approximately HK$4.1 million; and (ii) repayment from a related company of approximately HK$2.3 million.

For the year ended 31 December 2021, we had net cash used in investing activities of approximately HK$7.8 million. The cash had primarily been spent on (i) purchase of property, plant and equipment of approximately HK$13.7 million; (ii) advance to a related company of approximately HK$3.3 million; and (iii) advance to a director of approximately HK$2.8 million, offset by the (i) repayment from a related company of approximately HK$7.5 million; and (ii) repayment from a director of approximately HK$4.5 million.

Cash flow from/(used in) financing activities

For the year ended 31 December 2023, we had net cash used in financing activities of approximately HK$21.4 million. New bank borrowings raised of approximately HK$182.8 million positively affected the cash flows from financing activities. The primary reasons that negatively affected the cash flows from financing activities were (i) repayment of bank borrowings of approximately HK$192.4 million; (ii) repayment of lease liabilities of approximately HK$7.2 million; and (iii) interest paid of approximately HK$3.7 million.

For the year ended 31 December 2022, we had net cash used in financing activities of approximately HK$13.2 million. New bank borrowings raised of approximately HK$240.5 million positively affected the cash flows from financing activities. The primary reasons that negatively affected the cash flows from financing activities were (i) repayment of bank borrowings of approximately HK$236.3 million; (ii) repayment of lease liabilities of approximately HK$11.3 million; and (iii) interest paid of approximately HK$2.7 million.

For the year ended 31 December 2021, we had net cash used in financing activities of approximately HK$5.4 million. New bank borrowings raised of approximately HK$147.8 million positively affected the cash flows from financing activities. The primary reasons that negatively affected the cash flows from financing activities were (i) repayment of bank borrowings of approximately HK$144.3 million, (ii) repayment of lease liabilities of approximately HK$6.7 million, and (iii) interest paid of approximately HK$1.8 million.

We recorded negative cash and cash equivalent at the end of the year in the amount of approximately HK$0.9 million for the year ended 31 December 2021 mainly due to the non-recurring cash outflow due to the **[REDACTED]** and expansion plan and we recorded sufficient positive operating cash flow before movement in working capital of HK$48.0 million for year ended 31 December 2021. Our cash and cash equivalent at the end of 31 December 2021 would have remained positive if our cash outflow for **[REDACTED]** in the amount of approximately HK$1.4 million, which is non-recurring in nature, is excluded. In addition, the negative cash and cash equivalent for the year ended 31 December 2021 was attributable to the investing activities in which purchase of new machinery, which was non-recurring in nature, was made for the commencement of operation of the Houjie Production Factory in order to increase production capacities and expand our scale of operation. We also recorded a negative cash and cash equivalent of approximately HK$1.9 million for the year ended 31 December 2023 mainly due to a non-recurring cash outflow resulting from the tax payment associated with the Withdrawal. Our Directors are of the view that it is critical and beneficial for our Group to raise fund through the **[REDACTED]** for the long term development of the business operation of our Group.

NET CURRENT LIABILITIES/ASSETS AND WORKING CAPITAL SUFFICIENCY

As at 31 December 2021, we had net current liabilities of approximately HK$11.7 million. We recorded net current assets of approximately HK$6.7 million and HK$9.8 million as at 31 December 2022 and 31 December 2023. Our net current liabilities position as at 31 December 2021 was partly because we have used bank loans and other borrowings to finance our capital expenditure and in particular, HK$12.6 million of bank borrowings would be repaid over 1 year after 31 December 2021, based on the repayment schedule and has been classified as current liabilities as they had a repayment on demand clause. The level of our net current liabilities as at 31 December 2021 was also subject to the effect of income tax provision of approximately HK$14.6 million as at 31 December 2021 in relation to the historical Offshore Profits Claim made before the Withdrawal. The decrease in net current liabilities from 31 December 2021 to the net current asset position as at 31 December 2022 and 31 December 2023 was primarily due to the decrease in trade and other payables. For further details, please see the section headed "Financial Information – Net Current Assets and Current Liabilities". In management of liquidity risk, we regularly monitor our liquidity requirements and our compliance with lending and our compliance with lending covenants, to ensure that we maintain sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet our liquidity requirements in the short and longer term. We did not experience any liquidity shortage during the Track Record Period.

We have carried out a review of our cash flow forecast for the twelve months period following the date of this document. Based on such forecast, our management believes that adequate sources of liquidity exist to fund our working capital and future capital expenditures requirements, and other liabilities and commitments as they become due.

Our Directors are of the opinion that, and the Sponsor concurs that, taking into consideration our Group's financial resources presently available to us, including (i) anticipated cash flow from our operating activities; (ii) existing bank balances and cash of approximately HK$1.1 million as at 31 December 2023; (iii) the unutilised banking facilities of approximately HK$18.4 million as at 31 December 2023; (iv) the conditional interim dividend of HK$19.3 million declared on 31 March 2022 and 15 March 2024 respectively which is expected to be distributed after **[REDACTED]**; and (v) **[REDACTED]**, our Group has sufficient working capital for its present requirements, for at least the next 12 months from the date of this document.

Improvement Measures

To improve our working capital and liquidity position, we will continue to review regularly and update our liquidity and funding policies to ensure that it is aligned with our business plan and financial position. We will also prepare cash flow and funding summaries on a regular basis to monitor our cash flow relating to our receipt of payments from customers, operating costs, financing, repayments of loans, purchase of property, plant and equipment, tax payables and other expenses. Our Directors and senior management hold regular meetings to review the working capital and liquidity management. In order to enhance our working capital management, we will manage the level of our liquid assets to ensure the availability of sufficient cash flows to meet any unexpected cash requirements arising from our business. We would carefully consider our cash position and ability to obtain further financing when arranging payment for major business plans and transactions. Moreover, we will assess available resources to finance our business needs on an ongoing basis. Further, we would continue to maintain stable relationship with our principal banks so as to timely obtain/renew bank borrowings and on acceptable terms to our Group. We recorded net current liabilities as at 31 December 2021. Our net current liabilities position has substantially improved to a net current assets position as at 31 December 2022 and 2023.

Saved as disclosed in this document, our Directors are not aware of any other factors that would have a material impact on our Group's liquidity. Details of the funds necessary to meet our existing operations and to fund our future plans are set out in the section headed "Future Plans and **[REDACTED]**" in this document.

INDEBTEDNESS

The following table sets forth the breakdown of our indebtedness as at 31 December 2021, 2022, 2023 and 31 March 2024, being the latest practicable date for the purpose of this indebtedness in this document:

	As at 31 December			As at 31 March
	2021	**2022**	**2023**	**2024**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)
Bank overdrafts	3,261	–	2,932	2,973
Bank borrowings	38,164	40,587	34,658	32,520
Bank borrowings – trade receivables financing	15,435	17,093	13,406	14,355
Lease liabilities	34,215	28,012	22,412	21,336
	91,075	85,692	73,408	71,184

Apart from the amount included in the bank borrowings – trade receivables financing of HK$11,567,000 as at 31 March 2024 which are secured and unguaranteed, all the remaining bank overdraft and bank borrowings are secured and guaranteed, whereas the lease liabilities are unsecured and unguaranteed.

Bank borrowings

	As at 31 December		
	2021	**2022**	**2023**
	HK$'000	*HK$'000*	*HK$'000*
Bank borrowings:			
Secured	38,164	40,587	34,658
Trade receivables financing	15,435	17,093	13,406
	53,599	57,680	48,064
The carrying amounts of the above borrowings that contain a repayment on demand clause (shown under current liabilities) but repayable: *(Note)*			
Within one year	41,002	48,551	41,743
Within a period of more than one year but not exceeding two years	3,475	2,810	1,750
Within a period of more than two years but not exceeding five years	4,908	6,319	4,571
Over five years	4,214	–	–
	53,599	57,680	48,064

Note: The amounts due are based on scheduled repayment dates set out in the loan agreements.

Bank borrowings carry variable interest at 0.9% to 9.1% per annum during the years ended 31 December 2021, 2022 and 2023. The weighted average effective interest rate on bank borrowings as at 31 December 2021, 2022 and 2023 was 3.1%, 6.8% and 7.2% per annum, respectively. The Group's bank borrowings carry interests at margins over Hong Kong Interbank Offer Rate ("**HIBOR**"), London Interbank Offer Rate ("**LIBOR**"), the bank's US$ best lending rate or the bank's HK$ best lending rate, as appropriate.

Bank borrowing with carrying amount of HK$8,600,000, HK$6,200,000 and HK$3,800,000 as at 31 December 2021, 2022 and 2023, respectively, is under the SME Loan Guarantee Scheme operated by HMC Insurance Limited ("**HKMCI**") and is secured by HKMCI and Mr. Tong's personal guarantee.

Bank borrowings with carrying amount of HK$29,564,000, HK$34,387,000 and HK$30,858,000 as at 31 December 2021, 2022 and 2023, respectively, are secured by:

- Legal charge over a property owned by Mr. Tong's company (not in our Group)*(Note)*;
- Life insurance policy entered into by a subsidiary of our Company; and
- Unlimited guarantees from Mr. Tong's company (not in our Group)*(Note)*, UBOTIC, Mr. Tong, Mr. Tang and Mr. CL Tang.

Subsequent to 31 December 2023, our Group has further renewed its banking facilities particularly in trade receivables financing, such that they have become secured and unguaranteed or secured and guaranteed.

Based on the indicative term sheet provided by the relevant bank, our Directors confirm that the guarantees provided by related parties, including the legal charge over a property owned by Mr. Tong's company, the unlimited guarantees provided by Mr. Tong's company (not in our Group)*(Note)* and the unlimited guarantees provided by a subsidiary of our Group, Mr. Tong, Mr. Tang and Mr. CL Tang, are expected to be released and replaced by an unlimited corporate guarantee from our Company, on the conditions that, among others: (1) the Shares are successfully listed on GEM; and (2) Mr. Tong shall remain as the chairman of the Board and maintain full control over the management and business of our Group; and Mr. Tong, Mr. Tang and Mr. CL Tang or the companies owned by them shall at all times remain the largest shareholders of the Company.

Note: Such company is principally engaged in property holding. Save and except and the provision of legal charge over the property held by and unlimited guarantee from such company as security for our Group's bank facility, such company and our Group did and does not have any past or present relationships (including, without limitation, business, trust, financing, fund flow or otherwise) or any sharing of resources or management, with our Company or its subsidiaries, or any of their respective associates.

Apart from the amount included in the bank borrowings – trade receivables financing of HK$15,435,000, HK$17,093,000 and HK$13,406,000, as at 31 December 2021, 2022 and 2023 which are unsecured and unguaranteed, all the remaining bank overdraft and bank borrowings are secured and guaranteed, whereas the lease liabilities are unsecured and unguaranteed. The Directors confirm that there was no material covenant on any of our outstanding debt and there was no breach of any covenant during the Track Record Period and up to the Latest Practicable Date. Our Directors further confirm that our Group did not experience any difficulty in obtaining bank loans and other borrowings, default in payment of bank loans and other borrowings or breach of covenants during the Track Record Period and up to the Latest Practicable Date, and there has not been any material change in our indebtedness since the Latest Practicable Date up to the date of this document.

Lease liabilities

The following table sets forth our lease liabilities as at the respective dates indicates:

	As at 31 December		
	2021	**2022**	**2023**
	HK$'000	*HK$'000*	*HK$'000*
Lease liabilities payable			
Within one year	10,097	7,002	7,670
Within a period of more than one year, but not exceeding two years	5,818	6,447	5,128
Within a period of more than two years, but not exceeding five years	13,238	14,194	9,613
Over five years	5,062	369	–
	34,215	28,012	22,411
Less: Amount due for settlement within 12 months shown under current liabilities	(10,097)	(7,002)	(7,670)
Amount due for settlement after 12 months shown under non-current liabilities	24,118	21,010	14,741

The weighted average incremental borrowing rates applied to lease liabilities was 4.7%, 4.5% and 4.82% for the years ended 31 December 2021, 2022 and 2023, respectively.

Contingent liabilities

As at 31 March 2024, being the latest practicable date for the purpose of the indebtedness statement, our Group did not have any other significant contingent liabilities or guarantees.

Disclaimer

As at 31 March 2024, being the latest practicable date for the purpose of the indebtedness statement, apart from intra-group liabilities, our Group did not have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptable credits, debentures, mortgages, charges, hire purchase commitments, guarantees, material covenants, or other material contingent liabilities.

CAPITAL EXPENDITURE

During the Track Record Period, our capital expenditure has principally consisted of plant and machineries, moulds, fixtures, furniture and equipment, leasehold improvements and construction in progress, details of which are set forth in the table below for the period indicated:

	For the year ended 31 December		
	2021	**2022**	**2023**
	HK$'000	*HK$'000*	*HK$'000*
Machineries	6,028	1,247	1,759
Moulds	2,620	10,611	10,465
Fixtures, furniture and equipment	795	785	487
Leasehold improvements	266	1,053	211
Construction in progress	4,021	603	596
Total	13,730	14,299	13,518

During the Track Record Period, our capital expenditure amounted to approximately HK$13.7 million, HK$14.3 million and HK$13.5 million for the years ended 31 December 2021, 2022 and 2023, respectively.

RELATED PARTY TRANSACTIONS

Our related party transactions during the Track Record Period, which were based on normal commercial terms are summarized in Note 31 to the Accountants' Report set out in Appendix I to this document. During the Track Record Period, none of our expenses and income were settled/collected by any related parties or other third parties; and no costs and expenses relating to our operations were borne by any related parties or other third parties without being recharged.

CONTINGENT LIABILITIES

As at the close of business on the Latest Practicable Date, we did not have any material contingent liabilities.

[REDACTED]

Based on the mid-point of the **[REDACTED]** stated in this document and assuming that the **[REDACTED]** is not exercised, the total estimated **[REDACTED]** in connection with the **[REDACTED]** are expected to be approximately **[REDACTED]** or **[REDACTED]** of the gross proceeds from the **[REDACTED]**, among which, approximately **[REDACTED]** is directly attributable to the issue of new Shares and will be charged to equity upon completion of the listing, and approximately **[REDACTED]** has been charged or is expected to be charged to our consolidated statements of profit and loss and other comprehensive income. Our **[REDACTED]** are categorized into **[REDACTED]**, which consists of **[REDACTED]** fee and commission (including SFC transaction levy, Stock Exchange trading fee and AFRC transaction levy) of approximately **[REDACTED]** and **[REDACTED]** of approximately **[REDACTED]**. The **[REDACTED]** can be further classified into (i) fees and expenses for legal advisors and reporting accountants of approximately **[REDACTED]**; and (ii) other fees and expenses of approximately **[REDACTED]**. During the Track Record Period, we incurred **[REDACTED]** of **[REDACTED]**, **[REDACTED]** and **[REDACTED]** respectively.

OFF-BALANCE SHEET ARRANGEMENT

As at the Latest Practicable Date, we had not entered into any off-balance sheet arrangement.

DISTRIBUTABLE RESERVES

As at the Latest Practicable Date, our Company had no distributable reserves available for distribution to our Shareholders.

DIVIDENDS AND DIVIDEND POLICY

No dividend has been paid or declared by the Company since its incorporation until 15 March 2024. During the Track Record Period, our Group had declared dividends as follows:

(a) On 31 March 2022, UBoT Inc. (HK) conditionally declared an interim dividend of HK$0.33 per share of UBoT Inc. (HK) amounting in the aggregate of HK$11,220,000. The dividend payable to one of the ultimate Controlling Shareholders, Mr. Tong, will be settled through partially offsetting the amount due from Mr. Tong in the amount of HK$5,778,000 as per the unaudited management account as at 28 February 2022. Such dividend would become unconditional **[REDACTED]** and the dividends declared to the other shareholders in the amount of HK$5,442,000 will be settled by cash (using the Group's internally generated funds **[REDACTED]**).

(b) On 15 March 2024, UBoT Inc. (HK) conditionally declared an interim dividend of HK$0.24 per share of UBoT Inc. (HK) amounting in the aggregate of HK$8,160,000 to its sole shareholder, namely Abundant Wealth. On 15 March 2024, Abundant Wealth conditionally declared an interim dividend of HK$8,160 per share of Abundant Wealth amounting in the aggregate of HK$8,160,000 to its sole shareholder, i.e. our Company. On 15 March 2024, the Company declared conditionally an interim dividend of HK $4,080 per Share amounting in the aggregate of HK$8,160,000 to its shareholders. Part of the dividend payable to Sino Success, one of the ultimate Controlling Shareholders and wholly owned company of Mr. Tong, will be settled by offsetting the amount due from Mr. Tong in the amount of HK$540,000 as per the unaudited management account as at 31 December 2023. Save for the said HK$540,000, all the other dividends declared to shall be payable to the shareholders of the Company will be settled by cash (using the Group's internally generated funds **[REDACTED]**). Such dividend would become unconditional **[REDACTED]**.

In determining the amount of the above interim dividend, our Directors have taken into account the level of our Group's retained earnings, the expected cash flow and our Group's assets and liabilities and consider that the amount of the above interim dividend represents a fair and reasonable return to our Controlling Shareholders. Save as the above, our Group did not declare and pay any dividends to the then shareholders during the years ended 31 December 2021, 2022 and 2023.

Our Company does not have a formal dividend policy or fixed dividend distribution ratio. The decision to declare or pay dividend in the future as well as the amount of any dividend will be contingent upon several factors, including the result of our operation, cash flow, financial condition and other relevant factors as deemed by our Board.

KEY FINANCIAL RATIOS

The following table sets forth the key financial ratios of our Group during the Track Record Period:

			For the year ended/ as at 31 December	
	Notes	**2021**	**2022**	**2023**
Current ratio	1	0.9	1.1	1.1
Quick ratio	2	0.6	0.6	0.6
Gearing ratio	3	1.8	1.0	0.8
Return on equity	4	84.2%	39.1%	8.2%
Return on assets	5	12.0%	9.9%	2.5%
Interest coverage	6	10.9 times	7.6 times	2.4 times
Gross profit margin	7	42.7%	39.6%	38.1%
Net profit margin	8	13.0%	8.5%	2.7%

Notes:

1. Current ratio is calculated by dividing total current assets by total current liabilities.

2. Quick ratio is calculated by dividing current assets (net of inventories) by total current liabilities.

3. Gearing ratio is calculated by dividing total debts by total equity. Our total debts include bank borrowings and bank overdrafts.

4. Return on equity is calculated by dividing profit for the year by total equity and multiplying the resulting value by 100%.

5. Return on assets is calculated by dividing profit for the year by total assets and multiplying the resulting value by 100%.

6. Interest coverage is calculated by dividing profit before interest and tax by finance costs.

7. Gross profit margin is calculated by dividing gross profit by revenue and multiplying the resulting value by 100%. Gross profit equals revenue minus cost of sales.

8. Net profit margin is calculated by dividing profit for the year by revenue and multiplying the resulting value by 100%.

Current ratio and quick ratio

Our current ratio was 0.9, 1.1 and 1.1 as at 31 December 2021, 2022 and 2023, respectively. Our quick ratio was 0.6, 0.6 and 0.6 as at 31 December 2021, 2022 and 2023, respectively. The general trend of increase in the current ratio reflected the decrease in trade and other payables. The quick ratio remained stable.

Gearing ratio

Our gearing ratio was approximately 1.7, 1.0 and 0.8 as at 31 December 2021, 2022 and 2023, respectively. The decrease in the gearing ratio during the Track Record Period was mainly because of the increase in total equity and the decrease in total debts due to the decrease in bank borrowings.

Return on equity

Return on equity for the year ended 31 December 2021 was approximately 70.0%. Return on equity for the year ended 31 December 2022 decreased to approximately 35.1%. The decrease was mainly because of the increase in total equity. Return on equity for the year ended 31 December 2023 decreased to approximately 8.2% mainly because of our decrease in profit for the year.

Return on assets

Return on assets for the year ended 31 December 2021 was approximately 12.0%. Return on assets for the year ended 31 December 2022 decreased to approximately 9.9%. Such decrease was mainly because on the decrease in profit for the year which was mainly due to the effect of the one-off **[REDACTED]**. Return on assets decreased to approximately 2.5% for the year ended 31 December 2023. Such decease was mainly because of our decrease in profit for the year.

Interest coverage

Interest coverage was 10.9 times for the year ended 31 December 2021, which decreased to approximately 7.6 times for the year ended 31 December 2022. Such decrease was primarily because of the decrease in profit before interest and tax and the increase in finance costs for the relevant period. Interest coverage further decreased to approximately 2.4 times for the year ended 31 December 2023 due to decrease in profit before interest and tax and increase in finance costs.

Gross profit margin

Our gross profit margin decreased from 42.7% for the year ended 31 December 2021 to 39.6% for the year ended 31 December 2023 and remained stable at 38.1% for the years ended 31 December 2023. For a discussion of the factors affecting our gross profit margin, please refer to the paragraph headed "Year to year comparison of results of operations – Gross profit and gross profit margin" in this section.

Net profit margin

Our net profit margin decreased from 13.0% to 8.5% and further decreased to 2.7% for each of the years ended 31 December 2021, 2022 and 2023, respectively. For a discussion of the factors affecting our net profit margin, please refer to the paragraph headed "Year to year comparison of results of operations – Profit for the year" in this section.

QUANTITATIVE AND QUALITATIVE ANALYSIS ABOUT MARKET RISKS

Our Group is exposed to foreign currency risk, credit risk, liquidity risk and interest rate risk in the normal course of business. For further details of our financial risk management, please refer to Note 30 of the accountants' report set out in Appendix I to this document. Our Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on our Group's financial performance. Our Directors believe that overall strategy remains unchanged during the Track Record Period.

UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

Please refer to the section headed "Unaudited pro forma financial information" in Appendix II to this document for details.

DISCLOSURE REQUIRED UNDER CHAPTER 17 OF THE GEM LISTING RULES

Our Directors confirm that, as at the Latest Practicable Date, there were no circumstances that would give rise to a disclosure requirement under Rules 17.15 to 17.21 of the GEM Listing Rules.

NO MATERIAL ADVERSE CHANGE

Subsequent to the Track Record Period and up to the Latest Practicable Date, UBoT Inc. (HK) withdrew the Offshore Profits Claim from the IRD. For details, please refer to the section headed "Business – Historical Offshore Profits Claim and Depreciation Allowance" in this document. Our Directors confirm that, up to the date of this document, there has been no material adverse change to our financial, operational and/or trading position since 31 December 2023, being the date to which our most recent audited consolidated financial information were prepared, and since that date, there has been no event up to the Latest Practicable Date that would materially affect the information shown in our consolidated financial information included in the Accountants' Report of our Group set out in Appendix I to this document.