

The following is the text of a report set out on pages I-1 to I-66 received from the Company’s reporting accountants, Moore CPA Limited, Certified Public Accountants, Hong Kong, for the purpose of inclusion in this document.



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ACCOUNTANTS’ REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF UBOT HOLDING LIMITED AND YUE XIU CAPITAL LIMITED

Introduction

We report on the historical financial information of UBoT Holding Limited (the “Company”) and its subsidiaries (together, the “Group”) set out on pages I-4 to I-66, which comprises the consolidated statements of financial position of the Group as at 31 December 2021, 2022, and 2023, the statements of financial position of the Company as at 31 December 2022 and 2023 and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for each of the three years ended 31 December 2023 (the “Track Record Period”) and a summary of material accounting policy information and other explanatory information (together, the “Historical Financial Information”). The Historical Financial Information set out on pages I-4 to I-66 forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated 24 May 2024 (the “Document”) in connection with the initial listing of shares of the Company on the GEM of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

Directors’ responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgment, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Company, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Group's financial position as at 31 December 2021, 2022, and 2023, of the Company's financial position as at 31 December 2022 and 2023 and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information.

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Report on matters under the Rules Governing the Listing of Securities on GEM of the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to note 13 to the Historical Financial Information which contains information about the dividends declared by the Companies' subsidiaries comprising the Group in respect of the Track Record Period and states that no dividends have been paid or declared by the Company since its incorporation.

No historical financial statements for the Company

No financial statements have been prepared for the Company since its date of incorporation.

Moore CPA Limited

Certified Public Accountants

Registered Public Interest Entity Auditors

Lai Hung Wai

Practising Certificate Number: P06995

Hong Kong

24 May 2024

HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants’ report.

The financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by Moore CPA Limited in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board (“IAASB”) (“Underlying Financial Statements”).

The Historical Financial Information is presented in Hong Kong dollar (“HK dollar” or “HK\$”) and all values are rounded to the nearest thousand (HK\$’000) except when otherwise indicated.

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CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	<i>Notes</i>	Year ended 31 December		
		2021	2022	2023
		<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
Revenue	6	202,948	257,565	188,969
Cost of sales		<u>(116,272)</u>	<u>(155,687)</u>	<u>(116,989)</u>
Gross profit		86,676	101,878	71,980
Other income	7	74	947	145
Other gains and losses	8	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	9	(3,209)	(4,096)	(4,784)
[REDACTED]		[REDACTED]	[REDACTED]	[REDACTED]
Profit before taxation	10	31,844	26,998	6,656
Income tax expense	11	<u>(5,448)</u>	<u>(5,200)</u>	<u>(1,618)</u>
Profit for the year, attributable to owners of the Company		<u>26,396</u>	<u>21,798</u>	<u>5,038</u>
Other comprehensive (expense) income				
<i>Item that may be reclassified to profit or loss:</i>				
Exchange differences arising on translation of foreign operations		<u>(1,056)</u>	<u>2,643</u>	<u>548</u>
Other comprehensive (expense) income for the year		<u>(1,056)</u>	<u>2,643</u>	<u>548</u>
Total comprehensive income for the year, attributable to owners of the Company		<u>25,340</u>	<u>24,441</u>	<u>5,586</u>
Earnings per share				
Basic (<i>HK cents</i>)	14	<u>7.0</u>	<u>5.8</u>	<u>1.5</u>

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CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	<i>Notes</i>	As at 31 December		
		2021	2022	2023
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets				
Property, plant and equipment	15	37,243	41,151	44,028
Right-of-use assets	16	28,945	26,174	18,355
Deferred tax assets	26	–	1,015	1,167
Deposits and prepayments	18	1,096	1,899	2,947
		<u>67,284</u>	<u>70,239</u>	<u>66,497</u>
Current assets				
Inventories	17	60,113	60,701	65,588
Trade and other receivables, deposits and prepayments	18	63,215	63,320	51,717
Financial assets at fair value through profit or loss	19	12,968	13,335	13,748
Amount due from a director	20	10,620	6,318	6,318
Amount due from a related company	20	2,954	–	–
Time deposits	21	–	–	–
Bank balances and cash	21	2,323	5,900	1,073
		<u>152,193</u>	<u>149,574</u>	<u>138,444</u>
Current liabilities				
Trade and other payables	22	75,648	52,741	55,828
Contract liabilities	23	340	62	20
Income tax provision		20,927	25,390	14,171
Bank overdrafts	21	3,261	–	2,932
Lease liabilities	24	10,097	7,002	7,670
Bank borrowings	25	53,599	57,680	48,064
		<u>163,872</u>	<u>142,875</u>	<u>128,685</u>
Net current (liabilities) assets		<u>(11,679)</u>	<u>6,699</u>	<u>9,759</u>
Total assets less current liabilities		<u><u>55,605</u></u>	<u><u>76,938</u></u>	<u><u>76,256</u></u>

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		As at 31 December		
		2021	2022	2023
	<i>Notes</i>	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
Non-current liabilities				
Lease liabilities	24	24,118	21,010	14,742
Deferred tax liabilities	26	137	137	137
		<u>24,255</u>	<u>21,147</u>	<u>14,879</u>
Net assets		<u><u>31,350</u></u>	<u><u>55,791</u></u>	<u><u>61,377</u></u>
Capital and reserves				
Share capital	27	15,788	–*	–*
Reserves		<u>15,562</u>	<u>55,791</u>	<u>61,377</u>
Total equity		<u><u>31,350</u></u>	<u><u>55,791</u></u>	<u><u>61,377</u></u>

* Amount less than HK\$1,000

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STATEMENTS OF FINANCIAL POSITION

The Company

		As at 31 December	
		2022	2023
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current asset			
Investment in a subsidiary	32	—*	—*
Current asset			
Bank balances		—	88
Prepayments	18	3,980	6,476
		<u>3,980</u>	<u>6,564</u>
Current liabilities			
Accruals	22	1,159	1,074
Amounts due to subsidiaries	20	3,397	6,080
		<u>4,556</u>	<u>7,154</u>
Net current liabilities		<u>(576)</u>	<u>(590)</u>
Net liabilities		<u>(576)</u>	<u>(590)</u>
Capital and reserves			
Share capital	27	—*	—*
Reserves	27	(576)	(590)
Capital deficiencies		<u>(576)</u>	<u>(590)</u>

* Amount less than HK\$1,000

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CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owner of the Company				Total HK\$'000
	Share capital HK\$'000 (Note 27)	Other reserve HK\$'000 (Note)	Translation reserve HK\$'000	(Accumulated losses) retained profits HK\$'000	
At 1 January 2021	15,788	–	(1,192)	(8,586)	6,010
Profit for the year	–	–	–	26,396	26,396
Other comprehensive expense for the year	–	–	(1,056)	–	(1,056)
At 31 December 2021	15,788	–	(2,248)	17,810	31,350
Profit for the year	–	–	–	21,798	21,798
Other comprehensive income for the year	–	–	2,643	–	2,643
Effect of Reorganisation (as defined on note 2)	(15,788)	15,788	–	–	–
At 31 December 2022	–	15,788	395	39,608	55,791
Profit for the year	–	–	–	5,038	5,038
Other comprehensive income for the year	–	–	548	–	548
At 31 December 2023	–	15,788	943	44,646	61,377

* Amount less than HK\$1,000

Note: Other reserve represents the difference between the amount of share capital of the Company issued, and the share capital of UBoT Inc. (HK) (as defined in note 2) exchanged in connection with the Reorganisation (as defined in note 2).

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CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 December		
	2021	2022	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
OPERATING ACTIVITIES			
Profit before taxation	31,844	26,998	6,656
Adjustments for:			
Interest income	(11)	(15)	(11)
Depreciation of property, plant and equipment	8,125	8,896	10,819
Depreciation of right-of-use assets	6,554	6,863	6,481
Provision for (reversal of) impairment losses on financial assets	76	354	(493)
Finance costs	3,209	4,096	4,784
Gain on fair value change of financial assets at fair value through profit or loss	(416)	(349)	(411)
(Gain) loss on disposal of property, plant and equipment	–	(87)	29
Net changes in allowance for inventories	(1,408)	522	661
	<u>47,973</u>	<u>47,278</u>	<u>28,515</u>
Operating cash flow before movement in working capital			
Movements in working capital:			
(Increase) decrease in inventories	(21,418)	2,929	(4,560)
(Increase) decrease in trade and other receivables, deposits and prepayments	(19,672)	1,524	6,152
Increase (decrease) in trade and other payables	3,410	(15,348)	4,378
Increase (decrease) in contract liabilities	11	(277)	(41)
	<u>10,304</u>	<u>36,106</u>	<u>34,444</u>
Net cash generated from operations			
Income tax paid	(2,118)	(1,794)	(6,664)
	<u>8,186</u>	<u>34,312</u>	<u>27,780</u>
NET CASH FROM OPERATING ACTIVITIES <i>(note)</i>			
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	(13,730)	(14,299)	(13,312)
Acquisition of subsidiaries	–	(35)	–
Deposits paid for acquisition of property, plant and equipment	–	(580)	(1,372)
Proceeds from disposal of property, plant and equipment	–	87	539
Interest received	11	15	11
Advance to a director	(2,800)	(5,078)	–
Repayment from a director	4,500	4,139	–
Advance to a related company	(3,298)	(707)	–
Repayment from a related company	7,498	2,250	–
	<u>(13,730)</u>	<u>(14,299)</u>	<u>(13,312)</u>

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	Year ended 31 December		
	2021	2022	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
NET CASH USED IN INVESTING ACTIVITIES	<u>(7,819)</u>	<u>(14,208)</u>	<u>(14,134)</u>
FINANCING ACTIVITIES			
Interest paid	(1,805)	(2,748)	(3,732)
New bank borrowings raised	147,753	240,490	182,795
Repayment of bank borrowings	(144,324)	(236,299)	(192,380)
Repayment of lease liabilities	(6,691)	(11,283)	(7,163)
Issue costs paid	<u>(365)</u>	<u>(3,347)</u>	<u>(884)</u>
NET CASH USED IN FINANCING ACTIVITIES	<u>(5,432)</u>	<u>(13,187)</u>	<u>(21,364)</u>
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 EQUIVALENTS AT BEGINNING OF THE YEAR	<u>4,743</u>	<u>(938)</u>	<u>5,900</u>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	<u><u>(938)</u></u>	<u><u>5,900</u></u>	<u><u>(1,859)</u></u>
Represented by			
Bank balances and cash	2,323	5,900	1,073
Bank overdrafts	<u>(3,261)</u>	<u>–</u>	<u>(2,932)</u>
	<u><u>(938)</u></u>	<u><u>5,900</u></u>	<u><u>(1,859)</u></u>

Note: Included in net cash from operating activities with cash outflow of [REDACTED], [REDACTED] and [REDACTED] for the years ended 31 December 2021, 2022, and 2023, respectively, represented payments of [REDACTED] during the year.

NOTES TO HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION

The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Act (as revised) of the Cayman Islands on 7 February 2022. The addresses of the registered office and the principal place of business of the Company are set out in the section headed “Corporate Information” to the document.

The Company is an investment holding company. The principal activities of the Operating Companies becoming the Company’s subsidiaries now comprising the Group (collectively referred to as the “Group”), are research and development, manufacturing and sales of back-end semiconductor transport media and Micro-Electro-Mechanical-System (“MEMS”) and sensor packaging (the “Listing Business”).

The Historical-Financial Information is expressed in HK\$, which is different from the functional currency of the Company, United States dollars (“US\$”). The directors of the Company consider that presenting the Historical Financial Information in HK\$ is preferable when controlling and monitoring the performance and financial position of the Group.

2. GROUP REORGANISATION AND BASIS OF PREPARATION AND PRESENTATION OF THE HISTORICAL FINANCIAL INFORMATION

In preparing for the [REDACTED] of the shares of the Company on GEM of the Stock Exchange, the entities in the Group underwent a group reorganisation (the “Reorganisation”) which involves interspersing the Company and other investment holding companies between UBoT Incorporated Limited (“UBoT Inc. (HK)”), and UBOTIC Company Limited (“UBOTIC”) with the then shareholders.

Prior to the Reorganisation, the principal operating company, UBoT Inc. (HK), was held as to 46.5% by Mr. Tong Yuen To (“Mr. Tong”), who is a director, chairman and chief executive officer of the Company, 42% by Busy Trade Limited (“Busy Trade”), a company incorporated in Hong Kong, which is owned by Mr. Tang Ming, Ms. Tang Wai Ling, Mr. Tang Chak Leung and Mr. Tang Chak Man (collectively as “Tang Family”), Mr. Tong and the Tang Family have always been acting in concert in respect of the operations of the Listing Business and therefore they are regarded as the Listing Business ultimate controlling shareholders (the “Controlling Shareholders”) and the remaining 11.5% were owned by five individuals. On 21 March 2022, one of the five individuals holding [REDACTED] of equity interest in UBoT Inc. (HK) disposed his shareholding to Mr. Tong at a cash consideration of [REDACTED]. Completion of the said transfer took place on the same date. Immediately after the said transfer, UBoT Inc. (HK) was owned by Mr. Tong and Busy Trade as to [REDACTED] and [REDACTED], respectively, and the remaining four individuals of [REDACTED].

There are four wholly-owned subsidiaries held under UBoT Inc. (HK), namely, 東莞優博實業有限公司, 東莞優博電子包裝製品有限公司, both are limited liability companies established in the People’s Republic of China (the “PRC”), UBOTIC, a company incorporated in Hong Kong with limited liability, and UBoT Incorporated Pte. Limited, a company incorporated in Singapore with limited liability. UBoT Inc. (HK), together with its four wholly-owned subsidiaries collectively referred to as (the “Operating Companies”), and its particulars are set out in note 32. Prior to the incorporation of Company and the completion of the Reorganisation, the Listing Business was carried out by the Operating Companies. Upon the completion of the Reorganisation, the Operating Companies were transferred and indirectly held by the Company.

The principal steps of the Reorganisation are as follows:

- (i) Abundant Wealth Group Limited (“Abundant Wealth”) and Sino Key Enterprises Limited (“Sino Key”) were incorporated in the BVI with limited liability on 26 November 2021 and 17 November 2021, respectively. On incorporation, each of Abundant Wealth and Sino Key has an authorised share capital of 50,000 shares with a par value of US\$1 each, of which one share was allotted and issued, credited as fully paid to the Company on the same date at par value. Accordingly, Abundant Wealth and Sino Key have become wholly owned subsidiaries of the Company since their incorporation.

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- (ii) On 20 April 2022, Abundant Wealth entered into a share sale and purchase agreement with all shareholders of UBoT Inc. (HK) so that all shareholders of UBoT Inc. (HK) transferred the entire issued share capital of UBoT Inc. (HK) to Abundant Wealth in consideration of the Company to allot and issue a total of [REDACTED] shares in its issued share capital to Sino Success Ventures Limited (“Sino Success”) (at the direction of Mr. Tong, whom is the sole shareholder of Sino Success) of [REDACTED] shares (representing [REDACTED] equity interests in the Company), Busy Trade of [REDACTED] shares (representing [REDACTED] equity interests in the Company) and the other shareholders of [REDACTED] shares (representing [REDACTED] equity interests in the Company).
- (iii) On 20 April 2022, Sino Key entered into a share sale and purchase agreement with all shareholders of UBoT Inc. (HK) so that UBoT Inc. (HK) transferred the entire issued share capital of UBOTIC to Sino Key in consideration of the Company to allot and issue a total of [REDACTED] shares in its issued share capital to Sino Success of [REDACTED] shares (representing [REDACTED] equity interests in the Company), Busy Trade of [REDACTED] shares (representing [REDACTED] equity interests in the Company) and the other shareholders of [REDACTED] shares (representing [REDACTED] equity interests in the Company).

Pursuant to the Reorganisation described above, the Company became the holding company of the companies now comprising the 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 report, the Historical 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 the Group recognised and measured at the carrying amounts of the Listing Business under the consolidated 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 consolidated 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, or since their respective dates of incorporation, where it is a shorter period.

The consolidated statements of financial position of the Group as at 31 December 2020 and 31 December 2021 have been prepared to present the assets and liabilities of the Listing Business as if the Group structure after the Reorganisation had been in existence throughout the Track Record Period, the Listing Business had always been operated by the Group and the current group structure had been in existence at those dates taking into account the respective date of incorporation, where applicable.

3. APPLICATION OF IFRSs

The Historical 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 (the “IASB”).

All IFRSs effective for the accounting period commencing from 1 January 2023, including relevant transitional provisions, have been early adopted by the Group in the preparation of the Historical Financial Information throughout the Track Record Period.

The Historical Financial Information has been prepared under the historical cost convention, except for financial assets at fair value through profit or loss which have been measured at fair value at each reporting date.

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Issued but not yet effective IFRSs

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in this Historical Financial Information. The Group intends to adopt them, if applicable, when they become effective.

Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ¹
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback ²
Amendments to IFRS 18	Presentation and Disclosure in Financial Statements ⁴
Amendments to IAS 1	Classification of Liabilities as Current or Non-current ²
Amendments to IAS 1	Non-current Liabilities with Covenants ²
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements ²
Amendments to IAS 21	Lack of Exchangeability ³

¹ No mandatory effective date yet determined but available for adoption.

² Effective for annual periods beginning on or after 1 January 2024.

³ Effective for annual periods beginning on or after 1 January 2025.

⁴ Effective for annual periods beginning on or after 1 January 2027.

The Group is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application. So far, the Group has expected that these standards will not have a significant effect on the Group’s financial performance and financial position.

4. MATERIAL ACCOUNTING POLICY INFORMATION

The Historical Financial Information has been prepared in accordance with the following accounting policies which conform with IFRS issued by the IASB. For the purpose of preparation of the Historical Financial Information, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the Historical Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on GEM the of Stock Exchange and by the Hong Kong Companies Ordinance.

The Historical Financial Information has been prepared on the historical cost basis except for financial assets at fair value through profit or loss that are measured at fair values at the end of each reporting period, as explained in the accounting policies as set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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

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

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

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Consolidation

The Historical Financial Information incorporates the financial statements of the companies controlled by the Group.

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

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

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

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

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

Revenue from contracts with customers

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

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

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

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

Leases

Definition of a lease

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

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As a lessee

Short-term leases

The 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.

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

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

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

The 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.

The 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 the Group applied the practical expedient, the Group accounts for a lease modification as a separate lease if:

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

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For a lease modification that is not accounted for as a separate lease, the 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.

The 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, the 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, the 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 each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items 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.

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For the purposes of presenting the Historical Financial Information, the assets and liabilities of the Group’s operations are translated into the presentation currency of the Group (i.e. HK\$) using exchange rates prevailing at the end of each reporting period. Income and 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 the Group’s net assets in Chinese Renminbi (“RMB”) and Singaporean dollars (“SGD”) to the 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.

Borrowing costs

All borrowing costs that are not directly attributable to the acquisition, construction or production of qualifying assets are recognised in profit or loss in the period in which they are incurred.

Retirement benefit costs

Payments made to Mandatory Provident Fund (“MPF”) and state-managed retirement benefit schemes are recognised as expense when employees have rendered service entitling them to the contributions.

Employees of the Group are covered by various government-sponsored defined-contribution pension plans under which the employees are entitled to a monthly pension based on certain formulas. The relevant government agencies are responsible for the pension liability to these employees when they retire. The Group contributes on a monthly basis to these pension plans for the employees which are determined at a certain percentage of their salaries. Under these plans, the Group has no obligation for post-retirement benefits beyond the contribution made. Contributions to these plans are expensed as incurred.

Employees of the Group are entitled to participate in various government supervised housing funds, medical insurance and other employee social insurance plan. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. The Group’s liability in respect of these funds is limited to the contributions payable in each period. Contributions to these plans are expensed as incurred.

Short-term employee benefits

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

Liabilities for wages and salaries, including non-monetary benefits and accumulating annual leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees’ services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the consolidated statements of financial position.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

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Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

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

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

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

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

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

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

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

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 the 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.

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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.

Research and development expenses

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

Contingent liabilities

A contingent liability is a present obligation arising from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Where the Group is jointly and severally liable for an obligation, the part of the obligation that is expected to be met by other parties is treated as a contingent liability and it is not recognised in the consolidated financial statements.

The Group assesses continually to determine whether an outflow of resources embodying economic benefits has become probable. If it becomes probable that an outflow of future economic benefits will be required for an item previously dealt with as a contingent liability, a provision is recognised in the consolidated financial statements in the reporting period in which the change in probability occurs, except in the extremely rare circumstances where no reliable estimate can be made.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

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

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

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Financial assets

Classification and subsequent measurement of financial assets

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

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

All other financial assets are subsequently measured at fair value.

Amortised cost and interest income

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

Financial assets at FVTPL

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the “other gains and losses” line item.

Impairment of financial assets

The Group performs impairment assessment under expected credit loss (“ECL”) model on financial assets (including trade and other receivables and deposits, amount due from a director, amount due from a related company, time deposits and bank balances) which are subject to impairment assessment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

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

The Group always assesses lifetime ECL for trade receivables.

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

- (i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk

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of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

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

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

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

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

(ii) Definition of default

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

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

(iii) Credit-impaired financial assets

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

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or

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- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(iv) Write-off policy

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

(v) Measurement and recognition of ECL

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

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

Lifetime ECL for trade receivables are considered on a collective basis taking into consideration past due information and relevant credit information such as forward-looking macroeconomic information.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by the management of the Group to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

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

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

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Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

Financial liabilities at amortised cost

Financial liabilities (including trade and other payables, bank overdrafts and bank borrowings) are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

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

Changes in the basis for determining the contractual cash flows as a result of interest rate benchmark reform

For changes in the basis for determining the contractual cash flows of a financial asset or financial liability to which the amortised cost measurement applies as a result of interest rate benchmark reform, the Group applies the practical expedient to account for these changes by updating the effective interest rate, such change in effective interest rate normally has no significant effect on the carrying amount of the relevant financial asset or financial liability.

A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if and only if, both these conditions are met:

- the change is necessary as a direct consequence of interest rate benchmark reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis (i.e. the basis immediately preceding the change).

5. MATERIAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Material judgement in applying accounting policies

The following is the material judgement, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group’s accounting policies and that have the most significant effect on the amounts recognised in the Historical Financial Information.

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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.

In regard to tax matters in Hong Kong, UBoT Inc. (HK) claimed all its trading profits derived from its business operations (i.e. sales of back-end semiconductor transport media) as offshore in nature and not subject to profits tax in Hong Kong for the years of assessment of 2008/09 to 2021/22. Hence, UBoT Inc. (HK) lodged offshore profits claims for all its trading profits arising from its business operations since incorporation on the grounds that the relevant business transactions were effected outside Hong Kong (“Offshore Profits Claim”).

Prior to the Track Record Period, the Inland Revenue Department of Hong Kong (“IRD”) issued enquiry letters since April 2010 to enquire about UBoT Inc. (HK)’s Offshore Profits Claim for the years of assessment 2006/07 onwards.

The management of the Company, based on independent Tax Consultant’s evaluation of UBoT Inc. (HK)’s eligibility for Offshore Profits Claim, which considered the balance of fact, was of the opinion that UBoT Inc. (HK) had sufficient grounds on the basis that given the majority of its transactions were negotiated outside of Hong Kong and other complicated and inextricable offshore elements (such as the involvement of overseas sales representatives, having manufacturing activities in the PRC and arrangement and the inspection and delivery of finished goods were conducted outside Hong Kong) involved, to claim its trading profits as offshore sourced and not subject to Hong Kong’s profits tax, subject to the review and agreement of the IRD. Nevertheless, it was worth noting that at all relevant time, the IRD had been reviewing UBoT Inc. (HK)’s Offshore Profits Claim and issuing follow-up enquiry letters to UBoT Inc. (HK) to challenge its Offshore Profits Claim position.

To address and cooperate with the inquiries raised by the IRD and to defend its tax position (i.e. Offshore Profits Claim in relation to the trading profits), UBoT Inc. (HK) provided various information and supporting documents to the IRD from time to time and lodged objections under the rights entitled to each taxpayer to all the relevant tax assessments issued within the specified time limit. However, the IRD had not yet agreed to UBoT Inc. (HK)’s submissions, and these tax matters were yet to be settled between the IRD and UBoT Inc. (HK) for a considerably long period of time (i.e. from April 2006). Under these circumstances, the IRD issued protective Profits Tax assessments to UBoT Inc. (HK) for time-barred years from the year of assessment 2008/09 up to the year of assessment 2016/17 (where year of assessment 2016/17 was issued in February 2023), disregarding Offshore Profits Claim and disallowing 30% pooling depreciation allowance claimed on certain machineries and equipment. UBoT Inc. (HK) lodged objections entitled to the respective protective Profits Tax assessments issued by the IRD, 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.

The mentioned tax provisions duly considered the potential profits tax liabilities arising from these tax matters between the IRD and UBoT Inc. (HK), and were therefore considered as adequate in case the IRD disallowed UBoT Inc. (HK)’s Offshore Profits Claim and disallowed 30% pooling depreciation allowance claimed on certain machineries and equipment for the relevant years of assessment.

During the year ended 31 December 2023, for the purpose of reducing the amount of time, manpower and resources consumed in retrieving the information/documents requested/to be requested by the IRD and to expedite the finalization of the matters, UBoT Inc. (HK) formally withdrew the Offshore Profits Claim with the IRD in July 2023 (the “Withdrawal”). Accordingly, the IRD issued all of the profits tax assessments for the relevant years of assessment on the basis that 100% of the trading profits of UBoT Inc. (HK) are subject to

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profits tax in Hong Kong as a result of the Withdrawal, which represented the final amount of the profits tax payable to the IRD.

Based on the protective assessments issued by the IRD before the Withdrawal, the total profits tax liabilities as assessed by the IRD for the years of assessment 2008/09 to 2016/17 were approximately HK\$22,232,000, which was fully settled before the year ended 31 December 2023 by utilising tax reserve certificates purchased of approximately HK\$6,372,000 included in other receivables, previous tax payments of approximately HK\$14,664,000 made before the Withdrawal and the remaining amount of approximately HK\$1,196,000 which has been settled by instalment subsequent to the year ended 31 December 2023. After the Withdrawal, the IRD issued revised profits tax assessments for the years of assessment 2008/09 to 2016/17 in the sum of approximately HK\$1,261,000, of which approximately HK\$1,090,000 was settled during the year ended 31 December 2023 and remaining amount of HK\$171,000 settled subsequent to the year ended 31 December 2023. For the years of assessment 2017/18 to 2021/22, the total profits tax liabilities were approximately HK\$10,618,000, of which approximately HK\$3,270,000 was settled during the year ended 31 December 2023, and the remaining balance will be settled by installments agreed with the IRD and was included in the income tax provision under current liabilities as at 31 December 2023.

Key sources of estimation uncertainty

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

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 the 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 ECL individually.

In addition, the 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. The information about the Group's trade receivables and ECL are disclosed in notes 18 and 30, respectively.

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6. REVENUE AND SEGMENT INFORMATION

(i) Disaggregation of revenue from contracts with customers

	<i>Notes</i>	Year ended 31 December		
		2021	2022	2023
		<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
Type of goods – at a point in time				
Sales of tray and tray related products	a	195,429	246,954	172,250
Sales of carrier tape	a	367	519	211
Sales of MEMS and sensor products packaging	b	7,152	10,092	16,508
		202,948	257,565	188,969
		202,948	257,565	188,969
Geographical markets				
Southeast Asia		72,219	91,694	69,152
People’s Republic of China (“PRC”)		55,495	62,647	49,342
Taiwan		39,195	59,159	33,982
United States of America		16,782	20,059	4,906
Europe		3,433	8,248	14,027
Hong Kong, Korea and Japan		15,824	15,758	17,560
		202,948	257,565	188,969
		202,948	257,565	188,969

Notes:

- (a) These revenue has been classified as revenue under back-end semiconductor transport media segment in the segment information.
- (b) These revenue has been classified as revenue under MEMS and sensor packaging segment in the segment information.

(ii) Performance obligations for contracts with customers

Revenue is recognised when control of the goods has transferred to customers, being when the goods have been shipped to the designated location (delivery). Following the delivery, the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility when on selling the goods and bears the risks of obsolescence and loss in relation to the goods. The normal credit term is 90 days upon delivery.

There is no remaining performance obligations (unsatisfied or partially unsatisfied) as at the end of each the reporting period.

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(iii) Segment information

Information reported to the chief executive of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. This is also the basis upon which the Group is organised. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group.

The Group’s reportable and operating segments under IFRS 8 “Operating Segments” are as follows:

- Back-end semiconductor transport media – Manufacture and sale of back-end semiconductor transport media products, including JEDEC tray, carrier tape and other accessories
- MEMS and sensor packaging – Manufacture and sale of MEMS and sensor products packages

The following is an analysis of the Group’s revenue and results from reportable and operating segments:

For the year ended 31 December 2021

	Back-end semiconductor transport media <i>HK\$’000</i>	MEMS and sensor packaging <i>HK\$’000</i>	Elimination <i>HK\$’000</i>	Consolidated <i>HK\$’000</i>
Revenue				
External sales	195,796	7,152	–	202,948
Segment profit	50,901	342	–	51,243
Other gains and losses				2,682
Bank interest income				11
Central administrative costs				(18,207)
Finance costs				(1,867)
[REDACTED]				[REDACTED]
Profit before taxation				<u>31,844</u>

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	Back-end semiconductor transport media HK\$'000	MEMS and sensor packaging HK\$'000	Elimination HK\$'000	Consolidated HK\$'000
Assets				
Segment assets	237,736	2,617	(50,471)	189,882
Property, plant and equipment				488
Right-of-use assets				242
Financial assets at fair value through profit or loss				12,968
Amount due from a director				10,620
Amount due from a related company				2,954
Bank balances and cash				<u>2,323</u>
Consolidated assets				<u>219,477</u>
Liabilities				
Segment liabilities	102,361	58,052	(50,471)	109,942
Bank borrowings				53,599
Bank overdrafts				3,261
Income tax provision				20,927
Deferred tax liabilities				137
Lease liabilities				<u>261</u>
Consolidated liabilities				<u>188,127</u>

	Back-end semiconductor transport media HK\$'000	MEMS and sensor packaging HK\$'000	Elimination HK\$'000	Consolidated HK\$'000
Amounts included in the measure of segment profit or loss or segment assets:				
Additions to non-current assets	13,575	155	–	13,730
Depreciation of property, plant and equipment	8,059	66	–	8,125
(Reversal) of allowance for inventories	(1,408)	–	–	(1,408)
Impairment losses on trade receivables recognised in profit or loss	70	6	–	76
Research and development expenses	<u>4,104</u>	<u>–</u>	<u>–</u>	<u>4,104</u>

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For the year ended 31 December 2022

	Back-end semiconductor transport media HK\$'000	MEMS and sensor packaging HK\$'000	Elimination HK\$'000	Consolidated HK\$'000
Revenue				
External sales	247,473	10,092	–	257,565
Inter-segment sales	2	119	(121)	–
	<u>247,475</u>	<u>10,211</u>	<u>(121)</u>	<u>257,565</u>
Segment profit	60,338	4,008	–	64,346
Other gains and losses				(6,054)
Bank interest income				15
Central administrative costs				(18,576)
Finance costs				(2,758)
[REDACTED]				[REDACTED]
Profit before taxation				<u><u>26,998</u></u>

	Back-end semiconductor transport media HK\$'000	MEMS and sensor packaging HK\$'000	Elimination HK\$'000	Consolidated HK\$'000
Assets				
Segment assets	236,157	6,269	(50,415)	192,011
Property, plant and equipment				471
Right-of-use assets				763
Deferred tax assets				1,015
Financial assets at fair value through profit or loss				13,335
Amount due from a director				6,318
Bank balances and cash				<u>5,900</u>
Consolidated assets				<u><u>219,813</u></u>
Liabilities				
Segment liabilities	78,941	51,530	(50,415)	80,056
Bank borrowings				57,680
Income tax provision				25,390
Deferred tax liabilities				137
Lease liabilities				<u>759</u>
Consolidated liabilities				<u><u>164,022</u></u>

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	Back-end semiconductor transport media HK\$'000	MEMS and sensor packaging HK\$'000	Elimination HK\$'000	Consolidated HK\$'000
Amounts included in the measure of segment profit or loss or segment assets:				
Additions to non-current assets	13,738	1,977	–	15,715
Depreciation of property, plant and equipment	8,558	338	–	8,896
Allowance for inventories	522	–	–	522
Impairment losses on trade receivables recognised in profit or loss	326	28	–	354
Research and development expenses	4,270	–	–	4,270
	<u>4,270</u>	<u>–</u>	<u>–</u>	<u>4,270</u>

For the year ended 31 December 2023

	Back-end semiconductor transport media HK\$'000	MEMS and sensor packaging HK\$'000	Elimination HK\$'000	Consolidated HK\$'000
Revenue				
External sales	172,461	16,508	–	188,969
Inter-segment sales	4	–	(4)	–
	<u>172,465</u>	<u>16,508</u>	<u>(4)</u>	<u>188,969</u>
Segment profit	30,339	6,669	–	37,008
Other gains and losses				(2,145)
Bank interest income				11
Central administrative costs				(19,227)
Finance costs				(3,731)
[REDACTED]				[REDACTED]
Profit before taxation				<u>6,656</u>

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	Back-end semiconductor transport media <i>HK\$'000</i>	MEMS and sensor packaging <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Assets				
Segment assets	223,186	6,557	(48,852)	180,891
Property, plant and equipment				340
Right-of-use assets				1,404
Deferred tax assets				1,167
Financial assets at fair value through profit or loss				13,748
Amount due from a director				6,318
Bank balances and cash				1,073
				<u>1,073</u>
Consolidated assets				<u><u>204,941</u></u>
Liabilities				
Segment liabilities	76,242	49,462	(48,856)	76,848
Bank borrowings				48,064
Bank overdrafts				2,932
Income tax provision				14,171
Deferred tax liabilities				137
Lease liabilities				1,412
				<u>1,412</u>
Consolidated liabilities				<u><u>143,564</u></u>
	Back-end semiconductor transport media <i>HK\$'000</i>	MEMS and sensor packaging <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Amounts included in the measure of segment profit or loss or segment assets:				
Additions to non-current assets	13,252	266	–	13,518
Depreciation of property, plant and equipment	10,391	428	–	10,819
Allowance for inventories	661	–	–	661
Reversal of impairment losses on trade receivables recognised in profit or loss	464	29	–	493
Research and development expenses	4,822	–	–	4,822
	<u>4,822</u>	<u>–</u>	<u>–</u>	<u>4,822</u>

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(iv) Geographical information

Information about the Group’s non-current assets is presented based on the location of the assets.

	As at 31 December		
	2021 <i>HK\$’000</i>	2022 <i>HK\$’000</i>	2023 <i>HK\$’000</i>
Hong Kong	1,030	1,234	1,792
PRC (excluding Hong Kong)	64,747	66,470	62,242
Southeast Asia	398	176	53
United States of America	13	10	7
	66,188	67,890	64,094
	66,188	67,890	64,094

Note: Non-current assets excluded financial instruments and deferred tax assets.

(v) Information about major customers

The revenue from customers individually contributing over 10% of the total revenue of the Group during each of the year in the Track Record Period is as follows:

	Year ended 31 December		
	2021 <i>HK\$’000</i>	2022 <i>HK\$’000</i>	2023 <i>HK\$’000</i>
Customer I			
Revenue from back-end semiconductor transport media	41,777	48,444	31,379
Revenue from MEMS and sensor packaging	–	229	108
	41,777	48,673	31,487
Customer II			
Revenue from back-end semiconductor transport media	20,750	27,028	–*
Customer III			
Revenue from back-end semiconductor transport media	20,454	–*	–*
Customer IV			
Revenue from back-end semiconductor transport media	24,094	–*	–*
Customer V			
Revenue from back-end semiconductor transport media	–*	26,219	11,198
Revenue from MEMS and sensor packaging	–*	3,807	10,539
	–*	30,026	21,737
	107,075	105,727	53,224

* The revenue from these customers did not contribute over 10% of the total revenue of the Group during that period.

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7. OTHER INCOME

	Year ended 31 December		
	2021	2022	2023
	HK\$’000	HK\$’000	HK\$’000
Government grants (<i>note a</i>)	56	919	56
Interest income	11	15	11
Sundry income	7	13	78
	74	947	145
	74	947	145

Notes:

- (a) The government grants mainly represent:
- i. employment for the staff in Singapore arose from the Job Support Scheme (“JSS”) introduced by the Singapore government in response to COVID-19 pandemic of HK\$56,000, HK\$35,000 and nil for the year ended 31 December 2021, 2022 and 2023, respectively. The JSS provided wage support to employers, helping enterprises retain their local employees (Singapore citizens and permanent residents). There are no unfulfilled conditions and other contingencies attached to the receipts of those subsidies;
 - ii. employment for the staff in Hong Kong of nil, HK\$624,000 and nil for the year ended 31 December 2021, 2022 and 2023, respectively, in respect of Employment Support Scheme provided by the Government of the Hong Kong Special Administrative Region in response to COVID-19 pandemic; and
 - iii. employment for the staff in the PRC of nil, HK\$193,000 and HK\$56,000 for the year ended 31 December 2021, 2022 and 2023, respectively, in respect of training subsidies for employees staying on the job provided by the local government of the PRC.

8. OTHER GAINS AND LOSSES

	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 (<i>note</i>)	6,111	–	–
Loss of inventories due to fire accident (<i>note</i>)	(7,723)	–	–
Gain (loss) on disposal of property, plant and equipment	–	87	(29)
	1,070	(5,967)	(2,174)
	1,070	(5,967)	(2,174)

Note: During the year ended 31 December 2021, a fire accident occurred in the warehouse located in the PRC which caused damaged to certain inventories, the carrying amount of the damaged inventories amounted to HK\$7,723,000 were written off. The insurance claim income for this fire accident of HK\$6,111,000 was accepted by the insurance company in December 2021 and all the claims have been received in January 2022.

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9. FINANCE COSTS

	Year ended 31 December		
	2021	2022	2023
	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
Interests on:			
– Bank borrowings and overdrafts	1,805	2,748	3,732
– Lease liabilities	1,404	1,348	1,052
	<u>3,209</u>	<u>4,096</u>	<u>4,784</u>

10. PROFIT BEFORE TAXATION

Profit before taxation has been arrived at after charging (crediting):

	Year ended 31 December		
	2021	2022	2023
	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
Auditors’ remuneration	<u>705</u>	<u>671</u>	<u>641</u>
Depreciation of property, plant and equipment	8,125	8,896	10,819
Depreciation of right-of-use assets	<u>6,554</u>	<u>6,863</u>	<u>6,481</u>
Total depreciation	<u>14,679</u>	<u>15,759</u>	<u>17,300</u>
Directors’ remuneration (<i>note 12</i>)	7,076	6,131	6,168
Other staff costs			
– Salaries and other benefits	50,064	59,834	47,768
– Retirement benefit scheme contributions (<i>note i</i>)	<u>5,590</u>	<u>6,336</u>	<u>6,732</u>
Total staff costs (<i>note ii</i>)	<u>62,730</u>	<u>72,301</u>	<u>60,668</u>
Cost of inventories recognised as costs of sales (<i>note iii</i>)	116,272	155,687	116,989
Net changes in allowance for inventories (included in cost of sales)	(1,408)	522	661
[REDACTED]	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>

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Notes:

- (i) The employees of the Group in the PRC are members of state-managed defined contribution scheme operated by the PRC Government. The Group is required to contribute a specified percentage of payroll costs as determined by local government authority to the scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contribution under the scheme.
- (ii) Other staff costs of HK\$35,423,000, HK\$43,506,000 and HK\$40,023,000 were capitalised as cost of inventories for the year ended 31 December 2021, 2022 and 2023, respectively, the remaining staff costs were recognised in administrative expenses, selling and distribution expenses and research and development expenses.
- (iii) Cost of inventories included (i) cost of materials amounting to HK\$55,176,000, HK\$73,622,000 and HK\$49,549,000 for the year ended 31 December 2021, 2022 and 2023, respectively.

11. INCOME TAX EXPENSE (CREDIT)

	Year ended 31 December		
	2021	2022	2023
	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
Income tax expense (credit) comprises:			
Hong Kong Profits Tax			
– Current year	5,434	6,154	970
– Underprovision in prior years	–	–	769
PRC Enterprise Income Tax (“EIT”)			
– Current year	–	44	16
Singapore Corporate Income Tax			
– Current year	–	44	45
Deferred tax (<i>note 26</i>)	14	(1,042)	(182)
	5,448	5,200	1,618
	5,448	5,200	1,618

(i) Hong Kong

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 entity 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.

(ii) PRC

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 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 entitled to tax rates of 5% on taxable income for the first RMB3,000,000.

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(iii) Singapore

Singapore Corporate Income Tax is calculated at 17% in accordance with the relevant laws and regulations in Singapore for the Track Record Period.

	Year ended 31 December		
	2021 HK\$’000	2022 HK\$’000	2023 HK\$’000
Profit before taxation	31,844	26,998	6,656
Tax at applicable tax rate of 16.5% (note a)	5,254	4,455	1,098
Tax effect of income not taxable for tax purpose (note c)	(1,086)	(184)	(155)
Tax effect of expenses not deductible for tax purpose (note d)	1,455	1,506	1,097
Others (note b)	–	–	(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

Notes:

- (a) 16.5% is used as majority of the income tax provision is arising from Hong Kong.
- (b) The amount represents the temporary differences between the carrying amounts of right-of-use assets and lease liabilities as at 31 December 2023 as disclosed in Note 26. 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.
- (c) The amount mainly represents the compensation income from fire accident (note 8), government grants, gain on fair value change of financial assets at fair value through profit or loss, reversal of impairment losses on financial assets and interest income that are not taxable for tax purpose.
- (d) The amount mainly represents the accounting depreciation, [REDACTED], provision for impairment losses on financial assets, and other miscellaneous expenses that are not deductible for tax purpose.

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12. DIRECTORS’ AND CHIEF EXECUTIVE’S EMOLUMENTS AND EMPLOYEES’ REMUNERATION

Directors’ and chief executive’s emoluments

Mr. Wong Tsz Lun and Mr. Cheung Chee Wah were appointed as non-executive directors of the Company on 22 April 2022. Mr. Chan Oi Fat, Ms. Ma Jay Suk Lin and Mr. Wong Lok Man were appointed as independent non-executive directors of the Company subsequently on 20 May 2024.

The emoluments paid or payable to the directors and chief executive of the Company (including emoluments for services as employees/directors of the entities comprising the Group prior to becoming the directors of the Company) during the Track Record Period are as follows:

Year ended 31 December 2021

	Salaries, allowances and benefits in kind (note (iv)) HK\$’000	Discretionary bonus (note (ii)) HK\$’000	Contributions to MPF HK\$’000	Total HK\$’000
Executive Directors				
Mr. Tong (note (i))	2,503	900	18	3,421
Mr. Chan Kai Leung	815	350	18	1,183
Mr. Shek Kam Pun	1,241	150	18	1,409
Mr. Tam Ming Wa	945	100	18	1,063
	5,504	1,500	72	7,076
	5,504	1,500	72	7,076

Year ended 31 December 2022

	Salaries, allowances and benefits in kind (note (iv)) HK\$’000	Discretionary bonus (note (ii)) HK\$’000	Contributions to MPF HK\$’000	Total HK\$’000
Executive Directors				
Mr. Tong (note (i))	2,699	–	18	2,717
Mr. Chan Kai Leung	894	–	18	912
Mr. Shek Kam Pun	1,428	–	18	1,446
Mr. Tam Ming Wa	1,038	–	18	1,056
Non-executive Directors				
Mr. Wong Tsz Lun	–	–	–	–
Mr. Cheung Chee Wah (note (iv))	–	–	–	–
	6,059	–	72	6,131
	6,059	–	72	6,131

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Year ended 31 December 2023

	Salaries, allowances and benefits in kind <i>(note (iv))</i> <i>HK\$’000</i>	Discretionary bonus <i>(note (ii))</i> <i>HK\$’000</i>	Contributions to MPF <i>HK\$’000</i>	Total <i>HK\$’000</i>
Executive Directors				
Mr. Tong <i>(note (i))</i>	2,580	215	18	2,813
Mr. Chan Kai Leung	864	72	18	954
Mr. Shek Kam Pun	1,008	84	18	1,110
Mr. Tam Ming Wa	1,208	65	18	1,291
Non-executive Directors				
Mr. Wong Tsz Lun	–	–	–	–
Mr. Cheung Chee Wah <i>(note (iv))</i>	–	–	–	–
	<u>5,660</u>	<u>436</u>	<u>72</u>	<u>6,168</u>

Notes:

- (i) Mr. Tong acts as chief executive of the Company with effect from 7 February 2022 and his emoluments disclosed above included those for services rendered by him as the chief executive in management of the affairs of the group entities.
- (ii) The discretionary bonus is determined by reference to the duties and responsibilities of the relevant individual within the Group and the Group’s performance.
- (iii) No other retirement benefits were paid to directors in respect of their respective services in connection with the management of the affairs of the Company or its subsidiaries undertaking.
- (iv) Mr. Cheung Chee Wah resigned on 22 April 2024.
- (v) The executive directors’ emoluments shown above were for their services in connection with the management affairs of the Group.

During the Track Record Period, no remuneration was paid by the Group to any director of the Company as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors of the Company waived any remuneration during the Track Record Period.

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Employees’ remuneration

During the Track Record Period, included in the remunerations of the five highest paid individuals are 4, 4 and 4 directors whose remunerations are disclosed above.

The remunerations in respect of the remaining 1, 1 and 1 highest paid individual during the Track Record Period are as follows:

	Year ended 31 December		
	2021 <i>HK\$’000</i>	2022 <i>HK\$’000</i>	2023 <i>HK\$’000</i>
Salaries, allowances and discretionary bonuses	780	780	780
Contributions to MPF	18	18	18
	<u>798</u>	<u>798</u>	<u>798</u>

During the Track Record Period, the remunerations of the five highest paid individuals, including directors, are within following bands:

	Year ended 31 December		
	2021 <i>Number of employees</i>	2022 <i>Number of employees</i>	2023 <i>Number of employees</i>
Emolument bands			
Nil to HK\$1,000,000	1	2	2
HK\$1,000,001 to HK\$1,500,000	3	2	2
HK\$2,500,001 to HK\$3,000,000	–	1	1
HK\$3,000,001 to HK\$3,500,000	1	–	–

During the Track Record Period, no remuneration was paid by the Group to the five highest paid individuals of the Group as an inducement to join or upon joining the Group or as compensation for loss of office.

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13. DIVIDENDS

No dividend has been paid or declared by the Company since its incorporation. On 31 March 2022, subject to the [REDACTED] of the Company as the condition, UBoT Inc. (HK) has declared conditionally an interim dividend of HK\$0.33 per share of UBoT Inc. (HK) amounting in the aggregate of HK\$11,220,000. Once become unconditional, the dividend payable of HK\$5,778,000, to one of the ultimate Controlling Shareholders, Mr. Tong, will be settled through offsetting the amount due from Mr. Tong before [REDACTED]. The dividends declared to the other shareholders will be settled by cash (using internally generated funds) before [REDACTED]. Considering the interim dividend is conditional to the [REDACTED], no dividend payable was recognised during the Track Record Period and would only be recognised when the interim dividend becomes unconditional. 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, the 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\$539,654. All the other dividends declared to shall be payable to the shareholders of the Company will be settled by cash (using the internally generated funds) before [REDACTED].

The rate of dividend and number of shares ranking for dividend are not presented as such information is not meaningful having regard to the purpose of this report.

Other than the above, no dividend has been paid or declared by other companies comprising the Group during the Track Record Period.

14. EARNINGS PER SHARE

The calculation of the basic earnings per share for the three years ended 31 December 2023 based on the profit attributable to owners of the Company during the Track Record Period, and on 375,000,000 shares in issue on the assumption that the Reorganisation as detailed in note 2 and [REDACTED] as detailed in the section headed “Share Capital” in the document has been effective on 1 January 2021.

No diluted earnings per share are presented for the Track Record Period as there were no potential ordinary shares in issue.

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15. PROPERTY, PLANT AND EQUIPMENT

	Machineries <i>HK\$'000</i>	Moulds <i>HK\$'000</i>	Fixtures, furniture and equipment <i>HK\$'000</i>	Leasehold improvements <i>HK\$'000</i>	Construction in progress <i>HK\$'000</i>	Total <i>HK\$'000</i>
COST						
At 1 January 2021	41,047	74,160	23,053	8,122	606	146,988
Additions	6,028	2,620	795	266	4,021	13,730
Transfers	639	27	12	120	(798)	–
Exchange realignment	885	679	154	172	66	1,956
At 31 December 2021	48,599	77,486	24,014	8,680	3,895	162,674
Additions	1,247	10,611	785	1,053	603	14,299
Acquisition of subsidiaries (note 35)	297	1,037	63	19	–	1,416
Disposals	(1,556)	–	–	(103)	–	(1,659)
Transfers	65	–	19	3,340	(3,424)	–
Exchange realignment	(2,606)	(2,214)	(448)	(575)	(223)	(6,066)
At 31 December 2022	46,046	86,920	24,433	12,414	851	170,664
Additions	1,759	10,465	487	211	596	13,518
Disposals	(5,335)	–	(184)	–	–	(5,519)
Transfers	–	–	–	824	(824)	–
Transfer from right-of-use assets	2,324	–	–	–	–	2,324
Exchange realignment	(949)	(1,048)	(170)	(295)	(24)	(2,486)
At 31 December 2023	43,845	96,337	24,566	13,154	599	178,501
DEPRECIATION						
At 1 January 2021	31,052	57,109	21,348	6,766	–	116,275
Charge for the year	2,690	4,646	546	243	–	8,125
Exchange realignment	555	219	119	138	–	1,031
At 31 December 2021	34,297	61,974	22,013	7,147	–	125,431
Eliminated on disposals	(1,556)	–	–	(103)	–	(1,659)
Change for the year	2,614	5,220	637	425	–	8,896
Exchange realignment	(1,599)	(849)	(335)	(372)	–	(3,155)
At 31 December 2022	33,756	66,345	22,315	7,097	–	129,513
Change for the year	2,580	6,507	627	1,105	–	10,819
Eliminated on disposals	(4,787)	–	(164)	–	–	(4,951)
Transfer from right-of-use assets	407	–	–	–	–	407
Exchange realignment	(611)	(433)	(128)	(143)	–	(1,315)
At 31 December 2023	31,345	72,419	22,650	8,059	–	134,473
CARRYING VALUES						
At 31 December 2021	14,302	15,512	2,001	1,533	3,895	37,243
At 31 December 2022	12,290	20,575	2,118	5,317	851	41,151
At 31 December 2023	12,500	23,918	1,916	5,095	599	44,028

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The above items of property, plant and equipment are depreciated on a straight-line basis over the useful lives at the following rates per annum:

Machineries	10–33.3%
Moulds	12.5–20%
Fixtures, furniture and office equipment	10–33.3%
Leasehold improvements	12.5–20%

16. RIGHT-OF-USE ASSETS

	Leased properties/ Machineries <i>HK\$'000</i>
COST	
At 1 January 2021	38,268
Additions	3,455
Extension of lease term arising from a change in the non-cancellable period of a lease <i>(note a)</i>	5,442
Early termination of a lease <i>(note b)</i>	(1,374)
Exchange realignment	1,093
	<hr/>
At 31 December 2021	46,884
Additions	4,246
Extension of lease term arising from a change in the non-cancellable period of a lease <i>(note a)</i>	2,364
Early termination of a lease <i>(note b)</i>	(882)
Exchange realignment	(3,422)
	<hr/>
At 31 December 2022	49,190
Additions	1,271
Extension of lease term arising from a change in the non-cancellable period of a lease <i>(note a)</i>	81
Early termination	(188)
Reduction upon completion/derecognition upon end of lease term	(1,089)
Transfer to property, plant and equipment	(2,324)
Exchange realignment	(1,297)
	<hr/>
At 31 December 2023	45,644
	<hr/>
DEPRECIATION	
At 1 January 2021	11,776
Provided for the year	6,554
Early termination of a lease <i>(note b)</i>	(693)
Exchange realignment	302
	<hr/>
At 31 December 2021	17,939
Provided for the year	6,863
Early termination of a lease <i>(note b)</i>	(478)
Exchange realignment	(1,308)
	<hr/>
At 31 December 2022	23,016
Provided for the year	6,481
Early termination	(110)
Reduction upon completion/derecognition upon end of lease term	(1,089)
Transfer to property, plant and equipment	(407)
Exchange realignment	(602)
	<hr/>
At 31 December 2023	27,289
	<hr/>

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	Leased properties/ Machineries <i>HK\$’000</i>
CARRYING VALUES	
At 31 December 2021	28,945
At 31 December 2022	26,174
At 31 December 2023	18,355

Notes:

- (a) During the Track Record Period, certain lease properties with no extension options have their lease terms extended after agreeing with the landlords.
- (b) During the years ended 31 December 2021, 2022 and 2023, a leased property has been early terminated without any penalty.

Included in right-of-use assets with carrying values of HK\$2,426,000, HK\$2,004,000 and nil are machineries as at 31 December 2021, 2022 and 2023, respectively.

The Group leases factories, machineries, offices and warehouse premises during the Track Record Period. Lease contracts are entered into for fixed term of 2 to 10 years, without any extension nor termination options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

During the years ended 31 December 2021, 2022 and 2023, expenses relating to short-term leases were HK\$261,000, HK\$343,000 and HK\$459,000, respectively.

During the years ended 31 December 2021 and 2022 and 2023, expenses relating to leases of low-value assets, excluding short-term leases of low-value assets, were HK\$9,000, HK\$32,000 and nil, respectively.

During the years ended 31 December 2021, 2022 and 2023, total cash outflows for the leases of the Group were HK\$6,961,000, HK\$11,658,000 and HK\$6,111,000, respectively.

17. INVENTORIES

	As at 31 December		
	2021	2022	2023
	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
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
	60,113	60,701	65,588

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18. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	The Group			The Company	
	As at 31 December			As at 31 December	
	2021 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000
Trade receivables	41,497	42,275	33,400	–	–
Less: Allowance for credit losses	(831)	(1,162)	(658)	–	–
	<u>40,666</u>	<u>41,113</u>	<u>32,742</u>	<u>–</u>	<u>–</u>
Other receivables and deposits (note a)	2,892	3,408	4,635	–	–
Value added tax recoverable	2,418	2,885	2,274	–	–
Other receivable from insurance company (note b)	4,111	–	–	–	–
Prepayments paid to suppliers	2,502	2,946	3,682	–	–
Prepaid expenses	4,180	4,576	4,855	61	–
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Deferred issue costs	673	3,515	5,038	3,515	5,038
Tax reserve certificate (note c)	6,372	6,372	–	–	–
	<u>23,645</u>	<u>24,106</u>	<u>21,922</u>	<u>3,980</u>	<u>6,476</u>
Less: Rental deposits under non-current assets	(1,096)	(1,334)	(1,236)	–	–
Less: Prepayment for acquisition of property, plant and equipment under non-current assets	–	(565)	(1,711)	–	–
Amount shown under current assets	<u>63,215</u>	<u>63,320</u>	<u>51,717</u>	<u>3,980</u>	<u>6,476</u>

Notes:

- (a) Included in other receivables and deposits of HK\$211,000, HK\$10,000 and HK\$54,000 as at 31 December 2021, 2022 and 2023 respectively, represented amount due from 東莞柏輝玩具有限公司 (“Dongguan Baihui”). Dongguan Baihui is wholly-owned by Tang Family. The amount represented the electricity bills paid on behalf for Dongguan Baihui by the Group for the electricity utilised by Dongguan Baihui as the electric power company only provided one electricity meter for the area where Dongguan Baihui’s and the Group’s factories are located. Details has been disclosed in note 31(d).
- (b) Amount represented the remaining outstanding compensation income due to the fire accident from the insurance company as disclosed in note 8. The amount has been fully settled by the insurance company in January 2022.
- (c) During the year ended 31 December 2023, the tax reserve certificate purchased was used to set off against the final profits tax assessments for the years of assessment 2008/09 to 2016/17 issued and assessed by the IRD in August 2023.

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The Group grants credit terms to customers for a period ranging from 90 days from the invoice date for trade receivables. The following is an aged analysis of trade receivables, net of allowance for doubtful debts, presented based on the invoice date at the end of each reporting period:

	As at 31 December		
	2021	2022	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
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
	<u>40,666</u>	<u>41,113</u>	<u>32,742</u>

As at 1 January 2021, trade receivables from contracts with customers amounted to HK\$29,875,000, net of allowance for credit losses.

ECL of trade receivables

At the end of the reporting period, the Company reviews 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 HK\$76,000, 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 2023, and the management of the Company consider that the trade debtors are of good credit quality.

Trade receivables that are not impaired

The ageing analysis of trade receivables (net of provision of ECL) that are neither individually nor collectively considered to be impaired are as follows:

	As at 31 December		
	2021	2022	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Neither past due nor impaired	33,207	32,702	23,909
Past due but not impaired			
Less than 1 month past due	5,868	7,014	6,957
1 to 3 months past due	1,571	1,078	1,529
Over 3 months	20	319	347
	<u>40,666</u>	<u>41,113</u>	<u>32,742</u>

The Group's trade receivables balances that are past due over 90 days are not considered as in default based on good repayment records for those customers and long-term/continuous business with the Group. As at 31 December 2021, 2022 and 2023, the Group does not charge interest nor hold any collateral over the balances.

The following were the Group's trade receivables financing with banks as at 31 December 2021 and 2022 and 2023. As the Group has still retained the significant risks and rewards, it continues to recognise the full carrying amount and has recognised the cash received on the transfer as the bank borrowings (see note 25). These financial assets are carried at amortised cost in the consolidated statements of financial position.

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The trade receivables financing with banks at each of the end of reporting period was as follows:

	As at 31 December		
	2021	2022	2023
	HK\$’000	HK\$’000	HK\$’000
Carrying amount of trade receivables financing	18,722	19,122	15,196
Carrying amount of associated borrowings (note 25)	(15,435)	(17,093)	(13,406)
Net position	<u>3,287</u>	<u>2,029</u>	<u>1,790</u>

19. 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.

The fair values of this life insurance contracts at the end of each of the reporting period were estimated by making reference to the cash surrender value set out in the insurance contracts. The cash surrender value represents the discounted payout the insuree would receive if they opt to withdraw any funds up to the basis of the policy, after deducting the surrender charge imposed by the insurer, and such cash surrender value, although of a life insurance policy nature, is an asset that the Group (i.e. the insuree) can control at its discretion, and the contracts can be converted into cash within one month or less when the contracts are surrendered.

Since the insurance contracts are used as security and formed a part of obtaining the bank facilities (note 25) granted to the subsidiary of the Group, these related insurance contracts are expected to be realised upon settlement of the bank borrowings when needed. In view of the bank borrowings contained a repayment on demand clause (note 25) are classified as current liabilities, the presentation of such relevant insurance contracts is consistent with the bank borrowings.

20. AMOUNT(S) DUE FROM (TO) A RELATED COMPANY/DIRECTOR/SUBSIDIARIES

The Group

	As at 31 December			Maximum amounts outstanding During the year ended 31 December		
	2021	2022	2023	2021	2022	2023
	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000
Amount due from a director						
– Mr. Tong	<u>10,620</u>	<u>6,318</u>	<u>6,318</u>	<u>12,161</u>	<u>11,577</u>	<u>6,318</u>
Amount due from a related company						
– UBOTIC MEMS (as defined below)	<u>2,954</u>	<u>–</u>	<u>–</u>	<u>7,760</u>	<u>2,954</u>	<u>–</u>

All the amounts shown above are non-trade nature, unsecured, interest-free and repayable on demand. 東莞優博創新微機電科技有限公司 (Dongguan UBOTIC MEMS Co., Ltd.*) (“UBOTIC MEMS”) was controlled by Mr. Tong until the Group has acquired it from Mr. Tong on 20 April 2022 as stated in note 35.

* For identification purpose only

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The Company

Amounts due to subsidiaries are non-trade nature, unsecured, interest-free and repayable on demand.

The amount due from Mr. Tong of HK\$5,778,000 will offset simultaneously with the interim dividend declared by UBoT Inc. (HK) before [REDACTED] (note 13). The remaining outstanding amount due from Mr. Tong will be settled by cash before [REDACTED].

The amount due from UBOTIC MEMS is eliminated upon the acquisition of UBOTIC MEMS on 20 April 2022 as disclosed in note 35 as UBOTIC MEMS would become a subsidiary of the Group.

Further details on the Group’s credit policy and credit risk analysis arising from amounts due from a director and related company are set out in note 30.

21. TIME DEPOSITS/BANK BALANCES AND CASH/BANK OVERDRAFTS

Bank balances/time deposits

Bank balances are interest-free or at nominal rate as at 31 December 2021, 2022 and 2023.

Details of impairment assessment of bank balances and time deposits are set out in note 30.

Bank overdrafts

Bank overdrafts carry interest at market rates at 6% and 6.8% per annum as at 31 December 2021 and 2023, respectively.

22. TRADE AND OTHER PAYABLES

	The Group			The Company	
	As at 31 December			As at 31 December	
	2021	2022	2023	2022	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables					
– third parties	44,699	33,050	36,495	–	–
– UBOTIC MEMS	6,863	–	–	–	–
	51,562	33,050	36,495	–	–
Payroll and retirement benefit plan payables	10,472	10,909	7,499	85	–
Accrued expenses	4,378	3,837	3,411	–	–
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Accrued shipping and freight-outbound fees	1,410	1,024	1,264	–	–
Payables for acquisition of property, plant and equipment	3,939	828	829	–	–
Others	2,160	2,019	3,269	–	–
	75,648	52,741	55,828	1,159	3,061
Total	75,648	52,741	55,828	1,159	3,061

The credit period on purchases from suppliers is ranging from 0–120 days or payable upon delivery.

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

	As at 31 December		
	2021 HK\$'000	2022 HK\$'000	2023 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
	<u>51,562</u>	<u>33,050</u>	<u>36,495</u>

23. CONTRACT LIABILITIES

Contract liabilities mainly included prepayments received from customers when they sign the sale and purchase agreements which are recognised as contract liabilities. They are expected to be recognised as revenue within one year upon receipt at the beginning of the year, they were recognised as revenue in current period upon the satisfaction of performance obligation, i.e. the delivery of goods to customers.

As at 1 January 2021, contract liabilities amounted to HK\$329,000.

24. LEASE LIABILITIES

	As at 31 December		
	2021 HK\$'000	2022 HK\$'000	2023 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	–
	<u>34,215</u>	<u>28,012</u>	<u>22,411</u>
Less: Amount due for settlement within 12 months shown under current liabilities	<u>(10,097)</u>	<u>(7,002)</u>	<u>(7,670)</u>
Amount due for settlement after 12 months shown under non-current liabilities	<u>24,118</u>	<u>21,010</u>	<u>14,741</u>

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.

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25. BANK BORROWINGS

	As at 31 December		
	2021 HK\$’000	2022 HK\$’000	2023 HK\$’000
Bank borrowings:			
Secured	38,164	40,587	34,658
Trade receivables financing (<i>note 18</i>)	15,435	17,093	13,406
	<u>53,599</u>	<u>57,680</u>	<u>48,064</u>
The carrying amounts of the above borrowings that contain a repayment on demand clause (shown under current liabilities) but repayable*:			
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	–	–
	<u>53,599</u>	<u>57,680</u>	<u>48,064</u>

* 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 the Group);
- Life insurance policy entered into by a subsidiary of the Group as detailed in note 19; and
- Unlimited guarantees from Mr. Tong’s company (not in the Group), UBOTIC, Mr. Tong, Mr. Tang Ming and Mr. Tang Chak Leung.

As represented by the directors of the Company, based on the bank facilities letter signed with the bank, the legal charge over a property owned by Mr. Tong’s company, the unlimited guarantees provided by a subsidiary of the Group, UBOTIC, Mr. Tong, Mr. Tang Ming and Mr. Tang Chak Leung is expected to be released upon [REDACTED].

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26. DEFERRED TAXATION

The following is the deferred tax (assets) liabilities recognised and the movements thereon:

	Deferred tax assets			Deferred tax liabilities	
	Tax losses <i>HK\$'000</i>	Right-of-use assets/lease liabilities	Sub-total <i>HK\$'000</i>	ECL provision <i>HK\$'000</i>	Total <i>HK\$'000</i>
		<i>HK\$'000</i>			
At 1 January 2021	-	-	-	123	123
Charged to profit or loss (<i>note 11</i>)	-	-	-	14	14
At 31 December 2021	-	-	-	137	137
Credited to profit or loss (<i>note 11</i>)	(1,042)	-	(1,042)	-	(1,042)
Exchange adjustments	27	-	27	-	27
As 31 December 2022	(1,015)	-	(1,015)	137	(878)
Charged (credited) to profit or loss (<i>note 11</i>)	834	(1,016)	(182)	-	(182)
Exchange adjustments	24	6	30	-	30
As 31 December 2023	<u>(157)</u>	<u>(1,010)</u>	<u>(1,167)</u>	<u>137</u>	<u>(1,030)</u>

As at 31 December 2022 and 2023, the Group has tax losses arising in the PRC of HK\$4,168,000 and HK\$629,000, respectively, available for offset against future profits that will expire in next five years. A deferred tax asset has been recognised of HK\$1,015,000 and HK\$157,000 as at 31 December 2022 and 2023, respectively, of such losses.

27. SHARE CAPITAL AND (ACCUMULATED LOSSES) RETAINED PROFITS

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 7 February 2022, with an authorised share capital of HK\$380,000 divided into 380,000,000 Shares of HK\$0.001 each.

As mentioned in note 2, the Historical Financial Information has been prepared as if the Group structure after the Reorganisation had been in existence throughout the Track Record Period.

Share capital and (accumulated losses) retained profits as at 31 December 2021 represent the share capital and (accumulated losses) retained profits of the companies now comprising the Group. From the beginning of the Track Record Period, the issued share capital of UBoT In. (HK) was 7,850,000 shares and the shareholdings of the ultimate Controlling Shareholders of Mr. Tong and Busy Trade were 32.61% and 35.93%, respectively, and the other shareholders of 31.46%. On 31 August 2020, UBoT Inc. (HK) further allotted and issued a total of 26,150,000 shares (settled by cash of HK\$6,538,000) to Mr. Tong of 13,250,000 shares (settled by cash of HK\$3,313,000), Busy Trade of 11,459,800 (settled by cash of HK\$2,865,000) and the other shareholders of 1,440,200 (settled by cash of HK\$360,000). After such shares allotment, the shareholdings of the ultimate Controlling Shareholders of Mr. Tong and Busy Trade were 46.5% and 42%, respectively, and the other shareholders of 11.5%.

Share capital as at 31 December 2022 and 2023 represent the share capital of the Company.

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28. RETIREMENT BENEFIT PLAN

The Group operates a Mandatory Provident Fund Scheme (“MPF”) for all qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs to the Scheme, which contribution is matched by employees, with each employee’s qualifying salary capped at HK\$1,500 per month to the MPF scheme.

The employees of the Group’s subsidiaries in the PRC are members of a state-managed retirement benefit scheme operated by the government of the PRC. The subsidiaries are required to contribute fixed percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

During the Track Record Period, the Group’s subsidiaries in the PRC failed to promptly make full contributions to the social insurance plans and the housing provident fund for their employees employed by the PRC subsidiaries. Pursuant to the 《中華人民共和國社會保險法》, the PRC subsidiaries may be ordered to make up for the shortfall in contribution within a specified time period and be subject to a daily fine amounting to 0.05% of the outstanding contributions from the date on which payment is overdue. If the outstanding contribution is not made within the specified time period, the Group may be imposed a fine ranging from one to three times of the amount of shortfall in contribution. Pursuant to the Regulation on the Administration of Housing Provident Fund, the Group’s PRC subsidiaries may be ordered to make up the outstanding contribution within a specified time period, and if the Group’s PRC subsidiaries fail to do so, the housing provident fund administrative center may apply for a court order for enforcement of such contribution.

At 31 December 2021, the Group had made aggregate provisions of HK\$2,464,000, respectively in respect of the estimated shortfall in social insurance plans and housing provident fund contributions.

The directors of the Company have, taking into account the facts that (i) full provision of shortfalls had been made; and (ii) based on the Group’s PRC legal advisor’s consultation with relevant PRC social insurance administrative authorities, they would not impose any punishment on the Group in respect of the underpayment, considered that it is not probable that the Group will be fined or penalised and therefore no provision for fines or penalties has been made, and that the provision of shortfall made as at each reporting date and during the Track Record Period is adequate.

The total cost charged to profit or loss of HK\$5,662,000, HK\$6,408,000 and HK\$6,804,000 represents contributions payable to these schemes by the Group in respect of the year ended 31 December 2021, 2022 and 2023, respectively.

29. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group’s overall strategy remains unchanged throughout the Track Record Period.

The capital structure of the Group consists of net debts, which includes bank overdrafts, lease liabilities and bank borrowings as disclosed in notes 21, 24 and 25 respectively, net of bank balances and cash and time deposits and equity attributable to owners of the Group, comprising share capital and reserve. The Group is not subject to any externally imposed capital requirement.

The management of the Group reviews the capital structure on a regular basis. As a part of this review, the management considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the management, the Group will balance its overall capital structure through continuity of funding of cash flows from operating activities, the payment of dividends, new share issues, or issues of new debt.

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30. FINANCIAL INSTRUMENTS

Categories of financial instruments

	At 31 December		
	2021 HK\$’000	2022 HK\$’000	2023 HK\$’000
Financial assets at amortised cost	63,566	56,739	44,786
Financial assets at fair value through profit or loss	12,968	13,335	13,748
Financial liabilities at amortised cost	126,403	105,510	100,352
Lease liabilities	34,215	28,012	22,412

Financial risk management objectives and policy

The Group’s financial instruments include financial assets at fair value through profit or loss, trade and other receivables and deposits, amount due from a director/a related company, bank balances, time deposits, trade and other payables, bank overdrafts and bank borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Currency risk

Majority of the Group’s revenue is denominated in US\$ and RMB. However, the Group has certain trade and other receivables, trade and other payables, bank balances, bank overdrafts and bank borrowings that are denominated in foreign currencies relative to functional currencies of the respective group entities. As a result, the Group is exposed to fluctuations in foreign exchange rates.

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

The carrying amounts of the Group’s monetary assets and liabilities that are denominated in currencies other than the functional currency of the relevant group entities at the end of the reporting period are as follows:

	Assets			Liabilities		
	As at 31 December			As at 31 December		
	2021 HK\$’000	2022 HK\$’000	2023 HK\$’000	2021 HK\$’000	2022 HK\$’000	2023 HK\$’000
SGD	–	66	–	417	58	138
RMB	7,166	5,219	137	241	239	480
Euro (“EUR”)	–	–	–	13	3	4
New Taiwan Dollar (“NTD”)	37	32	–	8	–	34
Malaysian Ringgit (“MYR”)	81	56	5	4	45	51
HK\$	11,488	2,033	6,829	24,530	35,639	28,751

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Sensitivity analysis

The Group’s foreign currency risk is mainly concentrated on the fluctuation of RMB and HK\$ against functional currencies of the respective group entities.

Since HK\$ is pegged to US\$, the Group does not expect any significant movements in US\$/HK\$ exchange rate.

The following table details the Group’s sensitivity to a 5% decrease in the functional currency of the relevant group entities against the relevant foreign currencies. The following sensitivity analysis includes only outstanding monetary items denominated in foreign currencies and adjusts their translation at the year end for a 5% change in foreign currency exchange rates, which are the sensitivity rates used when reporting foreign currency risk internally to key management personnel and represents management’s assessment of the reasonably possible change in currencies exchange rates. A positive (negative) number below indicates an increase (decrease) to profit before taxation when the currency below strengthens 5% against the functional currency of the relevant group entities. For a 5% weakening of these currencies against the functional currency of the relevant group entities, there would be an equal and opposite impact on the profit before taxation.

	As at 31 December		
	2021	2022	2023
	HK\$’000	HK\$’000	HK\$’000
(Loss) gain in relation to:			
RMB	346	249	17

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Management has assessed there is minimal exposure of the interest rate risk on the variable rate of interest incurred on the bank borrowings, bank overdrafts and bank balances.

The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate risk exposure and will consider interest rate hedging should the need arise.

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates (“IBORs”) with alternative nearly risk-free rates. Details of the impacts on the Group’s risk management strategy arising from the interest rate benchmark reform and the progress towards implementation of alternative benchmark interest rates are set out under “interest rate benchmark reform” in this note.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates at the end of the reporting period. The analysis is prepared assuming the bank borrowings outstanding at the end of the reporting period were outstanding for the whole year. A 100 basis point increase or decrease in variable-rate bank borrowings are used when reporting interest rate risk internally to key management personnel and represents management’s assessment of the reasonably possible change in interest rates.

Bank balances are excluded from sensitivity analysis as the management considers that the exposure of cash flow interest rate risk arising from variable-rate bank balances is insignificant.

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the Group’s profit before taxation would decrease/increase by HK\$569,000, HK\$577,000 and HK\$481,000 for the year ended 31 December 2021, 2022 and 2023, respectively.

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Other price risk

The Group is exposed to equity price risk through its investment in a life insurance contract for Mr. Tong measured at FVTPL.

Sensitivity analysis

As at 31 December 2021, 2022 and 2023, if cash surrender value as defined in the life insurance contract had been 5% higher/lower, the impact on the Group’s profit before taxation would increase/decrease by HK\$648,000, HK\$667,000 and HK\$687,000, respectively.

Credit risk

The Group’s credit risk is primarily attributable to trade and other receivables and deposits, amount due from a director/a related company, time deposits and bank balances.

At the end of each reporting period, the Group’s maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statements of financial position.

In order to minimise the credit risk, the Group has policies in place for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. Before acceptance any new customers, the Group carries out research on the credit risk of the new customer and assesses the potential customers’ credit quality and defines credit limits by customer. Limits attributed to customers are reviewed at the end of each reporting period or when necessary. In this regard, the management of the Group considers that the Group’s credit risk is significantly reduced.

The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

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

Internal credit rating	Description	Trade receivables	Other financial assets
A	The counterparties have a low risk of default based on good historical repayment records and are mainly multinational companies or listed companies	Lifetime ECL – not credit-impaired	12m ECL
B	The counterparties have a medium risk of default based on good historical repayment records and are mainly unlisted entities	Lifetime ECL – not credit-impaired	12m ECL
C	There have been significant increases in credit risk since initial recognition and the counterparties are mainly multinational companies or listed companies	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired

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Internal credit rating	Description	Trade receivables	Other financial assets
D	There have been significant increases in credit risk since initial recognition and the counterparties are mainly unlisted entities	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
E	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
F	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

Trade receivables arising from contracts with customers

The Group applies simplified approach and always recognises lifetime ECL for trade receivables and contract assets.

The lifetime ECL on trade receivables, except for credit-impaired debtors which are assessed individually, are assessed on a collective basis through grouping of debtors with reference to the past due condition. Estimated loss rates are estimated based on historical observed default rates of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

As at 31 December 2021, 2022 and 2023, the Group has concentration of credit risk as 31%, 25% and 21% respectively, of the total trade receivables was due from the Group’s largest customer. The Group’s concentration of credit risk on the top five largest customers in each year accounted for 66%, 56% and 57% of the total trade receivables as at 31 December 2021, 2022, and 2023, respectively.

Other receivables and deposits

The management of the Group conducts periodic individual assessment on the recoverability of other receivables and deposits based on historical settlement records, past experience, and also available reasonable and supportive forward-looking information. The management of the Group believe that there is no material credit risk inherent in the Group’s outstanding balance of other receivables and deposits. As at 1 January 2021, 31 December 2021, 2022 and 2023, the Group assessed that the ECL for other receivables and deposits was insignificant.

Amounts due from a director and related company

The Group had concentration of credit risk on amount due from a director and amount due from related company as at 1 January 2021, 31 December 2021, 2022 and 2023. In order to minimise the credit risk, the management of the Group had reviewed the recoverable amount of the amounts due from the director and related company regularly at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the management of the Group considered that the Group’s credit risk was significantly reduced. In the opinion of the management of the Group, the risk of default by the counterparties is low and the ECL on the balances is insignificant.

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Bank balances/time deposits

The credit risk for bank balances is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies. There has been no history of default in relation to these banks. The Group performs impairment assessment on the short-term bank deposits and bank balances under 12m ECL model. The management of the Group considers the risk of default is low based on the average loss rate by reference to credit ratings assigned by international credit-rating agencies. As at 1 January 2021, 31 December 2021, 2022 and 2023, the Group assessed that the ECL for bank balances were insignificant.

As part of the Group’s credit risk management, the Group uses debtors’ aging to assess the impairment for its customers because these customers share common risk characteristics that are representative of the customers’ abilities to pay all amounts due in accordance with the contractual terms. The following table provides information about the exposure to credit risk for trade receivables which are assessed on a collective basis by using provision matrix within lifetime ECL (not credit-impaired).

Gross carrying amount

	2021		31 December 2022		2023	
	Average loss rate	Trade receivables HK\$’000	Average loss rate	Trade receivables HK\$’000	Average loss rate	Trade receivables HK\$’000
Current (not past due)	1.92%	33,855	2.63%	33,586	1.78%	24,344
1–30 days past due	1.92%	5,980	2.63%	7,203	1.78%	7,080
31–90 days past due	3.86%	1,634	5.62%	1,142	4.26%	1,598
More than 90 days past due	6.99%	28	7.33%	344	8.28%	378
	<u>2.00%</u>	<u>41,497</u>	<u>2.75%</u>	<u>42,275</u>	<u>1.97%</u>	<u>33,400</u>

The following table shows the movements in lifetime ECL (not credit-impaired) recognised for trade receivables under the simplified approach.

	Lifetime ECL (not credit-impaired) HK\$’000
As at 1 January 2021	747
Impairment losses recognised	76
Exchange realignment	<u>8</u>
As at 31 December 2021	831
Impairment losses recognised	354
Exchange realignment	<u>(23)</u>
As at 31 December 2022	1,162
Reversal of impairment losses recognised (<i>note</i>)	(493)
Exchange realignment	<u>(11)</u>
As at 31 December 2023	<u><u>658</u></u>

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Note: The reversal of impairment loss for 2023 was mainly 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 2023 and the decrease in outstanding trade receivables at 31 December 2023.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulties in meeting its financial obligations as and when they fall due. In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group’s operations and mitigate the effects of fluctuations in cash flows.

The following table details the remaining contractual maturity of the Group for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the relevant market rates as at the reporting date) of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows, where applicable.

As at 31 December 2021

	Weighted average interest rate %	On demand or less than 1 month HK\$’000	Within 3 months HK\$’000	3 to 6 months HK\$’000	6 to 12 months HK\$’000	1 to 5 years HK\$’000	Over 5 years HK\$’000	Total undiscounted cash flow HK\$’000	Carrying amount HK\$’000
Trade and other payables	Nil	56,356	9,138	4,049	-	-	-	69,543	69,543
Bank borrowings	3.1	53,599	-	-	-	-	-	53,599	53,599
Bank overdrafts	6.0	3,261	-	-	-	-	-	3,261	3,261
		<u>113,216</u>	<u>9,138</u>	<u>4,049</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>126,403</u>	<u>126,403</u>
Lease liabilities	4.7	3,624	1,504	2,292	3,947	21,822	5,216	38,405	34,215

As at 31 December 2022

	Weighted average interest rate %	On demand or less than 1 month HK\$’000	Within 3 months HK\$’000	3 to 6 months HK\$’000	6 to 12 months HK\$’000	1 to 5 years HK\$’000	Over 5 years HK\$’000	Total undiscounted cash flow HK\$’000	Carrying amount HK\$’000
Trade and other payables	Nil	33,203	14,627	-	-	-	-	47,830	47,830
Bank borrowings	6.8	57,680	-	-	-	-	-	57,680	57,680
		<u>90,883</u>	<u>14,627</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>105,510</u>	<u>105,510</u>
Lease liabilities	4.5	806	1,494	2,164	3,599	22,502	371	30,936	28,012

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As at 31 December 2023

	Weighted average interest rate %	On demand or less than 1 month HK\$’000	Within 3 months HK\$’000	3 to 6 months HK\$’000	6 to 12 months HK\$’000	1 to 5 years HK\$’000	Over 5 years HK\$’000	Total undiscounted cash flow HK\$’000	Carrying amount HK\$’000
Trade and other payables	Nil	42,632	6,724	-	-	-	-	49,356	49,356
Bank borrowings	7.2%	48,064	-	-	-	-	-	48,064	48,064
Bank overdrafts	6.9%	2,932	-	-	-	-	-	2,932	2,932
		<u>93,628</u>	<u>6,724</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>100,352</u>	<u>100,352</u>
Lease liabilities	4.8%	<u>1,557</u>	<u>1,323</u>	<u>1,984</u>	<u>3,707</u>	<u>15,848</u>	<u>-</u>	<u>24,419</u>	<u>22,412</u>

Bank borrowings with a repayment on demand clause are included in the “on demand or less than 1 month” time band in the above maturity analysis. As at 31 December 2021, 2022 and 2023, the aggregate carrying amounts of these bank borrowings amounted to HK\$53,599,000, HK\$57,680,000 and HK\$48,064,000, respectively. Taking into account the Group’s financial position, the management does not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The management believes that such bank loans will be repaid 1 to over 5 years after the end of the reporting period in accordance with the scheduled repayment dates set out in the loan agreements, details of which are set out in the table below:

Maturity Analysis – Bank loans with a repayment on demand clause based on scheduled repayments

	Less than 1 year HK\$’000	1–2 years HK\$’000	2–5 years HK\$’000	Over 5 years HK\$’000	Total undiscounted cash outflows HK\$’000	Carrying amount HK\$’000
31 December 2021	<u>41,527</u>	<u>3,704</u>	<u>5,140</u>	<u>4,224</u>	<u>54,595</u>	<u>53,599</u>
31 December 2022	<u>49,684</u>	<u>3,265</u>	<u>6,866</u>	<u>-</u>	<u>59,815</u>	<u>57,680</u>
31 December 2023	<u>42,431</u>	<u>2,089</u>	<u>4,913</u>	<u>-</u>	<u>49,433</u>	<u>48,064</u>

Interest rate benchmark reform

As listed in note 25, several of the Group’s LIBOR/HIBOR bank borrowings may be subject to the interest rate benchmark reform. The Group is closely monitoring the market and managing the transition to new benchmark interest rates, including announcements made by the relevant IBOR regulators.

LIBOR

The Financial Conduct Authority has confirmed all LIBOR settings will either cease to be provided by any administrator or no longer be representative:

- immediately after 31 December 2021, in the case of all sterling, euro, Swiss franc and Japanese yen settings, and the 1-week and 2-month US dollar settings; and
- immediately after 31 December 2023, in the case of the remaining US dollar settings.

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HIBOR

While the Hong Kong Dollar Overnight Index Average (“HONIA”) has been identified as an alternative to HIBOR, there is no plan to discontinue HIBOR. The multi-rate approach has been adopted in Hong Kong, whereby HIBOR and HONIA will co-exist.

(i) *Risks arising from the interest rate benchmark reform*

The following are the key risks for the Group arising from the transition:

Interest rate related risks

For contracts which have not been transitioned to the relevant alternative benchmark rates and without detailed fallback clauses, if the bilateral negotiations with the Group’s counterparties are not successfully concluded before the cessation of LIBOR, there are significant uncertainties with regard to the interest rate that would apply. This gives rise to additional interest rate risk that was not anticipated when the contracts were entered into.

There are fundamental differences between IBORs and the various alternative benchmark rates. IBORs are forward looking term rates published for a period (e.g. 3 months) at the beginning of that period and include an inter-bank credit spread, whereas alternative benchmark rates are typically risk-free overnight rates published at the end of the overnight period with no embedded credit spread. These differences will result in additional uncertainty regarding floating rate interest payments.

Liquidity risk

The additional uncertainty on various alternative rates which are typically published on overnight basis will require additional liquidity management. The Group’s liquidity risk management policy has been updated to ensure sufficient liquid resources to accommodate unexpected increases in overnight rates.

Litigation risk

If no agreement is reached to implement the interest rate benchmark reform on contracts which have not been transitioned to the relevant alternative benchmark rates (e.g. arising from differing interpretation of existing fallback terms), there is a risk of prolonged disputes with counterparties which could give rise to additional legal and other costs. The Group is working closely with all counterparties to avoid this from occurring.

Interest rate basis risk

Interest rate basis risk may arise if a non-derivative instrument and the derivative instrument held to manage the interest risk on the non-derivative instrument transition to alternative benchmark rates at different times. This risk may also arise where back-to-back derivatives transition at different times. The Group will monitor this risk against its risk management policy which has been updated to allow for temporary mismatches of up to 12 months and transact additional basis interest rate swaps if required.

Fair value measurements

The Group’s financial assets at fair value through profit or loss of HK\$12,968,000, HK\$13,335,000 and HK\$13,748,000 is measured at fair value as at 31 December 2021, 2022 and 2023, respectively. It is classified as Level 3 under the fair value hierarchy and the fair value is determined based on the cash surrender value in accordance with the life insurance contract which is not an observable input. Management estimates the fair value based on the latest policy quarterly statement of the life insurance contract provided by the bank. The unobservable input is the cash surrender value quoted by the bank according to the life insurance contract. When the cash surrender value is higher, the fair value of the life insurance contract will be higher. The sensitivity analyses have been determined based on the cash surrender value of the life insurance contract. If the cash surrender value has been 5% higher/lower, the Group’s profit before taxation would increase/decrease by HK\$648,000, HK\$667,000 and HK\$687,000 for the year ended 31 December 2021, 2022 and 2023, respectively.

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The reconciliation of the fair value measurement is shown below:

	Financial assets at fair value through profit of loss <i>HK\$’000</i>
At 1 January 2021	12,478
Fair value adjustment	416
Exchange realignment	74
	<hr/>
At 31 December 2021	12,968
Fair value adjustment	349
Exchange realignment	18
	<hr/>
At 31 December 2022	13,335
Fair value adjustment	411
Exchange realignment	2
	<hr/>
At 31 December 2023	<u>13,748</u>

Except as disclosed above, the management of the Group considers that the carrying amounts of the financial assets and financial liabilities of the Group recorded at amortised cost in the Historical Financial Information at the end of each reporting period approximate their fair values. Such fair values have been determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

31. RELATED PARTY TRANSACTIONS

The directors of the Company are of the opinion that all the related party transactions have been transacted under terms as negotiated with the related parties.

(a) Transactions with related companies

Related parties	Relationships	Nature of balances/ transactions	Year ended 31 December		
			2021 <i>HK\$’000</i>	2022 <i>HK\$’000</i>	2023 <i>HK\$’000</i>
UBOTIC MEMS	A company controlled by Mr. Tong	Purchase of MEMS and sensor packaging	5,482*	272*	–
東莞市成田置業有限公司	A company which Mr. Tang Chak Man (one of the member of the Tang Family) has 30% interest with significant influence on it	Repayment of lease liabilities	239	1,646	1,794

* The amount represented the related parties transaction with UBOTIC MEMS before the Group has acquired it from Mr. Tong. UBOTIC MEMS has been consolidated into the Group’s Historical Financial Information since acquisition in April 2022. Details of the acquisition has been disclosed in note 35.

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(b) Significant balances with related parties

The significant balances with related parties have been disclosed in notes 18, 20 and 22.

(c) Guarantees provided by related parties

Details of the guarantees provided by related parties for the Group’s bank borrowings have been disclosed in note 25 and is expected to be released upon [REDACTED].

The Controlling Shareholders have undertaken to indemnify the Group against any additional tax payment requested by the IRD on UBoT Inc. (HK) in relation to the Offshore Profit Claim, that exceeds the income tax provision provided by the Group for the years of assessment from 2017/18 (i.e. for the year ended 31 December 2017) to 2022/2023 (i.e. for the year ended 31 December 2022) and for year ended 31 December 2023 which has been included in the income tax provision under current liabilities as at 31 December 2023. Details of tax provision for UBoT Inc. (HK) has been disclosed in note 5. Besides, the Controlling Shareholders have also undertaken to indemnify any liability which might be incurred by the Group as a direct or indirect result of or in consequence of any claim relating to the amount of any and all taxation (other than Offshore Profit Claim as stated above) the falling on the Group resulting from or by reference to any income, profits, gains, transactions, events, matters or things earned, accrued, received, entered into or occurring or deemed to occur up to the date before the [REDACTED] of the Company on the GEM of the Stock Exchange.

Mr. Tong has undertaken to indemnify the Group: (1) against any difference in full, should the relevant authorities request the PRC Subsidiaries to pay the historical outstanding social insurance and housing provident funds contributions or any late charges or penalties more than the additional provisions made in relation to the shortfall in social insurance plans and housing provident fund contributions as stated in note 28; and (2) any liability which might be incurred by the Group as a direct or indirect result of or in consequence of any claim relating to the amount of any and all taxation (other than Offshore Profit Claim that Mr. Tong has undertaken to indemnify as stated above) the falling on the Group resulting from or by reference to any income, profits, gains, transactions, events, matters or things earned, accrued, received, entered into or occurring or deemed to occur up to the date before the [REDACTED] of the Company on the GEM of the Stock Exchange.

(d) Sharing of electricity supply with related parties

During the year ended 31 December 2021, 2022, and 2023, the Group has paid the electricity bills and charged back Dongguan Baihui of HK\$55,000, HK\$58,000 and HK\$67,000 respectively, utilised by Dongguan Baihui, as the electric power company only provided one electricity meter for the area where Dongguan Baihui’s and the Group’s factories are located. No additional income or expenses incurred by the Group for this sharing of electricity supply as the Group charged back Dongguan Baihui the electricity utilised at cost. Dongguan Baihui is wholly-owned by Tang Family.

(e) Compensation of key management personnel

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group and of the Company either directly or indirectly.

The directors considered the key management personnel of the Group are the directors. The remuneration of members of key management personnel of the Group are disclosed in note 12.

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32. PARTICULARS OF SUBSIDIARIES

Upon completion of the Reorganisation and as at the date of this report, the Company has equity interests in the following subsidiaries:

Name of subsidiaries	Place and date of incorporation	Issued and fully paid capital	Equity interest attributable to the owner of the Group			As at the date of this report	Principal activities
			As at 31 December 2021	2022	2023		
Directly held:							
Abundant Wealth (note i)	BVI 26 November 2021	US\$100	N/A	100%	100%	100%	Investment holding
Sino Key (note i)	BVI 17 November 2021	US\$100	N/A	100%	100%	100%	Investment holding
Indirectly held:							
UBoT Inc. (HK) (note ii)	Hong Kong 28 November 2005	HK\$15,787,500	100%	100%	100%	100%	Investment holding and sales of back-end semiconductor transport media
UBoT Incorporated Pte. Limited (note i)	Singapore 18 January 2008	SG\$1,000	100%	100%	100%	100%	Technical and customer service support
東莞優博實業有限公司 (note iii)	PRC 14 April 2010	Registered capital of HK\$8,500,000 and fully paid capital of HK\$8,000,000	100%	100%	100%	100%	Investment holding and sales and manufacturing of back-end semiconductor transport media
東莞優博電子包裝有限公司 (note iii)	PRC 25 December 2019	RMB7,000,000	100%	100%	100%	100%	Processing of trays
UBOTIC (note ii)	Hong Kong 11 August 2009	HK\$100	100%	100%	100%	100%	Sales of MEMS and sensor packaging
UBOTIC Intellectual Property Company Limited (“UBOTIC IP”) (note ii)	Hong Kong 1 December 2009	HK\$100	N/A	100%	100%	100%	Investment holding
UBOTIC MEMS (defined in note 20) (note iii)	PRC 2 August 2012	Registered capital of HK\$15,600,000 and fully paid capital of HK\$4,810,000	N/A	100%	100%	100%	Sales and manufacturing of MEMS and sensor packaging
上海優博市場推廣有限公司 (note iv)	PRC 20 December 2023	Registered capital of RMB500,000 and no capital paid	N/A	N/A	100%	100%	Promotion of MEMS and sensor packaging

All subsidiaries now comprising the Group adopted 31 December as their financial year end date.

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Notes:

- (i) No statutory audited financial statements for these have been prepared since their respective dates of incorporation as they are incorporated in a jurisdiction where there are no statutory audit requirements.
- (ii) The statutory financial statements for these subsidiaries for the years ended 31 December 2021 and 2022 were audited by Moore CPA Limited (formerly known as Moore Stephens CPA Limited).
- (iii) The statutory financial statements for the years ended 31 December 2021, 2022 and 2023 were audited by 東莞市德信康會計師事務所有限公司.
- (iv) No statutory audited financial statement have been prepared since its date of incorporation.

33. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Bank borrowings <i>HK\$’000</i>	Lease liabilities <i>HK\$’000</i>	Total <i>HK\$’000</i>
At 1 January 2021	49,989	30,041	80,030
Financing cash flows	1,624	(6,691)	(5,067)
New leases entered/lease modified	–	8,545	8,545
Finance costs recognised	1,805	1,404	3,209
Exchange adjustments	181	916	1,097
	<hr/>	<hr/>	<hr/>
At 31 December 2021	53,599	34,215	87,814
Financing cash flows	1,443	(11,283)	(9,840)
New leases entered/lease modified	–	6,176	6,176
Finance costs recognised	2,748	1,348	4,096
Exchange adjustments	(110)	(2,444)	(2,554)
	<hr/>	<hr/>	<hr/>
At 31 December 2022	57,680	28,012	85,692
Financing cash flows	(13,317)	(7,163)	(20,480)
New leases entered/lease modified	–	1,274	1,274
Finance costs recognised	3,732	1,052	4,784
Exchange adjustments	(31)	(763)	(794)
	<hr/>	<hr/>	<hr/>
At 31 December 2023	<u>48,064</u>	<u>22,412</u>	<u>70,476</u>

34. CAPITAL COMMITMENTS

	As at 31 December		
	2021 <i>HK\$’000</i>	2022 <i>HK\$’000</i>	2023 <i>HK\$’000</i>
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the Historical Financial Information	178	1,572	2,836
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35. ACQUISITION OF SUBSIDIARIES

On 22 April 2022, the Group acquired from Mr. Tong, 100% interest in UBOTIC IP and UBOTIC MEMS at a cash consideration of HK\$61,000 with reference to a valuation performed by an independent professional valuer. The acquisition has been accounted for as acquisition of business using the acquisition method.

Assets acquired and liabilities recognised at the date of acquisition

	<i>HK\$’000</i>
Property, plant and equipment	1,416
Inventories	233
Trade receivables from UBOTIC	4,784
Other receivables	422
Bank balances and cash	26
Trade and other payables	(260)
Amount due to UBoT Inc. (HK) and its subsidiaries	(1,750)
Amount due to Mr. Tong	(4,810)
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	61
	<hr/> <hr/>

Impact of acquisition on the results of the Group

Included in the profit for the year ended 31 December 2022 is loss of HK\$135,000 attributable to the additional business generated by UBOTIC IP and UBOTIC MEMS.

Had the acquisition of UBOTIC IP and UBOTIC MEMS been completed on 1 January 2022, profit for the year ended 31 December 2022 of the Group would have been HK\$21,631,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2022, nor is it intended to be a projection of future results.

36. EVENTS AFTER THE REPORTING PERIOD

The following events took place subsequent to the end of the Track Record Period:

At the Shareholders’ extraordinary general meeting held on 20 May 2024, resolutions was passed to approve the matters set out in the paragraph headed “A. Further information about the Group – 3. Resolutions passed at the Shareholders’ extraordinary general meeting held on 20 May 2024” in Appendix IV of the document. It was resolved, among other things:

- (i) the authorised share capital of the Company increased to [REDACTED] by the creation of an additional [REDACTED] shares of the Company;
- (ii) the Company has conditionally adopted a share option scheme, the principal terms of which are set out in the section headed “Statutory and general information – D. Share Option Scheme” in Appendix IV to the document. There is no share option granted by the Company up to the date of this report; and
- (iii) conditional (conditions are set out in the section headed “Structure and Conditions of the [REDACTED]” in the document) upon the share premium account of the Company being credited as a result of the offer of the Company’s shares, an amount of [REDACTED] which will then be standing to the credit of the share premium account of the Company be capitalised and applied to pay up in full at par a total of [REDACTED] shares for allotment and issue to holders of the Company’s shares whose name appeared on the register of members of the Company at the close of business on 20 May 2024.

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As disclosed in note 13, subject to the [REDACTED], UBoT Inc. (HK) has declared conditionally an interim dividend of HK\$0.33 per share of UBoT Inc. (HK) amounting in the aggregate of HK\$11,220,000 on 31 March 2022, of which HK\$5,778,000 will be settled through offsetting the amount due from Mr. Tong before [REDACTED]. The dividends declared to the other shareholders will be settled by cash (using the Group’s internally generated funds) before [REDACTED]. 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, the 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. All the other dividends declared to shall be payable to the shareholders of the Company will be settled by cash (using the internally generated funds) before [REDACTED].

37. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Company, any of its subsidiaries or the Group entities have been prepared in respect of any period subsequent to 31 December 2023.