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Contel Technology Company Limited

康特隆科技有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 1912)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2023

FINANCIAL HIGHLIGHTS

- Revenue of the Group for the year ended 31 December 2023 was approximately US\$66.3 million, representing a decrease of 45.5% when compared with approximately US\$121.7 million for the year ended 31 December 2022.
- The Group incurred a net loss of approximately US\$9.7 million for the year ended 31 December 2023 (2022: US\$1.6 million).
- Basic loss per share for the year ended 31 December 2023 was HK6.88 cents (2022: HK1.51 cents).
- The Board does not recommend payment of a final dividend for the year ended 31 December 2023 (2022: Nil).

ANNUAL RESULTS

The Board of Directors (the “**Board**”) of Contel Technology Company Limited (the “**Company**”) hereby announces the audited consolidated results of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2023 (the “**Year**”) together with selected explanatory notes and the relevant comparative figures for 31 December 2022 which have been prepared in accordance with the Hong Kong Financial Reporting Standards (“**HKFRSs**”) as below.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

	Notes	2023 US\$'000	2022 US\$'000
Revenue	4	66,316	121,710
Cost of sales		(63,382)	(113,314)
Gross profit		2,934	8,396
Other income	4	193	229
Selling and distribution expenses		(2,959)	(3,337)
General and administrative expenses		(5,834)	(5,345)
Impairment loss on property, plant and equipment		(102)	—
Impairment loss on intangible assets		(98)	—
Impairment loss on goodwill		(257)	—
Provision for allowance for expected credit loss on trade receivables	11	(242)	(465)
Finance costs	5	(2,284)	(1,555)
Loss before income tax	6	(8,649)	(2,077)
Income tax (expense)/credit	7	(1,100)	493
Loss for the year attributable to the owners of the Company		(9,749)	(1,584)
Other comprehensive (loss)/income			
<i>Item that will not be reclassified subsequently to profit or loss:</i>			
Fair value (loss)/gain on investment in equity instruments at fair value through other comprehensive income	10	(2,038)	12
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of financial statements of foreign operations		(94)	(574)
Other comprehensive loss for the year attributable to the owners of the Company		(2,132)	(562)
Total comprehensive loss for the year attributable to the owners of the Company		(11,881)	(2,146)
		<i>US cents</i>	<i>US cents</i>
Loss per share attributable to the owners of the Company			
Basic and diluted	8	(0.89)	(0.20)
		<i>HK cents</i>	<i>HK cents</i>
Equivalent to		(6.88)	(1.51)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	Notes	2023 US\$'000	2022 US\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		566	811
Intangible assets		3,491	1,831
Goodwill		—	260
Life insurance policy deposits		2,734	2,671
Financial assets at fair value through other comprehensive income	10	4,255	6,293
Deferred tax assets		—	680
		<u>11,046</u>	<u>12,546</u>
Current assets			
Inventories		14,007	20,062
Trade and bills receivables	11	19,047	24,099
Prepayments, deposits and other receivables		7,148	5,603
Amounts due from related parties		26	26
Pledged bank deposits		379	902
Cash and cash equivalents		2,536	2,343
Tax recoverable		—	224
		<u>43,143</u>	<u>53,259</u>
Current liabilities			
Trade and bills payables	12	15,491	18,116
Accruals, contract liabilities and other payables		2,791	1,616
Lease liabilities		180	381
Bank and other borrowings		12,715	11,106
		<u>31,177</u>	<u>31,219</u>
Net current assets		<u>11,966</u>	<u>22,040</u>
Total assets less current liabilities		<u>23,012</u>	<u>34,586</u>
Non-current liabilities			
Lease liabilities		—	108
Deferred tax liabilities		415	—
		<u>415</u>	<u>108</u>
Net assets		<u>22,597</u>	<u>34,478</u>
EQUITY			
Share capital	13	1,417	1,417
Reserves		21,180	33,061
Total equity		<u>22,597</u>	<u>34,478</u>

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

1. Corporate information

Contel Technology Company Limited (the “**Company**”) was incorporated as an exempted company with limited liability in the Cayman Islands on 16 August 2016 under the Companies Law of the Cayman Islands. The registered office of the Company is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The Company’s principal place of business is Unit No. A, 13th Floor, Block 1, Leader Industrial Centre, Nos. 188–202 Texaco Road, Tsuen Wan, New Territories, Hong Kong. The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 16 July 2019.

The Company is an investment holding company while its principal subsidiaries (together with the Company, collectively referred to as the “**Group**”) are mainly engaged in the provision of customised reference designs which are bundled together with the sale of integrated circuits (“**ICs**”) and other electronic components as a package to customers in both Hong Kong and the People’s Republic of China (the “**PRC**”).

The immediate and ultimate holding company of the Company is P. Grand (BVI) Ltd., a company incorporated in the British Virgin Islands (the “**BVI**”). The ultimate controlling parties of the Group are Ms. Feng Tao, Mr. Lam Keung (“**Mr. Lam**”), and Mr. Qing Haodong.

2. Basis of preparation

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”), which collective term includes all individual HKFRSs, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants, and the disclosure requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (“**Listing Rules**”). Certain comparative figures have been reclassified in order to conform with current year’s presentation.

The functional currency of the Company is Hong Kong dollars (“**HK\$**”) and the investment holding subsidiary incorporated in the BVI and subsidiaries incorporated in Hong Kong have their functional currency in United States Dollar (“**US\$**”), and subsidiaries established in the PRC have their functional currency in Renminbi (“**RMB**”). The consolidated financial statements have been presented in US\$ as the directors of the Company consider that it is more appropriate to adopt US\$ as the Group’s and the Company’s presentation currency. All values are rounded to the nearest thousand except when otherwise indicated.

(a) Application of new and amendments to HKFRSs

In the preparation of the consolidated financial statements for the year ended 31 December 2023, the Group has applied the following new and amendments to HKFRSs, for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2023:

Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform — Pillar Two Model Rules
HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts

Except for the below, the application of the above new and amendments to HKFRSs has had no material impact on the Group’s financial performance and position for the current and prior periods and/or the disclosures set out in these consolidated financial statements.

***Impacts on application of Amendments to HKAS 1 and HKFRS Practice Statement 2
Disclosure of Accounting Policies***

The Group has applied the amendments for the first time in the current year. HKAS 1 Presentation of Financial Statements is amended to replace all instances of the term “significant accounting policies” with “material accounting policy information”. Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 Making Materiality Judgements (the “**Practice Statement**”) is also amended to illustrate how an entity applies the “four-step materiality process” to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments has had no material impact on the Group’s financial positions and performance but has affected the disclosure of the Group’s accounting policies set out in the consolidated financial statements.

In accordance with the guidance set out in the amendments, accounting policy information that is standardised information, or information that only duplicates or summarises the requirements of the HKFRSs, is considered immaterial accounting policy information and is no longer disclosed in the notes to the consolidated financial statements so as not to obscure the material accounting policy information disclosed in the notes to the consolidated financial statements.

(b) Amendments to HKFRSs in issue but not yet effective

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

		Effective for accounting periods beginning on or after
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)	1 January 2024
Amendments to HKAS 1	Non-current Liabilities with Covenants	1 January 2024
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements	1 January 2024
Amendments to HKAS 21	Lack of Exchangeability	1 January 2025
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The directors of the Company expect that the application of these amendments to HKFRSs above will have no material impact on the consolidated financial statements in the year of initial application.

3. Segment information

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors of the Company for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined following the Group's major operations.

An operating segment is a component of the Group that is engaged in business activities from which the Group may earn revenue and incur expenses, and is identified on the basis of the internal management reporting information that is provided to and regularly reviewed by the executive directors of the Company in order to allocate resources and assess performance of the segment. During the year, the executive directors of the Company received and reviewed information on the performance of the Group as a whole. Accordingly, it is determined that the Group has only one single operating segment, which is determined as sale of ICs products and electronic components including bundled services, for the purpose of allocating resources and assessing performance.

The Company is an investment holding company and the principal place of the Group's operation is in Hong Kong and the PRC. For the purpose of geographical segment information disclosures under HKFRS 8 Operating Segments, the Group regarded Hong Kong as its place of domicile. All the Group's revenue from external customers is presented based on the location of the operating subsidiaries and the Group's non-current assets (excluding life insurance policy deposits, financial assets at fair value through other comprehensive income ("FVTOCI") and deferred tax assets) is presented based on the location of assets as follows:

	2023 <i>US\$'000</i>	2022 <i>US\$'000</i>
Year ended 31 December		
Revenue from contracts with customers within the scope of HKFRS 15 recognised at a point in time		
Hong Kong	46,505	85,749
The PRC	19,811	35,961
	<u>66,316</u>	<u>121,710</u>
At 31 December		
Non-current assets		
Hong Kong	2,501	1,622
The PRC	1,811	1,280
	<u>4,312</u>	<u>2,902</u>

Revenue from customers which individually contributed over 10% of the total revenue of the Group during the year is as follows:

	2023	2022
	US\$'000	US\$'000
Customer A	15,203	21,289
Customer B	<u>7,500</u>	<u>23,086</u>

During the year, the Group generated revenue primarily from the sale of five categories of ICs products and electronic components, comprising for: (i) mobile devices and smart charging; (ii) motor control; (iii) sensor and automation; (iv) light-emitting diode (“LED”) lighting; and (v) radio frequency (“RF”) power. The following table sets out the breakdown of the revenue recognised at a point in time by product category:

	2023	2022
	US\$'000	US\$'000
Sales of IC products and electronic components:—		
Mobile devices and smart charging	32,271	67,947
Motor control	26,612	40,149
Sensor and automation	5,110	9,670
LED lighting	1,146	2,633
RF power	<u>1,177</u>	<u>1,311</u>
	<u>66,316</u>	<u>121,710</u>

4. Revenue and other income

Revenue from the Group’s principal activities, which is also the Group’s turnover, represents the income from sale of ICs products and electronic components including the bundled services delivered to the customers and recognised at a point in time. Revenue and other income recognised during the year are as follows:

	2023	2022
	US\$'000	US\$'000
<i>Revenue from contract with customers within the scope of HKFRS 15, types of goods or services</i>		
Sale of ICs products and electronic components	<u>66,316</u>	<u>121,710</u>

The Group has applied the practical expedient in paragraph 121 of HKFRS 15 to its sale of ICs products and electronic components including the bundled services such that the above information does not include information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations that had an original expected duration of one year or less.

	2023	2022
	<i>US\$'000</i>	<i>US\$'000</i>
<i>Other income</i>		
Bank interest income	16	11
Government grants (<i>note (a)</i>)	52	92
Imputed interest income on life insurance policy deposits	104	74
Rent concessions (<i>note (b)</i>)	—	32
Others	21	20
	<u>193</u>	<u>229</u>

Notes:

- (a) For the years ended 31 December 2023 and 2022, government grants included the subsidy granted by the PRC government for encouragement to local business activities.

For the year ended 31 December 2022, the amount also included the government grants which received in respect of subsidy for staff costs according to the Employment Support Scheme, which was launched by The Government of the Hong Kong Special Administrative Region, which aimed to provide time limited financial support to the Group for the period from May to July 2022 to retain employees who might otherwise redundant.

There are no unfulfilled conditions or other contingencies attached to these subsidies at the end of the reporting period.

- (b) For the year ended 31 December 2022, the amount represented rent concessions from the landlord in relation to the COVID-19 pandemic in April to May 2022. The concession did not constitute to the lease modification by applying the practical expedient that met the conditions in paragraph 46B of HKFRS 16.

5. Finance costs

	2023 US\$'000	2022 US\$'000
Interest on bills payables	800	739
Interest on discounted bills	70	40
Interest on lease liabilities	16	24
Interest on bank borrowings	596	337
Interest on other borrowings	802	415
	<u>2,284</u>	<u>1,555</u>

6. Loss before income tax

Loss before income tax is arrived at after charging:

	2023 US\$'000	2022 US\$'000
Auditor's remuneration		
— Audit services	114	114
— Non-audit services	23	31
Amortisation of intangible assets	146	64
Amortisation of life insurance policy deposits	34	106
Cost of inventories recognised as expenses	62,148	112,111
Depreciation of property, plant and equipment	656	582
Employee benefit expenses (including directors' remuneration) (note (i))		
— Salaries, allowances and bonus	3,707	4,297
— Pension scheme contributions — defined contribution plan (note (ii))	441	482
Expenses relating to the short-term leases	36	13
Exchange loss, net	620	547
Research expenses included in cost of sales	18	38
Written-down of inventories included in cost of sales	<u>860</u>	<u>27</u>

Notes:

- (i) During the year ended 31 December 2023, employee benefit expenses (including directors' remuneration) of approximately US\$1,761,000 and US\$2,387,000 (2022: US\$2,192,000 and US\$2,587,000) were included in selling and distribution expenses and general and administrative expenses respectively.
- (ii) As at 31 December 2023, the Group had no forfeited contributions available to reduce its contributions to the retirement benefit schemes in future years (2022: Nil).

7. Income tax expense/(credit)

	2023 US\$'000	2022 US\$'000
Hong Kong Profits Tax		
— Over-provision in prior years	—	(8)
The PRC Corporate Income Tax (“CIT”)		
— Current year	—	105
— Under-provision in prior years	3	4
	<u>3</u>	<u>101</u>
Deferred tax	<u>1,097</u>	<u>(594)</u>
	<u><u>1,100</u></u>	<u><u>(493)</u></u>

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdiction in which members of the Group are domiciled and operated.

Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax under these jurisdictions during the year ended 31 December 2023 (2022: Nil).

Under the two-tiered profits tax rates regime in Hong Kong Profits Tax, the first HK\$2,000,000 (equivalent to approximately US\$258,000) of profits of the qualifying group entity will be taxed at 8.25% (2022: 8.25%), and profits above HK\$2,000,000 (equivalent to approximately US\$258,000) will be taxed at 16.5% (2022: 16.5%). The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5% (2022: 16.5%) during the year.

Accordingly, the Hong Kong Profits Tax of the qualifying group entity is calculated at 8.25% (2022: 8.25%) of the first HK\$2,000,000 (equivalent to approximately US\$258,000) of the estimated assessable profits and at 16.5% (2022: 16.5%) on the estimated profits above HK\$2,000,000 (equivalent to approximately US\$258,000), taking into account the tax concession granted by the Government of Hong Kong Special Administrative Region during the year.

The provision for the PRC CIT was based on the statutory rate of 25% (2022: 25%) of the assessable profits of subsidiaries which carried on businesses in the PRC during the year. Pursuant to relevant laws and regulations in the PRC, a PRC subsidiary of the Company is qualified as a small and micro enterprise and its assessable profit was below RMB1,000,000, the PRC subsidiary entitled to the tax effective rate of 2.5% (2022: 2.5%) for the year ended 31 December 2023.

8. Loss per share

The calculation of the basic loss per share attributable to the owners of the Company is based on the following data:

	2023 <i>US\$'000</i>	2022 <i>US\$'000</i>
Loss for the year attributable to the owners of the Company for the purpose of basic loss per share	<u>(9,749)</u>	<u>(1,584)</u>
	Number of shares	
	2023 <i>'000</i>	2022 <i>'000</i>
Weighted average number of ordinary shares for the purpose of basic loss per share	<u>1,098,122</u>	<u>811,688</u>

Diluted loss per share were the same as the basic loss per share as there were no dilutive potential shares outstanding during the years ended 31 December 2023 and 2022.

9. Dividends

No dividend was paid or proposed for ordinary shareholders of the Company during the year, nor has any dividend been proposed since the end of the reporting period (2022: Nil).

10. Financial assets at fair value through other comprehensive income

	2023 <i>US\$'000</i>	2022 <i>US\$'000</i>
Financial assets at FVTOCI		
— Unlisted equity securities in the BVI, Cosmic Paramount Limited (“Cosmic”)	<u>4,255</u>	<u>6,293</u>

The movements of unlisted equity securities are as follows:

	<i>US\$'000</i>
At 1 January 2022	6,281
Change in FVTOCI	<u>12</u>
At 31 December 2022 and 1 January 2023	6,293
Change in FVTOCI	<u>(2,038)</u>
At 31 December 2023	<u>4,255</u>

In 2020, the Group entered into (i) the conditional sale and purchase agreement together with the supplemental agreement with the independent vendor in relation to the acquisition of 781 shares of Cosmic (the “**Acquisition**”) and (ii) conditional subscription agreement together with the supplemental agreement to subscribe 148 shares of Cosmic (the “**Subscription**”). After the completion of the Acquisition and the Subscription on 31 December 2020, the Group held in aggregate 9.07% equity interest in Cosmic.

The above unlisted equity securities are designated as financial assets at FVTOCI (non-recycling) as the investment is not held for trading and is held for long-term strategic purposes. Cosmic, through its operating subsidiary which is incorporated in Hong Kong, is principally engaged in one-stop supply chain financial platform, which provide global supply chain services, booking online by clicking one button.

No dividends were received from this investment during the year (2022: Nil).

11. Trade and bills receivables

	2023 <i>US\$'000</i>	2022 <i>US\$'000</i>
Trade receivables, gross	17,457	21,200
Less: allowance for expected credit loss (“ECL”) on trade receivables	(1,180)	(939)
Trade receivables, net	16,277	20,261
Bills receivables	2,770	3,838
	<u>19,047</u>	<u>24,099</u>

The Group’s trading terms with its customers are mainly on credit, except for new customers where payment in advance is normally required. The credit period granted is based on the historical trading and payment records of each customer, generally not more than four months (2022: not more than four months). Extended credit terms may be granted for some major long-term customers. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. Trade receivables are non-interest bearing and the Group does not hold any collateral in relation to these receivables.

The ageing analysis of trade receivables, net of ECL allowances, based on the past due dates, is as follows:

	2023 <i>US\$'000</i>	2022 <i>US\$'000</i>
Not past due	14,547	19,725
1–30 days past due	497	229
31–90 days past due	584	262
91–120 days past due	585	—
Over 120 days past due	64	45
	<u>16,277</u>	<u>20,261</u>

The movements in allowances for ECL on trade receivables are as follows:

	2023	2022
	<i>US\$'000</i>	<i>US\$'000</i>
At 1 January	939	483
Allowances for ECL recognised to the profit or loss	242	465
Exchange realignment	(1)	(9)
	<u> </u>	<u> </u>
At 31 December	<u>1,180</u>	<u>939</u>

Ageing analysis of the Group's trade receivables, net of ECL allowance, based on the invoice dates, is as follows:

	2023	2022
	<i>US\$'000</i>	<i>US\$'000</i>
1 to 30 days	5,078	12,888
31 to 90 days	9,326	6,734
91 to 120 days	780	391
Over 120 days	1,093	248
	<u> </u>	<u> </u>
	<u>16,277</u>	<u>20,261</u>

Ageing analysis of the Group's bills receivables, based on the bills receipt dates as at each reporting date is as follows:

	2023	2022
	<i>US\$'000</i>	<i>US\$'000</i>
1 to 30 days	196	398
31 to 90 days	1,804	2,898
91 to 120 days	407	341
121 to 180 days	363	201
	<u>2,770</u>	<u>3,838</u>

12. Trade and bills payables

	2023	2022
	<i>US\$'000</i>	<i>US\$'000</i>
Trade payables	7,641	7,055
Bills payables	7,850	11,061
	<u>15,491</u>	<u>18,116</u>

Ageing analysis of trade payables, based on invoice dates, as at the end of reporting period is shown as follow:

	2023	2022
	<i>US\$'000</i>	<i>US\$'000</i>
1 to 30 days	2,081	4,491
31 to 90 days	3,966	2,523
91 to 120 days	1,585	36
Over 120 days	9	5
	<u>7,641</u>	<u>7,055</u>

As at 31 December 2023 and 2022, all bills payables were secured by an assignment over the life insurance policies and pledged bank deposits.

13. Share capital

	Number of ordinary shares	Share capital <i>US\$'000</i>
Ordinary shares of HK\$0.01 each		
<i>Authorised:</i>		
At 1 January 2022, 31 December 2022, 1 January 2023 and 31 December 2023	<u>2,000,000,000</u>	<u>2,579</u>
<i>Issued and fully paid:</i>		
At 1 January 2022	800,000,000	1,032
Issuance of shares upon the Rights Issue (<i>note</i>)	<u>298,122,380</u>	<u>385</u>
At 31 December 2022 and 1 January 2023 and 31 December 2023	<u><u>1,098,122,380</u></u>	<u><u>1,417</u></u>

Note:

On 14 November 2022, the Company proposed rights issue on the basis of two rights shares for every five existing shares held on 28 November 2022 (the “**Rights Issue**”), at the subscription price of HK\$0.063 per rights share.

On 28 December 2022, the Rights Issue was completed and 298,122,380 ordinary shares were issued. The net proceeds after deducting the related expenses of approximately HK\$1,022,000 (equivalent to approximately US\$132,000), amounted to approximately HK\$17,760,000 (equivalent to approximately US\$2,292,000). Accordingly, the Company’s share capital increased by approximately HK\$2,981,000 (equivalent to approximately US\$385,000) and the remaining balance of the net proceeds of approximately HK\$14,779,000 (equivalent to approximately US\$1,907,000) was credited to the share premium account.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2023, total revenue decreased by 45.5% to US\$66.3 million. The drop was mainly attributable to decrease in sales volume and selling price, as a result of the was a result of a combination of the weak demand in the consumer market and the downward cycle in semiconductor industry.

Gross Profit

Gross profit for the year ended 31 December 2023 decreased by 65.0% year-on-year to US\$2.9 million, which was mainly due to the decrease in sales volume and selling price, notwithstanding that production on cost remained at similar level, resulting in decrease in gross profit. Gross profit margin decrease from 6.9% to 4.4%, which was mainly driven by the lower margin of motor control.

Other Income

The Group's other income amounted to US\$0.2 million for the year ended 31 December 2023, which mainly included government grants and imputed interest income on life insurance policy deposits.

Selling and Distribution Expenses

Selling and distribution expenses mainly consist of salaries and benefits for staff, transportation costs, travelling expenses, office utility expenses, business entertainment and marketing expenses. During the Year, the Group's selling and distribution expenses amounted to US\$3.0 million which is comparable to 2022.

General and Administrative Expenses

General and administrative expenses mainly consist of salaries and benefits for the management, administrative, operation support and financial personnel, administrative costs and depreciation expenses relating to property, plant and equipment used for administrative purposes.

During the Year, general and administrative expenses amounted to US\$5.8 million which increased by US\$0.5 million which was mainly attributable to the effect of an increase in professional and consultant fees for business development by approximately US\$0.3 million.

Finance Costs

During the Year, finance costs amounted to US\$2.3 million, when compared with 2022, an increase of US\$0.7 million is noted. The increase in finance cost was in line with the increase in bank and other borrowings and interest rate during the Year.

Income Tax Expense/(Credit)

During the Year, the income tax expenses of approximately US\$1.1 million (2022: income tax credit of US\$0.5 million) mainly arose from the deferred tax liabilities on development costs.

Loss for the Year

As a result of the above factors, the Group's loss for the year increased by 515.5% from US\$1.6 million recorded for the year ended 31 December 2022 to US\$9.7 million for the year ended 31 December 2023.

The financial information set out in this announcement does not constitute the Group's audited accounts for the year ended 31 December 2023, but represents an extract from the consolidated financial statements for the year ended 31 December 2023 which have been reviewed by the Audit Committee and approved by the Board.

LIQUIDITY AND FINANCIAL RESOURCES

During the Year, the Group maintained a satisfactory liquidity position supporting business growth. As at 31 December 2023, the Group had cash and cash equivalents of US\$2.5 million (2022: US\$2.3 million).

As at 31 December 2023, the Group had recorded net current assets of US\$12.0 million (2022: US\$22.0 million).

As at 31 December 2023, the gearing ratio of the Group was 47.6% (2022: 39.1%), which computed based on total debts (including bank and other borrowings and bills payables) divided by total equity plus total debts.

The increase in bank and other borrowings was mainly for securing capital for its business development. At as 31 December 2023, the Group had bank and other borrowings amounting to US\$12.7 million (2022: US\$11.1 million).

The annual weighted average interest rate of the bank and other borrowings during the Year was 12.6% (2022: 6.9%).

CONTINGENT LIABILITIES

As at 31 December 2023, the Group did not have any significant contingent liabilities.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2023, the Group had 91 employees (2022: 107 employees). During the Year, employee benefit expenses (including directors' remuneration) amounted to US\$4.1 million (2022: US\$4.8 million), accounting for 6.3% (2022: 3.9%) of total revenue for the Year.

The remunerations of the employees are commensurate with their performance, skills, knowledge, experience and the market trend. Employee benefits provided by the Group include medical insurance scheme, mandatory provident fund, social insurance and housing allowance in PRC. The Group reviews the remuneration policies and packages on a regular basis and will make necessary adjustments that accommodate the pay levels in the industry. In addition to basic salaries, the employees may be offered with discretionary bonuses and cash awards based on individual performances.

As at 31 December 2023, the Group had not issued or allotted any awarded shares.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company complies or intends to comply with the Corporate Governance Code set out in Appendix 14 of the Listing Rules, save for Code A.2.1 which requires that the roles of chairman and chief executive officer be separated and performed by different individuals. Mr. Lam is both our Chief Executive Officer and Chairman. Our Board believes that vesting the roles of both Chief Executive Officer and Chairman in the same person has the benefit of ensuring consistent leadership and efficient discharge of executive functions within our Group. Our Group considers that the balance of power and authority of the present arrangement will not be impaired as the Board comprises five other experienced and high-calibre individuals including two other executive Directors and three independent non-executive Directors who would be able to offer advice from various perspectives. In addition, for major decisions of our Group, the Board will make consultations with appropriate Board committees and senior management. Therefore, our Directors consider that the present arrangement is beneficial to and in the interest of our Company and our Shareholders as a whole and the deviation from Code A.2.1 of the Corporate Governance Code is appropriate in such circumstance.

Our Directors will review our corporate governance policies and compliance with the Corporate Governance Code in each financial year and comply with the “comply or explain” principle in our corporate governance report which will be included in our annual reports after the Listing.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted written guidelines (the “**Written Guidelines**“) on no less exacting terms than the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**“) as set out in Appendix 10 of the Listing Rules as its own code for securities transactions by the Directors.

Having made specific enquiry of all Directors, all of them have confirmed that they have complied with the Model Code and the Written Guidelines throughout the period from the Listing Date to the date of this announcement. No incident of non-compliance of the Written Guidelines by the employees who are likely to be in possession of inside information of the Company was noted by the Company.

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

During the Year, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities.

PUBLIC FLOAT

As at the date of this announcement, the Company has maintained the prescribed public float under the Listing Rules, based on the information that is publicly available to the Company and within the knowledge of the Directors.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend in respect of the year ended 31 December 2023.

SCOPE OF WORK OF INDEPENDENT AUDITOR

The figures in respect of the Group’s consolidated statement of financial position as at 31 December 2023, consolidated statement of profit or loss and other comprehensive income and the related notes to the consolidated financial statements thereto for the year ended 31 December 2023 as set out in this announcement have been agreed by the Company’s independent auditor, Moore CPA Limited (formerly known as Moore Stephens CPA Limited), Certified Public Accountants, to the amounts as set out in the Group’s audited consolidated financial statements for the year ended 31 December 2023 and the amounts were found to be in agreement. The work performed by Moore CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Moore CPA Limited on this announcement.

AUDIT COMMITTEE

The Audit Committee comprises all the three independent non-executive Directors, namely Mr. Dan Kun Lei, Raymond, Mr. Lai Man Shun and Mr. Chan Kwok Kuen Kenneth (chairman).

The Group's annual audited results during the year ended 31 December 2023 have been reviewed by the audit committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosure have been made.

REMUNERATION COMMITTEE

The Remuneration Committee comprises of one executive Director, Mr. Lam Keung, and two independent non-executive Directors, namely, Dan Kun Lei, Raymond and Mr. Lai Man Shun (chairman).

The Remuneration Committee is mainly responsible for making recommendations to the Board on the Company's policy and structure for remuneration of all the Directors and senior management of the Company and making recommendations to the Board on the remuneration packages of individual executive Director and senior management.

NOMINATION COMMITTEE

The Nomination Committee currently comprises of one executive Director, Mr. Lam Keung (chairman), and two independent non-executive Directors, namely, Mr. Lai Man Shun and Mr. Chan Kwok Kuen Kenneth.

The Nomination Committee is mainly responsible for reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy; identifying individuals suitably qualified to become Board members and selecting or making recommendations to the Board on the selection of individuals nominated for directorships; assessing the independence of the independent non-executive Directors; and making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors.

The Nomination Committee formulated the Board diversity policy and the Company has adopted the Board diversity policy. The Company recognises and embraces the benefits of diversity in Board members. Selection of Board members will be based on a range of diversified perspectives, including but not limited to gender, age, ethnicity, cultural and educational background, or professional experience. All Board appointments will be based on merit and the needs of the Company's business while taking into account diversity. The Nomination Committee also monitors the implementation of this policy and reports to the Board on the achievement of the measurable objectives for achieving diversity under this policy.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This announcement is published on the website of the Stock Exchange (www.hkexnews.hk) and the Company's website (www.conteltechnology.com). The annual report for the year ended 31 December 2023 will be dispatched to the shareholders and published on the respective websites of the Stock Exchange and the Company in due course.

EVENTS AFTER THE REPORTING PERIOD

The Group did not have material subsequent events.

By order of the board of directors of
Contel Technology Company Limited
Lam Keung
Chairman and Executive Director

Hong Kong, 26 March 2024

As at the date of this announcement, the Board comprises Mr. Lam Keung, Mr. Qing Haodong and Mr. Mai Lu and Ms. Cheng Yu Pik as executive directors; Mr. Dan Kun Lei, Raymond, Mr. Lai Man Shun and Mr. Chan Kwok Kuen Kenneth as independent non-executive directors.