亞洲聯網科技有限公司

Asia Tele-Net and Technology Corporation Limited

(Incorporated in Bermuda with limited liability)

(Stock Code : 0679)

2022 ANNUAL REPORT

Contents

Corporate Information

BOARD OF DIRECTORS

LAM Kwok Hing *M.H., J.P.*
(Chairman & Managing Director)
NAM Kwok Lun *(Deputy Chairman)*
KWAN Wang Wai Alan
(Independent Non-executive Director)
NG Chi Kin David
(Independent Non-executive Director)
CHEUNG Kin Wai
(Independent Non-executive Director)

AUDIT COMMITTEE

KWAN Wang Wai Alan *(Committee Chairman)*
CHEUNG Kin Wai
NG Chi Kin David

REMUNERATION COMMITTEE

NG Chi Kin David *(Committee Chairman)*
KWAN Wang Wai Alan
NAM Kwok Lun

NOMINATION COMMITTEE

LAM Kwok Hing *M.H. J.P. (Committee Chairman)*
NG Chi Kin David
CHEUNG Kin Wai

COMPANY SECRETARY

YUNG Wai Ching

AUTHORISED REPRESENTATIVES

LAM Kwok Hing *M.H., J.P.*
NAM Kwok Lun

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants
Registered Public Interest Entity Auditors

LEGAL ADVISOR

Sidley Austin

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking
Corporation Limited
DBS Bank (Hong Kong) Limited

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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6/F, Tai Yau Building
181 Johnston Road
Wan Chai
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SHARE REGISTRARS AND TRANSFER OFFICES

Principal Registrar and Transfer Office:

MUFG Fund Services (Bermuda) Limited
4th Floor North, Cedar House
41 Cedar Avenue
Hamilton HM12
Bermuda

Hong Kong Branch Registrar and Transfer Office:

Tricor Secretaries Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

CORPORATE WEBSITE

www.atnt.biz

LISTING INFORMATION

Listing on the Hong Kong Stock Exchange
(Main Board)
Stock Short Name: Asia Tele-Net
Stock Code: 679
Board Lot Size: 10,000 shares

Chairman's Statement and Management Discussions

FINANCIAL RESULTS

During the year ended 31 December 2022 ("the Period Under Review"), the Group recorded loss attributable to owners of the Company of approximately HK$32,727,000 compared to the loss attributable to owners of the Company of approximately HK$838,547,000 for the year ended 31 December 2021 ("the Previous Period"). The key factors attributable to the significant decrease in net loss include, inter alia, (i) a decrease in impairment losses under expected credit loss model; (ii) a reversal of tax provision; (iii) a decrease in other income; (iv) an increase in exchange losses and (v) an increase in administrative expenses as compared to the Previous Period.

The basic loss per share for the Period Under Review was HK$0.08 compared to the basic loss per share of HK$1.97 of the Previous Period.

FINANCIAL REVIEW

Revenue

The revenue for the Period Under Review was approximately HK$319,673,000 or 12.3% less than the Previous Period. Lower revenue reported during the Period Under Review was mainly due to weaken demand in high-end communication device and automobile.

In terms of business segment, approximately 77.6% of the revenue was generated from PCB sector (the Previous Period: approximately 77.4%), and approximately 22.4% came from surface finishing sector (the Previous Period: approximately 22.6%).

In terms of the machines geographical installation base, the revenue composition during the Period Under Review was 74.6% machine values were installed in PRC (the Previous Period: 60.3%), 5.0% in Mexico (the Previous Period: 1.6%), 4.8% in the USA (the Previous Period: 11.4%), 4.3% in South Korea (the Previous Period: 0.4%), 4.0% in Taiwan (the Previous Period: 12.4%), 3.6% in the Russia (the Previous Period: nil), and 3.6% in rest of the world (the Previous Period: 13.9%).

Gross Profit

Due to price pressure from customer and increase in material cost because of inflation, gross profit was 9.3% which was lower than the Previous Period (approximately 10.1%).

Other gains and losses of approximately HK$47,260,000

This mainly represented (a) Net change in realized and unrealized fair value gain of investments at fair value through profit or loss of approximately HK$6,786,000 (the Previous Period: gain of HK$817,000) (b) net exchange loss of approximately HK$54,025,000 (the Previous Period: gain of HK$2,714,000).

(a) Net change in realized and unrealized fair value gain of investments at fair value through profit or loss of approximately HK$6,786,000 (the Previous Period: gain of HK$817,000)

All investments at fair value through profit or loss were recorded at fair value as at 31 December 2022 and represented listed securities in Hong Kong. The gain of approximately HK$6,786,000 represents fair value gain of investments at fair value through profit or loss, as a result of mark to market valuations as at the balance sheet date.

Below are information of the Group's investments at fair value through profit or loss as at 31 December 2022:

Company Name/Stock Code	% of Shareholding as at 31 December 2022	Fair value change HK$'000	**Fair value as at 31 December 2022 HK$'000**	**% of Total Assets of the Group as at 31 December 2022**	Fair value as at 31 December 2021 HK$'000	% of Total Assets of the Group as at 31 December 2021
Shanghai Industrial Urban Development Group Ltd. (563)	0.26%	(1,259)	**8,308**	**0.46%**	9,567	0.51%
Q P Group Holdings Ltd. (1412)	1.59%	1,102	**11,525**	**0.64%**	10,423	0.56%
Hysan Development Company Ltd (14)	0.07%	1,153	**19,228**	**1.06%**	–	–
SenseTime Group Inc. (20)	0.01%	(10,726)	**8,525**	**0.47%**	–	–
China Mobile Ltd. (941)	0.01%	2,401	**103,500**	**5.72%**	–	–
China Construction Bank Corporation (939)	0.00%	(551)	**4,890**	**0.27%**	–	–
CNOOC Ltd (883)	–	16,371	**–**	**–**	–	–
Others		(1,705)	**14,487**	**0.80%**	6,775	0.36%
Total		6,786	**170,463**	**9.42%**	26,765	1.43%

(b) net exchange loss of approximately HK$54,025,000 (the Previous Period: gain of HK$2,714,000)

The net exchange loss was mainly due to the exchange loss arising from year end revaluation of bank deposits and investments in debt instruments which was denominated in RMB. During the Period Under Review, RMB was depreciated by approximately 8.5%.

Other income of approximately HK$90,369,000

This mainly represented (a) interest and fees arising from loan receivables of approximately HK$2,867,000 (the Previous Period: HK$3,763,000) (b) interest received from bank deposits of approximately HK$11,333,000 (the Previous Period: HK$19,945,000) (c) interest income from investments in debt instruments of approximately HK$14,018,000 (the Previous Period: nil) (d) imputed interest income on Deferred Consideration of approximately HK$45,498,000 (the Previous Period: HK$244,341,000) and (e) dividend income of approximately HK$11,940,000 (the Previous Period: HK$1,852,000).

(a) Interest and fees arising from loans receivable

On 7 September 2022, the Group entered into a loan facility agreement ("2022 Loan Facility Agreement") with Karl Thomson Financial Group Limited ("KTFG"), which is a wholly owned subsidiary of Wisdom Wealth Resources Investment Holding Group Limited ("Wisdom Wealth Resources"). Mr. Lam Kwok Hing, an executive director and the ultimate controlling shareholder of the Company, and Mr. Nam Kwok Lun, an executive director of the Company who has an indirect interest in the Company, are the directors of Wisdom Wealth Resources. Pursuant to 2022 Loan Facility Agreement, the Group provides an unsecured revolving loan facility of HK$80,000,000 bearing interest at prime rate as announced from time to time by The Hong Kong and Shanghai Banking Corporation Limited for lending Hong Kong Dollars ("Prime Rate") for a term of three years commencing from the loan effective date and ending on 20 October 2025.

During the Period Under Review, the Group has received interest income and handling fee income of approximately HK$1,389,000 and HK$240,000 respectively (the Previous Period: approximately HK$2,445,000 and nil respectively) from KTFG.

Besides the revolving loan facility with KTFG, the Group has also received interest income of approximately HK$1,478,000 from other loans with independent third parties (the Previous Period: HK$1,318,000).

(b) Interest received from bank deposits

Interest income from bank deposits was approximately HK$11,333,000 (the Previous Period: HK$19,945,000).

(c) Interest income from investments in debt instruments

Interest income from investments in debt instruments was approximately HK$14,018,000 (the Previous Period: nil).

(d) Imputed interest income on Deferred Consideration

Please refer to note 16 of the consolidated financial statements for more detailed explanation on the imputed interest income of approximately HK$45,498,000 (the Previous Period: HK$244,341,000).

(e) Dividend income

Dividend income from investments at fair value through profit or loss was approximately HK$11,940,000 (the Previous Period: HK$1,852,000).

Selling and Distribution Costs of approximately HK$9,852,000

The selling and distribution costs represented exhibition and marketing expenses, product and public liability insurance cost and the respective personnel cost on the sales team. The costs for the Period Under Review was 1.0% higher than the Previous Period.

Administrative expenses of approximately HK$108,185,000

The day-to-day administrative expenses for the Period Under Review was lower than the Previous Period but the total administrative expenses was higher than the Previous Period by approximately HK$47,924,000. The increment was mainly due to (a) reversal of provision for performance related incentive payments payable to executive directors of the Group in the Previous Period but no such reversal in the Period Under Review and (b) provision of redundancy cost in the Period of Under Review.

(a) Reversal of provision for performance related incentive payments in the Previous Period

Provision for performance related incentive payments is calculated by applying the pre-agreed percentage on the overall financial performance of the Group for a financial year and discounted to present value. Overall financial performance of the Group refers to the profit after taxes attributable to the owners of the company as reported in the annual report.

As disclosed in the announcement issued by the Company on 31 December 2021, the Group is expecting a delay in receiving certain guaranteed cash consideration in relation to the Longhua Project. Apart from incurring an impairment loss which is explained below, for the Previous Period, reversal of provision for performance related incentive payments of approximately HK$30,975,000 was made.

No such reversal was made in the Period Under Review.

(b) Provision of redundancy cost

Through the collective effort of the team, we have streamlined our business processes and inevitably some positions will be eliminated. The Group has therefore made a provision of redundancy cost of approximately HK$22,390,000 in the Period Under Review.

After taking out the effect of reversal of provision for performance related incentive payments and the provision of redundancy cost, the day-to-day administrative expenses for the Period Under Review was approximately HK$85,700,000 which is lower than the Previous Period (the Previous Period: HK$91,236,000.

As a benchmark, the average inflation rates in China and Hong Kong for 2022 were 2.0%[1] and 1.9%[2] respectively.

1 Inflation rate in China is reported by the National Bureau of Statistics of China.

2 Inflation rate in Hong Kong is reported by Census and Statistics Department of Hong Kong.

Reversals of impairment losses (impairment losses) under expected credit loss model, net

This represented reversals of impairment losses (impairment losses) under expected credit loss model for trade debtors, contract assets, loans receivable, Deferred Consideration, net, as below:

	Year ended 31 December	
	2022	2021
	HK$'000	HK$'000
Trade debtors	**(1,381)**	451
Contract assets	**209**	(199)
Loans receivable	**1,222**	(599)
Deferred Consideration	**58,900**	(1,320,267)
	58,950	(1,320,614)

The Group recognized a reversal of impairment losses of approximately HK$58,900,000 (the Previous Period: impairment losses of approximately HK$1,320,267,000) for Deferred Consideration. Please refer to below section titled "Property Re-development Project in Longhua" for more details.

Impairment of property, plant and equipment and right-of-use assets

The Group assesses impairment at the end of each reporting period by evaluating conditions that may lead to impairment of property, plant and equipment as well as right-of-use. Given that the property market prices have dropped in general for the Period Under Review, the Group has engaged an independent valuer to assess the fair value over certain property. Based on such valuation, an impairment of approximately HK$5,421,000 was made. In addition, the Group has also reviewed the carrying value of the right-of-use assets which are engaged for our electroplating equipment businesses, an impairment of approximately HK$7,561,000 was made. The right-of-use assets are mainly related to the leases for our factories in China.

Finance cost of approximately HK$4,898,000

This represented mainly the imputed interest expenses on non-current portion of provision of performance related incentive payments of approximately HK$4,328,000 (the Previous Period: HK$3,182,000), the interest expenses on lease liabilities of approximately HK$235,000 (the Previous Period: HK$237,000) and interest on bank borrowings of approximately HK$335,000 (the Previous Period: nil).

Since the provision for performance related incentive payments is discounted to present value, when the expected payment timetable comes closer, the present value of such incentive payments will be revised upwards. An imputed interest expense will arise accordingly.

The lease liability is treated as a borrowing, with its value increased as interest is recognised and decreased as lease payments are made.

Taxation of approximately HK$28,621,000

As the Group recorded a gain in relation to the Longhua Project before tax approximately HK$100,070,000 (the Previous Period: loss of HK$1,048,133,000), the Group recorded a corresponding estimated tax charge of approximately HK$27,661,000 (the Previous Period: tax credit of HK$268,981,000).

The balance of approximately HK$960,000 represented mainly taxes paid and to be paid by our wholly-owned subsidiaries in China and Taiwan.

Net gain (loss) in relation to the Longhua Project

As can be seen above, various incomes and expenses in relation to the property Re-development Project in Longhua were recorded in the Period Under Review and the Previous Period. In order to help the shareholders to understand the overall impact, we have prepared a summary table below:

	Year ended 31 December	
	2022 HK$'000	2021 HK$'000
Under "Other Income" – Imputed interest income on Deferred Consideration	**45,498**	244,341
Under "Administrative expenses" – Reversal for directors' and special management bonus	**–**	30,975
Under "Finance costs" – Imputed interest on non-current portion of provision for performance related incentive payments	**(4,328)**	(3,182)
Under "Reversals of impairment losses (impairment losses) under expected credit loss model, net" – Impairment loss for Deferred Consideration	**58,900**	(1,320,267)
Under "Taxation"	**(27,661)**	240,915
Net gain (loss) in relation to the Longhua Project	**72,409**	(807,218)

Exchange difference arising on translation of foreign operation of approximately HK$47,985,000

This represented mainly the exchange difference arising on translation of operations in the PRC due to the depreciation in RMB (of approximately HK$27,220,000) and revaluation of Deferred Consideration and corresponding deferred tax liability (of approximately HK$20,765,000). The currency translation reserve was increased at the same amount.

Deferred Consideration

Please refer to note 16 of the consolidated financial statements for more detailed explanation.

Loans receivable

On 7 September 2022, the Group entered into 2022 Loan Facility Agreement with KTFG, which is a wholly owned subsidiary of Wisdom Wealth Resources. Mr. Lam Kwok Hing, an executive director and the ultimate controlling shareholder of the Company, and Mr. Nam Kwok Lun, an executive director of the Company who has an indirect interest in the Company, are the directors of Wisdom Wealth Resources. Pursuant to 2022 Loan Facility Agreement, the Group provides an unsecured revolving loan facility of HK$80,000,000 bearing interest at Prime Rate for a term of three years commencing from the loan effective date and ending on 20 October 2025.

As at 31 December 2022, a loan of approximately HK$19,500,000 (31 December 2021: approximately HK$36,000,000) was drawn by KTFG in accordance with the terms of the 2022 Loan Facility Agreement. The average effective interest rate, which is equal to contractual interest rate, is 5.625% (the Previous Period: 5%) per annum.

As reported in above, the total interest and handling fee earned in relation to above loan was approximately HK$1,389,000 and HK$240,000 respectively (the Previous Period: approximately HK$2,445,000 and nil respectively).

Besides the revolving loan facility with KTFG, the Group has granted a few loans with independent third parties bearing interest between 2.2% to 8.625% per annum and the Group has received interest income of approximately HK$1,478,000 from these loans during the Period Under Review (the Previous Period: HK$1,318,000).

The carrying amount for each respective period is shown below:

	As at 31/12/2022 HK$'000	As at 31/12/2021 HK$'000
Principal outstanding repayable within one year	**–**	50,500
Principal outstanding repayable after one year	**40,024**	12,992
Less impairment loss	**(5,433)**	(6,655)
Net carrying amount	**34,591**	56,837
Analysed for reporting purpose as:		
Current	**–**	48,068
Non-current	**34,591**	8,769
	34,591	56,837

Investments in debt instruments

Investments in debt instruments made by the Group as of 31 December 2022 are set out below:

No	Issuer	Bond Currency	Coupon rate	Maturity date	Carrying amount as at 31/12/2022 (HK$'000)	Bond Credit rating S&P's	Bond Credit rating Moody's	% to Group's total assets
1	Bank of Comm Company Ltd	RMB	3.15%	2024/12/13	19,071	A-	NR	1.1%
2	Henderson Land MTN Ltd	RMB	3.35%	2023/09/21	11,163	NR	NR	0.6%
3	Henderson Land MTN Ltd	RMB	3.30%	2024/02/07	100,710	NR	NR	5.6%
4	Wharf REIC Finance BVI Ltd	RMB	2.95%	2024/01/19	23,428	NR	A2	1.3%
5	Wharf Finance BVI Ltd	RMB	3.25%	2024/01/14	55,704	NR	NR	3.1%
6	Sun Hung Kai Properties Capital Market Ltd	RMB	2.80%	2024/06/24	15,494	A+	NR	0.9%
7	Barclays Bank PLC	RMB	4.00%	2024/03/24	95,353	A-	NR	5.3%
8	Wharf REIC Finance BVI Ltd	RMB	3.85%	2024/04/06	55,931	NR	A2	3.1%
9	Hong Kong Mortgage Corp Ltd	RMB	3.59%	2023/10/30	56,094	NR	Aa3	3.1%
10	China Construction Bank Corp of London	RMB	3.40%	2024/05/17	22,436	NR	A1	1.2%
11	Standard Chartered Bank	RMB	3.58%	2025/08/25	55,950	NR	NR	3.1%
12	Sun Hung Kai Properties Capital Market Ltd	RMB	3.20%	2027/08/14	5,337	NR	NR	0.3%
13	NWD MTN Ltd	USD	5.88%	2027/06/16	7,754	NR	NR	0.4%
14	NWD Finance BVI Ltd	USD	6.15%	Perpetual	3,877	NR	NR	0.2%
					528,302			

Out of the total investment cost of HK$528.3 million, approximately HK$461 million is classified under non-current assets while approximately HK$67.3 million is classified under current assets.

The acquisition of the bonds forms part of the Group's ordinary course of treasury activities in managing its financial assets. The bonds offer a better return when compared to fixed-term deposit interest rates offered by commercial banks in Hong Kong. Primary objective of these investments is to collect the contractual interest due and principal upon maturity. At time of investment, the Group will consider the acquisition prices, the coupon rate, the maturity date and the background of the issuers.

Investments at fair value through profit or loss under current assets

As at 31 December 2022, the Company had investments in listed securities in Hong Kong with a market value of approximately HK$170,463,000 (31 December 2021: approximately HK$26,765,000), representing an investment portfolio of 21 listed equities in Hong Kong. The Board acknowledges that the performance of the equities may be affected by the degree of volatility in the Hong Kong stock market and susceptible to other external factors that may affect their values. Accordingly, in order to mitigate possible financial risks related to the equities, the Board will continue to maintain a diversified investment portfolio across various segments of the market and also closely monitor the performance progress of its investment portfolio from time to time going forward.

Please also refer to above section named "Other gains and losses".

Contract assets

The Group is entitled to invoice customers for construction of custom-built electroplating machinery and other industrial machinery based on achieving a series of performance-related milestones. The contract assets represent the amount which the Group is entitled to claim against the customers for the work completed but not yet billed. They are not billed because the agreed performance-related milestones are still under processed. When a performance-related milestone of a certain project is completed, such related contract assets will be transferred to trade receivables.

Creditors and accrued charges under current liability

The amount payable to creditors and accrued charges as at 31 December 2022 was HK$209,245,000 which was approximately HK$36,959,000 higher than the Previous Period. Please refer to note 26 of the consolidated financial statements for more details. The increase was mainly due to provision of approximately HK$22,390,000 of redundancy cost in late 2022 and increase in current portion of provision for performance related incentive payments payable to executive directors by approximately HK$15,179,000.

Contract liabilities

From time to time, customers will pay to the Group various performance related milestone payments in accordance with accepted purchase orders or agreed contracts. Contract liabilities represent the Group's obligations to transfer goods or services to customers for which the Group has already received consideration from the customers.

Accrued charges of approximately HK$3,501,000 under non-current liability

It was related to provision for performance related incentive payments payable and was discounted to present value.

Deferred tax of approximately HK$90,202,000 under non-current liabilities

The Group has recorded a deferred taxation of approximately HK$82,154,000 as estimated taxation expenses in relation to the estimated recoverable amount from the Counterparty.

The balance of approximately HK$8,048,000 represented deferred tax liabilities recognized for accelerated tax depreciation of approximately HK$45,000, credit of approximately HK$392,000 for impairment losses on assets, and withholding tax provision for dividend payable by a PRC subsidiary of approximately HK$8,395,000.

Chairman's Statement and Management Discussions

BUSINESS REVIEW ON ELECTROPLATING EQUIPMENT

(UNDER THE TRADE NAME OF "PAL")

Electroplating Equipment-Printed Circuit Boards ("PCB") Sector

This sector is traded through our subsidiary Process Automation International Ltd ("PAL").

During the Period Under Review, the revenue in this business area decreased from HK$211,856,000 in Previous Period to HK$189,166,000, representing 10.7% drop. Out of this total revenue, from the perspective of installation location, nearly 91.0% were shipments made to PRC (61.7% in Previous Period) and 6.1% were shipments made to Russia (nil in Previous Period).

Two main markets driving our revenue in PCB sector are PCBs used in smartphone and car. The development of car industry is elaborated in our other sector, surface finishing sector, below.

According to a report issued by IDC[3] in February 2023, global sales of smartphones declined by 18.3% in the fourth quarter of 2022. It is the largest-ever decline in a single quarter. The annual sales of smartphone in 2022 was increased by 11.3%.

Top 5 Smartphone Companies, Worldwide Shipments, Market Share, and Year-Over-Year Growth, Q4 2022 and full year (shipments in millions of units)

Company	4Q 2022 Shipment Volumes	4Q 2022 Market Share	2022 Shipment Volumes	2021 Shipment Volumes	Year-Over-Year Change
Apple	72.3	24.1%	260.9	272.1	-4.1%
Samsung	58.2	19.4%	226.4	235.8	-4.0%
Xiaomi	33.2	11.1%	153.1	191.0	-19.8%
OPPO	25.3	8.4%	103.3	133.6	-22.7%
Vivo	22.9	7.6%	99.0	128.3	-22.8%
Others	88.3	29.4%	362.7	399.1	-9.1%
Total	300.2	100.0%	1,205.4	1,359.9	-11.4%

Due to rounding, some figures may not add up precisely to the totals shown

Source: IDC Worldwide Quarterly Mobile Phone Tracker, January 25, 2023

Apple maintained its position as the number one smartphone maker in the world with Samsung followed as the second-largest smartphone player. Chinese smartphone players suffered from domestic lockdowns for much of the year in addition to facing global economic and geopolitical difficulties. As a result, the shipments of Xiaomi, OPPO and Vivo fell by more than 20% each.

3 International Data Corporation (IDC) is a global provider of market intelligence and advisory services.

The war in Ukraine, inflationary pressures, economic uncertainty and macroeconomic headwinds kept the consumer sentiment weak in 2022. Cost-of-living is soaring up in most of the countries. It is inevitable that smartphone users reduced the frequency of their purchases.

With the reduced demand, we saw that most of our PCB customers have become more conservative in planning their production capacity. Number of new factory openings was reduced, relatively speaking when compared to last few years. That was why revenue for the PCB segment was lower in the Period Under Review as the investment in new capital equipment was reduced.

Electroplating Equipment-Surface Finishing ("SF") Sector

This sector is traded through our subsidiary PAL Surface Treatment Systems Ltd ("PSTS").

The revenue of the SF sector has decreased by 12.1% from approximately HK$61,998,000 in the Previous Period to approximately HK$54,477,000 for the Period Under Review. Out of this total revenue, from the perspective of installation location, nearly 27.2% were shipments made to PRC (43.7% in Previous Period) and 28.5% were shipments made to Mexico (9.1% in Previous Period).

The revenue of SF sector, for past few years, was mainly streamed from multinational companies selling automotive parts.

According to a report issued by VDA3, global car sales remained flat in year 2022 when compared to year 2021.

Region	2022	2021	% Change	2020	2019
Europe (EU+EFTA+UK)	11,286,900	11,774,900	– 4.1%	11,961,200	15,805,800
Russia (light vehicles only)	687,400	1,666,800	– 58.8%	1,598,800	1,759,500
USA (light vehicles only)	13,734,200	14,913,700	– 7.9%	14,450,800	16,965,200
Japan	3,448,300	3,675,700	– 6.2%	3,810,000	4,301,100
Brazil (light vehicles only)	1,960,500	1,977,100	– 0.8%	1,954,800	2,665,600
India	3,792,400	3,082,400	+ 23.0%	2,435,100	2,962,100
China	23,240,500	21,090,200	+ 10.2%	19,790,000	21,045,000
COMBINED	58,150,200	58,180,800	– 0.1%	56,000,700	65,504,300

China remained the best-performing car market in the world with sales grew by 10%. India was the fastest growing market but its overall vehicle market remained relatively small. Light vehicle sales in Russia were down by nearly 60% in 2022. Since the start of the Ukraine war in March, many international carmakers withdrew from the Russian market. We saw a mild decline in demand in most of the advanced economies including USA, Europe and Japan.

The growth of car sales in China was mostly driven by tax relief over electric vehicles. While such tax relief was ended in December 2022, car makers has turned to price cut in order to stimulate demand and maintain shipment volume. For the rest of other countries, car sales in general also faces a weak consumer sentiment. But unlike Hong Kong, car is a basic necessity to most of the families in western countries. As a result, the number of enquires for new capital equipment is still relatively the same although we may occasionally meet with request to postpone shipment.

Chairman's Statement and Management Discussions

Outlook

Economic outlook for year 2023 is said to be gloomy. International Monetary Fund has projected that global growth will drop to 2.9% in year 2023 from the 3.4% in year 2022. World Bank even warned that the downturn would be widespread and they are expecting that global economic output in year 2023 will be just 1.7%. Persistent high inflation and monetary tightening policies are underlying reasons. Given the volatile economic conditions, we will put more efforts in cost management and optimizing operations.

Political tensions are re-mapping global supply chain and are rendering some countries more receptive for new plant set up than the others. We believe this is where we can demonstrate our strength, that is, to serve our customers at anywhere they choose. The number of countries in which we have performed services in past ten years is over thirty and is all back-up by track records.

All in all, we believe 2023 will be an uneven year but will at that same time offer opportunities.

PROPERTY DEVELOPMENT

Property Re-development Project in Longhua

The re-development plan in relation to two parcels of industrial land located in Bao An District, Shenzhen, PRC was completed in 2019. In accordance with the terms set out in the second revised supplemental agreement A (the "Revised Agreement") as set out in the Company's circular dated 27 September 2019, the Group has already received RMB1.2 billion.

Reference is made to the announcement issued by the Company on 31 December 2021. The Company was notified by the project company of the Longhua Project (the "Project Company") that it requested to postpone payment for the cash consideration ("Deferred Consideration") for an amount of RMB0.8 billion in accordance with the terms set out in the Revised Agreement. The payment delay was mainly caused by the delinquent debt collections from their group's customers, namely property developers. The Project Company has arranged in December 2021 to pay to the Group HK$200 million as security ("First Security") for its repayment obligations.

For the purpose of measuring impairment of expected credit loss ("ECL") and in accordance with HKFRS 9, the Group applied 12-month ECL in year 2019 and 2020 (i.e. stage 1). Given the expected delayed in the recoverable amount due by the Project Company, the Group has switched to lifetime expected credit loss (i.e. stage 3, credit-impaired) in year 2021. An impairment loss of approximately HK$1,320,267,000 million were recognized for the year ended 31 December 2021 and the remaining value of the Deferred Consideration as at 31 December 2021 was approximately HK$283,129,000 as estimated by the Board. Such remaining value represented the present value of the First Security and the possible repayment from the Project Company through the sales of remaining shop and office spaces.

Reference is made to the announcement issued by the Company dated 16 May 2022. Through constant dialogue with the Project Company, the Project Company has agreed to provide a first legal charge for 7,922 sqm of the office space as additional security to a PRC subsidiary of the Group ("Second Security") to secure the repayment obligation of the Project Company for all outstanding amounts of the consideration. As a result, a PRC subsidiary of the Group has entered a charge agreement with the Project Company on 16 May 2022. The pledged property was valued at approximately RMB238,710,000 which was the fair value as at 16 May 2022 as assessed by an independent valuer. The initial charge period was from 16 May 2022 to 5 January 2023 which was then extended to 30 November 2024. The Project Company cannot sell the Second Security unless it obtains the written approval from the PRC subsidiary of the Group.

As of the 31 December 2022, the remaining value of the Deferred Consideration was approximately HK$328,616,000 which represented the present values of the First Security and the Second Security assuming the Group exercises its rights and transfers the property titles of the Second Security from the Project Company to the PRC subsidiary of the Group on 31 December 2024. The effective interest rate applied was 16.8% which was the same discount rate used by the Group at initial recognition. The Group has engaged an independent professional valuer to assess the expected recovery from the Deferred Consideration. As a result, a reversal of impairment loss of approximately HK$58,900,000 were recognized for the year ended 31 December 2022. The expected recovery from the Deferred Consideration is sensitive to changes in property market conditions and general economic performance. Actual recoverable amount may differ from the estimates.

The Project Company has since paid default interest of approximately RMB27,200,000 (equivalent to approximately HK$31,400,000) to the Group on timely basis and in accordance with the terms of the Agreements.

With repeated Covid lockdown and zero-Covid policy, the economic development in China was severely affected. According to latest figures published by the National Bureau of Statistics of China, the growth of real gross domestic product (GDP) in China amounted to 3.0 percent in 2022, a severe drop from 8.08% in 2021. The slowdown of economic activities inevitably has trimmed down investment sentiments and the property market was mostly affected. According to a report issued by China Index Academy, sales revenue of top 100 property developers in China has dropped by more than 41.3%. In order to contain possible widespread negative impact, Chinese authorities have introduced various stimulus measures in 2022 to ensure a soft-landing on the housing market. One of the stimulus measures is the 16-point policy plan which was introduced in November 2022 and aims to extend loans to property developers and to ensure completion of unfinished home projects. However, since most of the banks have not significantly raised their risk appetite for real estate developers, such policy can only buy time for Chinese property developers to deleverage and adapt to the new regulatory environment. Another stimulus measures is to support first-time homebuyers by lowering down payment ratios and mortgage rates. All stimulus measures are tailored to support the 'house is for living' principle. Even with the support of policies, as stated in the report issued by China Index Academy, "the policies for real estate segment were constantly optimized in 2022 but the resulting effect is not obvious. Both the supply and demand sides are not fully recovered. The property market for the country as a whole is still at adjusting phase. Collection from sales proceed is still not smooth."

The Board will continue to monitor the market situation as well as to keep the dialogue with the Project Company. Based on our preliminary assessment and information on hands, while the Counterparty has not received much revenue from the sales of shops space from the Longhua project in year 2022, it is able to extend some of its bank loans for a few year. The Counterparty is still working on seeking repayment or assets from their debtors. But since from the prospective of Chinese authorities, the priority is to ensure the delivery of unfinished home projects, the Counterparty's debtors did not get much additional funding from the banks for their past debts and as a result the repayment from their debtors is still limited. The Counterparty has a development project which they are working on getting pre-sales approval and is expected to launch to the market in 2023. With regards to going concern, the Counterparty is still confident that it can continue to operate.

As stated in the paragraph above, the general property market in China can only be said that it has been stabilized but it is far from recovery. The Company will continue to monitor the progress of the repayment, and will inform the shareholders and potential investments by making further announcement(s) as and when appropriate in accordance with the Listing Rules.

MATERIAL ACQUISITION AND DISPOSAL

Having received the cash consideration of RMB1.2 billion and after payment of relevant taxes, the Group has initially placed the cash under time deposits. In order to increase the average rate of return for the surplus funds held by the Group, the Group has invested in certain debt instruments and listed securities.

Reference is made to the announcements of the Company dated 5 January 2022, 24 January 2022, 26 January 2022, 9 February 2022, 10 February 2022, 4 March 2022, 11 March 2022, 24 March 2022, 4 April 2022, 7 April 2022, 11 April 2022, 12 April 2022, 20 April 2022, 25 April 2022, 11 May 2022 and 12 August 2022 in relation to the acquisition and disposal of bonds and listed equities. Current holdings as at 31 December 2022 are disclosed as the Group's investments at fair value through profit or loss on page 11 and in the section "Investments in debt instruments" shown in above.

On 7 September 2022, the Group has entered into the 2022 Loan Facility Agreement. Details of which is disclosed in below section named "Continuing Connected Transaction".

Apart from disclosure as above, the Group has not entered any material transaction during the Period Under Review.

EVENT AFTER THE REPORTING PERIOD

Reference is made to the announcements of the Company dated 18 January 2023, 16 February 2023, 9 March 2023, 21 March 2023 and 22 March 2023 in relation to the acquisition of bonds.

CONTROLLING SHAREHOLDER'S INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save for disclosed in the "Continuing Connected Transactions" below, no controlling Shareholder or its subsidiaries had a material interest, either directly or indirectly, in any contract of significance, whether for the provision of services or otherwise, to the business of the Group, to which the Company or any of its subsidiaries was a party during the year.

CONTINUING CONNECTED TRANSACTION

Reference is made to the announcement of the Company dated 7 September 2022 and the circular dated 13 October 2022 in relation to the provision of revolving loan (the "Revolving Loan").

On 21 October 2019 (after trading hours), PAL Finance Limited, an indirect wholly owned subsidiary of the Company (the "Lender"), entered into a loan facility agreement ("2019 Loan Facility Agreement") with KTFG, pursuant to which the Lender has agreed to provide an unsecured revolving loan facility of HK$130,000,000 to KTFG bearing interest at Prime Rate for three years ending on 20 October 2022.

On 7 September 2022 (after trading hours), the Lender entered into a loan facility agreement with KTFG, pursuant to which the Lender has agreed to provide a revolving loan facility of HK$80,000,000 bearing interest at Prime Rate for a term from the loan effective date to 20 October 2025 (the "2022 Loan Facility Agreement").

As the KTFG is a connected person of the Company within the meaning of the Listing Rules. Accordingly, the provision of the Revolving Loan by the Lender to the KTFG under the 2022 Loan Facility Agreement constitutes continuing connected transactions of the Company under Chapter 14A of the Listing Rules. As certain applicable percentage ratios stipulated under Rule 14.07 of the Listing Rules in respect of the provision of the Revolving Loan exceed 25% but less than 100%, the entering into of the 2022 Loan Facility Agreement and the provision of the Revolving Loan constitute a major and continuing connected transaction of the Company under Chapter 14 and 14A of the Listing Rules and are subject to the reporting, announcement and the independent shareholders' approval requirement under the Listing Rules. An extraordinary general meeting was convened on 28 October 2022 and the 2022 Loan Facility Agreement was approved by the independent shareholders of the Company in the said meeting.

As at 31 December 2022, a loan of approximately HK$19,500,000 (31 December 2021: approximately HK$36,000,000) was drawn by KTFG in accordance with the terms of the 2022 Loan Facility Agreement. The weighted average effective interest rate, which is equal to contractual interest rate, is 5.14% (31 December 2021: 5%) per annum.

Pursuant to Rule 14A.55 of the Listing Rules, both the 2019 Loan Facility Agreement and 2022 Loan Facility Agreement have been reviewed by the Independent Non-executive Directors who have confirmed that the Revolving Loan was carried out:

(a) in the ordinary and usual course of business of the Company;

(b) either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favorable to the Company than terms available to or from (as appropriate) independent third parties; and

(c) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

The Company's auditors (the "Independent Auditors") were engaged to report on the Group's continuing connected transaction in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The Independent Auditors will issue their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions in accordance with Rule 14A.56 of the Listing Rules.

Pursuant to Rule 14A.56 of the Listing Rules, the Independent Auditors confirmed that the continuing connected transactions:

(i) had received the approvals of the Board;

(ii) had been entered into in accordance with the relevant agreements governing the 2019 Loan Facility Agreement and 2022 Loan Facility Agreement; and

(iii) had not exceeded the caps disclosed in the previous circulars of the Company dated 27 September 2019 and 20 October 2022.

FINANCIAL REVIEW

Capital Structure, Liquidity and Financial Resources

As at 31 December 2022, the Group had equity attributable to owners of the Company of approximately HK$1,184,249,000 (31 December 2021: HK$1,319,202,000). The gearing ratio was nil (31 December 2021: nil). The gearing ratio is calculated by dividing the aggregate amount of bank borrowings and other interest-bearing loans over the amount of equity attributable to the equity holders of the Company.

As at 31 December 2022, the Group had approximately HK$515,554,000 of cash on hand (31 December 2021: HK$1,214,650,000).

As at 31 December 2022, total banking facilities available to the Group for electroplating equipment segment is HK$102,300,000 (31 December 2021: HK$102,300,000). Out of the facilities available, the Group has utilized approximately HK$434,000 for the issuance of import letters of credit to suppliers (31 December 2021: HK$4,605,000).

As at 31 December 2022, banking facilities available to the Group for wealth management and investment purpose is HK$218,000,000 (31 December 2021: nil).

Foreign Currency Risk

Most of the assets in the Group were denominated in Renminbi. During the Period Under Review, Renminbi has depreciated for 8.5% which has brought a negative financial impact on the Group. The Group currently does not have any foreign currency hedging policy. However, the Group will continue to monitor foreign exchange exposure and will consider hedging arrangement should the need arises.

Rest of the assets and liabilities in the Group were mainly denominated in US dollars and HK dollars.

Contingent Liabilities

As at 31 December 2022, the Company had guarantees of approximately HK$345,000,000 (31 December 2021: HK$137,500,000) to banks in respect of banking facilities granted to subsidiaries of the Company. The amount utilized by the subsidiaries was approximately HK$434,000 (31 December 2021: HK$4,605,000).

Pledge of Assets

As at 31 December 2022, the Group did not pledge any asset to any third party (31 December 2021: nil).

Capital Commitment

As at 31 December 2022, the Group did not have any significant capital commitment (31 December 2021: nil).

Chairman's Statement and Management Discussions

Employee and Remuneration Policies

As at 31 December 2022, the Group employs a total of 431 employees (31 December 2021: 455), including 20 employees (31 December 2021: 28) hired by our associated company. Employees and Directors are remunerated based on performance, experience and industry practice. Performance related bonuses are granted on discretionary basis. The Group maintains a mandatory provident fund schemes for its employees in Hong Kong and participates in the state-managed retirement benefit schemes for its employees in PRC. The Group also maintained appropriate insurances and medical cover for its employees.

The Company has adopted a share option scheme. No option was granted during the Period Under Review (the Previous Period: nil).

FINAL DIVIDEND

The Board has recommended the payment of a final dividend of HK$0.02 (2021: HK$0.02) per share for the Period Under Review. Subject to the approval from the shareholders at the forthcoming Annual General Meeting, the proposed final dividend is expected to be paid on or before 20 July 2023 to shareholders whose names appear on the Register of Members of the Company on 29 June 2023.

APPRECIATION

On behalf of the Board, I would like to thank all of our customers, shareholders, business associates and bankers for their trust and support to the Group. To all of our employees, I appreciate your hard work, dedication and commitment over the year.

EXECUTIVE DIRECTORS

Mr. LAM Kwok Hing *M.H., J.P.,* Honorary Consul, aged 58, is the Chairman and Managing Director of Asia Tele-Net and Technology Corporation Limited ("ATNT") and joined the Group in 1995. Mr. Lam is the younger brother of Mr. Nam Kwok Lun, the Deputy Chairman and Executive Director of the Company.

Mr. Lam has over 30 years' experience in securities trading and over 20 years' experience in industrial corporate management. He also has experience in energy exploration business. He set up Karl-Thomson Securities Company Limited and Karl-Thomson Commodities Company Limited in 1991. In 2000, Karl Thomson Holdings Limited ("Karl Thomson") (Hong Kong listed code 0007, which was subsequently renamed as Wisdom Wealth Resources Investment Holding Group Limited ("Wisdom Wealth")) Mr. Lam was the Chairman of Karl Thomson from 2000 to 2012. He is currently an executive director of Wisdom Wealth.

Mr. Lam was awarded the Medal of Honor by the Hong Kong Special Administrative Region (the "HKSAR") in 2009. On 30 June 2017, Mr. Lam was appointed as Justice of the Peace by the Chief Executive of the HKSAR. In July 2017, he was appointed as honorary consul of the Republic of Senegal in Hong Kong.

In 2013, he was appointed as a committee member of the Shaanxi Provincial Committee of the Chinese People's Political Consultative Conference, and was appointed as a standing committee member in 2018 and was further appointed as executive committee member in 2020. He is holding these positions currently.

As far as community services are concerned, Mr. Lam hosts a number of posts in various charitable organizations and schools. Mr. Lam was appointed as the Chairman of the Board of Pok Oi Hospital for the period 2008 to 2009 and currently he is a permanent advisor of the Board of Pok Oi Hospital.

In 2014, Mr. Lam allied with other charity leaders and formed a new charitable organization called Hong Kong Shine Tak Foundation. The aims of this organization are to provide more opportunities of education and various services to the young people, and make them understand more about the development of our mother country. This charitable organization also targets to motivate elites in community to engage in various projects in order to bring a positive value to the young people and to build a society of peace and harmony. Since 2015, he was elected as the Indigenous Inhabitant Representative of Pai Tau Village.

Apart from above, Mr. Lam is appointed as the Honorary Chairman of Hakka Kung Fu Culture Research Society, an Executive Committee Member of Shaanxi Qianshan Foundation and the Honorary Chairman of the Shaanxi Youth Association in Hong Kong.

Mr. NAM Kwok Lun, aged 63, is the Deputy Chairman of ATNT. He joined the Group in 2005. He is responsible for overall strategic planning, day to day operations, execution and further development. Mr. Nam is the elder brother of Mr. Lam Kwok Hing.

Mr. Nam is also the Executive Director of Wisdom Wealth and is in charge of the stockbroking, futures and options broking and securities margin financing businesses. Mr. Nam has over 40 years' experience in the securities trading, fund management and financial advisory services. He is a Chairman of China Hong Kong Young Innovative Entrepreneur Association Limited, an honorary president of Hong Kong Immigration Assistant Union and an honorary consultant of Hong Kong Securities and Futures Professionals Association.

Directors & Senior Management Profile

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. KWAN Wang Wai Alan, aged 59, joined the Group in 1996 as Non-executive Director of ATNT. He was re-designated as Independent Non-executive Director of ATNT in April 2005. He holds a Bachelor degree in Engineering Science and a Master of Arts degree from the University of Oxford and has extensive experience in the consumer electronics and LED field.

Mr. NG Chi Kin David, aged 61, is an Independent Non-executive Director of ATNT and joined the Group in 1995. He is a professional accountant, fellow member of the Hong Kong Institute of Certified Public Accountants and member of CPA Australia. Mr. Ng is a certified public accountant and a Director of CNG Partners CPA Limited.

Mr. CHEUNG Kin Wai, aged 67, is an Independent Non-executive Director of ATNT and joined the Group in 1998. He holds a Bachelor of Social Science degree from the Chinese University of Hong Kong and a MBA degree from the University of California, Riverside. Mr. Cheung has worked for over 25 years with various international banking and brokerage firms. He has extensive securities and financial investment experience and now owns his own investment and assets management company.

SENIOR MANAGEMENT

Ms. YUNG Wai Ching, Ada, aged 57, is the Deputy General Manager of ATNT and joined the Group in 1998. She is responsible for the day to day operations, financial management, taxation planning, legal advisory, IT and human resources management for ATNT Group. She holds a Bachelor degree in Accountancy from the City University of Hong Kong and is a member of Association of Chartered Certified Accountants, Hong Kong Institute of Certified Public Accountants and The Hong Kong Chartered Governance Institute. Before joining ATNT Group, she had extensive experience in various industries including telecommunication, trading, manufacturing and system integration.

Mr. WONG Kwok Wai, Ronnie, aged 58, is the Senior Vice President of ATNT since January 2023. Previously, he was the Managing Director of Process Automation International Ltd ("PAL") and has worked for the Group since 1985. He is the major contributor in building a strong presence for PAL in Asia, Taiwan in particular. In his role as Senior Vice President, he will assist ATNT and PAL to look for external co-operations and provide guidance to our product development team for technology advancement. He holds a degree in Chemical Technology from Hong Kong Polytechnic University.

Mr. LAU Kam Chan, Kelvin, aged 56, is the Managing Director of PAL since January 2023 and has joined the Group since 1990. He is responsible for the day to day operations, strategic planning and business development of our electroplating equipment business. He graduated from the Glasgow University (Scotland) with a Bachelor degree in Electronics and Electrical Engineering. He has extensive experience in marketing and is the major contributor in building a strong presence for PAL in China.

Mr. CHAN Chi Wai, aged 66, is the Director of PAL and joined the Group in 1981. He is responsible for manufacturing arm in China for PAL. He has extensive experience in the electroplating industry.

COMPANY SECRETARY

Ms. YUNG Wai Ching, Ada

(as disclosed above)

Directors' Report

The Directors present their annual report and the audited consolidated financial statements for the year ended 31 December 2022.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its principal subsidiaries and associates are set out in notes 37 and 19 respectively to the consolidated financial statements.

BUSINESS REVIEW

A business review as required under the Companies Ordinance (Chapter 622 of the laws of Hong Kong) is set out in the "Chairman's Statement and Management Discussion" on pages 12 to 18.

SEGMENTAL INFORMATION

An analysis of the Group's revenue and results by segments for the year ended 31 December 2022 is set out in note 5 to the consolidated financial statements.

PRINCIPAL RISKS AND UNCERTAINTIES

The following are the principal risks and uncertainties faced by the Company as required to be disclosed pursuant to the Companies Ordinance (Chapter 622 of the laws of Hong Kong) and are in addition to the matters referred to in the Chairman's Statement and Management Discussion and Analysis.

1. **Economic climate and individual market performance**

   The economic conditions in each geographical area will have a general impact on consumer confidence in that particular geographical area which would in turn affect sales and results of the Group. While the Group has quite a wide footprint in its geographical coverage, we have focused markets in Taiwan, US and European countries. Any decline in the general economic conditions of these countries may bring negative effect to the financial results of the Group.

2. **Customers' credit risk**

   Customers' credit risk is the risk of loss due to a customer's non-repayment for products or services the Group sold to them. In order to minimise the credit risk, management of the Group will review the financial strength and credit history of each customer and set up individualized credit limits in order to limit the exposure to each individual customer. Weekly meeting is held to review any milestone payments which are fall due. Staff will contact customers and follow up payments which are fall due. In addition, the Group reviews the recoverable amount outstanding at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

3. **Contract fulfillment risk**

   The principal business of our key subsidiaries are sales of tailor-made electroplating equipment. Based on our past experience, staff will discuss and agree technical specifications required by the customers. There are chances that equipment sold may not meet all agreed specifications. In such cases, we will provide alternate designs to the customers and, depending on the circumstances, the incremental cost may or may not be borne by us. If such cases do arise, the profit margin of the Group will normally be reduced as the Group will incur additional cost and may face the risk of paying penalty to the customers due to late completion (depending if any penalty term is agreed).

4. **Liquidity risk**

In managing the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents which is adequate for the Group's operations.

5. **Foreign Currency Risk**

Most of the assets in the Group were denominated in Renminbi. During the Period Under Review, Renminbi has depreciated for 8.5% which has brought a negative financial impact on the Group. The Group currently does not have any foreign currency hedging policy. However, the Group will continue to monitor foreign exchange exposure and will consider hedging arrangement should the need arises.

Rest of the assets and liabilities in the Group were mainly denominated in US dollars and HK dollars.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2022 are set out in the consolidated statement of profit or loss and other comprehensive income on page 54. There was no significant change in the nature of the Group's principal activities during the year.

The Directors recommend the payment of a final dividend of HK$0.02 per share for the Period Under Review. Together with an interim dividend of HK$0.01 per share which was already paid, a total payment of HK$0.03 per share will be distributed to shareholders for the Period Under Review.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited consolidated financial statements and restated/reclassified as appropriate, is set out on page 132.

SHARE CAPITAL

Details of the share capital of the Company are set out in note 29 to the consolidated financial statements.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the period from 26 September 2022 to 11 October 2022, the Company has repurchased a total of 32,510,000 ordinary shares in the open market at an average cost of HK$1.0433 per share. Such shares were cancelled on 14 December 2022.

RESERVES

Under The Companies Act 1981 of Bermuda, the Company's contributed surplus account is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus, if:

(a) it is, or would after the payment be, unable to pay its liabilities as they become due; or

(b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium account.

In the opinion of the Directors, the Company's reserves available for distribution to its shareholders as at 31 December 2022 are approximately HK$82,740,000, being the contributed surplus of approximately HK$46,879,000 and retained profits of approximately HK$35,861,000.

MAJOR CUSTOMERS AND SUPPLIERS

The five largest customers of the Group together accounted for approximately 44.2% of the Group's turnover, with the largest customer accounted for approximately 18.0%. The aggregate purchases attributable to the Group's five largest suppliers were less than 26.4% of the Group's purchases.

At no time during the year did a Director, an associate of a Director or a shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the Company's share capital) have an interest in any of the Group's five largest customers or suppliers.

PROPERTY, PLANT & EQUIPMENT

Details of movements in the property, plant and equipment of the Group are set out in note 13 to the consolidated financial statements.

Attention is drawn to the section named "Property Development" in the Chairman's Statement and Management Discussion and Analysis.

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

Executive directors:

Mr. LAM Kwok Hing *M.H., J.P. (Chairman and Managing Director)*
Mr. NAM Kwok Lun *(Deputy Chairman)*

Independent Non-executive directors:

Mr. NG Chi Kin David
Mr. CHEUNG Kin Wai
Mr. KWAN Wang Wai Alan

In accordance with Clause 87(2) of the Company's Bye-laws, one-third of the Directors for the time being shall retire from office by rotation at each annual general meeting. In accordance with the code provision B.2.2 of Appendix 14 Corporate Governance Code, every director should be subject to retirement by rotation at least once every three years. Therefore, Mr. KWAN Wang Wai Alan should retire and does not offer himself for re-election. Pursuant to paragraph B.2.4(b) of Appendix 14 of the Listing Rules, the Nomination Committee proposed to appoint Mr. Hong Hiu Lung as a replacement for Mr. Kwan. Details are disclosed in the circular dated 28 April 2023.

The Director being proposed for re-election at the forthcoming AGM does not have a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

The Company has received from each of the Independent Non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). Based on the confirmation received, the Board considers all of the Independent Non-executive Directors are independent.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 21 to 23 of the annual report.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors had a service contract with the Company. These service contracts continued unless and until terminated by either the Company or the Directors giving to the other party 6 months' notice in writing.

Each of the Independent Non-executive Directors has signed a letter of appointment for a term of three years until terminated by not less than three months' notice in writing served by the Independent Non-executive Director to the Company or in accordance with the terms set out in the respective letters of appointment. Each of the Independent Non-executive Directors is entitled to a director's fee.

DIRECTORS' REMUNERATION

The remuneration committee of the Board considers and recommends to the Board the remuneration and other benefits paid by the Company to the Directors. The remuneration of all Directors is subject to regular monitoring by the remuneration committee to ensure that the levels of their remuneration and compensation are appropriate. Details of the Directors' remuneration are set out in note 10 to the consolidated financial statements.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY AND ITS ASSOCIATED CORPORATION

At 31 December 2022, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which are required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange were as follows:

Long position

Ordinary shares of HK$0.01 each of the Company

Name of director	Number of issued ordinary shares held — Personal interest	Number of issued ordinary shares held — Corporate interest	Total	Percentage of the issued share capital of the Company
Mr. Lam Kwok Hing	3,474,667	269,916,500 (Note)	273,391,167	69.40%

Note: The amount composed of 48,520,666, 201,995,834 and 19,400,000 shares of the Company that were held by Medusa Group Limited ("Medusa"), Karfun Investments Limited ("Karfun") and J & A Investment Limited ("J & A") respectively. Medusa is a company wholly-owned by Mr. Lam Kwok Hing. Karfun is owned by J & A for approximately 98.63%. Mr. Lam Kwok Hing who is the Chairman and Managing Director of the Company owns 80% shareholding in J & A.

Save as disclosed above, except for nominee shares in certain subsidiaries held in trust for the Company by certain Directors, none of the Directors, the chief executives or their associates had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and chief executives were deemed or taken to have under provisions of the SFO), or which were required to be and are recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code as at 31 December 2022.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Other than as disclosed under the heading "connected transactions" and "continuing connected transactions" below, there was no other transaction which needs to be disclosed as a connected transaction or a continuing connected transaction in accordance with the requirements of the Listing Rules and no contract of significance to which the Company, its ultimate holding company or any subsidiaries of its ultimate holding company was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Connected Transactions

During the year, the Group has paid approximately HK$1,715,000 as brokerage commission to Karl-Thomson Securities Company Limited, which is a wholly owned subsidiary of Wisdom Wealth Resources Investment Holding Group Limited ("Wisdom Wealth") in which Mr. Lam Kwok Hing and Mr. Nam Kwok Lun are the executive directors.

During the year, the Group has received management fees of approximately HK$316,000 from BioEm Air Sanitizing Technology Company Limited, a company which Mr. Lam Kwok Hing has indirectly held 68.75% shareholding interests. The Group has also purchased products from this company for approximately HK$74,000.

During the year, the Group received management fees of approximately HK$252,000 from Asia Oasis Limited ("Asia Oasis"). Mr. Lam Kwok Hing holds 68.75% indirect interest in Asia Oasis and acts as a director of Asia Oasis.

During the year, the Group received management fees of approximately HK$140,000 from Aegis Intelligent Photocatalyst Technology Limited ("Aegis"). Mr. Lam Kwok Hing holds 68.75% indirect interest in Aegis and acts as a director of Aegis. The Group has also purchased products from this company for approximately HK$2,000.

For the above connected transactions, the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rule were less than 5%, therefore, they both fell below the de minimis threshold under Rule 14A.76 of the Listing Rules and were not subject to any reporting, independent shareholder's approval, annual review and all disclosure requirements.

Continuing Connected Transactions

Reference is made to the announcement of the Company dated 7 September 2022 and the circular dated 13 October 2022 in relation to the provision of revolving loan (the "Revolving Loan").

On 21 October 2019 (after trading hours), PAL Finance Limited, an indirect wholly owned subsidiary of the Company (the "Lender"), entered into a loan facility agreement ("2019 Loan Facility Agreement") with KTFG, pursuant to which the Lender has agreed to provide an unsecured revolving loan facility of HK$130,000,000 to KTFG bearing interest at Prime Rate for three years ending on 20 October 2022.

On 7 September 2022 (after trading hours), the Lender entered into a loan facility agreement with KTFG, pursuant to which the Lender has agreed to provide a revolving loan facility of HK$80,000,000 bearing interest at Prime Rate for a term from the loan effective date to 20 October 2025 (the "2022 Loan Facility Agreement").

As the KTFG is a connected person of the Company within the meaning of the Listing Rules. Accordingly, the provision of the Revolving Loan by the Lender to the KTFG under the 2022 Loan Facility Agreement constitutes continuing connected transactions of the Company under Chapter 14A of the Listing Rules. As certain applicable percentage ratios stipulated under Rule 14.07 of the Listing Rules in respect of the provision of the Revolving Loan exceed 25% but less than 100%, the entering into of the 2022 Loan Facility Agreement and the provision of the Revolving Loan constitute a major and continuing connected transaction of the Company under Chapter 14 and 14A of the Listing Rules and are subject to the reporting, announcement and the independent shareholders' approval requirement under the Listing Rules. An extraordinary general meeting was convened on 28 October 2022 and the 2022 Loan Facility Agreement was approved by the independent shareholders of the Company in the said meeting.

As at 31 December 2022, a loan of approximately HK$19,500,000 (31 December 2021: approximately HK$36,000,000) was drawn by KTFG in accordance with the terms of the 2022 Loan Facility Agreement. The weighted average effective interest rate, which is equal to contractual interest rate, is 5.07% (31 December 2021: 5%) per annum.

Pursuant to Rule 14A.55 of the Listing Rules, both the 2019 Loan Facility Agreement and 2022 Loan Facility Agreement have been reviewed by the Independent Non-executive Directors who have confirmed that the Revolving Loan was carried out:

(a) in the ordinary and usual course of business of the Company;

(b) either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favorable to the Company than terms available to or from (as appropriate) independent third parties; and

(c) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

The Company's auditors (the "Independent Auditors") were engaged to report on the Group's continuing connected transaction in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The Independent Auditors will issue their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions in accordance with Rule 14A.56 of the Listing Rules.

Pursuant to Rule 14A.56 of the Listing Rules, the Independent Auditors confirmed that the continuing connected transactions:

(i) had received the approvals of the Board;

(ii) had been entered into in accordance with the relevant agreements governing the 2019 Loan Facility Agreement and 2022 Loan Facility Agreement; and

(iii) had not exceeded the caps disclosed in the previous circulars of the Company dated 27 September 2019 and 20 October 2022.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 31 December 2022, none of the Directors or their respective associates had any business or interests in business, apart from the business of the Group, which competes or is likely to compete, either directly or indirectly, with the business of the Group.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than as disclosed above, at no time during the year was the Company or any of its subsidiaries, a party to any arrangement to enable the Directors of the Company or their respective spouses or children under the age of 18 to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2022, the following persons (other than the Directors of the Company) had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

Long positions in the ordinary shares of HK$0.01 each of the Company

Name of shareholders	Capacity	Number of shares held	Percentage of Company's issued share capital
Medusa	Beneficial owner	48,520,666	12.32%
Karfun	Beneficial owner	201,995,834	51.27%
J & A	Beneficial owner	19,400,000	4.92%

Please refer to the note under the section heading "Directors' and Chief Executives' Interests and Short Positions in Shares and Underlying Shares of the Company and its Associated Corporation" above.

Save as disclosed above, as at 31 December 2022, no person (other than the Director of the Company whose interests are set out under the heading "Directors' and Chief Executives' Interests and Short Positions in Shares and Underlying Shares of the Company and its Associated Corporation" above) had an interest or a short position in the shares and underlying shares of the Company that was required to be recorded under Section 336 of SFO.

CONTROLLING SHAREHOLDER'S INTERESTS IN CONTRACTS OF SIGNIFICANCE

As Mr. Lam Kwok Hing, the Chairman and Managing Director of the Company, is also the controlling shareholder, please refer to the section "Directors' interests in contracts of significance" above.

SHARE OPTIONS

A summary of the Share Option Scheme (the "Scheme") which came into effect from 12 June 2015, disclosed in accordance with the Listing Rules is as follows:

(1) Purpose of the Scheme

The purpose of the Scheme is to enable the Company to grant option to the eligible participants as incentives and rewards for their contributions to the Company or such subsidiaries.

(2) Participants of the Scheme

The Board may, at its discretion, to grant options to any employees (whether full time or part time), executives or officers of the Company or any of the subsidiaries (including executive and non-executive Directors) and any business consultants, agents, financial or legal advisers who will contribute or have contributed to the Company or any of the subsidiaries.

(3) Total number of shares available for issue under the Scheme and % of issued share capital at 31 December 2022

The number of shares available for issue under the Scheme was 39,395,340 shares representing 10% of the issued share capital of the Company at 31 December 2022.

(4) Maximum entitlement of each participant under the Scheme

The maximum number of shares issuable under the Scheme to each participant in any 12-month period up to the date of grant shall not exceed 1% of the shares in issue unless it is approved by shareholders in a general meeting of the Company. Any share options granted to a substantial shareholder or an independent non-executive director of the Company or to any of their associates, in excess of 0.1% of the shares in issue and with an aggregate value (based on the closing price of the shares at the date of the grant) in excess of HK$5,000,000, in any 12-month period, are subject to shareholders' approval in general meeting of the Company.

(5) The period within which the shares must be taken up under an option

The period during which an option may be exercised will be determined by the Board at its absolute discretion, save that no option may be exercised more than 10 years after it has been granted.

(6) The minimum period for which an option must be held before it can be exercised

There is no general requirement that an option must be held for any minimum period before it can be exercised but the Board is empowered to impose at its discretion any such minimum period at the time of grant of any particular option.

(7) The amount payable upon acceptance of option

HK$1.00 is payable by each eligible participant to the Company on acceptance of the option on or before the 30th day after the option is offered.

(8) The basis of determining the exercise price

The exercise price must be at least the higher of:

(i) the closing price of the share as stated in the Stock Exchange's daily quotations sheet on the date of grant which must be a business day;

(ii) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotations sheet for the five business days immediately preceding the date of grant; and

(iii) the nominal value of a share.

(9) The remaining life of the Scheme

The Scheme will expire at the close of business of 12 June 2025.

RETIREMENT SCHEME

The Group operates a Mandatory Provident Fund Scheme ("MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution retirement scheme administered by independent trustees. Under the MPF Scheme, each of the employer and employee are required to make contributions of 5% of the employees' relevant income to the scheme, subject to a cap of monthly relevant income of HK$30,000. Contributions made to the scheme are vested immediately.

The relevant PRC subsidiaries are required to make contributions to the state-managed schemes in the PRC based on a certain percentage of the monthly salaries of their current employees to fund the benefits. The employees are entitled to retirement pension calculated with reference to their basic salaries on retirement and their length of service in accordance with the relevant government regulations. The PRC government is responsible for the pension liability to these retired staff.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws, or the law of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance practices. Information on the corporate governance practices of the Company is set out in the "Corporate Governance Report" on pages 35 to 48.

ENVIRONMENTAL POLICY

The Group is committed to minimise the impact of its activities on the environment. The key points of its strategy to achieve this are:

- Minimise waste by evaluating operations and ensuring they are as efficient as possible.
- Implement a training program for its staff to raise awareness of environmental issues and enlist their support in improving the Company's performance.
- Meet or exceed all the environmental legislation that relates to the Company and its subsidiaries.
- Measure its impact on the environment and set targets for ongoing improvement.
- Will encourage the adoption of similar principles by its key suppliers.

SUFFICIENCY OF PUBLIC FLOAT

At the latest practicable date prior to the issue of this report, based on the information that is publicly available to the Company and within the knowledge of its Directors, the Company has maintained sufficient public floats as required under the Listing Rules throughout the year ended 31 December 2022.

AUDITOR

A resolution will be submitted to the AGM of the Company to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

CLOSURE OF SHARE REGISTER OF MEMBERS

The AGM is expected to be held on Monday, 19 June 2023. In order to determine the shareholders who will be qualified for attending and voting at the AGM, the register of members of the Company will be closed from Tuesday, 13 June 2023 to Monday, 19 June 2023, both days inclusive. All completed transfer documents together with the relevant share certificate(s) must be lodged with the Company's Hong Kong share registrar, Tricor Secretaries Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong no later than 4:30 p.m. on Monday, 12 June 2023 for registration.

On behalf of the Board

Lam Kwok Hing *M.H., J.P.*
Chairman and Managing Director

Hong Kong, 30 March 2023

The Company recognizes that good corporate governance is vital to the success of the Group and sustains development of the Group. The Company is committed to maintaining good corporate governance standard and practices with an emphasis on integrity, transparency and independence. The board of directors (the "Board") believes that good corporate governance is essential to the success of the Company and the enhancement of shareholders' value.

CORPORATE GOVERNANCE PRACTICES

The Company's corporate governance practices are based on the principles and code provisions ("Code Provisions") set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Stock Exchange") ("Listing Rules").

During the financial year of 2022, the Company has complied with most of the CG Code, save for the following:

1. Under code provision B.2.2, every director should be subject to retirement by rotation at least once every three years. The Chairman of the Board of the Company is not subject to retirement by rotation pursuant to Bye-law 87(2) of the Company's Bye-laws; and

2. Under code provision C.2.1, the role of the Chairman and the chief executive should be separate and should not be performed by the same individual. The Company does not at present have any officer with the title of "Chief Executive Officer" ("CEO") but instead the duties of a CEO are performed by the Managing Director ("MD"). The positions of both Chairman and MD are currently held by Mr. Lam Kwok Hing. The Board believes that vesting the roles of both Chairman and MD in the same person provides the Group with strong and consistent leadership and allows for more effective planning and execution of long-term business strategies. The balance of power and authorities is ensured by the operation of the senior management and the Board, which comprises experienced and high calibre individuals. In addition, through the supervision of the Board which comprised of three independent non-executive directors, representing more than half of the Board, the interests of the shareholders are adequately and fairly represented.

The Company periodically reviews its corporate governance practices to ensure they continue to meet the requirements of the CG Code during the year of 2022. The key corporate governance principles and practices of the Company are summarised in this report.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its code of conduct regarding Directors' securities transaction.

Having made specific enquiry by the Company, all Directors have confirmed that they had complied with the Model Code throughout the year ended 31 December 2022.

Corporate Governance Report

THE BOARD

Responsibilities

The Board comprises of two Executive Directors, being Mr. Lam Kwok Hing (Chairman and Managing Director) and Mr. Nam Kwok Lun (Deputy Chairman); three Independent Non-executive Directors, being Mr. Cheung Kin Wai, Mr. Kwan Wang Wai Alan and Mr. Ng Chi Kin David. Biographical details, which include relationships among members of the Board, are provided in the "Directors & Senior Management Profile" section of the Annual Report. The composition of the Board is well balanced with the Directors having sound industry knowledge, extensive corporate and strategic planning experience and/or expertise relevant to the business of the Group. The Executive Directors and Independent Non-executive Directors bring a variety of experience and expertise to the Company.

There is a clear division of responsibilities between the Board and the management. The Board is responsible for providing high-level guidance and effective oversight of management while day-to-day management of the Group is delegated to the management team of each respective subsidiary. Generally speaking the Board is responsible for:

- Formulating the Group's long term strategy and monitoring the implementation thereof
- Approval of interim and year-end dividend
- Reviewing and approving the annual and interim reports
- Ensuring good corporate governance and compliance
- Monitoring the performance of the management
- Reviewing and approving any material acquisition and assets disposal
- Developing and reviewing the Group's policies and practices on corporate governance
- Evaluating and determining the Company's Environmental, Social and Governance ("ESG")-related risks, and ensuring that appropriate and effective ESG risk management and internal control systems are in place

The Board delegates the authority and responsibility for implementing day-to-day operations, business strategies and management of the Group's businesses to the Executive Directors, senior management and certain specific responsibilities to the Board committees. The Board is committed to making decisions in the best interests of both the Company and its shareholders.

The Board acknowledges its responsibility for preparing the financial statements of the Company and the Group which give a true and fair view of the Group's affairs in accordance with statutory requirements and applicable accounting standards. The statement by the auditor of the Company about its reporting responsibilities for the consolidated financial statements of the Company is set out on pages 51 to 53 in the Independent Auditor's Report.

All Directors have full and timely access to all relevant information as well as the advice and service of the Company Secretary to ensure Board procedures and all applicable rules and regulations are followed.

Board Diversity Policy

The Company recognizes and embraces the importance of a diverse Board in its success. The Company believes that a diversed Board will leverage differences in thought, perspective, industry experience, cultural background, age, race, gender, knowledge & skills including – expertise in financial, global business, leadership, technology, mergers & acquisition, sales and marketing, risk and cyber security and other domains, which will ensure that the Company retains its competitive advantage.

The Nomination Committee is responsible for reviewing and assessing the composition and performance of the Board, as well as identifying appropriately qualified persons to occupy Board positions. The Nomination Committee will ensure that no person is discriminated against on grounds of religion, race, gender, pregnancy, childbirth or related medical conditions, national origin or ancestry, marital status, age, sexual orientation, or any other personal or physical attribute which does not speak to such person's ability to perform as a Board member.

The Company is committed to maintaining a Board with its majority made up of Independent Non-executive Directors. As far as gender distribution is concerned, at the moment, there is only one single gender in the Board and the Company targets to have at least one female Member in the Board by the end of 2024.

Composition

The Board has in its composition a balance of skills and experience necessary for independent decision making and fulfilling its business needs.

As at 31 December 2022, the Board comprised five members, including two Executive Directors and three Independent Non-executive Directors, as follows:

Executive Directors

Mr. LAM Kwok Hing *M.H., J.P. (Chairman and Managing Director)*
Mr. NAM Kwok Lun *(Deputy Chairman)*

Independent Non-executive Directors

Mr. CHEUNG Kin Wai
Mr. KWAN Wang Wai Alan
Mr. NG Chi Kin David

Biographical details of the Directors are set out on pages 21 to 22.

During the year ended 31 December 2022 ("the Period Under Review"), the Board complied with the Rules 3.10(1) and (2) of the Listing Rules relating to the appointment of at least three independent non-executive directors and one of the independent non-executive directors has appropriate professional qualifications or accounting or related financial management expertise. The Board also complied with the Rule 3.10A of the Listing Rules so that independent non-executive directors representing at least one-third of the Board. All three Independent Non-Executive Directors are appointed for a specific term of three years. They are subject to retirement by rotation and re-election provisions of the Bye-laws.

The Company has received written annual confirmation from each Independent Non-executive Director of his independence pursuant to the requirements of the Listing Rules. The Company considers all Independent Non-executive Directors to be independent in accordance with the independence guidelines set out in the Listing Rules.

The Bye-laws of the Company requires that one-third (if the number is not a multiple of three, the number nearest to but not more than one-third) of the Directors (including executive and non-executive directors) shall retire by rotation each year. The Directors to retire by rotation shall include any Director who wishes to retire and not to offer himself for re-election and those of the other Directors who have been longest in office since their election or re-election. A retiring Director is eligible for re-election. Any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office until the next following annual general meeting and be eligible for re-election. Any Director appointed pursuant to the aforesaid Bye-laws shall not be taken into account in determining which particular Directors or the number of Directors who are to retire by rotation.

Board Meetings and General Meeting

During the Period Under Review, four board meetings and the annual general meeting ("AGM") for the year 2022 were held with details of the Directors' attendance set out below:

	Attendance/Number of Meetings	
Directors	**Board Meetings**	**AGM**
Executive Directors		
Mr. LAM Kwok Hing *M.H., J.P.**		
(Chairman and Managing Director)	4/4	1/1
Mr. NAM Kwok Lun *(Deputy Chairman)*	4/4	1/1
Independent Non-executive Directors		
Mr. CHEUNG Kin Wai	4/4	1/1
Mr. KWAN Wang Wai Alan	4/4	1/1
Mr. NG Chi Kin David	4/4	1/1

Board Practices and Conduct of Meetings

The Board meets regularly, at least four times, throughout the year to formulate overall strategy of the Group, monitor its financial performance and maintain effective oversight over the management. Directors may participate either in person or through electronic means of communication. Notice of regular board meetings is sent to all directors at least 14 days prior to the meeting. For other board and committee meetings, reasonable notice is generally given.

Draft agenda of each board meeting is usually sent to all directors together with the notice of meeting in order to give them an opportunity to include any other matters in the agenda for discussion in the meeting. Board papers together with all appropriate, complete and reliable information are sent to directors at least 3 days before each board meeting to keep the directors apprised of the latest developments and financial position of the Group and to enable them to make informed decisions. The Board and each director also have separate and independent access to the senior management whenever necessary.

The Chairman and other relevant senior management normally attend regular board and committee meetings, and where necessary, other board and committee meetings to advise business developments, financial and accounting matters, statutory compliance, corporate governance and other major aspects of the Group. Draft minutes are normally circulated to directors for comment in due course after each meeting and the final copy, which is kept by the company secretary, is open for directors' inspection.

Any material transaction, which involves a conflict of interests for a substantial shareholder or a director, will be considered and dealt with by the Board at a duly convened board meeting. Except for those circumstances permitted by the Bye-laws, a director who has a material interest in any contract, transaction, arrangement or any other kind of proposal put forward to the Board for consideration abstains from voting on the relevant resolution and such director is not counted for quorum determination purpose.

Directors' Training

The Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Company would provide a comprehensive induction package covering the summary of the responsibilities and liabilities of a director of a Hong Kong listed company, the Company's constitutional documents and the Guides on Directors' Duties issued by the Companies Registry to each newly appointed Director to ensure that he/she is sufficiently aware of his/her responsibilities and obligations under the Listing Rules and other regulatory requirements.

The Company Secretary reports from time to time the latest changes and development of the Listing Rules, corporate governance practices and other regulatory regime to the Directors with written materials, as well as organizes seminars on the professional knowledge and latest development of regulatory requirements related to director's duties and responsibilities.

During the year of 2022, all directors of the Company have participated in continuous professional development program in order to refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. They also read newspaper and relevant materials on the topics related to roles and responsibilities of directors and corporate governance and regulations.

DELEGATION BY THE BOARD

The Directors are aware of their collective and individual responsibilities to the shareholders for the wellbeing and success of the Company.

To enhance the effectiveness of the management of the Company, the Board has established three committees, namely, the Audit Committee, the Nomination Committee and the Remuneration Committee to oversee corresponding aspects of the Company's affairs. All Board committees of the Company have defined written terms of reference.

BOARD COMMITTEES

Audit Committee

The Audit Committee was established in 1999 and comprises three Board members, all of whom are Independent Non-executive Directors. The Audit Committee has adopted the same term of reference, which describes the authority and duties of the Committee, as quoted under code provision D.3.3 of the CG Code. The written terms of reference which describe the authority and duties of the Audit Committee were adopted in 1999 and revised on March 2012 to conform to the provisions of the Code, a copy of which is posted on the Company's website and the Stock Exchange.

The Audit Committee is primarily responsible for the following duties:

- to make recommendation to the Board on the appointment, reappointment and removal of the external auditor, and to approve the audit fees and the terms of engagement of the external auditor, and any questions of their resignation or dismissal.

- to monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards, and to discuss with the external auditor the nature and scope of the audit and reporting obligations before the audit commences.

- to monitor integrity of the Company's consolidated financial statements, annual report, accounts and the half-year report, and to review significant financial reporting judgments contained in them.

- to oversee the Company's financial reporting system and internal control procedures.

- to review compliance with regulatory and legal requirements by the Company.

The Audit Committee will meet at least twice each year. In 2022, the Audit Committee met twice considering the annual results of the Group for the financial year ended 31 December 2021 and the interim results of the Group for the 6 months ended 30 June 2022, assessing any changes in accounting policies and practices, major judgmental areas and compliance with applicable legal and accounting requirements and standards, discussing with the auditor of the Company on internal control and the re-appointment of the external auditor. The Audit Committee also provides in important link between the Board and the Company's auditors in matters coming within the scope of its terms of reference and keeps under review the independence and objectivity of the auditors.

There were two meetings held during the Period Under Review, details of attendance are set out below:

Audit Committee Members	**Attendance/ Number of Meetings**
Independent Non-executive Directors	
Mr. NG Chi Kin David *(Chairman)*	2/2
Mr. KWAN Wang Wai Alan	2/2
Mr. CHEUNG Kin Wai	2/2

The interim results for the six-months ended 30 June 2022 and the annual results for the financial year ended 31 December 2021 were reviewed by the Audit Committee before publication.

Nomination Committee

The Nomination Committee of the Company (the "Nomination Committee") is established on 27 March 2012 and is composed of two independent non-executive directors and one executive director, namely Mr. Lam Kwok Hing (Chairman of the Nomination Committee), Mr. Cheung Kin Wai and Mr. Ng Chi Kin David.

In order to comply with the Revised CG Code, the Board adopted terms of reference of the Nomination Committee on 27 March 2012 and the terms of reference of the Nomination Committee are available on the websites of the Company and the Stock Exchange.

The primary duties of the Nomination Committee are to review the structure, size and composition (including the skills, knowledge and experience) of the Board and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy; to identify and nominate qualified individuals for appointment as additional directors or to fill Board vacancies as and when they arise, and to make recommendations to the Board on matters relating to the appointment or re-appointment of directors and succession plan for directors, in particular the Chairman and the Chief Executive Officer.

The Nomination Committee shall meet at least once per year according to its terms of reference. A Nomination Committee meeting was held during the Period Under Review, details of attendance are set out below:

Nomination Committee Members	Attendance/ Number of Meetings
Mr. LAM Kwok Hing *M.H., J.P. (Chairman)*	1/1
Mr. NG Chi Kin David	1/1
Mr. CHEUNG Kin Wai	1/1

During the Period Under Review, the Nomination Committee had reviewed the structure, size and composition of the Board of Directors of the Company and the retirement and re-appointment arrangement of the Directors in the Company's forthcoming annual general meeting.

Remuneration Committee

The Company established the Remuneration Committee in February 2005 with terms of reference substantially the same as those contained in paragraph E.1.2 of the CG Code. The written terms of reference which describe the authority and duties of the Remuneration Committee were adopted in 2005 and revised on March 2012 to conform to the provisions of the Code, a copy of which is posted on the Company's website and the Stock Exchange. A majority of the members of the Remuneration Committee is Independent Non-executive Directors and members of the Committee are listed as below.

In determining the emolument payable to directors, the Remuneration Committee takes into consideration factors such as salaries paid by comparable companies, time commitment and responsibilities of the directors, employment conditions elsewhere in the Group and the desirability of performance-based remuneration.

The Remuneration Committee is primarily responsible for the following duties:

- to determine the policy for the remuneration of executive directors, assessing performance of executive directors and approving the terms of executive directors' service contracts;
- to make recommendations to the Board on the Company's policy and structure for all remuneration of directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration and to place recommendations before the Board concerning the total remuneration and/or benefits granted to the Directors from time to time;
- to review and approve the senior management's remuneration proposals with reference to the corporate goals and objectives resolved by the Board from time to time;
- to perform an advisory role to the Board and to make recommendations to the Board on the remuneration packages of individual executive directors and senior management, with the Board retaining the final authority to approve executive directors' and senior management's remuneration;
- to make recommendations to the Board on the remuneration of independent non-executive directors;
- to review and approve the compensation payable to executive directors and senior management in connection with any loss or termination of their office or appointment to ensure that such compensation is determined in accordance with relevant contractual terms and that such compensation is otherwise fair and not excessive; and
- to review and approve compensation arrangements relating to dismissal or removal of directors for misconduct to ensure that such arrangements are determined in accordance with relevant contractual terms and that any compensation payment is otherwise reasonable and appropriate.

The overriding objective of the remuneration policy is to ensure that the Company is able to attract, retain, and motivate a high-calibre team which is essential to the success of the Company.

The Remuneration Committee will meet at least once each year. Two Remuneration Committee meetings were held during the Period Under Review, details of attendance are set out below:

Remuneration Committee Members	**Attendance/ Number of Meetings**
Mr. NG Chi Kin David *(Chairman)*	1/1
Mr. KWAN Wang Wai Alan	1/1
Mr. NAM Kwok Lun	1/1

During the Period Under Review, the Remuneration Committee reviewed the existing remuneration policies of the Company and considered and approved the performance bonus of the two executive directors and senior management.

BUSINESS STRATEGIES, COMPANY VALUES AND CULTURE

Business Strategies

Asia Tele-Net and Technology Corporation Limited, as our name tells, is an investment holding company based in Asia. As an investment holding company, we hold investments in various disciplines with particular strength in electroplating technologies. Through our brand "PAL", it is our mission to apply electroplating technologies in different applications or business segments so that the Group would grow segment by segment. This strategy would also help us to smooth out any, if not all, cyclical effect in one particular segment or particular market and hence to produce a more stable turnover and profitability level for the benefits of shareholders.

Company Values and Culture

The Company's values reflect our dedication to deliver good product, excellent services and be accountable to our decision or action taken.

- Integrity: We make responsible decisions based on professional standards
- Innovation: We encourage thoughtful, creative and inspirational ideas
- Teamwork: We build better when we work together
- Accountability: We empower each other to take ownership of our actions

All members within the Company, including the Board members, are abided by the Company's values. The Board will continue to foster corporate culture to ensure that it is aligned with the Company's business strategies and values.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for determining the policy for the corporate governance of the Company and performing the corporate governance duties as below:

(i) To develop and review the Group's policies and practices on corporate governance and make recommendations;

(ii) To review and monitor the training and continuous professional development of directors and senior management;

(iii) To review and monitor the Group's policies and practices on compliance with all legal and regulatory requirements (where applicable);

(iv) To develop, review and monitor the code of conduct and compliance manual (if any) applicable to the employees and directors of the Group; and

(v) To review the Group's compliance with the code of corporate governance and disclosure requirements in the Corporate Governance Report.

During the Period Under Review, the Board reviewed the terms of reference of the Audit Committee, the Nomination Committee and the Remuneration Committee, the shareholders' communication policy, shareholder enquiry procedures and special request procedures.

AUDITOR'S REMUNERATION

During the year, the auditor of the Company, Messrs. Deloitte Touche Tohmatsu received HK$1,500,000 for statutory audit services. Payments made by the Company for non-audit services to the auditor was made during the year were:

- HK$300,000 for review of the unaudited financial statements for the six months ended 30 June 2022
- HK$79,000 for other service

COMPANY SECRETARY

Ms. YUNG Wai Ching, the company secretary of the Company whose biography details are set out in the section headed "Directors & Senior Management Profile" in this annual report, confirmed that she had attained no less than 15 hours of relevant professional training during the year ended 31 December 2022.

LIABILITY INSURANCE OF DIRECTORS AND SENIOR MANAGEMENT

The Company has appropriate "Directors and Officers Liability Insurance" in place for its Directors and senior management, in order to safeguard them from any legal and compensation liabilities arising in the course of discharging their duties.

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Board acknowledges that it is their responsibilities for:

(i) overseeing the preparation of the consolidated financial statements of the Group with a view to ensuring such consolidated financial statements give a true and fair view of the state of affairs of the Group, and

(ii) selecting suitable accounting policies and applying the selected accounting policies consistently with the support of reasonable and prudent judgment and estimates.

A statement by the auditor about his reporting responsibilities is set out on pages 51 to 53 of this Annual Report.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for maintaining a sound and effective risk management and internal control system, in order to protect the interest of the Group and its shareholders. The risk management and internal control systems are designed to manage rather than eliminate the risks of failure to achieve the Group's business objectives, and can only provide reasonable, but not absolute assurance against material misstatements or losses.

The Group has established an Enterprise Risk Management Framework (the "ERM Framework") in order to implement risk management effectively. Our ERM Framework comprises two key elements: risk management structure and risk management process.

Risk Management Structure

The Board of Directors: The Board has a duty to ensure the effectiveness of the risk management and internal control systems of the Group (the "ERM system"). The Board oversees the ERM system, assess and evaluate the Group's business strategies and risk tolerance. The Board with assistance from the Audit Committee, reviews at least annually the effectiveness of the ERM system, the Board also monitors the ERM system in an on-going manner.

Audit Committee: The Audit Committee has the second highest responsibility for the ERM system after the Board. Audit Committee assists the Board in overseeing the Group's ERM system by providing support and advice, including on-going monitoring of the execution of risk management processes, reviewing the Group's risk register, reviewing and approving the internal control review plan and results.

Management: We select key management members across the Group who are involved in each of the business process as interviewees to identify the risks to form our risk universe. Each risk is assessed in terms of likelihood of occurrence and the significance of impact, taken into account the current internal controls in place to mitigate these risks. Assessment result was reported to the Audit Committee and the Board for the confirmation of our risk response strategies, based on their preferences towards risk, our available resources for risk mitigation and the current controls in place.

Risk Management Process

The ERM Framework defined the procedures for identifying, assessing, responding and monitoring risks and their changes.

- Define risk universe
- Identify risks
- Assess risks identified in terms of likelihood of occurrence and degree of impact
- Define action plans to mitigate risks (if any)
- Monitoring and report changes

In order to identify and prioritize material risks throughout the Group, Management communicates with each operating functions, collect significant risk factors that affect the Group from bottom to top, including strategic, operational, financial, reporting and compliance risks. Having identified all relevant risks, Management assesses the potential impact and possibilities of the risks and prioritize the risks. Appropriate internal control measures are then developed to mitigate the risks identified and the changes of risks in an on-going manner.

Through regular discussion with each operating functions, risk awareness are created amongst the employees. Employees are encouraged to report risks they identified, from their prospective, to the Management. Through this repeated exercise, our ERM System is further enhanced.

Main Features of our Risk Management and Internal Control Systems

On operational level, the management is responsible for maintaining an effective internal control system by

- Establishing clear internal control policies and procedures and to clearly define the responsibilities, authorities and accountabilities of each key positions;
- Establishing code of conduct by explaining the Group's requirements on integrity and ethical value to all staffs;
- Establishing whistle blowing mechanism in order to encourage employees to report incidents of misconduct or fraud;
- Establishing appropriate level of information technology assess rights in order to avoid leakage of price sensitive information; and
- Establishing insider information disclosure policy to define a clear path of reporting channel and to assign a responsible person for disclosure purpose.

On risk-management level, the management communicates with each operating functions and consolidates significant risk factors that might affect the Group. A risk register was maintained to record the risks identified, with assessment of the potential impact and possibilities of occurrence for each risks identified. Based on the assessment, the management will develop appropriate internal control measures to mitigate the risks identified.

During the Period Under Review, the internal auditor has submitted review reports to the Audit Committee. The management has confirmed to the Board the effectiveness of the ERM Framework and ERM System. The Board has reviewed the reports and has considered the adequacy of resources, staff qualifications and experience, training programs and budget of the accounting, internal audit and financial reporting functions and was satisfied with their adequacy.

DIVIDEND POLICY

The Company has adopted a dividend policy (the "Dividend Policy") on 18 April 2019. The Dividend Policy shall take effect retrospectively on 1 January 2019. Details of which are disclosed as follows:

1. In deciding whether to propose a dividend and in determining the dividend amount, the Board shall take into account, inter alia, the following factors:

   (i) the Group's actual and expected financial results;

   (ii) the Group's working capital requirements, capital expenditure requirements and future expansion plans;

   (iii) the Group's liquidity position;

   (iv) retained earnings and distributable reserves of the Company and each of the members of the Group;

(v) the financial covenants to which the Group is subject and any restrictions on the payment of dividends that may be imposed by the Group's lenders;

(vi) the general economic and political conditions and other external factors that may have an impact on the future business and financial performance of the Group; and

(vii) any other factors that the Board may consider relevant.

2. The payment of dividend is also subject to the compliance with applicable laws and regulations, including the laws of Bermuda and the Company's bye-laws.

3. The Board will continue to review the Dividend Policy from time to time. The Dividend Policy shall in no way constitute a legally binding commitment by the Company that any dividend will be paid and/or in no way obligate the Company to declare a dividend at any time or from time to time.

SHAREHOLDERS' COMMUNICATION POLICY

The Board is responsible for ensuring shareholders' communications are adequate and appropriate and based on transparency and sound corporate governance principles. The Company adopted a Shareholders' Communication Policy on 1 March 2012 which aims to present a clear, balanced and comprehensive assessment of our financial position and operational status by providing shareholders and other stakeholders with information in a timely and transparent manner. The Company will communicate to shareholders through written information and electronic communication as follows:

- Annual and interim reports
- Disclosures made to the Hong Kong Stock Exchange
- Notice and circular of general meetings
- Annual general meeting, where the external auditor is available to answer questions about the audit
- Corporate website: www.atnt.biz
- Direct enquiry sent to the Company

SHAREHOLDERS' RIGHTS

Convening a Special General Meeting by Shareholders

Pursuant to the Bye-law 58, a special general meeting may be convened by the Board upon requisition by any shareholder holding not less than one-tenth of the issued share capital of the Company and the securities being held carrying the right of voting at any general meetings of the Company. The shareholder shall make a written requisition to the Board or the Company Secretary of the Company at the business address of the Company, specifying the shareholding information of the shareholder, his/her contact details and the proposal regarding any specified transaction/business and its supporting documents.

The Board shall arrange to hold such general meeting within two (2) months after the receipt of such written requisition. Pursuant to the Bye-law 59, the Company shall serve requisite notice of the general meeting, including the time, place of meeting and particulars of resolutions to be considered at the meeting and the general nature of the business.

If within twenty-one (21) days of the receipt of such written requisition, the Board fails to proceed to convene such special general meeting, the shareholder shall do so pursuant to the provisions of Section 74(3) of the Companies Act of Bermuda.

Putting Forward Proposals at General Meetings

A shareholder shall make a written requisition to the Board or the Company Secretary of the Company at the business address of the Company, specifying the shareholding information of the shareholder, his/her contact details and the proposal he/she intends to put forward at general meeting regarding any specified transaction/business and its supporting documents.

Procedure for Shareholder to propose a candidate for election as a director

Shareholders can refer to the procedure published at the Company's website www.atnt.biz.

Making Enquiry to the Board

Shareholders should direct their questions about their shareholdings to the Company's Registrar, Tricor Secretaries Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.

Shareholders and the investment community may at any time make a request for the Company's information to the extent such information is publicly available.

Shareholders may send written enquiries, either by post, by facsimiles or by email, together with his/her contact details, such as postal address, email or fax, addressing to the head office of the Company at the following address or facsimile number or via email:

By email to:	info@atnt.biz
By letter to the Company's business address:	Rooms 607-610, 6/F, Tai Yau Building, 181 Johnston Road, Wan Chai
By fax to:	(852) 2664 0717

All enquiries shall be collected by the Company Secretary who shall report to the Executive Directors periodically on the enquiries collected. The Executive Directors shall review the enquiries and assign different kinds of enquiries to appropriate division head/manager for answering. After receiving the answers of all enquiries from the relevant division head/manager, the Company Secretary will collect the answers for the Executive Directors' review and approval. The Company Secretary shall then be authorized by the Executive Directors to reply all enquiries in writing.

INVESTOR RELATIONS

There has been no significant change in the Company's constitutional documents during the year ended 31 December 2022.

LINKAGE BETWEEN CORPORATE GOVERNANCE AND ENVIRONMENAL SOCIAL AND GOVERNANCE

The Board understands the influence of the corporate governance on environmental, social, and governance ("ESG") and we believe that both issues go hand in hand.

We have included in our ESG report, amongst other things, an elaboration of our anti-corruption policy and whistleblowing policy. Copy of 2022 ESG report is published on the websites of The Stock Exchange of Hong Kong Limited (http://www.hkexnews.hk) and the Company (http://www.atnt.biz).

Deloitte.

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TO THE SHAREHOLDERS OF
ASIA TELE-NET AND TECHNOLOGY CORPORATION LIMITED
(incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Asia Tele-Net and Technology Corporation Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 54 to 131, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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KEY AUDIT MATTERS *(Continued)*

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of Deferred Consideration (as defined in note 16 to the consolidated financial statements)	
We identified impairment assessment of Deferred Consideration arising from the re-development of the land as a key audit matter due to the significance to the consolidated financial statements as a whole, as well as the use of judgment and estimates by management in determining the expected credit losses ("ECL") on Deferred Consideration, which is regarded as default and ECL is measured on a lifetime credit-impaired basis. The management determines the amount of ECL based on expectation on cash flows to be recovered from the Counterparty (as defined in note 16 to the consolidated financial statements) taking into account quantitative and qualitative information specific to the Counterparty and forward-looking information that is reasonably and supportably available to the management of the Group without undue cost or effort. Further details of impairment assessment are set out in note 33 to the consolidated financial statements. As disclosed in note 16 to the consolidated financial statements, the Group has reversed ECL amounting to HK$58,900,000 during current year and the carrying amount as at 31 December 2022 amounted to HK$328,616,000.	Our procedures in relation to impairment assessment of the Deferred Consideration which is measured on a lifetime credit-impaired basis included: • Understanding the Group's process on how the management estimates the ECL of Deferred Consideration; • Discussing with the management to obtain an understanding of the management basis and method in estimating the amount of ECL and examining the information considered by the management in the ECL measurement process; • Assessing the reasonableness of assumptions and key parameters adopted by the management in the ECL model; and • Evaluating the appropriateness of the Group's ECL methodology and disclosure with reference to the requirements of the prevailing accounting standards and performing arithmetical check on the calculation of the ECL amounts.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Lam Shu Lung.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
30 March 2023

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2022

	NOTES	2022 HK$'000	2021 HK$'000
Revenue – contracts with customers	5	**319,673**	364,634
Cost of sales		**(290,010)**	(327,901)
Gross profit		**29,663**	36,733
Other gains and losses	6	**(47,260)**	3,398
Other income		**90,369**	273,714
Selling and distribution costs		**(9,852)**	(9,762)
Administrative expenses		**(108,185)**	(60,261)
Reversals of impairment losses (impairment losses) under expected credit loss model, net		**58,950**	(1,320,614)
Impairment of property, plant and equipment and right-of-use assets	15	**(12,982)**	–
Finance costs	7	**(4,898)**	(3,442)
Loss before taxation		**(4,195)**	(1,080,234)
Taxation	8	**(28,621)**	241,634
Loss for the year	9	**(32,816)**	(838,600)
Other comprehensive (expense) income			
Item that will not be reclassified subsequently to profit or loss:			
Reversal of revaluation of a property, net of tax effect	15, 30	**(7,341)**	–
Item that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operations		**(47,985)**	57,345
Other comprehensive (expense) income for the year		**(55,326)**	57,345
Total comprehensive expense for the year		**(88,142)**	(781,255)

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2022

	NOTE	2022 HK$'000	2021 HK$'000
Loss for the year attributable to:			
Owners of the Company		**(32,727)**	(838,547)
Non-controlling interests		**(89)**	(53)
		(32,816)	(838,600)
Total comprehensive expense for the year attributable to:			
Owners of the Company		**(88,106)**	(781,230)
Non-controlling interests		**(36)**	(25)
		(88,142)	(781,255)
Loss per share	11		
Basic		**(HK$0.08)**	(HK$1.97)

Consolidated Statement of Financial Position

At 31 December 2022

	NOTES	2022 HK$'000	2021 HK$'000
Non-current assets			
Property, plant and equipment	13	**30,321**	46,843
Right-of-use assets	14	**–**	5,261
Deferred Consideration	16	**328,616**	–
Loans receivable	17	**34,591**	8,769
Investments in debt instruments	18	**461,045**	33,044
Interests in associates	19	**–**	–
Deferred tax assets	30	**–**	729
		854,573	94,646
Current assets			
Inventories	20	**27,009**	33,074
Deferred Consideration	16	**–**	283,129
Loans receivable	17	**–**	48,068
Contract assets	21	**71,941**	83,939
Debtors and prepayments	22	**102,704**	90,342
Investments at fair value through profit or loss	23	**170,463**	26,765
Amounts due from associates	24	**83**	66
Taxation recoverable		**1,251**	1,251
Investments in debt instruments	18	**67,257**	–
Bank deposits	25	**271,930**	755,203
Bank balances and cash	25	**243,624**	459,447
		956,262	1,781,284
Current liabilities			
Creditors and accrued charges	26	**209,245**	172,286
Other payables	16, 17	**201,000**	201,000
Warranty provision	27	**14,361**	14,956
Contract liabilities	21	**89,631**	30,887
Lease liabilities	28	**2,050**	8,984
Taxation payable		**8,176**	4,418
		524,463	432,531
Net current assets		**431,799**	1,348,753
Total assets less current liabilities		**1,286,372**	1,443,399

Consolidated Statement of Financial Position

At 31 December 2022

	NOTES	2022 HK$'000	2021 HK$'000
Capital and reserves			
Share capital	29	**3,940**	4,265
Reserves		**1,180,309**	1,314,937
Equity attributable to owners of the Company		**1,184,249**	1,319,202
Non-controlling interests		**(4)**	32
Total equity		**1,184,245**	1,319,234
Non-current liabilities			
Accrued charges	26	**3,501**	41,352
Warranty provision	27	**2,913**	1,298
Lease liabilities	28	**5,511**	–
Deferred tax liabilities	30	**90,202**	81,515
		102,127	124,165
		1,286,372	1,443,399

The consolidated financial statements on pages 54 to 131 were approved and authorised for issue by the Board of Directors on 30 March 2023 and are signed on its behalf by:

LAM KWOK HING
CHAIRMAN AND MANAGING DIRECTOR

NAM KWOK LUN
DEPUTY CHAIRMAN

Consolidated Statement of Changes in Equity

For the year ended 31 December 2022

	Attributable to owners of the Company										
	Share capital HK$'000	**Share premium** HK$'000	**Property revaluation reserve** HK$'000	**Statutory reserve** HK$'000 (note a)	**Currency translation reserve** HK$'000	**Contributed surplus** HK$'000 (note b)	**Capital contribution** HK$'000	**Retained profits** HK$'000	**Subtotal** HK$'000	**Attributable to non-controlling interests** HK$'000	**Total** HK$'000
At 1 January 2021	4,265	28,500	7,341	14,336	102,645	48,937	1,206	1,905,996	2,113,226	57	2,113,283
Loss for the year	–	–	–	–	–	–	–	(838,547)	(838,547)	(53)	(838,600)
Exchange difference arising on translation of foreign operations	–	–	–	–	57,317	–	–	–	57,317	28	57,345
Total comprehensive income (expense) for the year	–	–	–	–	57,317	–	–	(838,547)	(781,230)	(25)	(781,255)
Dividends (note 12)	–	–	–	–	–	–	–	(12,794)	(12,794)	–	(12,794)
At 31 December 2021	4,265	28,500	7,341	14,336	159,962	48,937	1,206	1,054,655	1,319,202	32	1,319,234
Loss for the year	–	–	–	–	–	–	–	(32,727)	(32,727)	(89)	(32,816)
Exchange difference arising on translation of foreign operations	–	–	–	–	(48,038)	–	–	–	(48,038)	53	(47,985)
Reversal of revaluation of a property, net of tax effect (notes 15 and 30)	–	–	(7,341)	–	–	–	–	–	(7,341)	–	(7,341)
Total comprehensive expense for the year	–	–	(7,341)	–	(48,038)	–	–	(32,727)	(88,106)	(36)	(88,142)
Repurchase of shares	(325)	(2,173)	–	–	–	(31,568)	–	–	(34,066)	–	(34,066)
Dividends (note 12)	–	–	–	–	–	–	–	(12,781)	(12,781)	–	(12,781)
At 31 December 2022	3,940	26,327	–	14,336	111,924	17,369	1,206	1,009,147	1,184,249	(4)	1,184,245

Notes:

(a) In accordance with statutory requirements in the People's Republic of China (the "PRC"), certain subsidiaries registered in the PRC had transferred a certain percentage of their annual net income from retained profits to the PRC statutory reserves until the statutory funds is accumulated up to 50% of their registered capital. No such transfer was required for the years ended 31 December 2022 and 2021 as the relevant subsidiaries had already transferred up to 50% of their registered capital to statutory reserve.

(b) The contributed surplus arose as a result of the capital restructuring on 23 April 2004.

Consolidated Statement of Cash Flows

For the year ended 31 December 2022

	NOTES	2022 HK$'000	2021 HK$'000
OPERATING ACTIVITIES			
Loss before taxation		**(4,195)**	(1,080,234)
Adjustments for:			
Interest income on bank deposits		**(11,333)**	(19,945)
Interest income from investments in debt instruments		**(14,018)**	–
Finance costs		**4,898**	3,442
Dividend income		**(11,940)**	(1,852)
Depreciation of property, plant and equipment		**3,484**	4,885
Depreciation of right-of-use assets		**4,877**	8,487
(Reversals of allowance) allowance for slow moving inventories, net		**(587)**	1,062
(Reversals of impairment losses) impairment losses under expected credit loss model, net		**(58,950)**	1,320,614
Impairment loss of property, plant and equipment	15	**12,982**	–
Loss on disposal of property, plant and equipment		**21**	133
Net change in fair value of investments at fair value through profit or loss		**(6,786)**	(817)
Provision for warranty, net of reversal		**12,178**	3,080
Net exchange loss (gain)		**54,025**	(2,714)
Interest income on Deferred Consideration	16	**(45,498)**	(244,341)
Operating cash flows before movements in working capital		**(60,842)**	(8,200)
Decrease in inventories		**10,306**	3,604
Decrease (increase) in contract assets		**12,207**	(18,104)
Decrease in loans receivable		**23,468**	16,008
Decrease in debtors and prepayments		**1,232**	801
Decrease in creditors and accrued charges		**(3,899)**	(66,675)
Utilisation of warranty provision		**(11,158)**	(5,702)
Increase (decrease) in contract liabilities		**58,744**	(8,138)
Cash from (used in) operations		**30,058**	(86,406)
Income tax paid		**(5,989)**	(106,450)
NET CASH FROM (USED IN) OPERATING ACTIVITIES		**24,069**	(192,856)

Consolidated Statement of Cash Flows

For the year ended 31 December 2022

	NOTES	2022 HK$'000	2021 HK$'000
INVESTING ACTIVITIES			
Receipts of Deferred Consideration and/or penalty interest	16	**31,373**	237,631
Investments in debt instruments		**(560,250)**	(20,843)
Proceed from disposal of investments in debt instruments		**6,195**	–
Withdrawal of bank deposits		**2,375,945**	159
Placement of bank deposits		**(1,911,084)**	(755,203)
Interest received		**14,359**	19,945
Purchase of property, plant and equipment		**(1,949)**	(705)
Acquisition of property, plant and equipment through acquisition of a subsidiary	36	**–**	(35,500)
Additions of investments at fair value through profit or loss		**(392,736)**	–
Proceeds from disposals of investments at fair value through profit or loss		**255,824**	6,922
Account balances placed with the broker, net		**(756)**	–
Advance to an associate		**(17)**	(16)
Dividend received from investments at fair value through profit or loss		**11,940**	1,852
NET CASH USED IN INVESTING ACTIVITIES		**(171,156)**	(545,758)
FINANCING ACTIVITIES			
Receipts of cash securities for Deferred Consideration and loan receivable	16, 17	**–**	201,000
Proceeds from bank borrowings		**113,052**	–
Repayment of bank borrowings		**(113,052)**	–
Interest paid		**(570)**	(237)
Repayment of lease liabilities		**(8,454)**	(8,265)
Repurchase of shares		**(34,066)**	–
Dividend paid		**(12,781)**	(12,794)
NET CASH (USED IN) FROM FINANCING ACTIVITIES		**(55,871)**	179,704
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(202,958)**	(558,910)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		**459,447**	991,563
EFFECT ON FOREIGN EXCHANGE RATE CHANGES		**(12,865)**	26,794
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**243,624**	459,447
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS			
Bank balances and cash		**243,624**	459,447

1. GENERAL INFORMATION

Asia Tele-Net and Technology Corporation Limited (the "Company") is incorporated in Bermuda under The Companies Act 1981 of Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The ultimate controlling shareholder is Mr. Lam Kwok Hing. The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section of the annual report.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is the same as the functional currency of the Company.

The Company is an investment holding company and its principal subsidiaries are mainly engaged in electroplating equipment business. The details of principal activities of its principal subsidiaries are set out in note 37.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied, the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), for the first time, which are mandatory effective for the Group's annual period beginning on or after 1 January 2022 for the preparation of the consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020

Except as described below, the application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

Amendments to HKFRSs that are mandatorily effective for the current year *(Continued)*

Impacts on application of Amendments to HKAS 37 Onerous Contracts – Cost of Fulfilling a Contract

The Group has applied the amendments for the first time in the current year. The amendments specify that, when an entity assesses whether a contract is onerous in accordance with HKAS 37, the unavoidable costs under a contract should reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it. Costs of fulfilling the contract include incremental costs and an allocation of other costs that relate directly to fulfilling contracts (for example, an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

In accordance with the transitional provisions, the amendments are applicable to contracts for which the Group has not yet fulfilled all its obligations related to contract works in respect of design, manufacturing and sale of custom-built electroplating machinery and other industrial machinery as at the date of initial application, 1 January 2022. The application of the amendments in the current year has had no impact on the Group's financial positions and performance.

New and amendments to HKFRSs in issue but not yet effective

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

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

1 Effective for annual periods beginning on or after 1 January 2023
2 Effective for annual periods beginning on or after a date to be determined
3 Effective for annual periods beginning on or after 1 January 2024

Except described below, the directors of the Company anticipate that the application of other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

New and amendments to HKFRSs in issue but not yet effective *(Continued)*

Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies

HKAS 1 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 to help entities.

The application of the amendments is not expected to have significant impact on the financial position or performance of the Group but may affect the disclosures of the Group's significant accounting policies. The impacts of application, if any, will be disclosed in the Group's future consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain buildings and financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 Share-based Payment, leasing transactions that are accounted for in accordance with HKFRS 16 Leases ("HKFRS 16"), and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 Inventories or value in use in HKAS 36 Impairment of Assets ("HKAS 36").

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.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

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 statement 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

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.

When 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 consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Interests in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. Changes in net assets of the associate other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

When a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, 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 HKFRS 9 *Financial Instruments* ("HKFRS 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. A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

The progress towards complete satisfaction of a performance obligation is measured based on input method, which is to recognise revenue on the basis of the Group's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation, that best depict the Group's performance in transferring control of goods or services.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue from contracts with customers *(Continued)*

Warranties

Warranties associated with the custom-built electroplating machinery and other industrial machinery cannot be purchased separately and they serve as an assurance that the products will comply with agreed-upon specifications. Accordingly, it is not accounted as a separate performance obligation under HKFRS 15 *Revenue from Contracts with Customers* ("HKFRS 15") but in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* ("HKAS 37").

Existence of significant financing component

In determining the transaction price, the Group adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed (either explicitly or implicitly) provides the customer or the Group with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed to by the parties to the contract.

For contracts where the period between payment and transfer of the associated goods or services is less than one year, the Group applies the practical expedient of not adjusting the transaction price for any significant financing component.

Incremental costs of obtaining a contract

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained.

The Group applies the practical expedient of expensing all incremental costs, for example, sales commission to obtain a contract if these costs would otherwise have been fully amortised to profit or loss within one year.

Leases

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.

The Group as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

The Group as a lessee *(Continued)*

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of staff quarters that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for leases of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis or another systematic basis over the lease term.

Right-of-use assets

The cost of right-of-use assets includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

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.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

The Group as a lessee *(Continued)*

Lease modifications

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.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability, less any lease incentives 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 assets.

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.

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes. Property, plant and equipment are stated in the consolidated statement of financial position at cost or revaluated amount less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as “right-of-use assets” in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment *(Continued)*

Advantage has been taken of the transitional relief provided by paragraph 80AA of HKAS 16 Property, Plant and Equipment from the requirement to make regular revaluations of the Group's buildings which had been revalued prior to 30 September 1995. Prior to 30 September 1995, the revaluation increase arising on the revaluation of these assets was credited to the property revaluation reserve. Any future decreases in value of these assets will be dealt with as an expense to the extent that they exceed the balance, if any, on the revaluation reserve relating to a previous revaluation of the same asset. On the subsequent sale or retirement of a revalued asset, the corresponding revaluation surplus is transferred to retained profits.

Depreciation is recognised so as to write off the cost or revaluation of assets 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 the 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.

Foreign currencies

In preparing the financial statements 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 that are measured in terms of historical cost in a foreign currency are not retranslated.

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

For the purposes of presenting the consolidated financial statements, 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 the 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 currency translation reserve (attributed to non-controlling interests as appropriate).

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under "other income".

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 loss 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 the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases 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.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

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 the 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 the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss.

Employee benefits

Retirement benefit costs

Payments to defined contribution retirement benefits scheme/state-managed retirement benefits schemes/the Mandatory Provident Fund Scheme ("MPF Scheme") are charged as an expense when employees have rendered service entitling them to the contributions.

Short-term and long-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 HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries and annual leave) after deducting any amount already paid.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange of the related services.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by the employees up to the reporting date. Any changes in the carrying amount of the liabilities resulting from remeasurement or interests are recognised in profit or loss.

Termination benefits

A liability for termination benefit is recognised at the earlier of when the Group can no longer withdraw the offer of the termination benefit and when it recognises any related restructuring costs.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Cash and cash equivalents

Cash and cash equivalents presented on the consolidated statement of cash flows include:

(a) cash, which comprises of cash on hand and demand deposits, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash; and

(b) cash equivalents, which comprises of short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

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 generally by regulation or convention in the marketplace concerned.

Financial assets and financial liabilities are initially measured at fair value except for trade debtors arising from contracts with customers which are initially measured in accordance with HKFRS 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. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

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 FVTPL, except that at initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 Business Combinations applies.

In addition, the Group may irrevocably designate a financial asset that is required to be measured at the amortised cost or fair value through other comprehensive income ("FVTOCI") as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) 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 (see below). 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.

(ii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured 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 excludes any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets which are subject to impairment (including trade debtors, Deferred Consideration, loans receivable, investments in debt instruments, other debtors, amounts due from associates, bank deposits and bank balances), and other items (contract assets and loan commitment) which are subject to impairment assessment under HKFRS 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 are 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 recognises lifetime ECL for trade debtors and contract assets. The ECL on these assets are assessed individually by reference to past default experience and current past due exposure of the debtor, and an analysis of the debtor's current financial position and also collectively for which debtors are grouped based on shared credit risk characteristics for assessment of potential increase in credit risk on a collective basis taking into consideration of forward-looking information that is available without undue costs or effort.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless 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 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 (Continued)

(i) Significant increase in credit risk *(Continued)*

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

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- 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;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor;

- 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.

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if (i) it has a low risk of default, (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of "investment grade" as per globally understood definitions.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 (Continued)

(i) Significant increase in credit risk *(Continued)*

For the loan commitment, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a loan commitment, the Group considers changes in the risk of a default occurring on the loan to which a loan commitment relates.

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:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) 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

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 (Continued)

(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. 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 write-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.

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.

For undrawn loan commitment, the ECL is the present value of the difference between the contractual cash flows that are due to the Group if the holder of the loan commitment draws down the loan, and the cash flows that the Group expects to receive if the loan is drawn down.

Lifetime ECL for certain trade debtors and contract assets are considered individually and reassessed 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 past-due status, nature, size and industry of debtors, and external and/or internal credit rating where available, when formulating the grouping. The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 (Continued)

(v) Measurement and recognition of ECL *(Continued)*

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.

Except for the loan commitment, 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 debtors where the corresponding adjustment is recognised through a loss allowance account.

Derecognition or modification

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, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

A modification of a financial asset occurs if the contractual cash flows are renegotiated or otherwise modified. When the contractual terms of a financial asset are modified, the Group assesses whether the revised terms result in a substantial modification from original terms taking into account all relevant facts and circumstances including qualitative factors.

For non-substantial modifications of financial assets that do not result in derecognition, the carrying amount of the relevant financial assets will be calculated at the present value of the modified contractual cash flows discounted at the financial assets' original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial assets and are amortised over the remaining term. Any adjustment to the carrying amount of the financial asset is recognised in profit or loss at the date of modification.

Financial liabilities and equity

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity *(Continued)*

Equity instruments

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

Financial liabilities at amortised cost

Financial liabilities including creditors and accrued charges and other payables, are subsequently measured at amortised cost, using the effective interest method.

Derecognition

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.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation. Provisions for the expected cost of assurance-type warranty obligations under the relevant contracts with customers for sales of custom-built electroplating machinery and other industrial machinery are recognised at the date of sale of the relevant products, at the directors' best estimate of the expenditure required to settle the Group's obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the net cost of fulfilling it and any compensation or penalties arising from failure to fulfil it.

Prior to application of HKAS 37 amendments on 1 January 2022, the Group only considers incremental costs (for example, direct labour and materials) when assessing whether a contract is onerous or loss-making. Effective from 1 January 2022, outstanding unfulfilled contracts as at 1 January 2022 are assessed by considering both the incremental costs and an allocation of other costs (for example, an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling that contract) that relate directly to fulfilling contracts.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment losses of property, plant and equipment and right-of-use assets

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment and right-of-use assets, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any.

The recoverable amount of property, plant and equipment and right-of-use assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit ("CGU") to which the asset belongs.

In testing a CGU for impairment, corporate assets are allocated to the relevant CGU when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the CGU or group of CGUs to which the corporate asset belongs, and is compared with the carrying amount of the relevant CGU or group of CGUs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a CGU) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or a CGU) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a CGU, the Group compares the carrying amount of a group of CGUs, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of CGUs, with the recoverable amount of the group of CGUs. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of CGUs. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of CGUs. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under that standard.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU or a group of CGUs) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a CGU or a group of CGUs) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that standard.

4. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgment, 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 on-going 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.

Critical judgment in applying accounting policies

The following is the critical judgment, 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 consolidated financial statements.

Revenue recognition on contract works over time

Control of the asset is transferred over time when the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date. Significant judgment is required in determining whether the terms of the Group's contracts with customers in relation to contract works with no alternative use to the Group will create an enforceable right to payment for performance completed to date for the Group. The Group has considered the terms of the relevant contracts, the laws of relevant jurisdiction that apply to those relevant contracts and opinion from external legal counsel. Based on the assessment of the Group's management, there is an enforceable right to payment for the Group. Accordingly, the revenue from design, manufacturing and sales of custom-built electroplating machinery and other industrial machinery is considered to be recognised over time.

Key sources of estimation uncertainty

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

4. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Key sources of estimation uncertainty *(Continued)*

Impairment assessment of Deferred Consideration

As disclosed in notes 16 and 33 to the consolidated financial statements, the significant change in the PRC real estate market resulted in significant financial difficulty faced by the Counterparty (as defined in note 16) and delays in settlements. The Deferred Consideration is considered as credit-impaired and lifetime ECL is provided. The amount of ECL is determined based on expectation on cash flows to be recovered from the Counterparty taking into account quantitative and qualitative information specific to the Counterparty, including macroeconomic factors which are relevant to the Counterparty's operations that could significantly affect the Counterparty's ability to fulfill its repayment obligations, and forward-looking information that is reasonably and supportably available to the management of the Group without undue costs or effort, and are updated at the end of each reporting period date. The measurement of ECL is sensitive to changes in estimates. Further information about the ECL measurement of Deferred Consideration are disclosed in note 33.

Revenue recognition on contract works over time

Revenue from contract works in respect of design, manufacturing and sales of custom-built electroplating machinery and other industrial machinery, which is individually built to customer order and unique specifications, is recognised using input method, which is to recognise revenue on the basis of the Group's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation. Accordingly, revenue recognition involves a significant degree of estimates, with estimates being made to the actual inputs and the total expected inputs to the satisfaction of that performance obligation. Any change to the total expected inputs to the satisfaction of that performance obligation may have material impact on the contract revenue recognised in each accounting period over the contract term. The revenue from contract works amounted to HK$243,643,000 (2021: HK$273,854,000) for the year ended 31 December 2022.

Provision of ECL for trade debtors and contract assets

Trade debtors and contract assets have been assessed individually and reassessed collectively. The Group applies internal credit rating for its customers. The debtors are assessed individually by reference to past default experience and current past due exposure of the debtor, and an analysis of the debtor's current financial position. The debtors are also assessed collectively for which debtors are grouped based on shared credit risk characteristics for assessment of potential increase in credit risk on a collective basis taking into consideration of forward-looking information that is available without undue costs or effort. At every reporting date, the potential increase in credit risk, 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 ECL of the Group's trade debtors and contract assets, are disclosed in notes 22, 21 and 33.

5. REVENUE AND SEGMENT INFORMATION

Revenue

(i) Disaggregation of revenue from contracts with customers

	2022 HK$'000	2021 HK$'000
Types of goods or services		
Contract works in respect of design, manufacturing and sales of custom-built electroplating machinery and other industrial machinery		
– Printed Circuit Boards	**189,166**	211,856
– Surface Finishing	**54,477**	61,998
	243,643	273,854
Sales of spare parts of electroplating machinery	**9,166**	8,521
Provision of services – repairs, maintenance and modification	**66,864**	82,259
Total	**319,673**	364,634
Timing of revenue recognition		
A point in time	**9,166**	8,521
Over time	**310,507**	356,113
Total	**319,673**	364,634

The disaggregation of revenue by geographical location of external customers are set out in "Segment information" in this note.

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

Revenue *(Continued)*

(ii) Performance obligations for contracts with customers

The Group recognises revenue from the following sources:

(a) Sales of custom-built electroplating machinery and other industrial machinery to customers

The Group constructs and sells custom-built electroplating machinery and other industrial machinery under contracts with customers. Such contracts are entered into before construction of the machinery begins. The products are tailor-made with customers' specification which does not have alternative use to the Group and the Group is entitled to payment for work performed up to date. The Group considers the design, manufacturing and installation of machinery is as a single performance obligation under the relevant contract with a customer. Revenue from construction of custom-built electroplating machinery and other industrial machinery is recognised over time using input method, i.e. based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs. The directors consider that the input method is an appropriate measure of the progress towards complete satisfaction of these performance obligations under HKFRS 15. The Group applies the practical expedient of expensing all incremental costs (for example, sales commission) to obtain a contract if these costs would otherwise have been fully amortised to profit or loss within one year.

The Group is entitled to invoice customers for construction of custom-built electroplating machinery and other industrial machinery based on achieving a series of performance-related milestones. Each contract work will normally involve two to six milestone payments, namely deposit payment (before commencement of construction work), shipment payment, arrival payment, installation completion payment, trial production payment and acceptance payment. The Group allows a general credit period of one to two months for the invoiced milestone payments. The Group recognises a contract asset for any work performed. When a particular milestone is achieved, the Group will send to the customer an invoice for the related milestone payment in accordance with the agreed milestone payments as specified in the purchase order or contract. Any amount previously recognised as a contract asset is reclassified to trade debtors at the point upon the achievement of the particular milestone. If the milestone payment exceeds the revenue recognised to date under the input method then the Group recognises a contract liability for the difference. Warranties associated with the custom-built electroplating machinery and other industrial machinery cannot be purchased separately and they serve as an assurance that the products will comply with agreed-upon specifications. Accordingly, the Group accounts for warranties in accordance with HKAS 37.

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

Revenue *(Continued)*

(ii) Performance obligations for contracts with customers*(Continued)*

(b) Sales of spare parts of electroplating machinery

For sales of spare parts of electroplating machinery to the customers, revenue is recognised when control of the goods has transferred on receipt by the customer. A receivable is recognised by the Group when the goods are delivered to the customers as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due. The Group allows a general credit period of one to two months for the amount invoiced. The customers do not have the right of return/exchange for dissimilar goods.

(c) Provision of services – repairs, maintenance and modification

The Group provides services for repairs, maintenance and modification. Such services are recognised as a performance obligation satisfied over time as the Group's performance enhances an asset that the customer controls as the Group performs. Revenue is recognised for those services based on the stage of completion of the contract using input method.

The Group requires the deposit before the commencement of the relevant services for certain contracts. This would give rise to contract liabilities at the start of a contract until the revenue recognised on the relevant contract exceeds the amount of the deposit received.

The Group is entitled to invoice the customer in accordance with the relevant contracts and the Group allows a general credit period of one to two months for the amount invoiced.

(iii) Transaction price allocated to the remaining performance obligation for contracts with customers

All contracts with customers with unsatisfied performance obligations, including contracts relating to design, manufacturing and sales of custom-built electroplating machinery and other industrial machinery, contracts for provision of services in relation to repairs, maintenance and modification and sales of spare parts of electroplating machinery at 31 December 2022 and 2021 have original expected duration of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied performance obligations is not disclosed.

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

Segment information

Segment revenue and results

The Group has one operating segment being the electroplating equipment segment which contributes the entire revenue of the Group. For the purpose of resources allocation and assessment of performance, the executive directors, being the chief operating decision maker, regularly review the Group's revenue by types of goods or services, no further discrete financial information was provided other than segment results of the operating segment as a whole. Reconciliation of the operating segment result to loss before taxation is as follows:

	Electroplating equipment	
	2022	2021
	HK$'000	HK$'000
Segment revenue	**319,673**	364,634
Segment loss	**(51,667)**	(38,427)
Intra-group management fee charged to operating segment	**4,452**	4,551
Certain other income	**87,574**	271,197
Certain other gains and losses	**(66,643)**	3,816
Central corporate expenses	**(33,705)**	(28,298)
Adjustment on provision for performance related incentive payments	**–**	30,975
Reversals of impairment losses (impairment losses) for loans receivable and Deferred Consideration under ECL model, net	**60,122**	(1,320,866)
Imputed interest on non-current portion of provision for performance related incentive payments (note 26)	**(4,328)**	(3,182)
Loss before taxation	**(4,195)**	(1,080,234)

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment loss represents the gross profit of the electroplating equipment segment, other income and expenses directly attributable to the segment activity (including intra-group management fee) but excluding other income (including interest income from loans receivables and Deferred Consideration, unallocated interest income and sundry income), other gains or losses (including net change in fair value of investments at fair value through profit or loss and certain exchange gain or loss), central corporate expenses including auditor's remuneration and directors' emoluments, impairment losses (reversal of impairment losses) for loans receivable and Deferred Consideration under ECL model, net, adjustment on provision for performance related incentive payments and imputed interest on non-current portion of provision for performance related incentive payments. This is the measure reported to the chief operating decision maker in order to assess segment performance.

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

Segment information *(Continued)*

Segment assets and liabilities

Amounts of segment asset and liabilities of the Group are not reviewed by the chief operating decision maker or otherwise regularly provided to the chief operating decision maker, accordingly, segment assets and liabilities are not presented.

Other segment information

	Electroplating equipment	
	2022	2021
	HK$'000	HK$'000
Amounts included in the measure of segment results:		
(Impairment losses) reversals of impairment losses for trade debtors and contract assets under ECL model, net	**(1,172)**	252
Reversal of allowance (allowance) for slow moving inventories	**587**	(1,062)
Impairment loss of property, plant and equipment and right-of-use assets	**(7,561)**	–
Loss on disposal of property, plant and equipment	**(21)**	(133)
Depreciation	**(6,354)**	(12,514)
Provision for warranty, net of reversal	**12,178**	3,080

	Unallocated	
	2022	2021
	HK$'000	HK$'000
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment results:		
Reversals of impairment losses (impairment losses) for loans receivable and Deferred Consideration under ECL model, net	**60,122**	(1,320,866)
Impairment loss of property, plant and equipment	**(5,421)**	–
Net change in fair value of investments at fair value through profit or loss	**6,786**	817
Interest income of Deferred Consideration	**45,498**	244,341
Adjustment on provision for performance related incentive payments	**–**	30,975
Imputed interest on non-current portion of provision for performance related incentive payments	**(4,328)**	(3,182)

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

Geographical information

Information about the Group's revenue from external customers is presented based on the location of external customers.

	2022 HK$'000	2021 HK$'000
PRC	**238,357**	219,718
Mexico	**15,928**	5,916
The United States of America	**15,496**	41,680
Korea	**13,852**	1,584
Taiwan	**12,867**	45,087
Russia	**11,597**	–
Singapore	**2,627**	3,028
India	**2,186**	1,535
Canada	**1,847**	5,277
The United Kingdom	**1,004**	7,420
Slovakia	**767**	2,162
France	**705**	–
Macedonia	**607**	15,693
Germany	**402**	338
Vietnam	**–**	12,818
Others	**1,431**	2,378
	319,673	364,634

Information about the Group's non-current assets excluding financial instruments and deferred tax assets is presented based on the geographical location of the assets.

	2022 HK$'000	2021 HK$'000
Hong Kong	**30,321**	46,119
PRC	**–**	5,860
Others	**–**	125
	30,321	52,104

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

Information about major customers

Revenue from customers under the electroplating equipment segment of the corresponding years contributing over 10% of the total revenue of the Group are as follows:

	2022 HK$'000	2021 HK$'000
Customer A	**57,417**	131,658
Customer B	**N/A***	36,817

* Less than 10% of the Group's total revenue during this year

6. OTHER GAINS AND LOSSES

	2022 HK$'000	2021 HK$'000
Net change in fair value of investments at fair value through profit or loss	**6,786**	817
Net exchange (loss) gain	**(54,025)**	2,714
Loss on disposal of property, plant and equipment	**(21)**	(133)
	(47,260)	3,398

7. FINANCE COSTS

	2022 HK$'000	2021 HK$'000
Interest on lease liabilities	**235**	237
Imputed interest on non-current portion of provision for performance related incentive payments (note 26)	**4,328**	3,182
Interest on bank borrowings	**335**	–
Others	**–**	23
	4,898	3,442

8. TAXATION

	2022 HK$'000	2021 HK$'000
Hong Kong taxation	–	–
PRC Enterprise Income Tax	9,747	59,718
PRC withholding tax	–	45,390
	9,747	105,108
Deferred tax charge (credit) (note 30)	18,874	(346,742)
	28,621	(241,634)

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years. No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the group entities subjected to Hong Kong Profits Tax have no assessable profits for both years.

PRC Enterprise Income Tax is calculated at 25% of the assessable profits of the entities established in the PRC. Withholding tax is levied on distribution of profits earned by PRC entities for profits generated after 1 January 2008 at rate of 5% for Hong Kong resident companies, which are the beneficial owners of the dividend received.

Taxation for the year is reconciled to loss before taxation per consolidated statement of profit or loss and other comprehensive income as follows:

	2022 HK$'000	2021 HK$'000
Loss before taxation	(4,195)	(1,080,234)
Taxation at the tax rate of 16.5% (2021: 16.5%)	(692)	(178,239)
Tax effect of expenses not deductible for tax purpose	12,164	708
Tax effect of income not taxable for tax purpose	(3,173)	(717)
Tax effect of tax losses not recognised	16,820	6,293
Tax effect of utilisation of tax losses previously not recognised	(7,681)	(4,090)
Tax effect of deductible temporary difference not recognised	2,142	–
Withholding tax for income derived from a PRC subsidiary	–	28,066
Effect of different tax rates of subsidiaries operating in other jurisdictions	8,120	(92,684)
Others	921	(971)
Taxation for the year	28,621	(241,634)

9. LOSS FOR THE YEAR

	2022 HK$'000	2021 HK$'000
Loss for the year has been arrived at after charging (crediting):		
Auditor's remuneration	**1,500**	1,400
Cost of inventories recognised as expenses (note i)	**188,493**	190,730
Depreciation of property, plant and equipment	**3,484**	4,885
Depreciation of right-of-use assets	**4,877**	8,487
Staff costs:		
Directors' fee (note 10)	**300**	300
Directors' salaries, other benefits and performance related incentive payments (note 10)	**13,200**	13,200
Adjustments on provision for performance related incentive payments (note 10)	**–**	(30,975)
Salaries and allowances	**98,965**	101,453
Contributions to retirement benefits schemes	**1,607**	1,655
Termination benefits	**22,390**	–
	136,462	85,633
(Reversals of impairment losses) impairment losses for financial assets and contract assets, net:		
– trade debtors	**1,381**	(451)
– contract assets	**(209)**	199
– loans receivable	**(1,222)**	599
– Deferred Consideration	**(58,900)**	1,320,267
	(58,950)	1,320,614
Interest income from financial assets at amortised cost (included in other income):		
– loans receivable	**(2,867)**	(3,763)
– Deferred Consideration (note 16)	**(45,498)**	(244,341)
– investments in debt instruments	**(14,018)**	–
– bank deposits	**(11,333)**	(19,945)
	(73,716)	(268,049)
Dividend income (included in other income)	**(11,940)**	(1,852)
Government grants (included in other income)	**(2,746)**	(1,790)

Note i: Amount includes reversal of allowance for slow moving inventories of HK$587,000 following an increase in net realisable value (2021: allowance of HK$1,062,000).

10. DIRECTORS', CHIEF EXECUTIVES' AND EMPLOYEES' EMOLUMENTS

The emoluments paid or payable to each of the five (2021: five) directors are as follows:

	Executive directors		Independent non-executive directors			
	Lam Kwok Hing HK$'000	Nam Kwok Lun HK$'000	Kwan Wang Wai, Alan HK$'000	Ng Chi Kin, David HK$'000	Cheung Kin Wai HK$'000	Total HK$'000
2022						
Other emoluments						
Salaries and other benefits	**8,400**	**4,800**	**–**	**–**	**–**	**13,200**
Performance bonus	**16,000**	**4,000**	**–**	**–**	**–**	**20,000**
Contributions to retirement benefits schemes	**18**	**18**	**–**	**–**	**–**	**36**
Fees	**–**	**–**	**100**	**100**	**100**	**300**
Total emoluments	**24,418**	**8,818**	**100**	**100**	**100**	**33,536**
2021						
Other emoluments						
Salaries and other benefits	8,400	4,800	–	–	–	13,200
Performance bonus	4,800	1,200	–	–	–	6,000
Contributions to retirement benefits schemes	18	18	–	–	–	36
Fees	–	–	100	100	100	300
Total emoluments	13,218	6,018	100	100	100	19,536

The executive directors' emoluments shown above were mainly for the services in connection with the management of the affairs of the Company and the Group. The independent non-executive directors' emoluments shown above were mainly for the services as directors of the Company.

Mr. Lam Kwok Hing is also the Chief Executive of the Company and his emoluments disclosed above include those for services rendered by him as the Chief Executive.

No compensation was paid to the above directors of the Company during the current year and prior year for the loss of office as a director or as an inducement to join or upon joining the Company. None of the above directors of the Company has waived any emoluments during the current and prior years.

10. DIRECTORS', CHIEF EXECUTIVES' AND EMPLOYEES' EMOLUMENTS *(Continued)*

The above table showing the emoluments paid or payable to the directors for the years ended 31 December 2022 and 31 December 2021 reflects the actual payment of performance bonus made to the respective directors.

Performance related incentive payments to the directors are calculated by applying the pre-agreed percentage on the bonus distribution mechanism, mainly associated with the settlement of the Deferred Consideration, and certain portion is expected to be paid after one year from the end of respective reporting periods. It is measured at present value as the carrying amount at the end of the reporting period. During the year ended 31 December 2021, following the change in the expected settlement of the Deferred Consideration, the Group has made downward adjustment of HK$30,975,000 to the bonus provision. There are no adjustment to the bonus provision made by the management during the current year.

During the current year, the performance related incentive payments of which provision was made in the prior years, amounting to HK$22,000,000 (2021: HK$10,000,000) was paid, of which HK$20,000,000 (2021: HK$6,000,000) was paid to directors and HK$2,000,000 (2021: HK$4,000,000) was paid to another member of key management as instructed by the respective director. As a preliminary plan, the provision for performance related incentive payments at 31 December 2022 is expected to be paid in next year and approved by the Board of Directors of the Company on 30 March 2023.

As actual allocation for the accrued performance bonus as at the end of the reporting period between the two individual executive directors, namely, Mr. Lam Kwok Hing and Mr. Nam Kwok Lun amounted to HK$27,572,000 (2021: HK$45,649,000) are not yet finalised at the end of the respective reporting periods, the table above does not include such amount. After payment is made or allocation is determined by the Remuneration Committee, further disclosure of the payment of this performance bonus will be made in the coming years' annual report.

Of the five individuals with the highest emoluments in the Group, two were directors including chief executive of the Company whose emoluments are included in the disclosure above. The emoluments of the remaining three individuals are as follows:

	2022 **HK$'000**	2021 HK$'000
Salaries and other benefits	**3,276**	3,276
Performance bonus (note)	**7,000**	9,000
Contributions to retirement benefits schemes	**54**	54
	10,330	12,330

10. DIRECTORS', CHIEF EXECUTIVES' AND EMPLOYEES' EMOLUMENTS *(Continued)*

Note: In previous years, the Group has made a special bonus provision of HK$20,000,000 for certain members of key management of the Group for their past contribution to the Group in which HK$5,000,000 (2021: HK$5,000,000) was paid to one of the highest paid individuals during the year ended 31 December 2022. As actual allocation for the accrued special bonus as at 31 December 2022 among individual management personnel of HK$8,501,000 (2021: HK$13,096,000) ("2020 Special Bonus Provision") as at 31 December 2022 is not yet finalised at the end of the reporting period, the table above showing the emoluments paid or payable to the five individuals with the highest emoluments in the Group for the year ended 31 December 2022 and 31 December 2021 does not include the 2020 Special Bonus Provision, but reflects the actual payment of the performance bonus made. After payment is made or allocation is determined by the executive directors of the Company, further disclosure of the payment of this special bonus will be made in the coming years' annual report.

Their emoluments are within the following bands:

	Number of employees	
	2022	2021
HK$1,000,001 – HK$1,500,000	**1**	1
HK$2,500,001 – HK$3,000,000	**1**	–
HK$4,500,001 – HK$5,000,000	**–**	1
HK$5,500,001 – HK$6,000,000	**1**	1

No compensation was paid to the above individuals during the current year and prior year for the loss of office as a director or as an inducement to join or upon joining the Company.

11. LOSS PER SHARE

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

	2022 **HK$'000**	2021 HK$'000
Loss for the year attributable to owners of the Company	**(32,727)**	(838,547)
Weighted average number of ordinary shares	**419,011,811**	426,463,400

No diluted loss per share have been presented as there are no potential ordinary shares in issue during both years.

12. DIVIDENDS

	2022 HK$'000	2021 HK$'000
Final dividend paid in respect of year ended 31 December 2021 (2021: year ended 31 December 2020) of HK$0.02 (2021: HK$0.02) per share	**8,529**	8,529
Interim dividend paid in respect of six months ended 30 June 2022 (2021: six months ended 30 June 2021) of HK$0.01 (2021: HK$0.01) per share	**4,252**	4,265
	12,781	12,794

A final dividend of HK$0.02 in respect of the year ended 31 December 2022 (2021: HK$0.02) per share, in an aggregate amount of HK$7,879,000 (2021: HK$8,529,000), has been proposed by the directors of the Company and is subject to the approval by the shareholders at the forthcoming general meeting.

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK$'000	Furniture and fixtures and leasehold improvements HK$'000	Plant, machinery and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
COST OR VALUATION					
At 1 January 2021	48,379	30,677	54,444	21,490	154,990
Currency realignment	–	53	348	142	543
Additions	–	–	705	–	705
Acquisition of a subsidiary (note 36)	35,462	–	–	–	35,462
Disposals	–	–	(2,233)	(393)	(2,626)
At 31 December 2021	83,841	30,730	53,264	21,239	189,074
Currency realignment	–	(102)	(1,177)	(413)	(1,692)
Additions	–	–	431	1,518	1,949
Disposals	–	–	(209)	–	(209)
At 31 December 2022	83,841	30,628	52,309	22,344	189,122
COMPRISING					
At cost	48,129	30,628	52,309	22,344	153,410
At valuation					
– 31 March 1992	35,712	–	–	–	35,712
	83,841	30,628	52,309	22,344	189,122
DEPRECIATION AND IMPAIRMENT					
At 1 January 2021	37,813	30,392	50,876	20,297	139,378
Currency realignment	–	48	296	117	461
Provided for the year	1,468	151	2,800	466	4,885
Eliminated on disposals	–	–	(2,139)	(354)	(2,493)
At 31 December 2021	39,281	30,591	51,833	20,526	142,231
Currency realignment	–	(95)	(945)	(356)	(1,396)
Provided for the year	1,541	74	1,181	688	3,484
Impairment recognised	13,852	58	328	432	14,670
Eliminated on disposals	–	–	(188)	–	(188)
At 31 December 2022	54,674	30,628	52,209	21,290	158,801
CARRYING AMOUNTS					
At 31 December 2022	29,167	–	100	1,054	30,321
At 31 December 2021	44,560	139	1,431	713	46,843

13. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The above items of property, plant and equipment are depreciated on a straight-line basis after taking into account the residual values at the following rates per annum:

Leasehold land and buildings	over the shorter of 20-50 years or the term of the lease
Furniture and fixtures and leasehold improvements	25% or over the shorter of 25% or the term of the lease
Plant, machinery and equipment	$12\frac{1}{2}$% to $33\frac{1}{3}$%
Motor vehicles	$33\frac{1}{3}$%

At the end of the reporting period, certain property, plant and equipment are fully depreciated and still in use. As at 31 December 2022, had the revalued leasehold land and buildings been carried at cost less accumulated depreciation, the carrying value of the leasehold land and buildings would have been stated at HK$nil (2021: HK$9,615,000).

Impairment assessment of property, plant and equipment are set out in note 15.

14. RIGHT-OF-USE ASSETS

	Leased properties	
	2022	2021
	HK$'000	HK$'000
At 31 December		
Carrying amount	**–**	5,261
For the year ended 31 December		
Additions	**7,561**	8,838
Depreciation	**4,877**	8,487
Expenses relating to short-term leases	**9,438**	1,626
Expenses relating to leases of low-value assets	**76**	247
Total cash outflows for leases	**18,203**	10,375
Impairment loss	**7,561**	–

The Group leases various factory premises and staff quarters for its operations. Lease contracts are entered into for fixed term of three to five years, but have termination options for all lease contracts. 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. The termination options are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The Group assessed at lease commencement date it is reasonably certain not to exercise the termination options.

14. RIGHT-OF-USE ASSETS *(Continued)*

Lease liabilities of HK$7,561,000 are recognised with related right-of-use assets of HK$nil (net of impairment of HK$7,561,000) as at 31 December 2022 (2021: lease liabilities of HK$8,984,000 are recognised with related right-of-use assets of HK$5,261,000 (net of impairment of HK$3,577,000)) attributable to new leases entered into or renewal of the existing leased properties during the year. This constitute the Group's major non-cash transaction during the year. The lease agreements do not impose any covenants other than security interests in the leased assets that are held by the lessor and the relevant leased assets may not be used as security for borrowing purposes.

Impairment assessment of right-of-use assets are set out in note 15.

15. IMPAIRMENT ASSESSMENT ON PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

During the year ended 31 December 2022, the management conducted an impairment review on the related assets of the CGU which is engaged in Electroplating Machinery Business in view of the negative impact on the Group's performance considering the current market condition. The recoverable amount of the CGU of the Electroplating Machinery Business has been determined on the basis of value in use calculation. The key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which included budgeted revenue and gross margin, such estimation was based on the CGU's past performance and management's expectations for the market development. Impairment loss amounting to HK$9,249,000 and HK$7,561,000 are recognised against the carrying amount of property, plant and equipment and rights-of-use assets are charged to other comprehensive income and profit or loss respectively.

With regards to the recent property market in Hong Kong, the Group has also performed an impairment assessment of the residential units in Hong Kong which are classified as property, plant and equipment and not allocated to operating segment. At 31 December 2022, the recoverable amount of the buildings amounted to HK$27,995,000 which is based on its fair value less costs of disposal. Accordingly, impairment loss amounting to HK$5,421,000 is recognised in profit or loss. The fair value of the properties are determined based on comparable market transactions that are categorized within level 3 of the fair value hierarchy.

16. DEFERRED CONSIDERATION

On 7 August 2011, a wholly-owned subsidiary of the Company entered into an agreement with an independent third party (the "Counterparty") in relation to a re-development plan of two parcels of industrial lands located in Bao An District, Shenzhen, the PRC from industrial land into residential properties for resale. The Group has undertaken a series of negotiations with the Counterparty on the settlement scheme. On 28 June 2019 and 9 September 2019, the negotiation was finalised and the Group is offered a guaranteed cash consideration of RMB2,750,000,000 (equivalent to approximately HK$3.1 billion) payable by six tranches which are due within on or before 6 January 2020 to on or before 5 January 2023. The Deferred Consideration is measured at amortised cost using the effective interest method, less any impairment. As at 31 December 2022 and 2021, the outstanding instalment payments amounted to RMB400,000,000, RMB400,000,000 and RMB750,000,000 which are repayable on or before 5 January 2022, 5 July 2022 and 5 January 2023 respectively.

In December 2021, the Group was notified by the Counterparty that the repayment of the first two remaining instalments of an aggregate amount of RMB800,000,000 is expected to be delayed and therefore the Deferred Consideration is regarded as credit-impaired since then. Pursuant to an agreement dated 31 December 2021, the related company of the Counterparty has agreed to deposit an amount of HK$200,000,000 to the Group as security to the Counterparty's repayment obligations. Such security will be applied as partial settlement of the Deferred Consideration if the Counterparty has not fully settled the said RMB800,000,000 by 30 November 2022. If the said RMB800,000,000 is settled in full before 30 November 2022, the Group is obliged to refund the HK$200,000,000 security to the Counterparty three working days after the receipt of the outstanding instalment payments. At 31 December 2022, there are no other changes to the terms of the agreement or settlement scheme including the repayment terms and the late payment penalty terms, in which the Group is entitled to charge RMB50,000 per day for the first six months from the date of default and RMB100,000 per day from the seventh month from the date of default. At 31 December 2022 and 2021, the Group has received HK$200,000,000, and such amount is included in "other payables" on the consolidated statement of financial position.

Pursuant to supplemental agreements, the Counterparty has pledged certain of its properties to the Group as additional security of the outstanding amount of Deferred Consideration, of which the proceeds from realisation of those properties after deducting direct expenses is restricted for the use of settlement of the Deferred Consideration until the Counterparty had fulfilled its repayment obligations in full; and the Group's entitlement over the security deposit and the pledged properties is extended to no later than 30 November 2024. Except as described above, there are no other changes to the terms or settlement scheme on or before 31 December 2022.

During the current year, apart from the penalty interest amounting to HK$31,373,000, the Group has not received any settlement from the Counterparty. Reversal of impairment losses under expected credit loss model of HK$58,900,000 (2021: impairment losses of HK$1,320,267,000) is recognised in profit or loss. Interest income of HK$45,498,000 (2021: HK$244,341,000) is recognised by applying the effective interest rate to the amortised cost of the Deferred Consideration (2021: gross carrying amount of the Deferred Consideration). Such interest income is recognised as other income in profit or loss.

16. DEFERRED CONSIDERATION *(Continued)*

Details of the impairment assessment of Deferred Consideration are set out in note 33.

As at 31 December 2022, the Deferred Consideration amounting to HK$328,616,000 (2021: HK$283,129,000) (net of impairment losses under expected credit model of HK$1,262,355,000 (2021: HK$1,440,662,000)) is expected to be recovered after more than one year (2021: within one year) and accordingly is classified as non-current assets (2021: current assets).

17. LOANS RECEIVABLE

The following is the maturity profile of the loans receivable at the end of the reporting period:

	2022 HK$'000		2021 HK$'000	
Repayable within one year	–		50,500	(notes a, b)
Repayable after one year	40,024	(notes a, b and c)	12,992	(note c)
Less: Impairment losses under ECL model	(5,433)		(6,655)	
	34,591		56,837	
Analysed for reporting purposes as:				
Current	–		48,068	
Non-current	34,591		8,769	
	34,591		56,837	

Notes:

(a) The Group entered into loan facility agreements ("Loan Facility Agreement") with Karl Thomson Financial Group Limited ("KTFG"), which is a wholly-owned subsidiary of Wisdom Wealth Resources Investment Holding Group Limited ("Wisdom Wealth Resources"). Mr. Lam Kwok Hing, an executive director and the ultimate controlling shareholder of the Company, and Mr. Nam Kwok Lun, an executive director of the Company who has an indirect interest in the Company, are the directors of Wisdom Wealth Resources. Pursuant to the Loan Facility Agreement, the Group provides an unsecured revolving loan facility of HK$130,000,000 (revised to HK$80,000,000 upon renewal of the agreement during the current year) bearing interest at prime rate as announced from time to time by The Hongkong and Shanghai Banking Corporation Limited for lending Hong Kong Dollars ("HSBC Prime Rate") for a term of three years commencing from the loan effective date and ending on 20 October 2025 (2021: 20 October 2022). As at 31 December 2022, a loan of HK$19,500,000 (2021: HK$36,000,000) was drawn by KTFG according to the terms of the Loan Facility Agreement. The average effective interest rate, which is equal to contractual interest rate, is 5.14% (2021: 5.00%) per annum.

17. LOANS RECEIVABLE *(Continued)*

Notes: *(Continued)*

(b) A loan amounted HK$7,500,000 (2021: HK$14,500,000) as at 31 December 2022 was granted under a revolving loan facility agreement of HK$20,000,000 with an independent third party as entered in May 2021. The loan bears interest at HSBC Prime Rate plus 3% per annum for the first HK$3,500,000 and HSBC Prime Rate beyond HK$3,500,000 and secured by a first mortgage of a property as provided by the borrower. The loan was extended to 6 May 2024 during the current year.

(c) A loan amounted HK$13,000,000 was granted under a loan agreement with an independent third party with outstanding principal amount of HK$12,982,000 (2021: HK$12,992,000) at 31 December 2022, which is repayable in full in December 2025. The loan bears interest at HSBC Prime Rate for a portion of HK$6,500,000 and 2.2% per annum for the remaining portion and secured by a second mortgage of a property owned by the spouse of the borrower and several post-dated cheques as provided by the borrower. At 31 December 2022 and 2021, the borrower also provided an additional cash security of HK$1,000,000 and such amount is included as "other payable" on the consolidated statement of financial position.

As at 31 December 2022, impairment losses under ECL model of loans receivable of HK$5,433,000 (2021: HK$6,655,000) are recognised. Details of the impairment assessment of loans receivable are set out in note 33.

18. INVESTMENTS IN DEBT INSTRUMENTS

Amount represents investments in listed bonds quoted in over-the-counter market. The bond investments are unsecured, carry annual coupon at 2.80% to 6.15% (2021: 3.15% to 3.35%) and matures in September 2023 to March 2027 (2021: September 2023 to December 2024). The investments are held within a business model whose objective is to hold the debt instruments in order to collect contractual cash flows and the contractual terms give rise on specific dates to cash flows that are solely payments of principals and interest on the principal amount outstanding and therefore are subsequently measured at amortised cost.

19. INTERESTS IN ASSOCIATES

	2022	2021
	HK$'000	HK$'000
Cost of investments in associates		
Unlisted	**3,627**	3,627
Share of post-acquisition results, net of dividend received	**(1,918)**	(1,918)
Less: Impairment provided	**(1,709)**	(1,709)
Share of net assets	**–**	–

19. INTERESTS IN ASSOCIATES *(Continued)*

Details of the Group's associates as at 31 December 2022 and 2021 are as follows:

Name of associates	Form of business structure	Place of incorporation	Proportion of nominal value of issued capital held by the Group indirectly		Principal activities
			2022	2021	
Asia Vigour (Holdings) Limited	Incorporated	British Virgin Islands	**49%**	49%	Investment holding
Process Automation (Sea) Pte Limited	Incorporated	Singapore	**36%**	36%	Sale of electroplating machines and spare parts

The current year and cumulative unrecognised share of losses of associates is insignificant.

20. INVENTORIES

	2022 HK$'000	2021 HK$'000
Raw materials	**27,009**	33,074

21. CONTRACT ASSETS/LIABILITIES

	2022 HK$'000	2021 HK$'000
Contract assets – current		
Contract works in respect of design, manufacturing and sale of custom-built electroplating machinery and other industrial machinery	**71,941**	83,939
Contract liabilities – current		
Contract works in respect of design, manufacturing and sale of custom-built electroplating machinery and other industrial machinery	**78,504**	21,719
Provision of services – repairs, maintenance and modification	**11,127**	9,168
	89,631	30,887

21. CONTRACT ASSETS/LIABILITIES *(Continued)*

At 1 January 2021, contract assets and contract liabilities amounted to HK$66,034,000 and HK$39,025,000 respectively.

Typical payment terms which impact on the amount of contract assets and contract liabilities recognised are as follows:

Contract works in respect of design, manufacturing and sale of custom-built electroplating machinery and other industrial machinery

The Group's contract works include payment schedules which require milestone payments over the construction period once certain specified milestones are reached. The Group requires customers to provide upfront deposits as part of its credit risk management policies. The Group typically transfers the milestone payments to trade debtors when it becomes unconditional. The Group is entitled to receive the final acceptance payment upon the final acceptance of the completion of contract works by customers. The Group classifies these contract assets as current because the Group expects to realise them in its normal operating cycle. Details of the impairment assessment of contract assets are set out in note 33.

When the Group receives a deposit before the production activity commences, this will give rise to contract liabilities at the start of a contract, until the revenue recognised on the relevant contract exceeds the amount of the deposit.

Provision of services – repairs, maintenance and modification

The Group requires the deposit before the commencement of the relevant services for certain contracts, this will give rise to contract liabilities at the start of a contract, until the revenue recognised on the relevant contract exceeds the amount of the deposit.

The following table shows the amount of the revenue recognised during the year that was included in contract liabilities at the beginning of the year.

	2022 **HK$'000**	2021 HK$'000
Contract works	**19,593**	27,074
Provision of services	**4,140**	11,266

22. DEBTORS AND PREPAYMENTS

	2022 HK$'000	2021 HK$'000
Trade debtors from contracts with customers	**42,054**	63,174
Less: Allowance for credit losses	**(1,897)**	(516)
	40,157	62,658
Rental and utilities deposits	**2,430**	2,922
Deposits paid for purchases of raw materials	**33,562**	8,504
Deposits paid for subcontracting costs	**4,549**	7,653
Account balances placed with a broker	**933**	177
Interest receivable	**11,858**	1,480
Other tax receivables	**3,839**	1,223
Other debtors and prepayments	**5,376**	5,725
	102,704	90,342

As at 31 December 2022, the trade debtors balance include trade debts due from associates of HK$1,805,000 (2021: HK$1,102,000).

As at 1 January 2021, trade debtors from contracts with customers amounted to HK$70,459,000 (net of allowance for credit losses of HK$11,595,000).

The Group allows a general credit period of one to two months to its customers.

The following is an ageing analysis of trade debtors net of allowance for credit losses presented based on the invoice date at the end of the reporting period, which is approximated the respective recognition dates for sales of goods or respective dates of the achievement of the relevant milestone as stipulated in the relevant service contracts as appropriate:

	2022 HK$'000	2021 HK$'000
0-60 days	**38,625**	57,147
61-120 days	**149**	3,215
121-180 days	**785**	772
Over 180 days	**598**	1,524
	40,157	62,658

22. DEBTORS AND PREPAYMENTS *(Continued)*

As at 31 December 2022, excluding credit-impaired trade debtors balance, included in the Group's trade debtors balance are debtors with gross amount of HK$8,725,000 (2021: HK$3,641,000) with allowance for credit losses of HK$119,000 (2021: HK$212,000) in aggregate which are past due as at the reporting date. Out of the past due balances, HK$897,000 (2021: HK$772,000) with allowance for credit losses of HK$89,000 (2021: HK$76,000) has been past due 90 days or more and is not considered as in default as these customers have a good business relationship with the Group with satisfactory settlement history of recurring overdue records and, no history of default of these relevant customers. The Group does not hold any collateral over these balances.

Details of impairment assessment of trade debtors are set out in note 33.

23. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

Investments at fair value through profit or loss as at 31 December 2022 and 2021 represent equity securities listed in Hong Kong. The fair values of the investments are determined based on the quoted market bid prices available on the Stock Exchange. The fair value of investments is classified as Level 1 of fair value hierarchy. These investments are expected to be realised within next twelve months and therefore classified as current assets.

24. AMOUNTS DUE FROM ASSOCIATES

Amounts due from associates are of non-trade nature and are unsecured, non-interest-bearing and repayable on demand.

25. BANK DEPOSITS AND BANK BALANCES

Bank deposits represent time deposits denominated in HKD, RMB and USD, which are held with several banks in Hong Kong for investment purposes, carry fixed interest ranging from 0.72% to 4.76% (2021: 1.91% to 2.35%) per annum.

Bank balances represent savings accounts that carry interest at market rates ranging from 0.001% to 1.73% per annum (2021: 0.001% to 1.73% per annum).

26. CREDITORS AND ACCRUED CHARGES

	2022 HK$'000	2021 HK$'000
Trade creditors	93,341	89,930
Accrued staff costs	43,247	16,265
Commission payables to sales agents	15,185	14,638
Payment for acquisition of bond investments (note 38)	–	12,201
Provision for performance related incentive payments (note)	36,073	58,745
Other creditors and accrued charges for operating costs	24,900	21,859
	212,746	213,638
Less: Non-current portion of provision for performance related incentive payments (note)	(3,501)	(41,352)
	209,245	172,286

Note: As at 31 December 2022, the current and non-current portion of accrued charges of HK$27,572,000 and HK$nil respectively (2021: HK$12,393,000 and HK$33,256,000 respectively) represents the provision of performance bonus to the executive directors of the Company. An imputed interest expense of HK$3,923,000 (2021: HK$2,598,000) is charged to profit or loss during the current year.

As at 31 December 2022, apart from the above provision of performance bonus to the executive directors of the Company, the current and non-current portion of accrued charges of HK$5,000,000 and HK$3,501,000 respectively (2021: HK$5,000,000 and HK$8,096,000 respectively) represents the provision of special bonus to the certain management of the Group as detailed in note 10. An imputed interest expense of HK$405,000 (2021: HK$584,000) is charged to profit or loss during the current year.

The following is an ageing analysis of trade creditors presented based on invoice date as at the end of the reporting period:

	2022 HK$'000	2021 HK$'000
0-60 days	31,928	53,240
61-120 days	26,154	22,133
121-180 days	19,320	6,829
Over 180 days	15,939	7,728
	93,341	89,930

The average credit period on purchase of goods is 60-180 days (2021: 60-180 days).

27. WARRANTY PROVISION

	HK$'000
At 1 January 2022	**16,254**
Change in provision during the year	**12,178**
Utilisation of provision	**(11,158)**
At 31 December 2022	**17,274**
Analysed for reporting purposes as:	
Current	**14,361**
Non-current	**2,913**
	17,274

The warranty provision represents the management's best estimation of the Group's liability under one to two years warranty granted on electroplating products, based on prior experience and industry averages for defective products.

28. LEASE LIABILITIES

	2022 HK$'000	2021 HK$'000
Lease liabilities payable:		
– within a period not exceeding one year	**2,050**	8,984
– more than one year but not exceeding two years	**2,284**	–
– more than two years bat not exceeding five years	**3,227**	–
	7,561	8,984
Less: Amount due for settlement within 12 months shown under current liabilities	**(2,050)**	(8,984)
Amount due for settlement after 12 months shown under non-current liabilities	**5,511**	–

29. SHARE CAPITAL

	Number of shares	Amount HK$'000
Shares of HK$0.01 each		
Authorised:		
At 1 January 2021, 31 December 2021 and 31 December 2022	20,000,000,000	200,000
Issued and fully paid:		
At 1 January 2021 and 31 December 2021	426,463,400	4,265
Shares repurchased	(32,510,000)	(325)
At 31 December 2022	393,953,400	3,940

During the year, the Company repurchased its own shares through the Stock Exchange as follows:

Month of repurchase	Number of shares	Price per share Highest HK$	Price per share Lowest HK$	Aggregate consideration paid (including transaction costs) HK$'000
September 2022	1,710,000	0.97	0.91	1,609
October 2022	30,800,000	1.05	0.98	32,457

None of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed securities during the current year.

30. DEFERRED TAXATION

Certain deferred tax liabilities and deferred tax assets are offset. The following is an analysis of the deferred tax balances for financial reporting purposes:

	2022 HK$'000	2021 HK$'000
Deferred tax assets	**–**	(729)
Deferred tax liabilities	**90,202**	81,515
	90,202	80,786

30. DEFERRED TAXATION *(Continued)*

	Deferred Consideration	Withholding taxes	Impairment losses on assets	Accelerated tax depreciation	Revaluation of properties	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2021	388,490	26,496	(1,286)	1,239	1,908	416,847
(Credit) charge to profit or loss (note 8)	(268,981)	28,066	165	(1,194)	–	(241,944)
Transfer to current tax	(59,408)	(45,390)	–	–	–	(104,798)
Currency realignment	10,681	–	–	–	–	10,681
At 31 December 2021	70,782	9,172	(1,121)	45	1,908	80,786
Charge to profit or loss (note 8)	26,100	–	–	–	–	26,100
Credit to property revaluation reserve	–	–	–	–	(1,908)	(1,908)
Transfer to current tax	(7,955)	–	729	–	–	(7,226)
Currency realignment	(6,773)	(777)	–	–	–	(7,550)
At 31 December 2022	82,154	8,395	(392)	45	–	90,202

At 31 December 2022, the Group had estimated unused tax losses and deductible temporary differences relating to asset impairment of HK$534,547,000 (2021: HK$486,542,000) and HK$14,012,000 (2021: HK$nil) respectively available for offset against future profits. No deferred tax asset has been recognised due to the uncertainty of future profits streams. The tax losses may be carried forward indefinitely.

Deferred tax on withholding tax is provided based on the expectation of distribution of earnings of the PRC subsidiary. Deferred tax has not been provided for in the consolidated financial statements in respect of the temporary differences attributable to the undistributed profits after 1 January 2008 amounting to HK$42,782,000 (2021: HK$16,787,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

31. PLEDGE OF ASSETS

As at 31 December 2022, the Group utilised HK$434,000 (2021: HK$4,605,000) of the banking facilities for the issuance of shipping guarantee by banks to the customers of the Group and import letters of credits by banks to the suppliers of the Group.

32. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group 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 for both years.

The capital structure of the Group consists of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital and reserves. The directors of the Company review the capital structure on a continuous basis. As part of this review, the directors consider the cost of capital and the risks associates with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the issuance of new shares and share buy-backs as well as the addition of new borrowings.

33. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2022 **HK$'000**	2021 HK$'000
Financial assets		
Amortised cost	**1,467,900**	1,667,343
FVTPL	**170,463**	26,765
Financial liabilities		
Amortised cost	**319,241**	339,628

Financial risk management objectives and policies

The Group's major financial instruments include bank deposits, bank balances and cash, Deferred Consideration, loans receivable, trade debtors, other debtors, investments at fair value through profit or loss, investments in debt instruments, amounts due from associates, creditors and accrued charges, other payables and lease liabilities. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and 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.

33. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Currency risk

During the current year, the Group has utilized the bank deposits (details set out in note 25) to invest in debt instruments which are denominated in RMB and over 95% of investments in debt instruments (note 18) as at 31 December 2022 are denominated in RMB.

On the other hand, certain subsidiaries of the Group have foreign currency sales and purchases. The Group is therefore exposed to foreign currency risk. In addition, certain debtors, bank deposits, bank balances, creditors and accrued charges are denominated in currencies other than the functional currency of the respective group entities. The Group currently does not have a foreign currency hedging policy. However, management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the Group's major foreign currency denominated monetary assets and monetary liabilities against their functional currency at the end of the reporting period are as follows:

	Assets		**Liabilities**	
	2022	2021	**2022**	2021
	HK$'000	HK$'000	**HK$'000**	HK$'000
Renminbi ("RMB")	**730,183**	803,777	**22**	22
United States Dollars ("USD")	**60,348**	41,776	**9,257**	16,396
Sterling Pound ("GBP")	**5,720**	6,910	**539**	653
New Taiwan Dollars ("NTD")	**1,263**	1,402	**20**	64

At 31 December 2022, the carrying amounts of inter-company balances (assets) of certain group entities which were denominated in HKD (against RMB) is HK$169,826,000 (2021: HK$169,530,000).

The directors of the Company expect the foreign exchange exposure on USD against HKD to be minimal because HKD is pegged with USD under the Linked Exchange Rate System. Accordingly, no sensitivity analysis is presented for it.

33. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Currency risk *(Continued)*

Sensitivity analysis

The following table details the Group's sensitivity to a 10% (2021: 10%) increase and decrease in relevant foreign currencies against the functional currency of the relevant group entities. 10% (2021: 10%) is the sensitivity rate used that represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 10% (2021: 10%) change in foreign currency rates. A positive number below indicates a decrease in post-tax loss for the year where relevant currencies strengthen 10% (2021: 10%) against the functional currency of the relevant group entities. For a 10% (2021: 10%) weakening of relevant currencies against the functional currency of the relevant group entities, there would be an equal and opposite impact on the result.

	Profit or loss	
	2022	2021
	HK$'000	HK$'000
RMB against HKD	**60,968**	67,114
NTD against HKD	**104**	112
GBP against HKD	**433**	522
HKD against RMB	**14,180**	14,156

In the management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate loans receivable and bank balances as at 31 December 2022 (see notes 17 and 25 for details). It is the Group's policy to keep its loans receivable at floating rate of interest so as to minimise the fair value interest rate risk.

The Group is exposed to fair value interest rate risk in relation to fixed-rate Deferred Consideration, loans receivable, investments in debt instruments, bank deposits, time deposits placed with banks and lease liabilities (see notes 16, 17, 18, 25 and 28 for details). The Group has not used any derivative contracts to hedge this exposure to interest rate risk.

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

33. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Interest rate risk *(Continued)*

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for the variable rate loans receivables at the end of the reporting period. The analysis is prepared assuming the amounts of loans receivable outstanding at the end of the reporting period were outstanding for the whole year. A 200 basis points (2021: 100 basis points) increase or decrease represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 200 basis points (2021: 100 basis points) higher/lower and all other variables were held constant, the Group's post-tax loss for the year ended 31 December 2022 would decrease/increase by HK$800,000 (2021: HK$635,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate loans receivable.

Equity price risk

The Group is exposed to potential loss in market value resulting from an adverse change in prices through its investments at fair value through profit or loss. Management manages this exposure by closely monitoring the performance of the investments and market conditions. Management will consider diversifying the portfolio of investments as they consider appropriate. The Group's stock portfolio mainly comprise of blue chip companies which allows the Group to increase the return of the funds. At 31 December 2022, the largest equity investment within the Group's portfolio is a leading telecommunication service provider in the PRC which accounts for over 60% of the carrying amount of investments at fair value through profit or loss.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to equity price risks for investments at fair value through profit or loss at the end of the reporting period.

If the prices of the respective equity instruments had been 20% (2021: 10%) higher/lower, the Group's post-tax loss for the year ended 31 December 2022 would decrease/increase by HK$34,093,000 (2021: HK$2,677,000) as a result of the changes in fair value of investments at fair value through profit or loss.

In the management's opinion, the above sensitivity analysis is unrepresentative of the inherent risk as the year end exposure does not reflect the exposure during the year.

33. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. The Group's credit risk exposures are primarily attributable to Deferred Consideration, loans receivable, trade debtors, contract assets, other debtors, bank deposits and bank balances and loan commitment. The Group does not hold any collateral or other credit enhancements to cover its credit risk associated with its financial assets, contract assets and loan commitment, except that the credit risks associated with certain loan receivables and Deferred Consideration is mitigated through obtaining collaterals from the counterparties.

The Group performed impairment assessment for financial assets and other items under ECL model. Information about the Group's credit risk management, maximum credit risk exposures and the related impairment assessment, if applicable, are summarised as below.

Impairment assessment on financial assets and other items subject to ECL model

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

Internal credit rating	Description	Trade debtors/ contract assets	Other financial assets/other items
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL – not credit-impaired	12m ECL
Medium risk	Debtor frequently repays after due dates but usually settle in full	Lifetime ECL – not credit-impaired	12m ECL
High risk	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	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

33. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

Impairment assessment on financial assets and other items subject to ECL model (Continued)

The tables below details the credit risk exposure of the Group's financial assets and other items which are subject to ECL assessment:

	Notes	External credit rating	Internal credit rating	12m or lifetime ECL	Gross amount 2022 HK$'000	Gross amount 2021 HK$'000
Financial assets at amortised cost						
Trade debtors from contracts with customers	22	N/A	(note i)	Lifetime ECL (assessed individually and collectively)		
			High risk		**874**	772
			Medium risk		**7,851**	13,497
			Low risk		**30,952**	47,344
					39,677	61,613
	22	N/A	Loss	Lifetime ECL (credit-impaired and assessed individually)	**2,377**	1,561
Deferred Consideration (note ii)	16	N/A	Loss	Lifetime ECL (credit-impaired and assessed individually)	**1,590,971**	1,723,791
Loans receivable	17	N/A	Low risk	12m ECL (assessed individually)	**27,000**	50,500
	17	N/A	High risk	Lifetime ECL (not credit-impaired and assessed individually)	**13,024**	12,992
Investments in debt instruments	18	Aa3 – A2	N/A	12m ECL (assessed individually)	**528,302**	33,044
Other debtors	22	N/A	Low risk	12m ECL (assessed individually)	**20,597**	16,959
Amounts due from associates	24	N/A	Low risk	12m ECL (assessed individually)	**83**	66
Bank deposits and bank balances and cash	25	Aa2 to Baa3	N/A	12m ECL (assessed individually)	**515,554**	1,214,650
Other items						
Contract assets	21	N/A	(note i)	Lifetime ECL (assessed individually and collectively) – Low risk	**72,656**	84,863
Loan commitment	17	N/A	(note iii)	12m ECL (assessed individually)	**73,000**	99,500

33. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

Impairment assessment on financial assets and other items subject to ECL model (Continued)

Notes:

(i) For trade debtors and contract assets, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECL on these items individually by reference to past default experience and current past due exposure of the debtor, and an analysis of the debtor's current financial position. The Group also assessed the ECL collectively for which debtors are grouped based on shared credit risk characteristics for assessment of potential increase in credit risk on a collective basis taking into consideration of forward-looking information that is available without undue costs or effort.

(ii) The gross amount of the Deferred Consideration (i.e. without taking account of the collateral) of HK$1,735,194,000 (2021: HK$1,895,653,000) is used for the purpose of ECL assessment.

(iii) For the loan commitment, the gross carrying amount represents the maximum undrawn amount the Group has committed under the relevant loan facility agreements as set out in note 17.

The estimated loss rates are estimated based on historical credit loss experience of the debtors and forward-looking information (for example, the economic growth rates which reflect the general economic conditions of the industry in which the debtors operate) that is available without undue cost or effort or proxy to loss rates published by international credit-rating agencies. Such forward-looking information is used by the management of the Group to assess both the current as well as the forecast direction of conditions at the reporting date. The internal credit rating categories are regularly reviewed by the management of the Group to ensure relevant information about specific debtors is updated.

Investments in debt instruments

The Group has utilized its idle cash to invest in fixed income instruments. The Group only invests in bonds with investment grade assigned by internationally recognised credit rating agencies and/or issued by reputable companies or issuers with stable industry outlook. These issuers of the bonds are largest property companies in Hong Kong, global leading financial institutions as well as an entity owned by the Hong Kong Government. As such, there has been no significant increase in credit risk since initial recognition and the ECL is considered to be negligible.

33. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

Impairment assessment on financial assets and other items subject to ECL model (Continued)

Deposits placed with banks

The Group only placed deposits in reputable banks with high credit ratings assigned by the international rating agencies. The Group's bank deposits and bank balances are mainly deposited with banks in Hong Kong and the PRC. The Group had concentration of credit risk as 62% and 37% (2021: 86% and 13%) of the total bank balances as at 31 December 2022 was placed in the banks in Hong Kong and the PRC respectively.

At the end of the reporting period, the Group performed impairment assessment on bank deposits and bank balances by reference to probability of default and loss given default by credit rating grades published by international credit-rating agencies and concluded that ECL is insignificant.

Deferred Consideration

The Counterparty is engaged in the provision of construction services to property developers and property development business in the PRC. Starting from the second half of the financial year 2021, defaults by certain leaders in the PRC real estate market has affected the market demand and market price of the properties held by many property developers and increased the difficulty in obtaining financing for daily operation by them, which has resulted in liquidity problems of many industry players in this market, and the Counterparty is of no exception. During the current year, such situation continues and the records of defaults by PRC property developer companies have been increasing. The Group has reduced the credit risk exposure of the credit-impaired Deferred Consideration amount through negotiation with the Counterparty for additional collaterals, with the objective to increase the possibility of recovery of the receivable amount. The additional collaterals negotiated from the Counterparty include cash security of HK$200,000,000 and certain properties, as described in note 16. On these bases, the management made the best estimate of the present value of the amount to be recovered by estimating amount and timing of cash flows expected to be recovered from foreclosures on the pledged properties. During such process, the management has also taken into account quantitative and qualitative information that are specific to the Counterparty, including macroeconomic factors which are relevant to the expected cash flows derived from the pledged properties that could have an impact to the Counterparty's ability to fulfill its repayment obligations, as well as forward-looking information (including inflation rate and unemployment rate in the PRC) that is reasonably and supportably available to the management of the Group without undue costs or effort, in order to determine the best estimation of the amounts that could be recovered. The reversal of expected credit loss of Deferred Consideration during the current year mainly arose from decrease in loss given default as a result of the expected recovery from the additional securities as described above (2021: additional provision due to increase in loss rate as a result of significant financial difficulty faced by the Counterparty).

33. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

Impairment assessment on financial assets and other items subject to ECL model (Continued)

Deferred Consideration *(Continued)*

The movement in the allowance for impairment in respect of the Deferred Consideration during the year was as follows:

	12m ECL	Lifetime ECL (credit-impaired)	Total
	HK$'000	HK$'000	HK$'000
At 1 January 2021	116,965	–	116,965
Changes due to financial instruments recognised as at 1 January 2021:			
– Impairment losses reversed	(16,599)	–	(16,599)
– Impairment losses recognised	–	1,336,866	1,336,866
Transfers	(100,366)	100,366	–
Currency realignment	–	3,430	3,430
At 31 December 2021	–	1,440,662	1,440,662
Changes due to financial instruments recognised as at 1 January 2022:			
– Impairment losses reversed	–	(58,900)	(58,900)
Currency realignment	–	(119,407)	(119,407)
At 31 December 2022	–	1,262,355	1,262,355

Trade debtors and contract assets

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. The management closely monitors the subsequent settlement of the debts and does not grant long credit period to customers. The Group applies simplified approach on trade debtors and contract assets to provide for ECL prescribed by HKFRS 9.

The Group had concentration of credit risk as 69% (2021: 63%) of the total trade debtors as at 31 December 2022 was due from the Group's five largest trade debtors. The Group's five largest trade debtors are multi-national companies or well-established corporations. In order to minimise the credit risk of those receivables, the management closely monitored the recoverability of the amounts due. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

33. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

Impairment assessment on financial assets and other items subject to ECL model (Continued)

Trade debtors and contract assets *(Continued)*

The following table shows the movement in lifetime ECL that has been recognised for trade debtors under the simplified approach.

	Lifetime ECL (not credit-impaired) HK$'000	Lifetime ECL (credit-impaired) HK$'000	Total HK$'000
At 1 January 2021	240	11,355	11,595
Changes due to financial assets recognised as at 1 January 2021:			
– Transfer to lifetime ECL (credit-impaired)	(50)	50	–
– Amounts written off (note)	–	(10,628)	(10,628)
– Impairment losses reversed	(190)	(732)	(922)
– Impairment losses recognised	–	258	258
New financial assets originated	213	–	213
At 31 December 2021	213	303	516
Changes due to financial assets recognised as at 1 January 2022:			
– Transfer to lifetime ECL (credit-impaired)	(10)	10	–
– Impairment losses reversed	(202)	(61)	(263)
– Impairment losses recognised	–	904	904
New financial assets originated	119	621	740
At 31 December 2022	120	1,777	1,897

Note: During the year ended 31 December 2022, the Group reassessed the impaired receivables and considered that there is no realistic prospect of recovery, the relevant receivables of HK$nil (2021: HK$10,628,000) were written off accordingly.

The changes in lifetime ECL recognised for contract assets (not credit-impaired) during the current year is explained by impairment recognised for contract assets newly originated during the year net with the reversals of impairment for contract assets recognised at the beginning of the year of HK$209,000 (2021: impairment losses for contract assets of HK$199,000).

33. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

Impairment assessment on financial assets and other items subject to ECL model (Continued)

Loans receivable and loan commitment

The largest loans receivable and the related loan commitment as at 31 December 2022 was related to the same borrower. The remaining loans receivable was secured by assets provided by the borrowers. In order to minimise the credit risk, prior to advancing the loans or renegotiation of loan terms, the management of the Group closely evaluates the borrower's financial background and repayment abilities. The assessment is based on a close monitoring and evaluation of the collectability of each outstanding amount and the past collection history, to the extent available. The quality of the collateral has not deteriorated during the current year. The Group requested for additional security for the renegotiation of the loan receivables. The estimated realisable amount from the collaterals are considered in the loss given default for measurement of ECL and ECL amounting to HK$5,433,000 (2021: HK$6,655,000) has been provided.

The movement in the allowance for impairment in respect of loans receivable and loan commitment during the current year was as follows:

	12m ECL HK$'000	Lifetime ECL (not credit-impaired) HK$'000	Total HK$'000
At 1 January 2021	2,290	3,766	6,056
Changes due to financial instruments recognised as at 1 January 2021:			
– Impairment losses reversed	(577)	–	(577)
– Impairment losses recognised	718	458	1,176
At 31 December 2021	2,431	4,224	6,655
Changes due to financial instruments recognised as at 1 January 2022:			
– Impairment losses reversed	(1,869)	(250)	(2,119)
– Impairment losses recognised	897	–	897
At 31 December 2022	1,459	3,974	5,433

33. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

Impairment assessment on financial assets and other items subject to ECL model (Continued)

Other debtors

The Group has taken into account the economic outlook of the industries in which the debtors operate, and concluded that there has been no significant increase in credit risk since initial recognition. The ECL on other debtors is considered to be insignificant.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities and lease liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities, lease liabilities and accrued charges including provision for performance related incentive payments based on the earliest date on which the Group can be required to settle. The table includes both interest and principal cash flows.

Liquidity risk tables

	Weighted average effective interest rate %	On demand and less than 1 month HK$'000	1-3 months HK$'000	3 months to 1 year HK$'000	1 year to 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
2022							
Creditors and accrued charges	–	164,240	29,041	15,964	3,800	213,045	212,746
Other payables	–	201,000	–	–	–	201,000	201,000
Lease liabilities	4.30	50	413	1,857	5,825	8,145	7,561
		365,290	29,454	17,821	9,625	422,190	421,307
2021							
Creditors and accrued charges	–	110,674	36,339	25,273	47,179	219,465	213,638
Other payables	–	201,000	–	–	–	201,000	201,000
Lease liabilities	4.75	755	1,512	6,795	–	9,062	8,984
		312,429	37,851	32,068	47,179	429,527	423,622

Fair value measurements of financial instruments

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined. In particular, the valuation technique and inputs used, as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

33. FINANCIAL INSTRUMENTS *(Continued)*

Fair value measurements of financial instruments *(Continued)*

In estimating the fair value of an asset or a liability, where Level 1 inputs are not available, the management of the Group work closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. Information about the valuation techniques and inputs used in determining the fair value of various assets are disclosed below.

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of investments at fair value through profit or loss (listed in Hong Kong) are determined with reference to the quoted market bid prices available on the Stock Exchange; and

- the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

Fair value of the Group's financial assets and liabilities that are not measured at fair value on a recurring basis

The directors of the Company consider that the carrying amounts of the gross carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their fair values.

34. RETIREMENT BENEFITS SCHEMES/SHARE OPTION SCHEME

(a) Since 1 December 2000, the Group has operated pension schemes under the rules and regulations of the Mandatory Provident Fund Schemes Ordinance for all qualifying employees in Hong Kong. The assets of the MPF Scheme are held separately in an independently managed fund. The Group has followed the minimum statutory contribution requirements of 5% of eligible employees' relevant aggregate income with a maximum monthly contribution of HK$1,500 per person. The contributions are charged to profit or loss as incurred. The Group's liability is limited to the monthly contributions to the fund. The Group's contributions to MPF Scheme for its employees are fully and immediately vested in the employees once the contributions are made. Accordingly, there are no forfeited contribution under the MPF Scheme that may be used by the Group to reduce the existing level of contribution.

The relevant PRC subsidiaries are required to make contributions to the state-managed schemes in the PRC based on a certain percentage of the monthly salaries of their current employees to fund the benefits. The employees are entitled to retirement pension calculated with reference to their basic salaries on retirement and their length of service in accordance with the relevant government regulations.

The total cost of HK$1,607,000 (2021: HK$1,655,000) recognised to profit or loss represents contributions payable to these schemes by the Group in respect of current year.

34. RETIREMENT BENEFITS SCHEMES/SHARE OPTION SCHEME *(Continued)*

(b) Pursuant to the Employment Ordinance, Chapter 57, the Group has the obligation to pay Long Service Payment ("LSP") to qualifying employees in Hong Kong upon retirement, subject to a minimum of 5 years employment period, based on the following formula: Last monthly wages (before termination of employment) × 2/3 × Years of service.

Last monthly wages are capped at HK$22,500 while the amount of long service payment shall not exceed HK$390,000. This obligation is accounted for as a post-employment defined benefit plan.

Furthermore, the Mandatory Provident Fund Schemes Ordinance passed in 1995 permits the Group to utilise the Group's mandatory MPF contributions, plus/minus any positive/negative returns thereof (collectively, the "Eligible Offset Amount"), for the purpose of offsetting LSP payable to an employee (the "Offsetting Arrangement'). The LSP obligation, if any, is presented on a net basis.

The Employment & Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 was gazetted on 17 June 2022, which will eventually abolish the Offsetting Arrangement. The Amendment will come into effect prospectively from a date to be determined by the Hong Kong SAR Government, which is expected to be in 2025 (the "Transition Date"). Under the amended Ordinance, the Eligible Offset Amount after the Transition Date can only be applied to offset the pre-Transition Date LSP obligation but no longer eligible to offset the post-Transition Date LSP obligation. Furthermore, the LSP obligations before the Transition Date will be grandfathered and calculated based on the Last monthly wages immediately preceding the Transition Date.

(c) The Company's share option scheme (the "Scheme") come into effect from 12 June 2015 for the primary purpose of providing incentives and rewards to any employees (whether full time or part time), executives or officers of the Company or any of the subsidiaries (including executive and non-executive directors) and any business consultants, agents, financial or legal advisers who will contribute or have contributed to the Company or any of the subsidiaries for their contributions to the Company or such subsidiaries.

The number of shares available for issue under the Scheme was 39,395,340 shares representing 10% of the issued share capital at 31 December 2022. The maximum number of shares issuable under the Scheme to each participant in any 12-month period up to the date of grant shall not exceed 1% of the shares unless it is approved by shareholders in a general meeting of the Company. Any share options granted a substantial shareholder or an independent non-executive director of the Company or to any of their associates, in excess of 0.1% of the shares in issue and with an aggregate value (based on the closing price of the shares at the date of the grant) in excess of HK$5,000,000, in any 12-month period, are subject to shareholders' approval in general meeting of the Company.

34. RETIREMENT BENEFITS SCHEMES/SHARE OPTION SCHEME *(Continued)*

(c) *(Continued)*

The period during which an option may be exercised will be determined by the Board at its absolute discretion, save that no option may be exercised more than 10 years after it has been granted. There is no general requirement that an option must be held for any minimum period before it can be exercised but the board of directors of the Company is empowered to impose as its discretion any such minimum period at the time of grant of any particular option.

HK$1.00 is payable by each eligible participant to the Company on acceptance of the option on or before the 30th day after the option is offered. The exercise price must be at least the higher of (i) the closing price of the share as stated in the Stock Exchange's daily quotations sheet on the date of grant which must be a business day; (ii) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotations sheet for the five business days immediately preceding the date of grant; and (iii) the nominal value of a share.

The Scheme will expire at the close of business of 12 June 2025. No share option has been granted pursuant to the Scheme since its adoption by the Company up to 31 December 2022.

35. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Bank borrowings HK$'000	**Other payables** HK$'000	**Lease liabilities** HK$'000	**Dividend payables** HK$'000
At 1 January 2021	–	–	8,393	–
Financing cash flows	–	201,000	(8,502)	(12,794)
Recognition of lease liabilities	–	–	8,838	–
Currency realignment	–	–	18	–
Dividends declared	–	–	–	12,794
Interest expenses	–	–	237	–
At 31 December 2021	–	201,000	8,984	–
Financing cash flows	(335)	–	(8,689)	(12,781)
Recognition of lease liabilities	–	–	7,561	–
Currency realignment	–	–	(530)	–
Dividends declared	–	–	–	12,781
Interest expenses	335	–	235	–
At 31 December 2022	–	201,000	7,561	–

36. ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT THROUGH ACQUISITION OF A SUBSIDIARY

During the prior year, the Group acquired from an independent third party the entire equity interest in Billion Chart Limited, which is engaged in property holding, at a total cash consideration of HK$35,500,000, and such acquisition is accounted for as an asset acquisition.

Assets recognised at date of acquisition:

	HK$'000
Property, plant and equipment	35,462
Prepayments	38
	35,500

37. PRINCIPAL SUBSIDIARIES

Details of the principal subsidiaries as at 31 December 2022 and 2021 are as follows:

Name of subsidiary	Place of incorporation/ registration	Issued and fully paid up ordinary share capital/ registered capital	Proportion of ownership interest attributable to the Company		Principal activities
			2022 **%**	2021 %	
ATNT Global Investments Company Limited	Hong Kong	HK$2	**100**	100	Securities trading
ATNT Group Management Limited	Hong Kong	HK$2	**100**	100	Management services
Billion Chart Limited	Hong Kong	HK$1	**100**	100	Property holding
台灣亞洲自動化設備股份有限公司	Taiwan	TWD10,000,000	**100**	100	Installation of electroplating machines and after sale services
Palcon International Limited	British Virgin Islands*	US$100	**60**	60	Investment holding
PAL Control Sdn. Bhd.	Malaysia	MYR2	**60**	60	Software development
PAL Finance Limited	Hong Kong	HK$2	**100**	100	Money lending
PAL Surface Treatment Systems Limited	Hong Kong	HK$10,000	**100**	100	Sales of electroplating machines and spare parts
Process Automation (BVI) Limited	British Virgin Islands*	HK$110,000	**100#**	100#	Investment holding

37. PRINCIPAL SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation/ registration	Issued and fully paid up ordinary share capital/ registered capital	Proportion of ownership interest attributable to the Company		Principal activities
			2022 %	2021 %	
Process Automation (China) Limited 寶盈科技(深圳)有限公司 (Wholly foreign-owned enterprise ("WFOE"))	PRC	HK$8,500,000	**100**	100	Design, manufacture and sales of electroplating machines
Process Automation International Limited ("PAIL")	Hong Kong	HK$2 (note)	**100**	100	Design, manufacture and sales of electroplating machines
Process Automation (Shenzhen) Limited 寶龍自動機械(深圳)有限公司 (WFOE)	PRC	HK$18,000,000	**100**	100	Design, manufacture and sales of electroplating machines
Rich Town Properties Limited	British Virgin Islands*	US$2	**100**	100	Property investment

* The subsidiaries operate in Hong Kong. The remaining subsidiaries operate in their places of incorporation.

The proportion of ownership interest is directly attributable to the Company. The proportion of ownership interest attributable to remaining subsidiaries are indirectly attributable to the Company.

Note: At 31 December 2022, PAIL had outstanding 11,000,000 non-voting deferred shares of HK$1 each which were held by Process Automation (BVI) Limited. The deferred shares carry no rights to dividends or to receive notice of or to attend or vote at any general meeting of PAIL and practically carry no rights to participate in any distribution on winding up.

None of the subsidiaries had any debt securities outstanding at the end of the year.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

38. NON-CASH TRANSACTIONS

(a) Right-of-use assets and lease liabilities are recognised upon entering into of new leases and renewal of lease agreement as disclosed in note 14.

(b) During the year ended 31 December 2021, the Group has acquired certain debt instruments with a consideration of HK$12,201,000 of which the settlement is not yet due at the end of the reporting period, and is recorded as liabilities under creditors and accrued charges at 31 December 2021 by applying trade date accounting for financial instruments.

39. RELATED PARTY TRANSACTIONS

Details of outstanding balances with associates are set out in notes 22 and 24.

During the year, the Group had entered into the following transactions with related parties:

	2022 HK$'000	2021 HK$'000
Associates		
Trade sales and services rendered	**2,627**	2,991
Trade purchases	**5**	–
KTFG and its subsidiaries (note i)		
Commission expense and other securities dealing expenses	**1,715**	24
Interest income	**1,390**	2,445
Handling fee income	**240**	–
BioEm Air Sanitizing Technology Company Limited (note ii)		
Management fee income	**316**	496
Other expenses	**74**	69
Asia Oasis Limited (note ii)		
Management fee income	**252**	230
Other expenses	**–**	4
Aegis Intelligent Photocatalyst Technology Limited (note ii)		
Management fee income	**140**	92
Other expenses	**2**	–

Note i: The Group has appointed KTFG as a broker for dealing with the securities investments. The Group has placed deposits with the broker with the year end balance amounting to HK$933,000 (2021: HK$177,000) (note 22).

Note ii: Mr. Lam Kwok Hing, an executive director and the ultimate controlling shareholder of the Company, indirectly holds 68.75% interest in these companies and acts as their directors.

39. RELATED PARTY TRANSACTIONS *(Continued)*

The remuneration of directors and other members of key management of the Group during the year is as follows:

	2022 **HK$'000**	2021 HK$'000
Payments for salaries and other short-term employee benefits	**45,712**	33,712
Retirement benefits costs	**126**	126
	45,838	33,838

In addition, the details of the performance incentive payments to the executive directors are set out in note 10.

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trend, and the terms of the relevant services contracts.

40. EVENTS AFTER THE REPORTING PERIOD

Subsequent to 31 December 2022, the Group has acquired bond investments with investment grade and/or issued by largest property companies in Hong Kong, global financial institutions and Hong Kong government entities at an aggregate consideration of HK$250,856,000.

41. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

Statement of financial position

	2022 HK$'000	2021 HK$'000
Non-current assets		
Interests in subsidiaries	**47,286**	60,902
Amounts due from subsidiaries	**21,040**	163,225
	68,326	224,127
Current assets		
Amounts due from subsidiaries	**83,533**	66,216
Amounts due from associates	**83**	66
Other debtors and prepayments	**154**	60
Bank balances	**1,520**	1,725
	85,290	68,067
Current liabilities		
Creditors and accrued charges	**28,547**	13,406
Amounts due to subsidiaries	**12,062**	64,938
	40,609	78,344
Net current assets (liabilities)	**44,681**	(10,277)
Total assets less current liabilities	**113,007**	213,850
Capital and reserves		
Share capital	**3,940**	4,265
Reserves	**109,067**	176,329
Total equity	**113,007**	180,594
Non-current liability		
Accrued charges	**–**	33,256
	113,007	213,850

41. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY *(Continued)*

Movement of the Company's reserves

	Share premium HK$'000	Contributed surplus HK$'000	(Accumulated losses) retained profits HK$'000	Total HK$'000
At 1 January 2021	28,500	78,447	(65,802)	41,145
Profit and total comprehensive income for the year	–	–	147,978	147,978
Dividends (note 12)	–	–	(12,794)	(12,794)
At 31 December 2021	28,500	78,447	69,382	176,329
Loss and total comprehensive expenses for the year	–	–	(20,740)	(20,740)
Repurchase of shares	(2,173)	(31,568)	–	(33,741)
Dividends (note 12)	–	–	(12,781)	(12,781)
At 31 December 2022	26,327	46,879	35,861	109,067

Financial Summary

RESULTS

	Year ended 31 December				
	2018 HK$'000	2019 HK$'000	2020 HK$'000	2021 HK$'000	**2022 HK$'000**
Revenue	342,750	357,698	335,097	364,634	**319,673**
Profit (loss) for the year attributable to:					
Owners of the Company	84,513	614,056	138,772	(838,547)	**(32,727)**
Non-controlling interests	(44)	(757)	1,422	(53)	**(89)**
	84,469	613,299	140,194	(838,600)	**(32,816)**

ASSETS AND LIABILITIES

	At 31 December				
	2018 HK$'000	2019 HK$'000	2020 HK$'000	2021 HK$'000	**2022 HK$'000**
Total assets	1,905,474	2,675,656	2,869,557	1,875,930	**1,810,835**
Total liabilities	(626,275)	(814,116)	(756,274)	(556,696)	**(626,590)**
	1,279,199	1,861,540	2,113,283	1,319,234	**1,184,245**
Equity attributable to owners of the Company	1,278,693	1,862,691	2,113,226	1,319,202	**1,184,249**
Non-controlling interests	506	(1,151)	57	32	**(4)**
	1,279,199	1,861,540	2,113,283	1,319,234	**1,184,245**

Note: In 2019, the Group has applied HKFRS 16 and other related amendments to HKFRSs. The comparative information for the year ended 31 December 2018 have not been restated on initial application of HKFRS 16.