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NET-A-GO TECHNOLOGY COMPANY LIMITED

網譽科技有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 1483)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2023

RESULTS

The Board of Directors announces the consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2023 together with the comparative figures for the immediately preceding year as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2023

		Year ended 31 December	
		2023	2022
	Note	HK\$'000	HK\$'000
Revenue	4	205,314	262,271
Cost of revenue	5	(182,350)	(214,414)
Gross profit		22,964	47,857
General and administrative expenses	5	(50,085)	(191,498)
Net impairment loss on financial assets and contract assets	5	(15,392)	(12,474)
Other income	7	709	9,869
Other loss – net	7	(7,527)	(18,383)
Operating loss		(49,331)	(164,629)
Finance income		4,343	2,096
Finance costs		(351)	(642)
Finance income – net		3,992	1,454
Loss before income tax		(45,339)	(163,175)
Income tax credit	6	5,207	3,223
Loss for the year		(40,132)	(159,952)

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(CONTINUED)**

FOR THE YEAR ENDED 31 DECEMBER 2023

		Year ended 31 December	
		2023	2022
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Other comprehensive loss			
<i>Items that may be reclassified to profit or loss</i>			
Currency translation differences		<u>(3,401)</u>	<u>(29,038)</u>
Total comprehensive loss for the year		<u>(43,533)</u>	<u>(188,990)</u>
Loss attributable to:			
Equity holders of the Company		(34,845)	(157,410)
Non-controlling interests		<u>(5,287)</u>	<u>(2,542)</u>
		<u>(40,132)</u>	<u>(159,952)</u>
Total comprehensive loss attributable to:			
Equity holders of the Company		(36,829)	(177,211)
Non-controlling interests		<u>(6,704)</u>	<u>(11,779)</u>
		<u>(43,533)</u>	<u>(188,990)</u>
Loss per share for loss attributable to the ordinary equity holders of the Company (expressed in Hong Kong cents per share)			
Basic	<i>8(a)</i>	(5 cents)	(20 cents)
Diluted	<i>8(b)</i>	(5 cents)	(20 cents)

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2023

		As at 31 December	
		2023	2022
	Note	HK\$'000	HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment		18,687	37,341
Investment properties		72,500	79,932
Right-of-use assets		3,363	2,672
Intangible assets	12	26,812	35,594
Restricted cash		2,152	2,369
Non-current deposits		–	470
Contract assets	4	16,358	18,062
Deferred income tax assets		550	5
		<u>140,422</u>	<u>176,445</u>
Total non-current assets		140,422	176,445
Current assets			
Financial assets at fair value through profit or loss		28,848	185,699
Inventories		4,070	19,446
Trade receivables, net	10	152,833	186,468
Deposits, prepayments and other receivables		17,096	31,979
Restricted cash		1	9
Cash and cash equivalents		245,234	81,911
		<u>448,082</u>	<u>505,512</u>
Total current assets		448,082	505,512
Total assets		<u>588,504</u>	<u>681,957</u>
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		7,950	7,950
Share premium		628,837	628,837
Reserves		(291,148)	(256,156)
		<u>345,639</u>	<u>380,631</u>
Non-controlling interests		<u>85,403</u>	<u>92,107</u>
		<u>431,042</u>	<u>472,738</u>

CONSOLIDATED BALANCE SHEET (CONTINUED)
AS AT 31 DECEMBER 2023

		As at 31 December	
		2023	2022
	<i>Note</i>	HK\$'000	<i>HK\$'000</i>
LIABILITIES			
Non-current liabilities			
Lease liabilities		1,898	1,820
Deposits received		340	412
Deferred income tax liabilities		24,281	32,958
		<hr/>	<hr/>
Total non-current liabilities		26,519	35,190
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Current liabilities			
Bank borrowings		–	11,195
Trade payables	<i>11</i>	20,528	44,149
Accruals, provisions and other payables		40,563	46,526
Deposits received		806	2,812
Consideration payable		58,530	59,604
Lease liabilities		1,820	1,096
Current income tax liabilities		8,696	8,647
		<hr/>	<hr/>
Total current liabilities		130,943	174,029
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Total liabilities		157,462	209,219
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Total equity and liabilities		588,504	681,957
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

Net-a-go Technology Company Limited (the “Company”) was incorporated in the Cayman Islands on 20 June 2013 as an exempted company with limited liability under the Companies Law (2010 Revision) of the Cayman Islands. The address of the Company’s registered office is P.O. Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205, Cayman Islands. The Company’s principal place of business is located at Suite 1201, 1111 King’s Road, Taikoo Shing, Hong Kong.

The Company’s shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

The Company is an investment holding company and its subsidiaries (collectively, the “Group”) are principally engaged in environmental maintenance business, property leasing, trading business and others.

These consolidated financial statements are presented in Hong Kong dollars (“HK\$”) and all values are rounded to the nearest thousand (HK\$’000) unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of directors on 26 March 2024.

2 BASIS OF PREPARATION

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated. The consolidated financial statements are for the Group consisting of Net-a-go Technology Company Limited and its subsidiaries.

The consolidated financial statements of the Company have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the disclosure requirements of the Hong Kong Companies Ordinance. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties and financial assets at fair value through profit or loss, which are carried at fair values.

The preparation of the consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies.

(a) New and amended standards adopted by the Group

The Group has applied the following new and amended standards for the first time for their annual reporting period commencing 1 January 2023:

HKFRS 17	Insurance Contract and the Related Amendments
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules

The new and amended standards listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(b) New and amended standards and interpretation not yet adopted by the Group

Certain new standard, amendments to existing standards and interpretation have been published but are not effective for the financial year beginning on or after 1 January 2023 reporting periods and have not been early adopted by the Group.

		Effective for annual periods beginning on or after
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to HKAS 1	Non-current Liabilities with Covenants	1 January 2024
Amendments to HKFRS 16	Lease Liability in a Sales and Leaseback	1 January 2024
Hong Kong Interpretation 5 (Revised) Presentation of Financial Statements	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements	1 January 2024
Amendments to HKAS 21	Lack of Exchangeability	1 January 2025
Amendments to HIKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

These new, amended standards and interpretations are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions. The Group intends to adopt the above new, amended standards and interpretations when they become effective.

3 SEGMENT INFORMATION

The Chief operating decision maker (“CODM”) has been identified as the executive directors of the Company who review the Group’s internal reporting in order to assess performance and allocate resources. The CODM has determined the operating segments based on these reports.

The Group engaged in four operating segments namely, Environmental maintenance business, Property leasing business, Trading business, and Others. The executive directors of the Company assess the business performance based on a measure of operating results. Information reported to the CODM for the purposes of resources allocation and performance assessment focuses on the operation results of the Group as a whole as the Group’s resources are integrated.

The Group’s reportable segments under HKFRS 8 for continuing operations are as follows:

- (i) Environmental maintenance business
- (ii) Property leasing business
- (iii) Trading business
- (iv) Others

The “Others” business segment mainly consists of the financials of businesses which sells medical devices.

Segment revenue and results

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

	Environmental maintenance business		Property leasing business		Trading business		Others		Total	
	2023 HK\$’000	2022 HK\$’000	2023 HK\$’000	2022 HK\$’000	2023 HK\$’000	2022 HK\$’000	2023 HK\$’000	2022 HK\$’000	2023 HK\$’000	2022 HK\$’000
Segment revenue										
External revenue	161,419	247,348	2,881	3,302	26,981	8,293	14,033	3,328	205,314	262,271
Finance cost	(149)	(379)	–	–	(9)	(74)	(193)	(189)	(351)	(642)
Segment (loss)/profit	(10,053)	(94,750)	(4,206)	(28,402)	(2,281)	65	(3,734)	(26,523)	(20,274)	(149,610)
Finance income									4,343	2,096
Unallocated corporate expenses									(29,408)	(15,661)
Loss before income tax									(45,339)	(163,175)

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment (loss)/profit represents the profit earned or loss incurred by each segment without allocation of central administration costs, directors' emoluments and finance income. This is the measure reported to the CODM for purposes of resources allocation and performance assessment.

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segment:

	Environmental maintenance business		Property leasing business		Trading business		Others		Total	
	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000
Segment assets	203,466	268,283	72,661	80,188	41,548	223,059	22,350	27,216	340,025	598,746
Cash and cash equivalents									245,234	81,911
Deferred income tax assets									550	5
Other unallocated corporate assets									2,695	1,295
Total assets									588,504	681,957
Segment liabilities	49,621	88,599	1,145	1,202	1,412	2,766	8,985	11,829	61,163	104,396
Deferred income tax liabilities									24,281	32,958
Consideration payable									58,530	59,604
Current income tax liabilities									8,696	8,647
Other unallocated liabilities									4,792	3,614
Total liabilities									157,462	209,219

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to operating segments other than certain plant and equipment and right-of-use assets, cash and cash equivalents, certain deposits and prepayment, other receivables and deferred income tax assets.
- all liabilities are allocated to operating segments other than certain deposits received, accruals and other payables, consideration payable, current income tax liabilities and deferred income tax liabilities.

Other segment information

	Environmental maintenance business		Property leasing business		Trading business		Others		Total	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Depreciation of property, plant and equipment and right-of-use assets	11,742	15,182	77	83	770	848	931	957	13,520	17,070
Impairment of goodwill	-	91,701	-	18,357	-	19,054	-	-	-	129,112
Impairment of intangible assets	3,751	2,849	-	-	-	3,511	-	-	3,751	6,360
Impairment of property, plant and equipment	7,212	6,540	-	-	-	-	-	-	7,212	6,540
Amortisation of intangible assets	2,769	3,315	-	-	-	-	2,051	1,412	4,820	4,727
Fair value loss on investment properties	-	-	(6,310)	(12,128)	-	-	-	-	(6,310)	(12,128)
Capital expenditure	1,243	2,367	-	-	-	-	-	-	1,243	2,367

Geographical Information

The Group's operations are located in Hong Kong and Mainland China. Information about the Group's revenue from external customers is presented based on the location of the operations. Information about the Group's non-current assets is presented based on the geographical location of the assets.

	Revenue from external customers		Non-current assets	
	2023	2022	2023	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
- Hong Kong	18,413	2,229	1,353	324
- Mainland China	186,901	260,042	139,069	176,121
Total	205,314	262,271	140,422	176,445

The Group had no inter-segment sales for the year ended 31 December 2022 and 2023.

For the year ended 31 December 2023, there are two (2022: two) external customers which individually contributed to more than 10% of revenue of the Group:

	2023	2022
	HK\$'000	HK\$'000
Customer A	37,865	58,645
Customer B	28,160	29,663

4 REVENUE

An analysis of revenue, which is also the Group's turnover, is as follows:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Environmental maintenance business		
Services income for provision of environmental maintenance services	161,419	247,348
Property leasing business		
Rental income	2,881	3,302
Trading business		
Trading of cosmetic products	19,986	2,157
Trading of frozen meat	6,995	6,064
Dividend and interest income from security trading	–	72
Others		
Sales of medical devices	14,033	3,328
Total revenue	205,314	262,271
Timing of revenue recognition		
– Over time	164,300	250,650
– At a point in time	41,014	11,621
	205,314	262,271

The Group has recognised the following revenue-related contract assets and liabilities:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Contract assets		
Classified under:		
– non-current assets	29,436	29,862
Less: loss allowance	(13,078)	(11,800)
	16,358	18,062

As at 31 December 2023, contract assets were arisen from a service contract with a customer of its environmental maintenance business in which the Group has provided the relevant services with an agreed payment schedule of 8 years. Up to the date of this announcement, the Group has recognised accumulated revenue of HK\$32,626,000 (2022: HK\$32,626,000) in relation to this project. Since the Group has yet to receive audited project report from the customer as at respective year end date, the contract assets have yet to be converted to trade receivables as at 31 December 2023 (2022: Same).

A provision for impairment of the Group's contract assets of HK\$1,451,000 (2022: HK\$12,293,000) was made as at 31 December 2023, based on individual impairment assessment carried out for the customer which showed an impairment indicator.

5 EXPENSES BY NATURE

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Amortisation of intangible assets (<i>Note 12</i>)	4,820	4,727
Auditors' remuneration		
– Audit services	1,550	1,872
– Non-audit services	–	–
Cost of environmental maintenance business	37,434	56,506
Cost of property leasing	252	215
Cost of sales of goods	36,509	9,125
Depreciation – Property, plant and equipment	11,934	15,471
Depreciation – Right-of-use assets	1,586	1,599
Employee benefits expenses	107,867	144,878
Legal and professional fee	1,884	1,887
Motor car expenses	3,133	3,276
Expenses relating to short-term leases	1,334	1,535
Net impairment loss on financial assets and contract assets	15,392	12,474
Share-based payment expenses	2,156	5,883
Transportation charges	1,664	3,826
Utilities expenses	1,805	2,253
Impairment of property, plant and equipment	7,212	6,540
Impairment of intangible assets (<i>Note 12</i>)	3,751	6,360
Impairment of goodwill (<i>Note 12</i>)	–	129,112
Others	7,544	10,847
	<u>247,827</u>	<u>418,386</u>
Representing:		
Cost of revenue	182,350	214,414
General and administrative expenses	50,085	191,498
Net impairment loss on financial assets and contract assets	<u>15,392</u>	<u>12,474</u>
	<u>247,827</u>	<u>418,386</u>

6 INCOME TAX CREDIT

The amount of income tax credit recognised in the consolidated statement of comprehensive income represents:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Current income tax		
Hong Kong profit tax	–	–
PRC enterprise income tax	3,526	5,488
Deferred income tax credit	<u>(8,733)</u>	<u>(8,711)</u>
Income tax credit	<u><u>(5,207)</u></u>	<u><u>(3,223)</u></u>

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

The Group is eligible to nominate one Hong Kong incorporated entity in the Group to be chargeable at the two tiered profits tax rates, whereby profits tax will be chargeable on the first HK\$2 million of assessable profits at 8.25% and assessable profits above the threshold will be subject to a rate of 16.5% Hong Kong profits tax of other Hong Kong incorporated entities in the Group has been provided for at the rate of 16.5% (2022: 16.5%) on the estimated assessable profits.

No provision for Hong Kong profits tax has been made as the Group has no assessable profit arisen from Hong Kong for the year (2022: Same). The applicable corporate income tax rate for the Group's PRC subsidiaries is 25% on the estimated assessable profits.

The tax on the Group's loss before income tax differs than the theoretical amount that would arise using the PRC statutory tax rate applicable to profits of the consolidated entities as follows:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Loss before income tax	<u>(45,339)</u>	<u>(163,175)</u>
Tax calculated at PRC statutory income tax rate of 25% (2022: 25%)	(11,335)	(40,794)
Effect of different tax rate of operations on other jurisdictions	935	1,187
Tax effects of:		
Income not subject to tax	(478)	(3,129)
Expenses not deductible for tax purposes	411	37,637
Deferred tax not recognised for tax losses	5,348	2,387
Utilisation of previously unrecognised tax losses	<u>(88)</u>	<u>(511)</u>
	<u><u>(5,207)</u></u>	<u><u>(3,223)</u></u>

7 OTHER INCOME AND OTHER LOSS – NET

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Other income		
Refund of consideration payable	–	6,447
Compensation income	–	2,144
Miscellaneous income	<u>709</u>	<u>1,278</u>
	<u>709</u>	<u>9,869</u>
Other loss – net		
Fair value gain/(loss) upon disposal of financial assets at fair value through profit or loss	2,312	(2,884)
Fair value loss of financial assets at fair value through profit or loss	(4,573)	(2,692)
Foreign exchange gain/(loss), net	1,178	(534)
Fair value loss on investment properties	(6,310)	(12,128)
Loss on disposal of property, plant and equipment	<u>(134)</u>	<u>(145)</u>
	<u>(7,527)</u>	<u>(18,383)</u>

8 LOSS PER SHARE

(a) Basic

Basic loss per share is calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Loss attributable to the ordinary equity holders of the Company used in calculating basis loss per share:	<u>(34,845)</u>	<u>(157,410)</u>
Weighted average number of ordinary shares in issue (thousands)	770,322	771,188
Basic loss per share	<u>(5 cents)</u>	<u>(20 cents)</u>

(b) Diluted

Diluted losses per share for the years ended 31 December 2023 and 2022 were the same as the basic losses per share as there were no potential dilutive ordinary shares.

9 DIVIDENDS

The directors do not recommend the payment of final dividends for the years ended 31 December 2023 and 2022.

10 TRADE RECEIVABLES, NET

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade receivables	153,386	187,268
Less: Loss allowance	<u>(553)</u>	<u>(800)</u>
Trade receivables, net	<u>152,833</u>	<u>186,468</u>

The ageing analysis of trade receivables based on invoice date is as follows:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
0 to 30 days	17,280	16,494
31 to 60 days	12,537	14,502
61 to 90 days	11,650	14,881
Over 91 days	<u>111,919</u>	<u>141,391</u>
	153,386	187,268
Less: Loss allowance	<u>(553)</u>	<u>(800)</u>
Trade receivables, net	<u>152,833</u>	<u>186,468</u>

The credit periods granted by the Group to its customers for its environmental maintenance business and its tenants, are based on the agreed contract terms or subsequent mutual agreement, which range from 30 to 180 days. As at 31 December 2023 and 2022, the Group's trade receivables mainly comprised receivables from the Group's environmental maintenance business. They are related to customers for whom there was no recent history of default.

As at 31 December 2022, trade receivables with carrying amount of approximately HK\$33,530,000 were pledged as collateral for the bank borrowings of the Group.

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. Movements of loss allowance for trade receivables are as follows:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
At 1 January	800	626
(Reversal of)/provision for loss allowance	<u>(247)</u>	<u>174</u>
At 31 December	<u>553</u>	<u>800</u>

The carrying amounts of trade receivables approximate their fair values and are denominated in RMB. The maximum exposure to credit risk at the balance sheet date is the carrying values of trade receivables mentioned above. The Group does not hold any collateral as security.

11 TRADE PAYABLES

The ageing analysis of trade payables based on invoice date is as follows:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
0 to 30 days	2,758	12,757
31 to 60 days	2,866	5,925
61 to 90 days	1,002	3,254
91 to 120 days	1,327	4,519
Over 120 days	<u>12,575</u>	<u>17,694</u>
	<u>20,528</u>	<u>44,149</u>

The carrying amounts of trade payables approximate their fair values and are denominated in RMB.

12 GOODWILL AND INTANGIBLE ASSETS

	Goodwill <i>HK\$'000</i>	Customer backlog <i>HK\$'000</i>	Customer relationship <i>HK\$'000</i>	Patent <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2022					
Cost	119,219	48,509	34,661	–	202,389
Accumulated amortisation and impairment	(3,791)	(48,509)	(10,379)	–	(62,679)
Net book amount	<u>115,428</u>	<u>–</u>	<u>24,282</u>	<u>–</u>	<u>139,710</u>
Year ended 31 December 2022					
Opening net book amount	115,428	–	24,282	–	139,710
Acquisition of a subsidiary	19,054	–	–	24,209	43,263
Amortisation charge	–	–	(3,315)	(1,412)	(4,727)
Impairment	(129,112)	–	(2,849)	(3,511)	(135,472)
Exchange differences	(5,370)	–	(1,810)	–	(7,180)
Closing net book amount	<u>–</u>	<u>–</u>	<u>16,308</u>	<u>19,286</u>	<u>35,594</u>
At 31 December 2022					
Cost	134,377	–	33,074	24,209	191,660
Accumulated amortisation and impairment	(134,377)	–	(16,766)	(4,923)	(156,066)
Net book amount	<u>–</u>	<u>–</u>	<u>16,308</u>	<u>19,286</u>	<u>35,594</u>
Year ended 31 December 2023					
Opening net book amount	–	–	16,308	19,286	35,594
Amortisation charge	–	–	(2,769)	(2,051)	(4,820)
Impairment	–	–	(3,751)	–	(3,751)
Exchange differences	–	–	(211)	–	(211)
Closing net book amount	<u>–</u>	<u>–</u>	<u>9,577</u>	<u>17,235</u>	<u>26,812</u>
At 31 December 2023					
Cost	–	–	32,863	24,209	57,072
Accumulated amortisation and impairment	–	–	(23,286)	(6,974)	(30,260)
Net book amount	<u>–</u>	<u>–</u>	<u>9,577</u>	<u>17,235</u>	<u>26,812</u>

During the year ended 31 December 2023, amortisation of intangible assets charged to the “general and administrative expenses” is HK\$4,820,000 (2022: HK\$4,727,000).

Impairment assessments for goodwill and intangible assets

Goodwill acquired through business combinations in previous years are allocated to CGUs, namely New Fortune Holdings Limited and its subsidiaries (the “New Fortune Group”, which engages in property leasing business) CGU, BYL Property Holdings Group Limited and its subsidiaries (the “BYL Group”, which engages in environmental maintenance business) CGU and Shanghai Umitai Medical Technology Company Limited (“Umitai”, which engages in manufacturing and trading of medical devices) CGU, for impairment assessment. The recoverable amounts of each CGUs are determined by reference to higher of the fair value less costs of disposal and value in use.

As at 31 December 2023 and 2022, the Group’s goodwill has been fully impaired.

Environmental maintenance business – BYL Group CGU

The recoverable amount of the BYL Group CGU calculated based on value-in-use was determined based on valuation performed by CHFT Advisory and Appraisal Limited, an independent professional valuer. Such calculations use pre-tax cash flow projections based on financial budget approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. The long-term growth rate of the CGU does not exceed the long-term average growth rate for the environmental maintenance business in which the CGU operates.

The key assumptions, long term growth rate and discount rate used in the value-in-use calculation of BYL Group CGU are disclosed as below:

	2023	2022
Long term growth rate	2.0%	2.0%
Pre-tax discount rate	18.0%	20.0%
Gross profit margin	17.0%	19.0%
Revenue growth rate	<u>(6.5%)-4.0%</u>	<u>(43.2%)-5.0%</u>

The value-in-use calculated, which was higher than its fair value less cost of disposal, fell short of the carrying amount by HK\$10,963,000 (2022: HK\$101,090,000). As a result, the goodwill of BYL Group CGU amounting to HK\$91,701,000 was fully impaired as at 31 December 2022 and impairment charge of HK\$3,751,000 (2022: HK\$2,849,000) and HK\$7,212,000 (2022: HK\$6,540,000) have been charged to the BYL Group CGU's intangible assets and property, plant and equipment, respectively, as at 31 December 2023. Management is of the view that such impairment is mainly due to the slow recovery of environmental maintenance business as the post-pandemic economic landscape was still facing challenges from a complex mix of cyclical and structural factors. Management also exercised caution and was prudent to bid new projects, which resulted in decrease in the forecast performance.

If expected pre-tax discount rate for the projection period had been 0.5% lower/higher than management's estimates with all other variables held constant, the recoverable amount of BYL Group CGU would have been approximately HK\$3,110,000 higher and HK\$3,273,000 lower respectively. If the revenue growth rate had been 5% higher/lower than management's estimate at 31 December 2023 with all other variables held constant, the recoverable amount of BYL Group CGU would have been approximately HK\$2,379,000 higher and HK\$2,606,000 lower respectively. If the terminal growth rate had been 0.5% higher/lower than management's estimate at 31 December 2023 with all other variables held constant, the recoverable amount of BYL Group CGU would have been approximately HK\$2,404,000 higher and HK\$2,198,000 lower respectively. If the average gross profit margin percentage had been 0.5% higher/lower than management's estimate at 31 December 2023 with all other variables held constant, the recoverable amount of BYL Group CGU would have been approximately HK\$4,301,000 higher and HK\$4,313,000 lower, respectively.

Medical devices business – Umitai CGU

The recoverable amount of the Umitai CGU calculated based on value-in-use was determined based on valuation performed by CHFT Advisory and Appraisal Limited, an independent professional valuer. Such calculations use pre-tax cash flow projections based on financial budget approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. The long-term growth rate of the CGU does not exceed the long-term average growth rate for the medical devices business in which the CGU operates.

The key assumptions, long term growth rate and discount rate used in the value-in-use calculation of Uimitai CGU are disclosed as below:

	2023	2022
Long term growth rate	3.0%	3.0%
Pre-tax discount rate	14.1%	15.3%
Gross profit margin	19.0%	18.8%
Revenue growth rate	<u>5.0% to 46.0%</u>	<u>8.0% to 50.0%</u>

Based on the result of the impairment assessment performed, the recoverable amounts of Uimitai CGU exceeded its carrying amounts. As a result, no additional provision for impairment loss on Uimitai CGU is required.

The recoverable amounts of Uimitai CGU would still exceeded its remaining carrying amounts if the assumptions were changes as follows:

- Lowering long term growth rate by 2%;
- Raising pre-tax discount rate by 5%; or
- Lowering the expected revenue growth rate during the forecast period by 3%.

13 FINANCIAL INSTRUMENTS BY CATEGORY

The accounting policies for financial instruments have been applied to the line items below:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Assets as per consolidated balance sheet		
<i>Financial assets at FVPL</i>		
Structured deposits	–	160,128
Equity securities listed in Hong Kong	21,254	14,740
Unlisted equity investments	<u>7,594</u>	<u>10,831</u>
 <i>Financial assets at amortised cost</i>		
Trade receivables	152,833	186,468
Deposits and other receivables	6,840	22,910
Restricted cash	2,153	2,378
Cash and cash equivalents	<u>245,234</u>	<u>81,911</u>
 Liabilities as per consolidated balance sheet		
<i>Financial liabilities at amortised cost</i>		
Bank borrowings	–	11,195
Trade payables	20,528	44,149
Other payables	14,699	7,365
Deposits received	1,146	3,224
Consideration payable	58,530	59,604
Lease liabilities	<u>3,718</u>	<u>2,916</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND OPERATIONAL REVIEW

The Group engaged in four operating segments namely, Environmental maintenance business, Property leasing business, Trading business, and Others. The executive directors of the company assess the business performance based on a measure of operating results. Information reported to the CODM for the purposes of resources allocation and performance assessment focuses on the operating results of the Group as a whole as the Group's resources are integrated.

The Group's reportable segments are as follows:

- (i) Environmental maintenance business
- (ii) Property leasing business
- (iii) Trading business
- (iv) Others

The "Others" business segment consists of the financials of business which sells medical devices.

The Group recorded a revenue of approximately HK\$205,314,000 for the Year, compared to a revenue of approximately HK\$262,271,000 for the year ended 31 December 2022, representing a decrease of approximately 21.7%. The gross profit ratio for the Year was approximately 11.2%, which was lower than gross profit ratio of approximately 18.2% for the year ended 31 December 2022. The drop in revenue and gross profit ratio were mainly attributable to (i) a decrease in the project numbers from the environmental maintenance business as certain contracts with high gross profit margin were completed, and (ii) the increase in operating costs such as labour costs, gasoline and diesel fuel.

Gross profit for the Year amounted to approximately HK\$22,964,000 (2022: HK\$47,857,000). After taking into account of the general and administrative expenses, net impairment loss on financial assets and contract assets, other income and net other loss, net finance income-net, income tax credit and other comprehensive loss, the Group recorded total comprehensive loss attributable to the equity holders of the Company of approximately HK\$36,829,000 (2022: HK\$177,211,000).

Environmental Maintenance Business

The environmental maintenance business is headquartered in Chengdu, and is penetrating into other regions in the PRC such as Xinjiang Autonomous Region and Inner Mongolia Autonomous Region. Its scope of services mainly includes (i) janitorial services for public areas in cities; (ii) classification management of solid waste, bulky garbage and food waste; and (iii) facility maintenance management of refuse collection points.

During the Year, the environmental maintenance business recorded a revenue of approximately HK\$161,419,000, compared to a revenue of HK\$247,348,000 for the year ended 31 December 2022. The performance of environmental maintenance business experienced a considerable decline in 2023 compared to the previous year, as the management exercised caution and was prudent to bid new projects, which resulted in decrease in revenue as there were no new projects secured in 2023.

As of 31 December 2023, the Group had a total of 9 (2022: 11) environmental maintenance service contracts in progress with the total contract amount of approximately RMB314,450,000 (31 December 2022: RMB584,560,000) for the remaining contract term.

Property Leasing Business

During the Year, the Group recorded a rental income of approximately HK\$2,881,000 (2022: HK\$3,302,000) for the leasing of an office in Beijing.

Trading Business – security trading business

For the Year, the Group recorded a gain on disposal of financial assets at fair value through profit or loss in the amount of approximately HK\$2,312,000 (2022: loss of HK\$2,884,000) and a fair value loss of financial assets at fair value through profit and loss in the amount of approximately HK\$4,573,000 (2022: HK\$2,692,000), both of which were classified as “Other loss-net” in the consolidated statement of comprehensive income.

Business – trading of frozen meat business

During the Year, the trading of frozen meat business, which was terminated, generated approximately HK\$6,995,000 (2022: HK\$6,064,000) revenue to the Group.

Business – trading of cosmetics products business

During the Year, the cosmetics trading business generated approximately HK\$19,986,000 (2022: HK\$2,157,000) income to the Group.

Sales of medical devices business

During the Year, the sales of medical devices business, which was acquired by the Group on 1 June 2022, generated approximately HK\$14,033,000 (2022: HK\$3,328,000) revenue to the Group.

FINANCIAL REVIEW

Revenue

An analysis of the Group's revenue for the years ended 31 December 2023 and 31 December 2022 is as follows:

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Environmental maintenance business		
Services income for provision of environmental maintenance services	161,419	247,348
Property leasing business		
Rental income	2,881	3,302
Trading business		
Trading of cosmetic products	19,986	2,157
Trading of frozen meat	6,995	6,064
Dividend and interest income from security trading	–	72
Others		
Sales of medical devices	14,033	3,328
Total revenue	<u>205,314</u>	<u>262,271</u>

Cost of Revenue

The cost of revenue mainly comprised of service fees to workers, material consumed, depreciation on machinery and motor vehicles, motor vehicles expenses and utilities expenses from the environmental maintenance business, and the cost of good sold for the trading business. Cost of revenue for the Year amounted to approximately HK\$182,350,000 (2022: HK\$214,414,000), representing an decrease of approximately 15.0% as compared to last year. The decrease in cost of revenue is in line with the decrease of revenue from the environmental maintenance business.

General and administrative expenses

The Group's general and administrative expenses mainly consisted of (i) employee benefits expenses for staff; (ii) legal and professional fee; (iii) share-based payment expenses; and (iv) other administrative expenses, which amounted to approximately HK\$50,085,000 (2022: HK\$191,498,000), representing a decrease of approximately 73.8% compared to last year. The decrease in general and administrative expenses was mainly caused by the decrease in impairment of non-current non-financial assets of the Group, including goodwill, intangible assets and property, plant and equipment. Such impairments amounted to HK\$142,012,000 for the year of 2022, as compare to total amount of approximately HK\$10,963,000 for the Year.

Employee benefit expenses

The Group had 787 staff and 1,022 labour, total 1,809 employees as at 31 December 2023 (31 December 2022: 1,000 staff and 1,192 labour, total 2,192 employees). The decrease in the number of employees is in line with the decrease of revenue from the environmental maintenance business. Total employee benefits expenses for the Year amounted to approximately HK\$107,867,000 (2022: HK\$144,878,000) representing a decrease of approximately 25.5% compared to last year. The decrease in employee benefits expenses was mainly because of the decrease of number of labour. The Group would regularly review the work allocation of the staff to improve and maintain a high quality of service.

Liquidity, Financial Resources and Capital Resources

Capital structure

The Group's objectives for managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. Consistent with others in the industry, the Group monitors its capital on the basis of the gearing ratio. The Group's strategy, which was unchanged during the year ended 31 December 2023, was to lower the gearing ratio to an acceptable level.

Cash position and restricted cash

As at 31 December 2023, the Group's cash and cash equivalents were approximately HK\$245,234,000, representing an increase of 199.4% as compared to HK\$81,911,000 as at 31 December 2022. During the Year, five principal protected deposits with ICBC for an aggregate amount of approximately HK\$160,128,000, which were classified as Financial assets at fair value through profit or loss in the consolidated balance sheet, were matured and credited to the Group's bank deposit account and subsequently classified as Cash and cash equivalents.

Restricted cash in the amount of HK\$2,153,000 (2022: HK\$2,378,000) were pledged as performance guarantee of various projects from the environmental maintenance business as at 31 December 2023.

Trade receivables

As at 31 December 2023, the Group's net trade receivables were approximately HK\$152,833,000 (2022: HK\$186,468,000). The decrease in trade receivables is mainly in line with the decrease of revenue from the environmental maintenance business.

Gearing ratio

The gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as consideration payable, lease liabilities, borrowings less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated balance sheet plus net debt. As at 31 December 2023 and 31 December 2022, the Group is at a net cash position, hence, no gearing ratio is disclosed.

Dividends

The directors do not recommend payment of final dividends in respect of the years ended 31 December 2023 and 2022.

SIGNIFICANT INVESTMENT HELD, MATERIAL ACQUISITION OR DISPOSAL OF SUBSIDIARIES AND AFFILIATED COMPANIES AND PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSETS

There is no plan for material investments or capital assets as at 31 December 2023.

Share Option

The Share Option schemes of the Company was adopted pursuant to a resolution passed by the Company's shareholders on 19 November 2013 (the "2013 Scheme") and 16 June 2021 (the "2021 Scheme") for the primary purpose of providing eligible participants an opportunity to have a personal stake in the Company.

No options had been granted, exercised, lapsed or forfeited during the Year, and there were 40,000,000 options remained outstanding as at 31 December 2023 under the 2013 Scheme.

No options had been granted, exercised, lapsed or forfeited during the Year, and there were nil options remained outstanding as at 31 December 2023 under the 2021 Scheme.

USE OF PROCEEDS

The Company has not conducted any equity fund raising activities during the Year and subsequently after 31 December 2023. The use of proceeds from the 2020 Subscriptions and 2021 Share Placing are updated as follows:

Use of Proceeds from the 2020 Subscriptions

Reference is made to the announcement of the Company dated 16 December 2019, 19 December 2019 and 7 January 2020 for the 2020 Subscription.

The net proceeds from the 2020 Subscription were approximately HK\$177,000,000 and the Company intends to apply the net proceeds in (i) the settlement of outstanding consideration payable for the acquisition of BYL Property Holdings Group Limited in 2018 (“Settlement of Consideration Payable”) amounting to approximately HK\$74,571,000 as at 31 December 2019; and (ii) general working capital as to the remaining balance. Up to the date of this announcement, the Company had paid approximately HK\$13,920,000 for the Settlement of outstanding consideration payable, with the remaining balance to be utilised as intended. Approximately HK\$102,429,000 has been utilised as general working capital as intended. The Group has no intention to change the use of proceeds from the 2020 Subscriptions.

Use of Proceeds from the 2021 Share Placing

Reference is made to the announcement of the Company dated 23 March 2021 and 15 April 2021 for the 2021 Share Placing.

The net proceeds from the 2021 Share Placing were utilized as follows:

	Revised allocation of the Net Proceeds on 29 December 2022 HK\$ million	Utilised amount of the Net Proceeds as at the date of this announcement HK\$ million	Unutilised Net Proceeds as at the date of this announcement HK\$ million
Operating costs and expenses of the initial stages of the new environmental maintenance projects	41.7	41.7	–
General working capital of the Group	21.9	21.9	–
Development of meat trading business and further development of logistics chain business	60.7	60.7	–
Investment in the 2022 Acquisition	25.2	25.2	–
	<i>(Note 1)</i>		
Total	<u>149.5</u>	<u>149.5</u>	<u>–</u>

Note 1: On 29 December 2022, Aerospace Huatai and Benemae entered into a supplemental agreement to the sale and purchase agreement pursuant to which the both parties have agreed to adjust the consideration for the 2022 Acquisition from RMB27,000,000 (equivalent to approximately HK\$31,649,000) to RMB21,500,000 (equivalent to approximately HK\$25,202,000). The balance resulting from such adjustment of consideration was reallocate as general working capital of the Group.

PROSPECTS

Looking forward, the Group will continue to utilize its available resources to engage and develop its core business and newly developed businesses. Apart from the existing businesses, the Group will explore business opportunities in other industries such as high growth businesses in the PRC (including but not limited to high technology and internet business) that will flourish in the post-pandemic economic environment in order to generate a stable and constant stream of income to the Group and create long term value for our shareholder.

CORPORATE GOVERNANCE

The Company has complied with the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”) throughout the year. The Company has applied the principles of, and complied with, the applicable code provisions of the CG Code during the year ended 31 December 2023. The Board of the Company will keep reviewing and updating such practices from time to time to ensure compliance with legal and commercial standards.

Further information on the Company’s corporate governance practices will be set out in the Corporate Governance Report contained in the Company’s annual report for the year ended 31 December 2023, which will be sent to the shareholders in due course.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Group had adopted Appendix 10 of the Listing Rules (the “Model Code”) as its own code of conduct regarding directors’ securities transactions on terms no less exacting than the required standard of dealings.

Having made specific enquiries to all the directors and all the directors of the Company had confirmed compliance with the required standard of dealings and the code of conduct for directors’ securities transactions during the year ended 31 December 2023.

SCOP OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the Group’s consolidated balance sheet, consolidated statement of comprehensive income, and the related notes thereto for the year ended 31 December 2023 as set out in the preliminary announcement have been agreed by the Group’s auditor, PricewaterhouseCoopers, to the amounts set out in the Group’s draft consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by PricewaterhouseCoopers on the preliminary announcement.

PURCHASE, SALE OR REDEMPTION OF SHARES

Except for the 254,000 ordinary shares of the Company acquired by the trustee of the 2023 Share Award Schemes, neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the listed securities of the Company during the year.

AUDIT COMMITTEE REVIEW

Pursuant to the requirements of the CG Code and the Listing Rules, the Company has established an audit committee (the “Audit Committee”) which comprises three independent non-executive directors. Mr. Lam Ka Tak is the chairman of the Audit Committee. The annual results for the year ended 31 December 2023 have been reviewed by the Audit Committee.

COMPETING BUSINESS

During the year and up to the date of this announcement, the directors are not aware of any business or interest of the directors, the management of the Company and their respective associates (as defined under the Listing Rules) that compete or may compete with the business of the Group and any other conflict of interest which any such person has or may have with the Group.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express my sincere gratitude to our customers, shareholders, bankers, and in turn the management and staff for their unreserved support for the Group during the year.

By Order of the Board
Net-A-Go Technology Company Limited
Sang Kangqiao
Chairman and Executive Director

Hong Kong, 26 March 2024

As at the date of this announcement, the Executive Directors are Mr. Sang Kangqiao, Mr. Xu Wenzhe and Mr. Cui Peng; and the Independent Non-executive Directors are Mr. Xu Zhihao, Mr. Lam Ka Tak and Mr. Wong Sincere.