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)

2023

ANNUAL REPORT

Contents

Corporate Information

BOARD OF DIRECTORS

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

AUDIT COMMITTEE

NG Chi Kin David *(Committee Chairman)*
CHEUNG Kin Wai
HONG Hui Lung

REMUNERATION COMMITTEE

CHEUNG Kin Wai *(Committee Chairman)*
HONG Hui Lung
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
The Bank of East Asia

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Rooms 607-610
6/F, Tai Yau Building
181 Johnston Road
Wan Chai
Hong Kong
Tel: (852) 2666 2288
Fax: (852) 2664 0717

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 2023 ("the Period Under Review"), the Group recorded profit attributable to owners of the Company of approximately HK$304,179,000 compared to the loss attributable to owners of the Company of approximately HK$32,727,000 for the year ended 31 December 2022 ("the Previous Period"). The significant increase in the Group's profit attributable to owners of the Company was mainly due to the off-setting effect of (i) increase in the reversals of impairment losses under expected credit loss model; (ii) increase in tax provision; (iii) decrease in other gains or losses; (iv) decrease in administrative expenses and (v) rise in profit margin as compared to the Previous Period.

The basic earnings per share for the Period Under Review was HK$0.77 compared to the basic loss per share of HK$0.08 of the Previous Period.

FINANCIAL REVIEW

Revenue

The revenue for the Period Under Review was approximately HK$393,328,000 or 23.0% more than the Previous Period. Higher revenue reported during the Period Under Review was mainly due to increased sales in global car sales and regained demand for high-end communication device.

In terms of business segment, approximately 61.9% of the revenue was generated from PCB sector (the Previous Period: approximately 77.6%), and approximately 38.1% came from surface finishing sector (the Previous Period: approximately 22.4%).

In terms of the machines geographical installation base, the revenue composition during the Period Under Review was 42.3% machine values were installed in PRC (the Previous Period: 74.6%), 14.4% in South Korea (the Previous Period: 4.3%), 13.6% in Mexico (the Previous Period: 5.0%), 10.0% in the USA (the Previous Period: 4.8%), 5.9% in the Philippines (the Previous Period: 0%), 2.8% in the UK (the Previous Period: 0.3%), 2.6% in India (the Previous Period: 0.7%), and 8.4% in rest of the world (the Previous Period: 10.3%).

Gross Profit

Due to implementation of cost control measures, the average gross profit was 19.2% which was higher than the Previous Period (approximately 9.3%).

Other gains and losses of approximately HK$27,759,000

This mainly represented (a) net change in realized and unrealized fair value gain of investments at FVTPL of approximately HK$12,089,000 (the Previous Period: gain of HK$6,786,000) (b) net exchange loss of approximately HK$12,329,000 (the Previous Period: loss of HK$54,025,000) and (c) change in fair value of investment properties of approximately HK$28,459,000 (the Previous Period: nil).

(a) Net change in realized and unrealized fair value gain of investments at FVTPL of approximately HK$12,089,000 (the Previous Period: gain of HK$6,786,000)

All investments at FVTPL were recorded at fair value as at 31 December 2023 and represented listed securities in Hong Kong. The gain of approximately HK$12,089,000 represents fair value gain of investments at FVTPL, as a result of mark to market valuations as at the balance sheet date.

Below are information of the Group's investments at FVTPL as at 31 December 2023:

Company Name/Stock Code	% of Shareholding as at 31 December 2023	Fair value change HK$'000	**Fair value as at 31 December 2023 HK$'000**	**% of Total Assets of the Group as at 31 December 2023**	Fair value as at 31 December 2022 HK$'000	% of Total Assets of the Group as at 31 December 2022
Shanghai Industrial Urban Development Group Ltd. (563)	0.26%	(3,588)	**4,720**	**0.22%**	8,308	0.46%
Q P Group Holdings Ltd. (1412)	1.59%	(1,017)	**10,508**	**0.49%**	11,525	0.64%
Hysan Development Company Ltd. (14)	0.07%	(7,448)	**11,780**	**0.55%**	19,228	1.06%
SenseTime Group Inc. (20)	0.01%	(4,070)	**4,455**	**0.21%**	8,525	0.47%
China Mobile Ltd. (941)	0.01%	26,100	**129,600**	**6.07%**	103,500	5.72%
China Construction Bank Corporation (939)	0.00%	(240)	**4,650**	**0.22%**	4,890	0.27%
Agricultural Bank of China Ltd. (1288)	0.00%	330	**3,010**	**0.14%**	2,680	0.15%
MTT Group Holdings Ltd. (2350)	0.64%	4,444	**2,032**	**0.10%**	4,417	0.24%
Others		(2,422)	**4,968**	**0.23%**	7,390	0.41%
Total		12,089	**175,723**	**8.23%**	170,463	9.42%

(b) net exchange loss of approximately HK$12,329,000 (the Previous Period: loss of HK$54,025,000)

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 1.4%.

(c) change in fair value of investment properties of approximately HK$28,459,000 (the Previous Period: nil).

As at 31 December 2023, the Group has obtained titles of (i) certain retail shops and offices located at Longhua PRC, (ii) certain office unis located in Hong Kong and (iii) certain car parks located in Hong Kong. They are collectively referred to as Investment Properties in this annual report.

This amount represented the difference between the amount attributed to the Investment Properties when initially recognised in accordance with the specific requirements of HKFRSs and the fair value as at 31 December 2023 as calculated by an independent valuer. The amount attributed to the Investment Properties included all transaction costs paid for the acquisitions.

Other income of approximately HK$93,919,000

This mainly represented (a) interest and fees arising from loans receivable of approximately HK$2,106,000 (the Previous Period: HK$2,867,000) (b) interest received from bank deposits of approximately HK$2,635,000 (the Previous Period: HK$11,333,000) (c) interest income from investments in debt instruments of approximately HK$25,175,000 (the Previous Period: HK$14,018,000) (d) imputed interest income on Deferred Consideration of approximately HK$45,764,000 (the Previous Period: HK$45,498,000) and (e) dividend income of approximately HK$11,608,000 (the Previous Period: HK$11,940,000).

(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 KTFG. 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 of approximately HK$1,316,000 (the Previous Period: interest income and handling fee income of approximately HK$1,389,000 and HK$240,000 respectively) from KTFG.

Besides the revolving loan facility with KTFG, the Group has also received interest income of approximately HK$790,000 from other loans with independent third parties (the Previous Period: HK$1,478,000).

(b) Interest received from bank deposits

Interest income from bank deposits was approximately HK$2,635,000 (the Previous Period: HK$11,333,000).

(c) Interest income from investments in debt instruments

Interest income from investments in debt instruments was approximately HK$25,175,000 (the Previous Period: HK$14,018,000).

(d) Imputed interest income on Deferred Consideration

Please refer to note 16 of the financial information of this annual report for more detailed explanation on the imputed interest income of approximately HK$45,764,000 (the Previous Period: HK$45,498,000).

(e) Dividend income

Dividend income from investments at FVTPL was approximately HK$11,608,000 (the Previous Period: HK$11,940,000).

The balance is various miscellaneous income and fees received.

Selling and Distribution Costs of approximately HK$12,597,000

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 27.9% higher than the Previous Period. It was primarily due to more sales activities in the post-pandemic recovery.

Administrative expenses of approximately HK$94,794,000

The administrative expenses for the Period Under Review was 12.4% lower than the Previous Period. The decrease was mainly due to (a) provision for performance related incentive payments payable to executive directors of the Group in the Period Under Review (b) provision of redundancy cost in the Previous Period and (c) decrease in day-to-day administrative expenses.

(a) Provision for performance related incentive payments of approximately HK$16,081,000 (the Previous Period: nil)

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. 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.

(b) Provision of redundancy cost of approximately HK$22,390,000 in the Previous Period

In the Previous Period, the Group has made a provision of redundancy cost of approximately HK$22,390,000.

No such provision was made in the Period Under Review.

(c) *Decrease in day-to-day administrative expenses*

After taking out the effect of provision for performance related incentive payments in the Period Under Review and the provision of redundancy cost in the Previous Period, the day-to-day administrative expenses for the Period Under Review was approximately HK$78,713,000 which is lower than the Previous Period (the Previous Period: HK$85,795,000). It was mainly due to reduction in headcount during the Period Under Review and our continuous effort in controlling our operating costs in order to drive an improved performance.

As a benchmark, the average inflation rates in China and Hong Kong for 2023 were 0.2%[1] and 2.1%[2] respectively.

Reversals of 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	
	2023	2022
	HK$'000	HK$'000
Trade debtors	**212**	(1,381)
Contract assets	**(5,233)**	209
Loans receivable	**(4,175)**	1,222
Investments in debt instruments	**(1,927)**	–
Deferred Consideration	**395,911**	58,900
Reversed amount	**384,788**	58,950

The Group recognized a reversal of impairment losses of approximately HK$395,911,000 (the Previous Period: HK$58,900,000) for Deferred Consideration. Please refer to note 16 of the financial information of this annual report for more details.

Impairment of property, plant and equipment and right-of-use assets in the Previous Period

In the Previous Period, 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 Previous Period, 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.

No indication of additional impairment was identified for the Period Under Review.

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.

Chairman's Statement and Management Discussions

Finance cost of approximately HK$3,923,000

This represented mainly (a) the imputed interest expenses on non-current portion of provision of performance related incentive payments of approximately HK$1,918,000 (the Previous Period: HK$4,328,000), (b) the interest expenses on lease liabilities of approximately HK$465,000 (the Previous Period: HK$235,000) and (c) interest on bank borrowings of approximately HK$1,540,000 (the Previous Period: HK$335,000).

Since the provision for performance related incentive payments was discounted to present value in years before, 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$111,026,000

During the Period Under Review, the Group recorded an estimated tax charge of approximately HK$109,458,000 (the Previous Period: HK$27,661,000) associated with Deferred Consideration.

The balance of approximately HK$1,568,000 represented mainly taxes paid and to be paid by our wholly-owned subsidiaries in Hong Kong and Taiwan.

Exchange difference arising on translation of foreign operation of approximately HK$7,495,000

This represented mainly the exchange difference arising on translation of operations in the PRC due to the appreciation in RMB (of approximately HK$1,360,000) and revaluation of Deferred Consideration and corresponding deferred tax liability (of approximately HK$6,135,000). The currency translation reserve was increased at the same amount.

Deferred Consideration

Please refer to note 16 of the financial information of this annual report 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 KTFG. 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 2023, a loan of approximately HK$37,000,000 (31 December 2022: approximately HK$19,500,000) 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 5.77% (the Previous Period: 5.14%) per annum.

As reported in above, the total interest earned in relation to above loan was approximately HK$1,316,000 (the Previous Period: interest income and handling fee income of approximately HK$1,389,000 and HK$240,000 respectively).

Besides the revolving loan facility with KTFG, the Group has a few loans with independent third parties bearing interest between 2.2% to 8.875% per annum and the Group has received interest income of approximately HK$790,000 from these loans during the Period Under Review (the Previous Period: HK$1,478,000).

The carrying amount for each respective period is shown below:–

	As at 31 December	
	2023	2022
	HK$'000	HK$'000
Principal outstanding repayable within one year	**7,500**	–
Principal outstanding repayable after one year	**50,153**	40,024
Less: impairment loss	**(9,608)**	(5,433)
Net carrying amount	**48,045**	34,591
Analysed for reporting purpose as:		
Current	**6,949**	–
Non-current	**41,096**	34,591
	48,045	34,591

Investments in debt instruments

Investments in debt instruments made by the Group as of 31 December 2023 are set out below:

No	Issuer	Bond Currency	Coupon rate	Maturity date	Investment cost as at 31/12/2023 HK$'000	Bond Credit rating S&P's	Bond Credit rating Moody's	% to Group's total assets (note)
1	Bank of Comm Co Ltd	RMB	3.15%	2024/12/13	18,798	A–	NR	0.9%
2	Henderson Land MTN Ltd	RMB	3.30%	2024/2/7	99,270	NR	NR	4.6%
3	Wharf REIC Finance BVI Ltd	RMB	2.95%	2024/1/19	23,094	NR	A2	1.1%
4	Wharf Finance BVI Ltd	RMB	3.25%	2024/1/14	54,907	NR	NR	2.6%
5	Sun Hung Kai Properties Capital Market Ltd	RMB	2.80%	2024/6/24	15,272	A+	NR	0.7%
6	Barclays Bank PLC	RMB	4.00%	2024/3/24	16,586	A–	NR	0.8%
7	Wharf REIC Finance BVI Ltd	RMB	3.85%	2024/4/6	55,132	NR	A2	2.6%
8	China Construction Bank Corp of London	RMB	3.40%	2024/5/17	22,115	NR	A1	1.0%
9	Standard Chartered Bank	RMB	3.58%	2025/8/25	55,150	NR	NR	2.6%
10	Sun Hung Kai Properties Capital Market Ltd	RMB	3.20%	2027/8/14	5,261	NR	NR	0.2%
11	NWD MTD Ltd	USD	5.88%	2027/6/16	3,877	NR	NR	0.2%
12	NWD Finance BVI Ltd	USD	6.15%	Perpetual	7,754	NR	NR	0.4%
13	HKSAR Gov't of PRC	RMB	3.00%	2025/1/11	11,052	A++	AA–	0.5%
14	Link Finance Cayman 2009 Ltd	RMB	3.55%	2025/11/14	88,454	A	A2	4.1%
15	Bank of China Ltd, HK Branch	RMB	2.93%	2025/3/27	71,803	A	NR	3.4%
16	China Education Group	RMB	4.00%	2026/4/19	2,194	AA	NR	0.1%
17	Shanghai Commercial Bank Ltd	RMB	6.38%	2033/2/28	1,929	NR	A1	0.1%
18	HSBC Holdings PLC	USD	8.00%	Perpetual	1,552	NR	NR	0.1%
19	Bank of East Asia Ltd	USD	6.75%	2027/3/15	19,366	A	A3	0.9%
20	Swire Properties MTN Financing Ltd	RMB	3.20%	2025/1/18	16,525	NR	A2	0.8%
21	HK Mortgage Corp Ltd	USD	5.05%	2024/2/23	30,928	AA+	NR	1.4%
22	Bank of East Asia Ltd	USD	6.75%	2027/3/15	5,810	A	A3	0.3%
	Total investment cost				626,829			
	Less: impairment losses under ECL model				(1,927)			
	Net carrying amount				624,902			

Note: None of these investments represented more than 5% of the Group's total assets as at 31 December 2023.

The carrying amount for each respective period is shown below:–

	As at 31 December	
	2023	2022
	HK$'000	HK$'000
Investment cost	**626,829**	528,302
Less impairment loss allowance	**(1,927)**	–
Net carrying amount	**624,902**	528,302
Analysed for reporting purpose as:		
Current	**336,103**	67,257
Non-current	**288,799**	461,045
	624,902	528,302

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 FVTPL

The Group's investment strategy is to pursue a balanced approach in exploring favourable short-term and long-term investments to, including but not limited to, (a) build a diversified portfolio which can deliver steady income to the Group; (b) offer potential capital gain and (c) invest in sector(s) with long term potential growth. The Group will strive to deliver a diversified investment portfolio which offers potential growth while maintaining a relatively prudent capital management approach.

As at 31 December 2023, the Group held 21 listed equity securities in Hong Kong with the fair value of HK$175.7 million.

Company Name/Stock Code	Notes	Investment Cost HK$'000	Fair value as at 31 December 2023 HK$'000	% as compared to the Group's total assets as at 31 December 2023	Dividend received HK$'000	Fair value change HK$'000	Fair value as at 31 December 2022 HK$'000
China Mobile Ltd. (941)	(a)	102,739	129,600	6.07%	8,352	26,100	103,500
Others	(b)	100,310	46,123	2.16%	3,256	(14,011)	66,963
Total		203,049	175,723	8.23%	11,608	12,089	170,463

Notes:

(a) The principal business of the investee, China Mobile Limited ("China Mobile"), is the provision of communication and information services. As of 31 December 2023, the Group held 2,000,000 shares in China Mobile which represented approximately 0.01% of the total issued shares of China Mobile and approximately 6.07% of the Group's total assets. During the year, the fair value change of approximately HK$26,100,000 represented unrealised fair value gain of approximately HK$26,100,000. The Group received a dividend of approximately HK$8,352,000 during year 2023. China Mobile's revenue has grown steadily from approximately RMB746 billion in year 2019 to RMB1,009 billion in year 2023. For each financial year in last five years, its net profit after taxes was over RMB100 billion. Solid financial performance has demonstrated the strength of its management team. The dividend payout ratio was 71% in year 2023. The management of China Mobile has publicly committed to gradually increase the dividend payout to 75% in the next three-year period from 2024. The Board believes that the investment in China Mobile will bring steady income to the Group.

(b) None of these investments represented more than 5% of the Group's total assets as at 31 December 2023.

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 2023 was HK$188,185,000 which was approximately HK$21,060,000 lower than the Previous Period. Please refer to note 26 of the financial information of this annual report for more details. The decrease was mainly due to the off-setting effect of (a) increase in trade creditors by approximately HK$10,820,000 (b) provision of approximately HK$22,390,000 of redundancy cost in late 2022 and (c) decrease in current portion of provision for performance related incentive payments payable to executive directors by approximately HK$5,500,000.

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 in the Previous Period

It was related to provision for performance related incentive payments payable and was discounted to present value in the Previous Period.

Deferred tax of approximately HK$24,506,000 under non-current liabilities

The Group has recorded a deferred taxation of approximately HK$22,101,000 as estimated taxation expenses in relation to the estimated recoverable amount from the Counterparty.

The balance of approximately HK$2,405,000 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$2,752,000.

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 increased from HK$189,166,000 in Previous Period to HK$197,697,000, representing 4.5% rise. Out of this total revenue, from the perspective of installation location, nearly 35.3% were shipments made to PRC (91.0% in Previous Period), 26.7% were shipments made to Korea (0.9% in Previous Period) and 17.1% were shipments made to the USA (0.6% 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 preliminary report released by IDC, worldwide smartphone shipments increased by 8.5% year over year in the fourth quarter of 2023 at shipment volume of approximately 326.1 million units. However, on an annual basis, worldwide shipments still recorded a drop of 3.2%.

Top 5 Smartphone Companies, Worldwide Shipments, Market Share, and Year-Over-Year Growth, Q4 2023 and full year (shipments in millions of units)

Company	4Q 2023 Shipment Volumes	4Q 2023 Market Share	2023 Shipment Volumes	2022 Shipment Volumes	Year-Over-Year Change
Apple	80.5	24.7%	234.6	226.3	3.7%
Samsung	53.0	16.3%	226.6	262.3	-13.6%
Xiaomi	40.7	12.5%	145.9	153.2	-4.7%
Transsion	28.2	8.6%	103.1	114.4	-9.9%
Vivo	24.1	7.4%	94.9	72.6	30.8%
Others	99.5	30.5%	361.8	377.2	-4.1%
Total	326.1	100.0%	1166.9	1205.9	-3.2%

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

Source: IDC Worldwide Quarterly Mobile Phone Tracker, January 15, 2024

Apple and Transsion, which sells Tecno, Infinix and itel brands, were the only two of the top five smartphone vendors who recorded a growth in sales in last year. "Apple's ongoing success and resilience is fuelled by aggressive trade-in offers and interest-free financing plans." said Ryan Reith, group vice president of IDC.

Apart from the drop in smartphone demand, consumption of other electronic products was also dropped in 2023. The imbalance in supply and demand during COVID-19 in 2021 and 2022 created a global bubble of consumption. When the pandemic ended, pressure from destocking and interest rate increases (which aim to curb inflation) led to a massive downturn in the global PCB industry in 2023.

The worldwide smartphone market shows initial indications of a marginal rebound in 2024. Rising demand in emerging markets are key drivers to overall market recovery, but recent technological developments have also brought new energy to the smartphone market. Statistics showed that foldable smartphones continue to grow rapidly. In addition, smartphone users are getting more and more interest in getting artificial intelligence (AI) experiences on a handheld device.

Based on publicly available information, most of PCB manufacturers recorded various degree of decline in revenue in year 2023.

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 increased by 123.3% from approximately HK$54,477,000 in the Previous Period to approximately HK$121,676,000 for the Period Under Review. Out of this total revenue, from the perspective of installation location, nearly 42.7% were shipments made to PRC (27.2% in Previous Period) and 43.5% were shipments made to Mexico (28.5% in Previous Period).

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

After experiencing a flat sales in year 2022, annual global car sales increased to 75.3 million units in 2023[3], up 11.9% on year-to-year basis. According to reports issued by VDA, top 5 countries for car sales were:

Region	2023	2022	% Change	2021	2020
China	25,798,000	23,240,500	+ 11.0%	21,090,200	19,790,000
USA	15,457,400	13,734,200	+ 12.5%	14,913,700	14,450,800
Europe (EU+EFTA+UK)	12,847,500	11,286,900	+ 13.82%	11,774,900	11,961,200
India	4,101,700	3,792,400	+ 8.16%	3,082,400	2,435,100
Japan	3,992,700	3,448,300	+ 15.8%	3,675,700	3,810,000
COMBINED	62,197,300	55,502,300	+ 12.1%	54,536,900	52,447,100

The growth of car sales in China in 2023 was somewhat out of step with the rest of the Chinese economy. There is worry that excess production may interrupt the export market in 2024.

3 Figure was extracted from a report issued by Scotiabank dated 8 February 2024

The fastest growing market in 2023 was Mexico. Apart from the fact that sales of light passenger vehicles were up by a quarter to 1,360,100 units, According to a report issued by International Trade Administration of United States, it is estimated that Mexico is producing 3.5 million vehicles annually. Eighty-eight percent of vehicles produced in Mexico are exported, with 76 percent destined for the United States. Established automakers in Mexico include Audi, BMW, Ford Motor Company,General Motors, Honda, Hyundai, Jac by Giant Motors, Kia,Mazda, Mercedes Benz, Nissan, Stellantis, Toyota, Volkswagen and Tesla. During the year under review, PSTS has also completed a number of projects in Mexico.

General expectation is global car sales will have low-single-digit growth in 2024.

Outlook

Pressure from negative factors such as geopolitics, high inflation, and low GDP growth are likely to continue into 2024. Demand for end-user electronic products is likely to stay conservative. On the other hands, high inventory seems to have resolved. Interest in the adaptation of Artificial Intelligence (AI) in handheld devices or various industries may bring positive demand effect on electronic products. Overall speaking, we believe 2024 is shaping up to be a very volatile and unpredictable year.

MATERIAL ACQUISITION AND DISPOSAL

(a) Material acquisitions and disposals of assets

Reference is made to the announcements of the Company dated 18 January 2023, 16 February 2023, 9 March 2023, 21 March 2023, 22 March 2023, 14 May 2023, 18 May 2023 in relation to the acquisition and disposal of bonds and listed equities. Holdings as at 31 December 2023 were disclosed in the sections "Investments in debt instruments" and "Investments at FVTPL" above.

(b) Major transaction in relation to the settlement agreement

Reference is made to the announcement of the Company dated 9 October 2023 and the circular of the Company dated 23 February 2024 ("Circular I").

On 9 October 2023, PASL (as defined in Circular I) entered into a settlement agreement with the counterparties and pursuant to which the Group has released mortgages in relation to certain residential properties in Hong Kong and the Project Company has transferred certain retail shops located in PRC to PASL ("Properties I"). Titles of Properties I were transferred to PASL on 19 October 2023.

With effect from 20 October 2023, PASL is entitled to the rental income generated from Properties I.

In connection with the transfer of Properties I, the Project Company (as defined in Circular I) is required to issue a fapiao (發票) to PASL. If fapiao is issued to PASL, PASL will agree to partially offset the amount due by the Project Company up to a maximum amount of approximately RMB205 million. If no fapiao is issued to PASL, and subject to further negotiation with the tax department, there is a possibility (which may or may not occur) that PASL may not be able to claim tax deductions for the revenue generated from the Properties I and there may be significant adverse tax implications on value-added tax in the event that PASL subsequently sells the Properties I. In the event that no fapiao is issued, PASL has the right to elect to terminate the settlement agreement and/or claim against the Project Company for damages which PASL may suffer. If the settlement agreement is terminated, there shall be no partial settlement of the amount due by the counterparties.

On 9 October 2023, the outstanding Secured Obligations (as defined in Circular I and represents the amount due by receivable by PASL) was approximately RMB1.55 billion (excluding, among other, interest accrued thereon and liquidated damages) and is repayable on demand. Since no fapiao was issued during the Period Under Review, the outstanding Secured Obligations remain unchanged..

In March 2024, PASL received fapiao of approximately RMB78.9 million out of the total consideration of RMB205 million. PASL is currently in discussions with the Project Company for issue of the rest of fapiao.

(c) Major transaction in relation to acquisition of the target companies

Reference is made to the announcement of the Company dated 1 November 2023 and the circular of the Company dated 8 March 2024 ("Circular II") in relation to the acquisitions of two Hong Kong companies.

Pursuant to two share transfer agreements, the Group has acquired the entire issue share capital of these two Hong Kong companies on 15 November 2023. As a result, these two Hong Kong companies has become indirect wholly-owned subsidiaries of the Company. These two Hong Kong companies are principally engaged in property investment and their principle assets are certain commercial units and car parks located in Hong Kong ("Property II"). With effect from 16 November 2023, the Group is entitled to the rental income generated from Property II.

(d) Very substantial acquisition in relation to the settlement arrangement

Reference is made to the announcement of the Company dated 29 November 2023 and 15 March 2024. As disclosed in the said announcement, PASL entered into a supplemental agreement with the counterparties and pursuant to which the Project Company has transferred certain office units located in PRC to PASL ("Properties III") and, subject to receipt of fapiao, PASL will agree to partially offset the amount due by the Project Company up to a maximum amount of approximately RMB384 million.

Titles of Properties III were transferred to PASL on 12 December 2023.With effect from 13 December 2023, the Group is entitled to the rental income generated from Property III.

As at the date of this annual report, no fapiao has been issued in relation to Property III.

As the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) in respect of the aforementioned supplemental agreement exceeds 100%, the transactions contemplated under the agreement constitutes a very substantial acquisition and is subject to shareholders' approval of the Company.

The Company is still in the process of finalizing the circular. Although the titles of Properties III were transferred to PASL, the transactions contemplated under the agreement are not yet completed. The Secured Liabilities (as defined in Circular II) remain unchanged at approximately RMB1.55 billion (excluding, among other, interest accrued thereon and liquidated damages) as at 31 December 2023.

Save as disclosed above, there were no other material acquisitions or disposals during the Period Under Review.

DEFERRED CONSIDERATION AND COLLATERALS HELD

As at 31 December 2022, the expected recoverable amount for the amount due by the Project Company to PASL was approximately HK$328.6 million (the "Deferred Consideration").

Because of the acquisitions stated in section headed "Material Acquisition and Disposals" above, the Group through its subsidiaries becomes the legal owner of certain properties located in Hong Kong and PRC. As the fair value of Properties I, Properties II and Properties III were higher than the Deferred Consideration as of 31 December 2022, the Group recorded a reversal of impairment losses under the expected credit loss model.

As at the date of this annual report, the Group shall continue to hold (a) a first mortgage in respect of a residential unit in Hong Kong and (b) interest-free and unsecured promissory notes for an amount of HK$141,689,000 as collaterals for the outstanding amount due by the Project Company to PASL.

INVESTMENT PROPERTIES

The Group intends to rent out Properties I, Properties II and Properties III for the generation of stable income stream. As the consideration for the acquisitions stated in section headed "Material Acquisition and Disposals" above were either satisfied by interest-free and unsecured promissory notes or to be offset from the amount due by the Project Company, the Group has acquired the properties without immediate cash outlay. Rather, the Group will get net cash in upon the transfer of titles because of the rental income.

As of 31 December 2023, the fair value of Properties I, Properties II and Properties III was HK$779.7 million and was classified as investment properties.

Rental income generated by the investment properties during the Period Under Review was approximately HK$1,177,000.

EVENT AFTER THE REPORTING PERIOD

Reference is made to the announcements of the Company dated 23 February 2024 and 5 March 2024 in relation to the acquisition of deposit products.

Repurchases of a total of 11,320,000 ordinary shares were made on 8 January 2024, 9 January 2024, 12 January 2024, 15 January 2024, 16 January 2024 and 17 January 2024 but such shares have not yet been cancelled as at 28 March 2024.

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 2023, a loan of approximately HK$37,000,000 (31 December 2022: approximately HK$19,500,000) 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 5.77% (31 December 2022: 5.14%) 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 issued 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.

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.

In the normal course of identifying business opportunities, the Company from time to time engages in discussions with other independent third parties for possible business co-operations. At present, the Board confirms that there are no negotiations or agreements relating to any intended acquisitions or realizations which are discloseable under Rule 13.23 of the Listing Rules, neither is the Board aware of any matter discloseable under the general obligation imposed by Rule 13.09 of the Listing Rules, which is or may be of a price-sensitive nature.

FINANCIAL REVIEW

Capital Structure, Liquidity and Financial Resources

As at 31 December 2023, the Group had equity attributable to owners of the Company of approximately HK$1,469,072,000 (31 December 2022: HK$1,184,249,000). The gearing ratio was 2.2% (31 December 2022: 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 2023, the Group had approximately HK$138,133,000 of cash on hand (31 December 2022: HK$515,554,000).

As at 31 December 2023, total banking facilities available to the Group for electroplating equipment segment is HK$102,300,000 (31 December 2022: HK$102,300,000). Out of the facilities available, the Group has not utilized any facility (31 December 2022: utilized approximately HK$434,000 for the issuance of import letters of credit to suppliers).

As at 31 December 2023, banking facilities available to the Group for wealth management and investment purpose is HK$931,800,000 (31 December 2022: HK$218,000,000). The Group did not utilize any of such facility (31 December 2022: nil).

As at 31 December 2023, banking facilities available to and utilized by the Group for investment properties is approximately HK$31,628,000 (31 December 2022: nil). Such facilities are secured by certain properties in Hong Kong.

Foreign Currency Risk

Most of the assets in the Group were denominated in Renminbi. During the Period Under Review, Renminbi has depreciated for 1.4% 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 2023, the Company had guarantees of approximately HK$1,034,100,000 (31 December 2022: HK$345,000,000) to banks in respect of banking facilities granted to subsidiaries of the Company. The amount utilized by the subsidiaries was nil (31 December 2022: HK$434,000).

Pledge of Assets

As at 31 December 2023, certain investment properties (31 December 2022: nil) held by the Group were pledged to a licensed bank in Hong Kong for a mortgage loan.

Capital Commitment

As at 31 December 2023, the Group did not have any significant capital commitment (31 December 2022: nil).

Employee and Remuneration Policies

As at 31 December 2023, the Group employs a total of 327 employees (31 December 2022: 431), including 12 employees (31 December 2022: 20) 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 (2022: 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 25 July 2024 to shareholders whose names appear on the Register of Members of the Company on 8 July 2024.

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.

Directors & Senior Management Profile

EXECUTIVE DIRECTORS

Mr. LAM Kwok Hing *M.H., J.P.*, Honorary Consul, aged 59, 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 financial market. Together with the Deputy Chairman of ATNT, he set up a group of companies since 1991 to provide various financial services to the public and trade under the brand name of Karl Thomson. In 2000, Karl Thomson was listed to the Hong Kong main board ("Karl Thomson", with a listed code of 0007). Mr. Lam was the Chairman of Karl Thomson from year 2000 to 2012. The listed group has expanded into other industries and businesses and is subsequently renamed as Wisdom Wealth Resources Investment Holding Group Limited ("Wisdom Wealth"). Mr. Lam was the executive director of Wisdom Wealth from year 2013 until 6 February 2024. He continues his role as a director of Karl Thomson Financial Group Limited, a wholly owned subsidiary 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. Given his contributions to the committee, he was elected as the standing committee member in 2018 and holds such position since then.

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.

Mr. Lam also holds various other position in public service and renowned charitable organizations, including being (i) member of Appeal Board on Public Meetings and Processions and (ii) the officer-in-charge of the Constitutional and Mainland Affairs Committee of the HKCPPCC (Provincial) Members Association.

Mr. NAM Kwok Lun, aged 64, 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 has over 40 years' experience in the securities trading, fund management and financial advisory services. Mr. Nam was the executive director of Wisdom Wealth from year 2000 until 15 September 2023. He continues his role as a director of Karl Thomson Financial Group Limited, a wholly owned subsidiary of Wisdom Wealth. In Wisdom Wealth, Mr. Nam is in charge of the day to day operations of stockbroking, futures and options broking and securities margin financing businesses.

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.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. NG Chi Kin David, aged 62, 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 Managing Director of CNG Partners CPA Limited.

Mr. CHEUNG Kin Wai, aged 68, 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.

Mr. HONG Hui Lung, aged 54, obtained a bachelor degree in science from the University of Hong Kong in 1992. After graduation, Mr. Hong had worked in an international audit firm. Mr. Hong has professional expertise and extensive experience in investment banking for about 16 years. Mr. Hong has participated as speakers of certain professional trainings and seminars regarding the regulation, landscape and development of Hong Kong and China capital markets. Mr. Hong is a fellow member of the Association of Chartered Certified Accountants.

SENIOR MANAGEMENT

Ms. YUNG Wai Ching, Ada, aged 58, 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 59, 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.

Directors & Senior Management Profile

Mr. LAU Kam Chan, Kelvin, aged 57, 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 67, 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)

The Directors present their annual report and the audited consolidated financial statements for the year ended 31 December 2023.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its principal subsidiaries and associates are set out in notes 38 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 13 to 19.

SEGMENTAL INFORMATION

An analysis of the Group's revenue and results by segments for the year ended 31 December 2023 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 1.4% 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 2023 are set out in the consolidated statement of profit or loss and other comprehensive income on page 55. 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 136.

SHARE CAPITAL

Details of the share capital of the Company are set out in note 30 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 2023 are approximately HK$53,197,000, being the contributed surplus of approximately HK$46,879,000 and retained profits of approximately HK$6,318,000.

MAJOR CUSTOMERS AND SUPPLIERS

The five largest customers of the Group together accounted for approximately 47.2% of the Group's turnover, with the largest customer accounted for approximately 13.4%. The aggregate purchases attributable to the Group's five largest suppliers were less than 29.8% 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. HONG Hui Lung

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 C1 Corporate Governance Code, every director should be subject to retirement by rotation at least once every three years. Therefore, Mr. NG Chi Kin David should retire and offer himself for re-election at the forthcoming annual general meeting ("AGM").

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 22 to 24 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 2023, 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	 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 2023.

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$82,000 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 purchased products of approximately HK$38,000 from BioEm Air Sanitizing Technology Company Limited, a company which Mr. Lam Kwok Hing has indirectly held 68.75% shareholding interests.

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 2023, a loan of approximately HK$37,000,000 (31 December 2022: approximately HK$19,500,000) 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 5.77% (31 December 2022: 5.14%) 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 issued 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 2023, 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 2023, 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 2023, 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 2023

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 2023.

(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 36 to 49.

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 2023.

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, 24 June 2024. 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, 18 June 2024 to Monday, 24 June 2024, 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, 17 June 2024 for registration.

On behalf of the Board

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

Hong Kong, 28 March 2024

Corporate Governance Report

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 C1 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 2023, 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 2023. 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 C3 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 2023.

THE BOARD

Responsibilities

As at the date of this annual report, 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. Hong Hui Lung 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 52 to 54 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, 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.

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 2023, 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. HONG Hui Lung (appointed on 19 June 2023)
Mr. NG Chi Kin David
Mr. KWAN Wang Wai (retired on 19 June 2023)

Biographical details of the Directors are set out on pages 22 to 23.

Mr. HONG Hui Lung was appointed during year 2023. He confirms that he (i) has obtained the legal advice referred to under Rule 3.09D of the Listing Rules on June 20, 2023, and (ii) understands his obligations as a director of the Company under the Listing Rules.

During the year ended 31 December 2023 ("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 2023 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. HONG Hui Lung (appointed on 19 June 2023)	2/4	1/1
Mr. NG Chi Kin David	4/4	1/1
Mr. KWAN Wang Wai (retired on 19 June 2023)	2/4	0/1

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 2023, 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 2023, the Audit Committee met twice considering the annual results of the Group for the financial year ended 31 December 2022 and the interim results of the Group for the 6 months ended 30 June 2023, 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. HONG Hui Lung (appointed on 19 June 2023)	1/2
Mr. CHEUNG Kin Wai	2/2
Mr. KWAN Wang Wai (retired on 19 June 2023)	1/2

The interim results for the six-months ended 30 June 2023 and the annual results for the financial year ended 31 December 2022 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 (i) the structure, size and composition of the Board of Directors of the Company, (ii) the retirement and re-appointment arrangement of the Directors in the Company's forthcoming annual general meeting and (iii) board diversity policy.

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. Details of attendance are set out below:

Remuneration Committee Members	Attendance/ Number of Meetings
Mr. CHEUNG Kin Wai *(Chairman)*	1/1
Mr. HONG Hui Lung	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.

Corporate Governance Report

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$1,530,000 for statutory audit services. Payments made by the Company for non-audit services to the auditor during the year were:

- HK$300,000 for review of the unaudited financial statements for the six months ended 30 June 2023
- 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 2023.

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 52 to 54 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 2023.

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 2023 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. 德勤

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 55 to 135, which comprise the consolidated statement of financial position as at 31 December 2023, 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 material accounting policy information.

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 2023, 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 Group has recognised reversal of ECL amounting to HK$395,911,000 during current year and the carrying amount of Deferred Consideration as at 31 December 2023 amounted to HK$88,402,000. The management determines the amount of ECL based on expectation on cash flows to be recovered from the Counterparty. Further details of impairment assessment are set out in notes 16 and 35 to the consolidated financial statements.	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
28 March 2024

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2023

	NOTES	2023 HK$'000	2022 HK$'000
Revenue – contracts with customers	5	**393,328**	319,673
Cost of sales		**(317,834)**	(290,010)
Gross profit		**75,494**	29,663
Other gains and losses	6	**(27,759)**	(47,260)
Other income		**93,919**	90,369
Selling and distribution costs		**(12,597)**	(9,852)
Administrative expenses		**(94,794)**	(108,185)
Reversals of impairment losses under expected credit loss model, net	9	**384,788**	58,950
Impairment of property, plant and equipment and right-of-use assets	13	**–**	(12,982)
Finance costs	7	**(3,923)**	(4,898)
Profit (loss) before taxation		**415,128**	(4,195)
Taxation	8	**(111,026)**	(28,621)
Profit (loss) for the year	9	**304,102**	(32,816)
Other comprehensive expense			
Item that will not be reclassified subsequently to profit or loss:			
Reversal of revaluation of a property, net of tax effect		**–**	(7,341)
Item that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operations		**(7,495)**	(47,985)
Other comprehensive expense for the year		**(7,495)**	(55,326)
Total comprehensive income (expense) for the year		**296,607**	(88,142)

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2023

	NOTE	2023 HK$'000	2022 HK$'000
Profit (loss) for the year attributable to:			
Owners of the Company		**304,179**	(32,727)
Non-controlling interests		**(77)**	(89)
		304,102	(32,816)
Total comprehensive income (expense) for the year attributable to:			
Owners of the Company		**296,642**	(88,106)
Non-controlling interests		**(35)**	(36)
		296,607	(88,142)
Earnings (loss) per share	11		
Basic		**HK$0.77**	(HK$0.08)

Consolidated Statement of Financial Position

At 31 December 2023

	NOTES	2023 HK$'000	2022 HK$'000
Non-current assets			
Property, plant and equipment	13	**75,869**	30,321
Right-of-use assets	14	**95**	–
Investment properties	15	**779,718**	–
Deferred Consideration	16	**88,402**	328,616
Loans receivable	17	**41,096**	34,591
Investments in debt instruments	18	**288,799**	461,045
Interests in associates	19	**–**	–
		1,273,979	854,573
Current assets			
Inventories	20	**20,671**	27,009
Loans receivable	17	**6,949**	–
Contract assets	21	**64,148**	71,941
Debtors and prepayments	22	**118,439**	102,704
Investments at fair value through profit or loss ("FVTPL")	23	**175,723**	170,463
Amounts due from associates	24	**104**	83
Taxation recoverable		**1,764**	1,251
Investments in debt instruments	18	**336,103**	67,257
Bank deposits	25	**–**	271,930
Bank balances and cash	25	**138,133**	243,624
		862,034	956,262
Current liabilities			
Creditors and accrued charges	26	**188,185**	209,245
Other payables	16	**142,689**	201,000
Warranty provision	27	**19,918**	14,361
Contract liabilities	21	**83,113**	89,631
Lease liabilities	28	**2,304**	2,050
Bank borrowing	29	**31,628**	–
Taxation payable		**167,241**	8,176
		635,078	524,463
Net current assets		**226,956**	431,799
Total assets less current liabilities		**1,500,935**	1,286,372

Consolidated Statement of Financial Position

At 31 December 2023

	NOTES	2023 HK$'000	2022 HK$'000
Capital and reserves			
Share capital	30	**3,940**	3,940
Reserves		**1,465,132**	1,180,309
Equity attributable to owners of the Company		**1,469,072**	1,184,249
Non-controlling interests		**(39)**	(4)
Total equity		**1,469,033**	1,184,245
Non-current liabilities			
Creditors and accrued charges	26	**–**	3,501
Warranty provision	27	**4,190**	2,913
Lease liabilities	28	**3,206**	5,511
Deferred tax liabilities	31	**24,506**	90,202
		31,902	102,127
		1,500,935	1,286,372

The consolidated financial statements on pages 55 to 135 were approved and authorised for issue by the Board of Directors on 28 March 2024 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 2023

	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 2022	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 13 and 31)	–	–	(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
Profit (loss) for the year	–	–	–	–	–	–	–	304,179	304,179	(77)	304,102
Exchange difference arising on translation of foreign operations	–	–	–	–	(7,537)	–	–	–	(7,537)	42	(7,495)
Total comprehensive (expense) income for the year	–	–	–	–	(7,537)	–	–	304,179	296,642	(35)	296,607
Dividends (note 12)	–	–	–	–	–	–	–	(11,819)	(11,819)	–	(11,819)
At 31 December 2023	3,940	26,327	–	14,336	104,387	17,369	1,206	1,301,507	1,469,072	(39)	1,469,033

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 2023 and 2022 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 2023

	NOTES	2023 HK$'000	2022 HK$'000
OPERATING ACTIVITIES			
Profit (loss) before taxation		**415,128**	(4,195)
Adjustments for:			
Interest income on bank deposits		**(2,635)**	(11,333)
Interest income from investments in debt instruments		**(25,175)**	(14,018)
Finance costs		**3,923**	4,898
Dividend income		**(11,608)**	(11,940)
Depreciation of property, plant and equipment		**2,132**	3,484
Depreciation of right-of-use assets		**874**	4,877
Allowance for (reversal of) slow moving inventories, net		**265**	(587)
Reversals of impairment losses under expected credit loss model, net		**(384,788)**	(58,950)
Impairment loss of property, plant and equipment	13	**–**	12,982
(Gain) loss on disposal of property, plant and equipment		**(299)**	21
Gain arising from early termination of a lease contract		**(548)**	–
Net change in fair value of investments at FVTPL		**(12,089)**	(6,786)
Change in fair value of investment properties		**28,459**	–
Provision for warranty, net of reversal		**12,966**	12,178
Net exchange loss		**8,756**	54,025
Interest income on Deferred Consideration	16	**(45,764)**	(45,498)
Operating cash flows before movements in working capital		**(10,403)**	(60,842)
Decrease in inventories		**6,876**	10,306
Decrease in contract assets		**2,560**	12,207
(Increase) decrease in loans receivable		**(17,629)**	23,468
(Increase) decrease in debtors and prepayments		**(10,687)**	1,232
Decrease in creditors and accrued charges		**(31,707)**	(3,899)
Utilisation of warranty provision		**(6,132)**	(11,158)
(Decrease) increase in contract liabilities		**(6,518)**	58,744
Cash (used in) from operations		**(73,640)**	30,058
Income tax paid		**(16,049)**	(5,989)
NET CASH (USED IN) FROM OPERATING ACTIVITIES		**(89,689)**	24,069

	NOTES	2023 HK$'000	2022 HK$'000
INVESTING ACTIVITIES			
Return of security money in respect of Deferred Consideration		**(200,000)**	–
Receipts of penalty interest in respect of Deferred Consideration	16	**23,838**	31,373
Net cash inflows from acquisitions of subsidiaries	40	**1,301**	–
Transaction costs paid associated with the Deferred Consideration		**(21,799)**	–
Investments in debt instruments		**(318,401)**	(560,250)
Proceeds from disposal or redemption of investments in debt instruments		**211,118**	6,195
Withdrawal of bank deposits		**554,348**	2,375,945
Placement of bank deposits		**(282,418)**	(1,911,084)
Interest received		**28,571**	14,359
Purchase of property, plant and equipment		**(7,544)**	(1,949)
Proceeds from disposal of property, plant and equipment		**299**	–
Additions of investments at FVTPL		**(1,309)**	(392,736)
Proceeds from disposals of investments at FVTPL		**8,138**	255,824
Account balances placed with the broker, net		**(4,397)**	(756)
Advance to an associate		**(21)**	(17)
Dividend received from investments at FVTPL		**11,608**	11,940
NET CASH FROM (USED IN) INVESTING ACTIVITIES		**3,332**	(171,156)

Consolidated Statement of Cash Flows

For the year ended 31 December 2023

	NOTES	2023 HK$'000	2022 HK$'000
FINANCING ACTIVITIES			
Proceeds from bank borrowings		**114,750**	113,052
Repayment of bank borrowings		**(114,963)**	(113,052)
Interest paid		**(2,005)**	(570)
Repayment of lease liabilities		**(2,371)**	(8,454)
Repurchase of shares		**–**	(34,066)
Dividend paid		**(11,819)**	(12,781)
NET CASH USED IN FINANCING ACTIVITIES		**(16,408)**	(55,871)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(102,765)**	(202,958)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		**243,624**	459,447
EFFECT ON FOREIGN EXCHANGE RATE CHANGES		**(2,726)**	(12,865)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**138,133**	243,624
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS			
Bank balances and cash		**138,133**	243,624

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 38.

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

New and amendments to HKFRSs that are effective ~~for the~~ current year

In the current year, the Group has applied, the following new and 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 1 January 2023 for the preparation of the consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
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
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies

The application of the new and 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.

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

Amendments to HKFRSs in issue but not yet effective

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

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[2]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[2]
Amendments to HKAS 1	Non-current Liabilities with Covenants[2]
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements[2]
Amendments to HKAS 21	Lack of Exchangeability[3]

1 Effective for annual periods beginning on or after a date to be determined.

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

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

The directors of the Company anticipate that the application of these amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. MATERIAL ACCOUNTING POLICY INFORMATION

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.

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.

3. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

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.

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.

3. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Acquisition of a subsidiary not constituting a business

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to investment properties which are subsequently measured under fair value model and financial assets/financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

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.

3. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Revenue from contracts with customers *(Continued)*

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.

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").

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.

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.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at fair value. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

3. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

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 revalued 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.

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.

3. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

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. 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).

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.

Taxation

Income tax expense represents the sum of current and deferred income tax expense.

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.

3. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Taxation *(Continued)*

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 and at the time of transaction does not give rise to equal taxable and deductible temporary differences.

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.

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.

3. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Employee benefits *(Continued)*

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 remeasurment 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.

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 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. MATERIAL ACCOUNTING POLICY INFORMATION *(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.

(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.

(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.

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 (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.

3. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

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

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.

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. MATERIAL ACCOUNTING POLICY INFORMATION *(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. MATERIAL ACCOUNTING POLICY INFORMATION *(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.

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.

3. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

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.

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, other payables and bank borrowing, 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.

3. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Provisions *(Continued)*

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.

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.

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. 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.

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.

4. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

(Continued)

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 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.

Impairment assessment of Deferred Consideration

As disclosed in notes 16 and 35 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 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 35.

Fair value of investment properties

Investment properties are stated at fair value based on the valuation performed by independent professional valuers. Fair value of investment properties is derived by direct comparison approach. The determination of the fair value involves certain inputs and estimates of market conditions which are set out in note 15. Changes to these assumptions would result in changes in the fair values of the Group's investment properties and the corresponding adjustments to profit or loss. As at 31 December 2023, the carrying amount of the Group's investment properties is HK$779,718,000.

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

Key sources of estimation uncertainty *(Continued)*

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$319,373,000 (2022: HK$243,643,000) for the year ended 31 December 2023.

5. REVENUE AND SEGMENT INFORMATION

Revenue

(i) Disaggregation of revenue from contracts with customers

	2023 **HK$'000**	2022 HK$'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	**197,697**	189,166
– Surface Finishing	**121,676**	54,477
	319,373	243,643
Sales of spare parts of electroplating machinery	**11,212**	9,166
Provision of services – repairs, maintenance and modification	**62,743**	66,864
Total	**393,328**	319,673

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

Revenue *(Continued)*

(i) Disaggregation of revenue from contracts with customers *(Continued)*

	2023 HK$'000	2022 HK$'000
Timing of revenue recognition		
A point in time	**11,212**	9,166
Over time	**382,116**	310,507
Total	**393,328**	319,673

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

(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 designs 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, and the final acceptance by the customer, 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.

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

Revenue *(Continued)*

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

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

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.

(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.

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

Revenue *(Continued)*

(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 2023 and 2022 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.

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 profit (loss) before taxation is as follows:

	Electroplating equipment	
	2023	2022
	HK$'000	HK$'000
Segment revenue	**393,328**	319,673
Segment profit (loss)	**12,489**	(51,667)
Intra-group management fee charged to operating segment	**4,627**	4,452
Certain other income	**92,333**	87,574
Certain other gains and losses	**(30,001)**	(66,643)
Central corporate expenses	**(36,130)**	(33,705)
Provision for performance related incentive payments	**(16,081)**	–
Reversals of impairment losses for loans receivable, investments in debt instruments and Deferred Consideration under ECL model, net	**389,809**	60,122
Imputed interest on non-current portion of provision for performance related incentive payments (note 26)	**(1,918)**	(4,328)
Profit (loss) before taxation	**415,128**	(4,195)

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

Segment information *(Continued)*

Segment revenue and results *(Continued)*

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment profit (loss) represents the gross profit (loss) of the electroplating equipment segment, certain other income and expenses directly attributable to the segment activity (including intra-group management fee) but excluding other income (including interest income and sundry income), certain other gains or losses (including net change in fair value of investments at FVTPL and investment properties) and central corporate expenses including auditor's remuneration and directors' emoluments, reversals of impairment losses for loans receivable, investments in debt instruments and Deferred Consideration under ECL model, net, 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.

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	
	2023	2022
	HK$'000	HK$'000
Amounts included in the measure of segment results:		
Impairment losses for trade debtors and contract assets under ECL model, net	**(5,021)**	(1,172)
(Allowance) reversal of allowance for slow moving inventories	**(265)**	587
Impairment loss of property, plant and equipment and right-of-use assets	**–**	(7,561)
Gain (loss) on disposal of property, plant and equipment	**299**	(21)
Depreciation	**(388)**	(6,354)
Provision for warranty, net of reversal	**12,966**	12,178

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

Segment information *(Continued)*

Other segment information *(Continued)*

	Unallocated	
	2023	2022
	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 for loans receivable, investments in debt instruments and Deferred Consideration under ECL model, net	**389,809**	60,122
Impairment loss of property, plant and equipment	**–**	(5,421)
Net change in fair value of investments at FVTPL	**12,089**	6,786
Change in fair value of investment properties	**(28,459)**	–
Interest income of Deferred Consideration	**45,764**	45,498
Imputed interest on non-current portion of provision for performance related incentive payments	**(1,918)**	(4,328)

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.

	2023 HK$'000	2022 HK$'000
PRC	**166,281**	238,357
Korea	**56,826**	13,852
Mexico	**53,408**	15,928
The United States of America	**39,214**	15,496
Philippines	**23,137**	–
The United Kingdom	**11,146**	1,004
India	**10,361**	2,186
Taiwan	**9,867**	12,867
Russia	**8,030**	11,597
Australia	**4,246**	210
Singapore	**3,905**	2,627
Canada	**3,553**	1,847
Turkiye	**1,185**	139
Germany	**257**	402
Slovakia	**240**	767
Macedonia	**45**	607
France	**6**	705
Others	**1,621**	1,082
	393,328	319,673

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

Geographical information *(Continued)*

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

	2023 HK$'000	2022 HK$'000
Hong Kong	**197,953**	30,321
PRC	**657,729**	–
	855,682	30,321

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:

	2023 HK$'000	2022 HK$'000
Customer A	**52,879**	–
Customer B	**43,735**	–
Customer C	**N/A***	57,417

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

6. OTHER GAINS AND LOSSES

	2023 HK$'000	2022 HK$'000
Net change in fair value of investments at FVTPL	**12,089**	6,786
Net exchange loss	**(12,329)**	(54,025)
Gain (loss) on disposal of property, plant and equipment	**299**	(21)
Change in fair value of investment properties	**(28,459)**	–
Others	**641**	–
	(27,759)	(47,260)

7. FINANCE COSTS

	2023 HK$'000	2022 HK$'000
Interest on lease liabilities	**465**	235
Imputed interest on non-current portion of provision for performance related incentive payments (note 10)	**1,918**	4,328
Interest on bank borrowings	**1,540**	335
	3,923	4,898

8. TAXATION

	2023 HK$'000	2022 HK$'000
Hong Kong Profits Tax	**1,400**	–
PRC Enterprise Income Tax	**167,558**	9,747
PRC withholding tax	**5,643**	–
	174,601	9,747
Deferred tax (credit) charge (note 31)	**(63,575)**	18,874
	111,026	28,621

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both years. No provision for Hong Kong Profits Tax has been made in the consolidated financial statements for the year ended 31 December 2022 as the group entities subjected to Hong Kong Profits Tax have no assessable profits for that year.

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.

8. TAXATION *(Continued)*

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

	2023 HK$'000	2022 HK$'000
Profit (loss) before taxation	**415,128**	(4,195)
Taxation at tax rate of 16.5% (2022: 16.5%)	**68,496**	(692)
Tax effect of expenses not deductible for tax purpose	**2,826**	12,164
Tax effect of income not taxable for tax purpose	**(1,369)**	(3,173)
Tax effect of tax losses not recognised	**16,069**	16,820
Tax effect of utilisation of tax losses previously not recognised	**(5,185)**	(7,681)
Tax effect of deductible temporary difference not recognised	**6,993**	2,142
Withholding tax for income derived from a PRC subsidiary	**(5,643)**	–
Effect of different tax rates of subsidiaries operating in other jurisdictions	**28,839**	8,120
Others	**–**	921
Taxation for the year	**111,026**	28,621

9. PROFIT (LOSS) FOR THE YEAR

	2023 HK$'000	2022 HK$'000
Profit (loss) for the year has been arrived at after charging (crediting):		
Auditor's remuneration	**1,530**	1,500
Cost of inventories recognised as expenses (note i)	**217,713**	188,493
Gross rental income from investment properties	**(1,177)**	–
Less: direct operating expense from investment properties that generated rental income during the year	**2,884**	–
	1,707	–
Depreciation of property, plant and equipment	**2,132**	3,484
Depreciation of right-of-use assets	**874**	4,877
Staff costs:		
Directors' fee (note 10)	**300**	300
Directors' salaries, other benefits and performance related incentive payments (note 10)	**13,200**	13,200
Provision for performance related incentive payments (note 10)	**16,081**	–
Salaries and allowances	**89,217**	98,965
Contributions to retirement benefits schemes	**1,642**	1,607
Termination benefits	**–**	22,390
	120,440	136,462
(Reversals of impairment losses) impairment losses for financial assets and contract assets, net:		
– trade debtors	**(212)**	1,381
– contract assets	**5,233**	(209)
– loans receivable	**4,175**	(1,222)
– investments in debt instruments	**1,927**	–
– Deferred Consideration	**(395,911)**	(58,900)
	(384,788)	(58,950)
Interest income from financial assets at amortised cost (included in other income):		
– loans receivable	**(2,106)**	(2,867)
– Deferred Consideration (note 16)	**(45,764)**	(45,498)
– investments in debt instruments	**(25,175)**	(14,018)
– bank deposits	**(2,635)**	(11,333)
	(75,680)	(73,716)
Dividend income (included in other income)	**(11,608)**	(11,940)
Government grants (included in other income)	**(17)**	(2,746)

Note i: Amount includes allowance for slow moving inventories of HK$265,000 (2022: reversal of allowance for slow moving inventories of HK$587,000).

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

The emoluments paid or payable to each of the five (2022: 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$'000 (Note 1)	Cheung Kin Wai HK$'000	Ng Chi Kin David HK$'000	Hong Hui Lung HK$'000 (Note 2)	Total HK$'000
2023							
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	**–**	**–**	**46**	**100**	**100**	**54**	**300**
Total emoluments	**24,418**	**8,818**	**46**	**100**	**100**	**54**	**33,536**
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

Notes:

1. Kwan Wang Wai Alan was resigned as an independent non-executive director on 19 June 2023.
2. Hong Hui Lung was appointed as an independent non-executive director on 19 June 2023.

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

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.

The above table showing the emoluments paid or payable to the directors for the years ended 31 December 2023 and 31 December 2022 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, including associated with the settlement of the Deferred Consideration, and is expected to be repaid in the next twelve months (2022: certain portion is expected to be paid after one year). It is measured at present value as the carrying amount at the end of the reporting period. During the year ended 31 December 2023, imputed interest on provision for performance related incentive payments to directors and certain key management as below-mentioned amounted to HK$419,000 and HK$1,499,000 (2022: HK$3,923,000 and HK$405,000) respectively (note 7).

During the current year, the performance related incentive payments of which provision was made in the prior years, amounting to HK$22,000,000 (2022: HK$22,000,000) was paid, of which HK$20,000,000 (2022: HK$20,000,000) was paid to directors and HK$2,000,000 (2022: HK$2,000,000) was paid to another member of key management as instructed by the respective director. The provision for performance related incentive payments at 31 December 2023 is expected to be paid in next year and approved by the Board of Directors of the Company on 28 March 2024.

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$22,072,000 (2022: HK$27,572,000) 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.

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

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:

	2023 HK$'000	2022 HK$'000
Salaries and other benefits	**3,000**	3,276
Performance bonus (note)	**7,000**	7,000
Contributions to retirement benefits schemes	**54**	54
	10,054	10,330

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 (2022: HK$5,000,000) was paid to one of the highest paid individuals during the year ended 31 December 2023. As actual allocation for the accrued special bonus as at 31 December 2023 among individual management personnel of HK$5,000,000 (2022: HK$8,501,000) ("2020 Special Bonus Provision") as at 31 December 2023 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 2023 and 31 December 2022 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	
	2023	2022
HK$1,000,001 – HK$1,500,000	**1**	1
HK$2,500,001 – HK$3,000,000	**1**	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. EARNINGS (LOSS) PER SHARE

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

	2023 **HK$'000**	2022 HK$'000
Earnings (loss) for the year attributable to owners of the Company	**304,179**	(32,727)
Number of ordinary shares	**393,953,400**	419,011,811

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

12. DIVIDENDS

	2023 **HK$'000**	2022 HK$'000
Final dividend paid in respect of year ended 31 December 2022 (2022: year ended 31 December 2021) of HK$0.02 (2022: HK$0.02) per share	**7,879**	8,529
Interim dividend paid in respect of six months ended 30 June 2023 (2022: six months ended 30 June 2022) of HK$0.01 (2022: HK$0.01) per share	**3,940**	4,252
	11,819	12,781

A final dividend of HK$0.02 (2022: HK$0.02) in respect of the year ended 31 December 2023 per share, in an aggregate amount of HK$7,879,000 (2022: HK$7,879,000), 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 2022	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
Currency realignment	–	(161)	(212)	(75)	(448)
Additions	–	5,514	1,347	683	7,544
Additions associated with Deferred consideration (note 16)	40,174	–	–	–	40,174
Disposals	–	(20)	(5,192)	(694)	(5,906)
At 31 December 2023	124,015	35,961	48,252	22,258	230,486
COMPRISING					
At cost	88,303	35,961	48,252	22,258	194,774
At valuation					
– 31 March 1992	35,712	–	–	–	35,712
	124,015	35,961	48,252	22,258	230,486
DEPRECIATION AND IMPAIRMENT					
At 1 January 2022	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
Currency realignment	–	(123)	(212)	(75)	(410)
Provided for the year	1,168	225	183	556	2,132
Eliminated on disposals	–	(20)	(5,192)	(694)	(5,906)
At 31 December 2023	55,842	30,710	46,988	21,077	154,617
CARRYING AMOUNTS					
At 31 December 2023	68,173	5,251	1,264	1,181	75,869
At 31 December 2022	29,167	–	100	1,054	30,321

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	12½% to 33⅓%
Motor vehicles	33⅓%

Impairment assessment of 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. The directors of the Company consider there is no indicator for additional impairment or reversal of previously provided impairment at 31 December 2023.

With regards to the condition of the 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 2023, the recoverable amount of the buildings amounted to HK$27,193,000 (2022: HK$27,995,000) which is based on its fair value less costs of disposal. Accordingly, impairment loss amounting to nil (2022: 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 categorised within level 3 of the fair value hierarchy.

14. RIGHT-OF-USE ASSETS

	Leased properties	
	2023	2022
	HK$'000	HK$'000
At 31 December		
Carrying amount	**95**	–
For the year ended 31 December		
Additions	**8,669**	7,561
Depreciation	**874**	4,877
Expenses relating to short-term leases	**5,861**	9,438
Expenses relating to leases of low-value assets	**76**	76
Total cash outflows for leases	**8,773**	18,203
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.

Lease liabilities of HK$5,510,000 are recognised with related right-of-use assets of HK$95,000 (net of impairment of HK$5,605,000) as at 31 December 2023 (2022: 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)) 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 13.

15. INVESTMENT PROPERTIES

The Group leases out certain office properties in Hong Kong, and office and retail properties in the PRC under operating leases with rentals payable monthly. The leases typically run for an initial period of 2 to 12 years, with unilateral rights to extend the lease beyond initial period held by lessees only. Majority of the lease contracts contain market review clauses in the event the lessee exercises the option to extend. Certain retail units contain variable lease payment which is based on a tiered structure according to different ranges of revenue generated by the lessees.

The Group is not exposed to foreign currency risk as a result of the lease arrangements, as all leases are denominated in the respective functional currencies of group entities. The lease contracts do not contain residual value guarantee and/or lessee's option to purchase the property at the end of lease term.

	HK$'000
FAIR VALUE	
At 1 January 2023	–
Additions associated with Deferred Consideration (note 16) and related transaction costs	629,720
Additions through acquisitions of subsidiaries (notes 16 and 40) and related transaction costs	175,440
Currency realignment	3,017
Net decrease in fair value recognised in profit or loss	(28,459)
At 31 December 2023	779,718

The fair values of the Group's investment properties as at 31 December 2023 have been arrived at on the basis of valuations carried out on that date by AVISTA Group, the valuer which are not connected with the Group, were arrived at by adopting the direct comparison approach as available in the market to assess the market value of the investment properties.

15. INVESTMENT PROPERTIES *(Continued)*

In estimating the fair value of the properties, the highest and best use of the properties is their current use. The direct comparison approach estimates the values of the properties based on the recent transaction prices for similar properties adjusted for nature, location and condition of the property. The fair value measurement is categorised into Level 3 fair value hierarchy.

Investment properties held by the Group	Fair value at 31 December 2023 HK$'000	Valuation technique	Significant unobservable inputs	Sensitivity
Office properties in Hong Kong	**168,515**	Direct comparison approach	Market unit rate, taking into account the recent transaction prices for similar properties adjusted for nature, location and conditions of the property, which ranged from HK$8,000 to HK$22,000 per square feet.	An increase in the market unit rate used would result in an increase in fair value, and vice versa.
Retail properties in the PRC	**226,442**	Direct comparison approach	Market unit rate, taking into account the recent transaction prices for similar properties adjusted for nature, location and conditions of the property, which ranged from RMB74,000 to RMB89,000 per square metre ("sqm").	An increase in the market unit rate used would result in an increase in fair value, and vice versa.
Office properties in the PRC	**384,761**	Direct comparison approach	Market unit rate, taking into account the recent transaction prices for similar properties adjusted for nature, location and conditions of the property, which ranged from RMB24,000 to RMB30,000 per sqm.	An increase in the market unit rate used would result in an increase in fair value, and vice versa.
	779,718			

There were no transfers into or out of Level 3 during the year.

As at 31 December 2023, the Group's investment properties amounted to HK$91,115,000 have been pledged to secure banking facilities granted to the Group.

16. DEFERRED CONSIDERATION

	2023 HK$'000	2022 HK$'000
Gross amount	**940,396**	1,590,971
Less: Impairment	**(851,994)**	(1,262,355)
Carrying amount	**88,402**	328,616
CARRYING AMOUNT		
At 1 January	**328,616**	283,129
Interest recognised in profit or loss	**45,764**	45,498
Settlement of penalty interest in cash	**(23,838)**	(31,373)
Reduction by way of properties	**(647,032)**	–
Remeasurement of expected credit loss	**395,911**	58,900
Currency realignment	**(11,019)**	(27,538)
At 31 December	**88,402**	328,616

On 7 August 2011, a wholly-owned subsidiary of the Company entered into an agreement with an independent third party (together with its associates, defined as 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 2023 and 2022, the aggregate outstanding instalment payments amounted to RMB1,550,000,000 has been defaulted.

During the years ended 31 December 2023 and 2022, the Group has negotiated with the Counterparty to obtain collaterals in order to reduce its loss exposure. There are no other changes to the terms of the agreement or settlement scheme including the repayment terms and the late payment penalty terms since the default of the Counterparty, 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. Interest income of HK$45,764,000 (2022: HK$45,498,000) is recognised by applying the effective interest rate to the amortised cost of the Deferred Consideration. During the years ended 31 December 2023 and 2022, the Group has not received any cash settlement from the Counterparty apart from the penalty interest. In addition, the Group has obtained titles of properties situated in the PRC (comprising of investment properties and leasehold land and buildings) with an aggregate amount of RMB588,857,000 (approximately HK$647,032,000 at respective dates of transaction) resulting in a corresponding reduction in gross amount.

16. DEFERRED CONSIDERATION *(Continued)*

The measurement of expected credit loss considers the amount and timing of cash flows that are expected from the foreclosure on the collaterals. At 31 December 2022, the Group has obtained collaterals comprising of cash deposits of HK$200,000,000 (presented as "other payables") and pledge rights over certain properties situated in the PRC. The reversal for expected credit loss of HK$395,911,000 recognised for the year ended 31 December 2023 is mainly explained by the combined effect of properties obtained and below changes in the collaterals from the Counterparty obtained by the Group during the current year:

(a) The Group has refunded the aforementioned cash deposits amounting HK$200,000,000 to the Counterparty.

(b) The Group has obtained control over Treasure Chance Properties Limited and Singkei Real Estate Investment Co. Limited, both of which hold investment properties in Hong Kong (details of the acquisitions are set out in note 40) with an aggregate consideration of HK$141,689,000. The amount is payable immediately when the Counterparty has fully settled the outstanding principal amount of Deferred Consideration, and the Group is not obliged to pay the amount if the Counterparty has not satisfied the payment obligations by November 2028, and therefore presented as "other payable" on the consolidated statement of financial position.

(c) The Group has obtained the pledge right over certain residential properties in Hong Kong.

As a result of the above transactions, as at 31 December 2023, the outstanding amount of Deferred Consideration is secured by the first charge of certain residential properties situated in Hong Kong owned by the Counterparty and the payment obligations due by the Group as stated in (b) above.

As at 31 December 2023, the Deferred Consideration is expected to be recovered after more than one year and accordingly is classified as non-current assets.

17. LOANS RECEIVABLE

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

	2023 HK$'000	2022 HK$'000
Repayable within one year	**7,500** (note b)	–
Repayable after one year	**50,153** (notes a and c)	40,024 (notes a, b and c)
Less: Impairment losses under ECL model	**(9,608)**	(5,433)
	48,045	34,591
Analysed for reporting purposes as:		
Current	**6,949**	–
Non-current	**41,096**	34,591
	48,045	34,591

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, was the directors of KTFG and Wisdom Wealth Resources during the current year. Pursuant to the 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 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. As at 31 December 2023, a loan of HK$37,000,000 (2022: HK$19,500,000) 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 5.77% (2022: 5.14%) per annum.

(b) A loan amounted HK$7,500,000 (2022: HK$7,500,000) as at 31 December 2023 was granted under a revolving loan facility agreement of HK$20,000,000 with an independent third party as entered in May 2022. 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 and matures on 6 May 2024.

17. LOANS RECEIVABLE *(Continued)*

(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 (2022: HK$12,982,000) at 31 December 2023, 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. At 31 December 2023 and 2022, 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 2023, impairment losses under ECL model of loans receivable of HK$9,608,000 (2022: HK$5,433,000) are recognised. Details of the impairment assessment of loans receivable are set out in note 35.

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 8.00% (2022: 2.80% to 6.15%) and mature in January 2024 to February 2033 (2022: September 2023 to March 2027). 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 principal and interest on the principal amount outstanding and therefore are subsequently measured at amortised cost.

Subsequent to the end of the reporting period, debt instruments with an aggregate carrying amount of HK$224,786,000 has been matured and settled in full.

19. INTERESTS IN ASSOCIATES

	2023 **HK$'000**	2022 HK$'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 2023 and 2022 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
			2023	2022	
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

	2023 **HK$'000**	2022 HK$'000
Raw materials	**20,671**	27,009

21. CONTRACT ASSETS/LIABILITIES

	2023 **HK$'000**	2022 HK$'000
Contract assets – current		
Contract works in respect of design, manufacturing and sale of custom-built electroplating machinery and other industrial machinery	**64,148**	71,941
Contract liabilities – current		
Contract works in respect of design, manufacturing and sale of custom-built electroplating machinery and other industrial machinery	**70,067**	78,504
Provision of services – repairs, maintenance and modification	**13,046**	11,127
	83,113	89,631

21. CONTRACT ASSETS/LIABILITIES *(Continued)*

At 1 January 2022, contract assets and contract liabilities amounted to HK$83,939,000 and HK$30,887,000 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 35.

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.

	2023 **HK$'000**	2022 HK$'000
Contract works	**68,881**	19,593
Provision of services	**5,284**	4,140

22. DEBTORS AND PREPAYMENTS

	2023 HK$'000	2022 HK$'000
Trade debtors from contracts with customers	**52,002**	42,054
Less: Allowance for credit losses	**(1,685)**	(1,897)
	50,317	40,157
Rental and utilities deposits	**1,748**	2,430
Deposits paid for purchases of raw materials	**36,818**	33,562
Deposits paid for subcontracting costs	**2,705**	4,549
Account balance placed with a broker	**5,330**	933
Interest receivable	**10,231**	11,858
Other tax receivables	**3,806**	3,839
Other debtors and prepayments	**7,484**	5,376
	118,439	102,704

As at 31 December 2023, the trade debtors balance include trade debts due from associates of HK$5,438,000 (2022: HK$1,805,000).

As at 1 January 2022, trade debtors from contracts with customers amounted to HK$62,658,000 (net of allowance for credit losses of HK$516,000).

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:

	2023 HK$'000	2022 HK$'000
0 – 60 days	**48,513**	38,625
61 – 120 days	**610**	149
121 – 180 days	**1,176**	785
Over 180 days	**18**	598
	50,317	40,157

22. DEBTORS AND PREPAYMENTS *(Continued)*

As at 31 December 2023, excluding credit-impaired trade debtors balance, included in the Group's trade debtors balance are debtors with gross amount of HK$26,483,000 (2022: HK$8,725,000) with allowance for credit losses of HK$206,000 (2022: HK$119,000) in aggregate which are past due as at the reporting date. Out of the past due balances, HK$1,321,000 (2022: HK$897,000) with allowance for credit losses of HK$145,000 (2022: HK$89,000) 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 35.

23. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

Investments at FVTPL as at 31 December 2023 and 2022 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.

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 AND CASH

As at 31 December 2022, 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% (2023: Nil) per annum.

Bank balances represent savings accounts that carry interest at market rates ranging from 0.001% to 1.73% per annum (2022: 0.001% to 1.73% per annum).

26. CREDITORS AND ACCRUED CHARGES

	2023 HK$'000	2022 HK$'000
Trade creditors	**104,161**	93,341
Accrued staff costs	**17,941**	43,247
Accrued transaction costs associated with Deferred Consideration	**2,988**	–
Commission payables to sales agents	**9,403**	15,185
Provision for performance related incentive payments	**27,072**	36,073
Rental deposits received	**1,373**	–
Other creditors and accrued charges for operating costs	**25,247**	24,900
	188,185	212,746
Less: Non-current portion of provision for performance related incentive payments	**–**	(3,501)
	188,185	209,245

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

	2023 HK$'000	2022 HK$'000
0 – 60 days	**32,729**	31,928
61 – 120 days	**18,931**	26,154
121 – 180 days	**19,823**	19,320
Over 180 days	**32,678**	15,939
	104,161	93,341

The average credit period on purchase of goods is 60 – 180 days (2022: 60 – 180 days).

27. WARRANTY PROVISION

	HK$'000
At 1 January 2023	**17,274**
Change in provision during the year	**12,966**
Utilisation of provision	**(6,132)**
At 31 December 2023	**24,108**
Analysed for reporting purposes as:	
Current	**19,918**
Non-current	**4,190**
	24,108

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

	2023 **HK$'000**	2022 HK$'000
Lease liabilities payable:		
– within a period not exceeding one year	**2,304**	2,050
– within a period of more than one year but not exceeding two years	**2,375**	2,284
– within a period of more than two years but not exceeding five years	**831**	3,227
	5,510	7,561
Less: Amount due for settlement within 12 months shown under current liabilities	**(2,304)**	(2,050)
Amount due for settlement after 12 months shown under non-current liabilities	**3,206**	5,511

29. BANK BORROWING

	2023 **HK$'000**	2022 HK$'000
Bank borrowing is repayable (based on scheduled repayment dates set out in the loan agreement):		
– within one year	**1,306**	–
– within a period of more than one year but not exceeding two years	**1,361**	–
– within a period of more than two years but not exceeding five years	**4,417**	–
– within a period of more than five years	**24,544**	–
	31,628	–
Less: Amounts that contain a repayment on demand clause shown under current liabilities	**(31,628)**	–
Amounts shown under non-current liabilities	**–**	–

At 31 December 2023, bank borrowing carries interest at the lower of Hong Kong Interbank Offered Rate ("HIBOR") plus 1.8% or Hong Kong Dollar Prime Rate minus 2.2%. The borrowing is secured by the Group's investment properties.

30. SHARE CAPITAL

	Number of shares	**Amount** HK$'000
Shares of HK$0.01 each		
Authorised:		
At 1 January 2022, 31 December 2022 and 31 December 2023	20,000,000,000	200,000
Issued and fully paid:		
At 1 January 2022	426,463,400	4,265
Shares repurchased	(32,510,000)	(325)
At 31 December 2022 and 31 December 2023	393,953,400	3,940

30. SHARE CAPITAL *(Continued)*

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

Month of repurchase	Number of shares	Price per share Highest	Lowest	Aggregate consideration paid (including transaction costs)
		HK$	HK$	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.

31. DEFERRED TAXATION

Deferred tax liabilities and deferred tax assets are offset for financial reporting purposes.

	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 2022	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
Charge to profit or loss (note 8)	110,419	–	–	–	–	110,419
Transfer to current tax	(168,351)	(5,643)	–	–	–	(173,994)
Currency realignment	(2,121)	–	–	–	–	(2,121)
At 31 December 2023	22,101	2,752	(392)	45	–	24,506

31. DEFERRED TAXATION *(Continued)*

At 31 December 2023, the Group had estimated unused tax losses and deductible temporary differences relating to asset impairment of HK$574,438,000 (2022: HK$534,547,000) and HK$14,012,000 (2022: HK$14,012,000) 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$3,706,000 (2022: HK$42,782,000) 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.

32. OPERATING LEASE ARRANGEMENTS

The investment properties have committed leases for next two to twelve years.

Undiscounted lease payment receivables on leases are as follows:

	2023 HK$'000	2022 HK$'000
Within one year	**10,378**	–
In the second year	**7,539**	–
In the third year	**6,558**	–
In the fourth year	**5,148**	–
In the firth year	**3,111**	–
Over five years	**11,672**	–
	44,406	–

33. PLEDGE OF ASSETS

As at 31 December 2022, the Group utilised HK$434,000 (2023: Nil) 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.

As at 31 December 2023, the Group's investment properties amounting to HK$91,115,000 (2022: nil) was pledged to the bank for securing banking facilities to the Group.

34. 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 debt comprising bank borrowing and 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 associated 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.

35. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2023 **HK$'000**	2022 HK$'000
Financial assets		
Amortised cost	**974,696**	1,467,900
FVTPL	**175,723**	170,463
Financial liabilities		
Amortised cost	**308,086**	319,241

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, lease liabilities and bank borrowing. 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.

35. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Currency risk

During the current year, the Group has utilised the bank deposits (details set out in note 25) to invest in debt instruments which are denominated in RMB and over 80% of investments in debt instruments (note 18) as at 31 December 2023 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	
	2023	2022	**2023**	2022
	HK$'000	HK$'000	**HK$'000**	HK$'000
Renminbi ("RMB")	**605,844**	730,183	**22**	22
United States Dollars ("USD")	**102,531**	60,348	**11,107**	9,257
Sterling Pound ("GBP")	**7,410**	5,720	**563**	539
New Taiwan Dollars ("NTD")	**1,263**	1,263	**41**	20

At 31 December 2023, the carrying amounts of inter-company balances (assets) of certain group entities which were denominated in HKD (against RMB) is HK$125,294,000 (2022: HK$169,826,000).

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.

35. 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% (2022: 10%) increase and decrease in relevant foreign currencies against the functional currency of the relevant group entities. 10% (2022: 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% (2022: 10%) change in foreign currency rates. A positive number below indicates an increase in post-tax profit (2022: a decrease in post-tax loss) for the year where relevant currencies strengthen 10% (2022: 10%) against the functional currency of the relevant group entities. For a 10% (2022: 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	
	2023	2022
	HK$'000	HK$'000
RMB against HKD	**50,586**	60,968
NTD against HKD	**102**	104
GBP against HKD	**572**	433
HKD against RMB	**10,462**	14,180

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, bank balances and bank borrowing as at 31 December 2023 (see notes 17, 25 and 29 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, 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.

35. 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 and bank borrowing outstanding at the end of the reporting period were outstanding for the whole year. A 200 basis points (2022: 200 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 (2022: 200 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2023 would increase/decrease by HK$274,000 (2022: post-tax loss for the year ended 31 December 2022 would decrease/increase by HK$800,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate loans receivable and bank borrowing.

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 2023, the largest equity investment within the Group's portfolio is a leading telecommunication service provider in the PRC which accounts for over 70% (2022: 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% (2022: 20%) higher/lower, the Group's post-tax profit for the year ended 31 December 2023 would increase/decrease by HK$35,145,000 (2022: post-tax loss for the year ended 31 December 2022 would decrease/increase HK$34,093,000) 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.

35. 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

35. 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	
					2023	2022
					HK$'000	HK$'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		**1,321**	874
			Medium risk		**25,162**	7,851
			Low risk		**24,022**	30,952
					50,505	39,677
	22	N/A	Loss	Lifetime ECL (credit-impaired and assessed individually)	**1,497**	2,377
Deferred Consideration	16	N/A	Loss	Lifetime ECL (credit-impaired and assessed individually)	**940,396**	1,590,971

35. 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	External credit rating	Internal credit rating	12m or lifetime ECL	Gross amount 2023 HK$'000	Gross amount 2022 HK$'000
Loans receivable	17	N/A	Low risk	12m ECL (assessed individually)	**44,500**	27,000
	17	N/A	High risk	Lifetime ECL (not credit-impaired and assessed individually)	**–**	13,024
	17	N/A	Loss	Lifetime ECL (credit-impaired and assessed individually)	**13,153**	–
Investments in debt instruments	18	Aa3 – A2	N/A	12m ECL (assessed individually)	**626,829**	528,302
Other debtors	22	N/A	Low risk	12m ECL (assessed individually)	**24,793**	20,597
Amounts due from associates	24	N/A	Low risk	12m ECL (assessed individually)	**104**	83
Bank deposits and bank balances and cash	25	Aa2 to Baa3	N/A	12m ECL (assessed individually)	**138,133**	515,554
Other items						
Contract assets	21	N/A	(note i)	Lifetime ECL (assessed individually and collectively)		
				– Low risk	**48,246**	72,656
				– High risk	**21,850**	–
Loan commitment	17	N/A	(note ii)	12m ECL (assessed individually)	**55,500**	73,000

35. 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) 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 utilised 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 mainly largest property companies in Hong Kong, global leading financial institutions as well as the Hong Kong Government entities. As such, there has been no significant increase in credit risk since initial recognition and the 12m ECL amounted to HK$1,927,000 (2022: nil) at 31 December 2023.

35. 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 65% and 34% (2022: 62% and 37%) of the total bank balances as at 31 December 2023 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. The Group has reduced the credit risk exposure of the credit-impaired Deferred Consideration amount through negotiation with the Counterparty for additional collaterals as detailed in note 16, with the objective to increase the possibility of recovery of the receivable amount. The management of the Group has carefully assessed the value of the collaterals at each negotiation.

In determining the expected credit loss of Deferred Consideration, 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 collaterals including pledged properties. During such process, the management has also taken into account quantitative and qualitative information that are specific to the Counterparty 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 and transfers of the properties titles from the Counterparty to the Group of which details are set out in note 16.

35. 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:

	Lifetime ECL (credit-impaired) HK$'000
At 1 January 2022	1,440,662
Changes due to financial instruments recognised as at 1 January 2022:	
– Impairment losses reversed due to decrease in loss given default	(58,900)
Currency realignment	(119,407)
At 31 December 2022	1,262,355
Changes due to financial instruments recognised as at 1 January 2023:	
– Impairment losses reversed due to decrease in loss given default	(395,911)
Currency realignment	(14,450)
At 31 December 2023	851,994

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 62% (2022: 69%) of the total trade debtors as at 31 December 2023 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.

35. 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 2022	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
Changes due to financial assets recognised as at 1 January 2023:			
– Transfer to lifetime ECL (credit-impaired)	(2)	2	–
– Impairment losses reversed	(117)	(640)	(757)
– Impairment losses recognised	–	322	322
New financial assets originated	205	18	223
At 31 December 2023	206	1,479	1,685

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 impairment loss for contract assets recognised at the beginning of the year of HK$5,233,000 (2022: reversal of impairment losses for contract assets of HK$209,000).

35. 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 2023 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$9,608,000 (2022: HK$5,433,000) 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 2022	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
Changes due to financial instruments recognised as at 1 January 2023:			
– Impairment losses reversed	(11)	–	(11)
– Impairment losses recognised	1,287	2,899	4,186
At 31 December 2023	2,735	6,873	9,608

35. 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
2023							
Creditors and accrued charges	–	161,113	–	27,072	–	188,185	188,185
Other payables	–	142,689	–	–	–	142,689	142,689
Bank borrowings	3.93	31,628	–	–	–	31,628	31,628
Lease liabilities	4.30	203	421	1,872	3,326	5,822	5,510
		335,633	421	28,944	3,326	368,324	368,012
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

35. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Liquidity risk *(Continued)*

Liquidity risk tables (Continued)

The Group's bank borrowing contains a repayment on demand clause, but the management of the Group considers it is not probable the bank will exercise such right taking into account the loan-to-value ratio of the investment properties. The management of the Group considers that such borrowings will be repaid based on the agreed repayment terms set out in the loan agreement which are set out below. The table includes both interest and principal cash flows.

	Weighted average effective interest rate	On demand and less than 1 month	1 – 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Bank borrowings	3.93	211	421	1,895	10,108	30,957	43,592	31,628

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.

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.

36. 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$1,642,000 (2022: HK$1,607,000) recognised to profit or loss represents contributions payable to these schemes by the Group in respect of current year.

(b) Pursuant to the Employment Ordinance, Chapter 57, the Group has the obligation to pay LSP to qualifying employees in Hong Kong upon retirement, subject to a minimum of 5 years employment period, based on this 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. In June 2022, the HKSAR Government enacted the Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the "Amendment Ordinance") which will be effective from 1 May 2025 (i.e. the "Transition Date"). Under the Amendment Ordinance, any MPF Benefits of an entity would no longer be eligible to offset against its obligations on LSP for the portion of the LSP accrued on or after the Transition Date. The unfunded LSP obligation at 31 December 2023 and 2022 and the current service cost during the years ended 31 December 2023 and 2022 is insignificant.

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

(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 2023. 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.

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 2023.

37. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Bank borrowing HK$'000	Lease liabilities HK$'000	Dividend payables HK$'000
At 1 January 2022	–	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	–	7,561	–
Financing cash flows	(1,753)	(2,836)	(11,819)
Acquisition of subsidiaries (note 40)	31,841	–	–
Recognition of lease liabilities	–	8,669	–
Early termination of lease liability	–	(8,144)	–
Currency realignment	–	(205)	–
Dividends declared	–	–	11,819
Interest expenses	1,540	465	–
At 31 December 2023	31,628	5,510	–

38. PRINCIPAL SUBSIDIARIES

Details of the principal subsidiaries as at 31 December 2023 and 2022 are as follows:

Name of subsidiaries	Place of incorporation/ registration	Issued and fully paid up ordinary share capital/ registered capital	Proportion of ownership interest attributable to the Company		Principal activities
			2023 **%**	2022 %	
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
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

38. PRINCIPAL SUBSIDIARIES *(Continued)*

Name of subsidiaries	Place of incorporation/ registration	Issued and fully paid up ordinary share capital/ registered capital	Proportion of ownership interest attributable to the Company		Principal activities
			2023 %	2022 %	
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	Property holding
Rich Town Properties Limited	British Virgin Islands*	US$2	**100**	100	Property investment
Singkei Real Estate Investment Co. Limited	Hong Kong	HK$10,000	**100**	–	Property holding
Treasure Chance Properties Limited	Hong Kong	HK$100	**100**	–	Property holding

* 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 2023, 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.

39. 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) The Group obtained legal titles of the investment properties or properties holding companies as collaterals of Deferred Consideration or reduction in gross amount of Deferred Consideration as disclosed in note 16.

40. ACQUISITIONS OF SUBSIDIARIES

During the current year, the Group has obtained control over Singkei Real Estate Investment Co. Limited and Treasure Chance Properties Limited as part of the re-negotiation of collaterals for the Deferred Consideration (note 16). The aggregate consideration of HK$141,689,000 is payable immediately when the outstanding principal amount of Deferred Consideration has been fully settled and therefore the Group has not made any payment in the current year.

Assets and liabilities acquired:

	HK$'000
Investment properties	173,515
Other debtors	286
Bank balances and cash	1,301
Other creditors	(1,572)
Bank borrowing	(31,841)
	141,689

Net cash inflows from the acquisitions of subsidiaries amounted to HK$1,301,000 during the current year.

41. RELATED PARTY TRANSACTIONS

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

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

	2023 **HK$'000**	2022 HK$'000
Associates		
Trade sales and services rendered	**3,622**	2,627
Trade purchases	**–**	5
KTFG and its subsidiaries (note i)		
Commission expense and other securities dealing expenses	**82**	1,715
Interest income	**1,316**	1,390
Handling fee income	**–**	240
BioEm Air Sanitizing Technology Company Limited (note ii)		
Management fee income	**–**	316
Other expenses	**38**	74
Asia Oasis Limited (note ii)		
Management fee income	**–**	252
Aegis Intelligent Photocatalyst Technology Limited (note ii)		
Management fee income	**–**	140
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$5,330,000 (2022: HK$933,000) (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.

41. RELATED PARTY TRANSACTIONS *(Continued)*

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

	2023 **HK$'000**	2022 HK$'000
Payments for salaries and other short-term employee benefits	**45,580**	45,712
Retirement benefits costs	**126**	126
	45,706	45,838

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.

42. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

Statement of financial position

	2023 HK$'000	2022 HK$'000
Non-current assets		
Interests in subsidiaries	**47,286**	47,286
Amounts due from subsidiaries	**32,755**	21,040
	80,041	68,326
Current assets		
Amounts due from subsidiaries	**64,581**	83,533
Amounts due from associates	**104**	83
Other debtors and prepayments	**2,162**	154
Bank balances	**1,629**	1,520
	68,476	85,290
Current liabilities		
Creditors and accrued charges	**23,048**	28,547
Amounts due to subsidiaries	**42,005**	12,062
	65,053	40,609
Net current assets	**3,423**	44,681
Total assets less current liabilities	**83,464**	113,007
Capital and reserves		
Share capital	**3,940**	3,940
Reserves	**79,524**	109,067
Total equity	**83,464**	113,007

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

Movement of the Company's reserves

	Share premium HK$'000	Contributed surplus HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2022	28,500	78,447	69,382	176,329
Loss and total comprehensive expense 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
Loss and total comprehensive expense for the year	–	–	(17,724)	(17,724)
Dividends (note 12)	–	–	(11,819)	(11,819)
At 31 December 2023	26,327	46,879	6,318	79,524

43. SUBSEQUENT EVENTS

(a) Subsequent to 31 December 2023, the Company has repurchased 11,320,000 of its own shares at an aggregate consideration of HK$11,264,000.

(b) Subsequent to 31 December 2023, the Group has acquired deposit products issued by banks in Hong Kong at an aggregate consideration of HK$156,424,000.

Financial Summary

RESULTS

	Year ended 31 December				
	2019 HK$'000	2020 HK$'000	2021 HK$'000	2022 HK$'000	**2023** **HK$'000**
Revenue	357,698	335,097	364,634	319,673	**393,328**
Profit (loss) for the year attributable to:					
Owners of the Company	614,056	138,772	(838,547)	(32,727)	**304,179**
Non-controlling interests	(757)	1,422	(53)	(89)	**(77)**
	613,299	140,194	(838,600)	(32,816)	**304,102**

ASSETS AND LIABILITIES

	At 31 December				
	2019 HK$'000	2020 HK$'000	2021 HK$'000	2022 HK$'000	**2023** **HK$'000**
Total assets	2,675,656	2,869,557	1,875,930	1,810,835	**2,136,013**
Total liabilities	(814,116)	(756,274)	(556,696)	(626,590)	**(666,980)**
	1,861,540	2,113,283	1,319,234	1,184,245	**1,469,033**
Equity attributable to owners of the Company	1,862,691	2,113,226	1,319,202	1,184,249	**1,469,072**
Non-controlling interests	(1,151)	57	32	(4)	**(39)**
	1,861,540	2,113,283	1,319,234	1,184,245	**1,469,033**