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)

2021
ANNUAL REPORT

Contents

Corporate Information

BOARD OF DIRECTORS

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

COMPANY SECRETARY

YUNG Wai Ching

AUTHORISED REPRESENTATIVES

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

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants
Registered Public Interest Entity Auditors

LEGAL ADVISOR

Sidley Austin

PRINCIPAL BANKERS

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

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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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
Level 54, Hopewell Centre
183 Queen' s Road East
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 2021 ("the Period Under Review"), the Group recorded loss attributable to owners of the Company of approximately HK$838,547,000 compared to the profit attributable to owners of the Company of approximately HK$138,772,000 for the year ended 31 December 2020 ("the Previous Period"). The significant decrease in Group's (loss) profit attributable to owners of the Company during the Period Under Review was primarily due to (i) decrease in gross profit of approximately HK$21,057,000 from approximately HK$57,790,000 in the Previous Period to approximately HK$36,733,000 in the Period Under Review and (ii) net loss arising from the arrangement in relation to a site located at Longhua (see the paragraph below with heading "Net (loss) gain in relation to the Longhua Project" on page 8).

The basic loss per share for the Period Under Review was HK$1.97 compared to the basic earnings per share of HK$0.33 of the Previous Period.

FINANCIAL REVIEW

Revenue

The revenue for the Period Under Review was more or less the same as the Previous Period and was approximately HK$364,634,000 or 8.8% more than the Previous Period.

In terms of business segment, approximately 77.4% of the revenue was generated from PCB sector (the Previous Period: approximately 79.8%), and approximately 22.6% came from surface finishing sector (the Previous Period: approximately 20.2%).

In terms of the machines geographical installation base, the revenue composition during the Period Under Review was 60.3% machine values were installed in PRC (the Previous Period: 62.8%), 12.4% in Taiwan (the Previous Period: 11.2%), 11.4% in the USA (the Previous Period: 5.9%), 4.3% in the Macedonia (the Previous Period: 7.3%), 3.5% in Vietnam (the Previous Period: nil), 2.0% in the United Kingdom (the Previous Period: 0.2%), 1.6% in Mexico (the Previous Period: 1.7%), and 4.5% in rest of the world (the Previous Period: 10.9%).

Gross Profit

Due to price pressure from customer and increase in material cost because of inflation, gross profit was 10.1% which was lower than the Previous Period (approximately 17.2%).

Other gains and losses of approximately HK$3,398,000

This represented (a) Net change in realized and unrealized fair value gain of held-for-trading investments was approximately HK$817,000 (the Previous Period: loss of HK$4,532,000) (b) net exchange gain of approximately HK$2,714,000 (the Previous Period: loss of HK$5,923,000).

(a) Net change in realized and unrealized fair value gain of held-for-trading investments was approximately HK$817,000 (the Previous Period: loss of HK$4,532,000)

All held-for-trading investments were recorded at fair value as at 31 December 2021 and represented listed securities in Hong Kong. The gain of approximately HK$817,000 represents fair value gain of investments held for trading, as a result of mark to market valuations as at the balance sheet date.

Below are information of the Group's held-for-trading investments as at 31 December 2021:

Company Name/Stock Code	% of Shareholding as at 31 December 2021	Fair value change HK$'000	**Fair value as at 31 December 2021 HK$'000**	**% of Total Assets of the Group as at 31 December 2021**	Fair value as at 31 December 2020 HK$'000	% of Total Assets of the Group as at 31 December 2020
Shanghai Industrial Urban Development Group Ltd. (563)	0.26%	(755)	**9,567**	**0.51%**	10,322	0.36%
Q P Group Holdings Ltd. (1412)	1.59%	2,712	**10,423**	**0.56%**	7,711	–
South China Holdings Company Ltd (413)	0.20%	(1,888)	**2,157**	**0.12%**	4,045	0.27%
Orient Victory Travel Group Company Ltd. (265)	0.38%	(728)	**2,329**	**0.12%**	3,057	0.11%
South China Assets Holdings Ltd. (8155)	–	(804)	**–**	**–**	804	0.03%
Bonjour Holdings Ltd (653)	–	1,746	**–**	**–**	5,176	0.18%
Others		534	**2,289**	**0.12%**	1,755	0.05%
Total		817	**26,765**	**1.43%**	32,870	1.14%

(b) ***net exchange gain of approximately HK$2,714,000 (the Previous Period: loss of HK$5,923,000)***
The net exchange gain was mainly due to (i) the exchange gain of approximately HK$9,056,000 arising from revaluation of RMB bank deposits and (ii) exchange loss of approximately HK$5,829,000 arising from intercompany transactions. The production arm of the Group is based in China and normally bills the sales arm of the Group in Hong Kong Dollars. During the Period Under Review, RMB was appreciated by approximately 2.9% and hence the production arm of the Group recorded an exchange loss arising from the receivable which was denominated in Hong Kong dollars.

Other income of approximately HK$273,714,000

This represented (a) interest arising from loan receivables of approximately HK$3,763,000 (the Previous Period: HK$3,837,000) (b) interest received from bank deposits of approximately HK$19,945,000 (the Previous Period: HK$11,509,000) (c) imputed interest income on Deferred Consideration of approximately HK$244,341,000 (the Previous Period: approximately HK$279,801,000).

(a) ***Interest arising from loan receivables***
On 21 October 2019, the Group entered into a loan facility agreement ("2019 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 Investment"). Mr. Lam Kwok Hing, an executive director and the ultimate controlling shareholder of the Company, and Mr. Nam Kwok Lun, an executive director of the Company who has an indirect interest in the Company, are the directors of Wisdom Wealth Resources Investment. Pursuant to 2019 Loan Facility Agreement, the Group provides an unsecured revolving loan facility of HK$130,000,000 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 2022.

Pursuant to the 2019 Loan Facility Agreement, the Group has received interest income of approximately HK$2,445,000 (the Previous Period: approximately HK$3,050,000) from KTFG.

Besides the revolving loan facility with KTFG, the Group has also received interest income of approximately HK$1,318,000 from other loans with independent third parties (the Previous Period: HK$787,000).

(b) ***Interest received from bank deposits***
Interest income from bank deposits was approximately HK$19,945,000 (the Previous Period: HK$11,509,000).

(c) ***Imputed interest income of Deferred Consideration***
Please refer to note 17 of the consolidated financial statements for more detailed explanation on the imputed interest income of approximately HK$244,341,000 (the Previous Period: HK$279,801,000).

Selling and Distribution Costs of approximately HK$9,762,000

The selling and distribution costs represented exhibition and marketing expenses, product and public liability insurance cost and the respective personnel cost on the sales team. The costs for the Period Under Review was 1.8% lower than the Previous Period. It was primarily due to reduced sales activities due to the COVID-19 pandemic.

Administrative expenses of approximately HK$60,261,000

The administrative expenses for the Period Under Review was 47.3% lower than the Previous Period. It was mainly due to (a) reversal of provision for performance related incentive payments payable to executive directors of the Group, and (b) increase in general expenses.

(a) Reversal of provision for performance related incentive payments

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

As disclosed in the announcement issued by the Company on 31 December, 2021, the Group is expecting a delay in receiving certain guaranteed cash consideration in relation to the Longhua Project. Apart from incurring an impairment loss which is explained below, for the Period Under Review, reversal of provision for performance related incentive payments to the directors of the Company of approximately HK$30,975,000 (the Previous Period: provision of HK$6,633,000) was made.

In the Previous Period, the Group has made a special bonus provision of approximately HK$18,712,000 for certain management staff of the Group for their past contribution to the Re-development Plan (as disclosed in note 17). No such provision was made in the Period Under Review.

(b) Increase in general expenses

After taking out the reversal of provision for performance related incentive payments as disclosed above, the remaining administrative expenses was approximately HK$91,236,000 was 2.6% higher than the Previous Period (the Previous Period: HK$88,898,000).

As a benchmark, the average inflation rates in China and Hong Kong for 2021 were 0.9%[1] and 1.6%[2] respectively.

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

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

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

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

	Year ended 31 December	
	2021	2020
	HK$'000	HK$'000
Trade debtors	**451**	(261)
Contract assets	**(199)**	(5)
Loans receivable	**(599)**	(4,253)
Deferred Consideration	**(1,320,267)**	23,109
	(1,320,614)	18,590

The Group recognized an impairment loss of approximately HK$1,320,267,000 (the Previous Period: a net reversal of impairment losses of approximately HK$23,109,000) for Deferred Consideration. As disclosed in the announcement issued by the Company on 31 December 2021, the Group was notified by the Counterparty that the repayment of the next two remaining instalments of an aggregate amount of RMB800,000,000 is expected to be delayed.

Finance cost of approximately HK$3,442,000

This represented mainly the imputed interest expenses on non-current portion of provision of performance related incentive payments of approximately HK$3,182,000 (the Previous Period: HK$2,931,000) and the interest expenses on lease liabilities of approximately HK$237,000 (the Previous Period: HK$192,000).

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

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

Taxation

Net tax credit of approximately HK$241,634,000 (the Previous Period: net tax charge of HK$102,518,000) represented mainly taxes paid and to be paid by our wholly-owned subsidiaries in China and Taiwan.

(a) As the Group recorded a loss in relation to the Longhua Project before tax approximately HK$1,028,253,000 (the Previous Period: profit of HK$285,011,000), the Group recorded a corresponding estimated tax credit of approximately HK$268,981,000 (the Previous Period: tax charge of HK$75,728,000); and

(b) PRC withholding tax of HK$28,066,000 (the Previous Period: HK$26,496,000) was recognized for the dividend declared and intended to be declared by the Group from a PRC subsidiary. The funding comes from receipt in relation to the Longhua Project.

Net (loss) gain in relation to the Longhua Project

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

	Year ended 31 December	
	2021	2020
	HK$'000	HK$'000
Under "Other Income" – Imputed interest income on Deferred Consideration	**244,341**	279,801
Under "Other Income" – Interest earned on bank deposits	**19,880**	10,377
Under "Administrative expenses" – Reversal/(Provision) for directors' and special management bonus	**30,975**	(25,345)
Under "Finance costs" – Imputed interest on non-current portion of provision for performance related incentive payments	**(3,182)**	(2,931)
Under "Impairment loss under expected credit loss model, net of reversal" – Impairment loss for Deferred Consideration	**(1,320,267)**	23,109
Under "Taxation"	**240,915**	(102,223)
Net (loss) gain in relation to the Longhua Project	**(787,338)**	182,788

Exchange difference arising on translation of foreign operation of approximately HK$57,345,000

This represented mainly the exchange difference arising on translation of operations in the PRC due to the appreciation in RMB (of approximately HK$24,353,000) and revaluation of Deferred Consideration and corresponding deferred tax liability (of approximately HK$32,044,000). The currency translation reserve was increased at the same amount.

Deferred Consideration

Please refer to the sub-section "Property Development" below in this section and note 17 of the consolidated financial statements for more detailed explanation.

Loans receivable

On 21 October 2019, the Group entered into 2019 Loan Facility Agreement with KTFG, which is a wholly owned subsidiary of Wisdom Wealth Resources Investment. Mr. Lam Kwok Hing, an executive director and the ultimate controlling shareholder of the Company, and Mr. Nam Kwok Lun, an executive director of the Company who has an indirect interest in the Company, are the directors of Wisdom Wealth Resources Investment. Pursuant to 2019 Loan Facility Agreement, the Group provides an unsecured revolving loan facility of HK$130,000,000 bearing interest at Prime Rate for a term of three years commencing from the loan effective date and ending on 20 October 2022.

As at 31 December 2021, a loan of approximately HK$36,000,000 (31 December 2020: approximately HK$55,500,000) was drawn by KTFG in accordance with the terms of the 2019 Loan Facility Agreement. The average effective interest rate, which is equal to contractual interest rate, is 5% (the Previous Period: 5%) per annum.

As reported in above, the total interest earned in relation to above loan was approximately HK$2,445,000 (the Previous Period: approximately HK$3,050,000).

Besides the revolving loan facility with KTFG, the Group has granted a few loans with independent third parties bearing interest between 2.2% to 8.0% per annum and the Group has received interest income of approximately HK$1,318,000 from these loans during the Period Under Review (the Previous Period: HK$787,000).

The Group has also made a specific impairment loss of approximately HK$3,766,000 in the Previous Period for a short term loan after considering the collectability.

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

	As at 31 December	
	2021	2020
	HK$'000	HK$'000
Principal outstanding repayable within one year	**50,500**	13,000
Principal outstanding repayable after one year	**12,992**	66,500
Less impairment loss allowance	**(6,655)**	(6,056)
Net carrying amount	**56,837**	73,444
Analysed for reporting purpose as:		
Current	**48,068**	9,234
Non-current	**8,769**	64,210
	56,837	73,444

Held-for-trading investments under current assets

As at 31 December 2021, the Company had held-for-trading investment in listed securities in Hong Kong with a market value of approximately HK$26,765,000 (31 December 2020: approximately HK$32,870,000), representing an investment portfolio of fourteen listed equities in Hong Kong. The Board acknowledges that the performance of the equities may be affected by the degree of volatility in the Hong Kong stock market and susceptible to other external factors that may affect their values. Accordingly, in order to mitigate possible financial risks related to the equities, the Board will continue to maintain a diversified investment portfolio across various segments of the market and also closely monitor the performance progress of its investment portfolio from time to time going forward.

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

Contract assets

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

Creditors and accrued charges under current liability

The amount payable to creditors and accrued charges as at 31 December 2021 was HK$172,286,000 which was approximately HK$28,269,000 lower than the Previous Period. Please refer to note 27 of the consolidated financial statements for more details. The decrease was mainly due to decrease in amount due to suppliers as less material was ordered in late 2021.

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$41,352,000 under non-current liability

Please refer to note (a) of administrative expenses stated in above. It was related to provision for performance related incentive payments payable and was discounted to present value.

Deferred tax of approximately HK$80,786,000 under non-current assets and liabilities

The Group has recorded a deferred taxation of approximately HK$70,782,000 as estimated taxation expenses in relation to the expected gain arising from the arrangement in relation to a site located at Longhua.

The balance of approximately HK$10,004,000 represented deferred tax liabilities recognized for accelerated tax depreciation of approximately HK$45,000, revaluation of properties of approximately HK$1,908,000, and withholding tax provision for dividend payable by a PRC subsidiary of approximately HK$9,172,000.

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 decreased from HK$216,812,000 in Previous Period to HK$211,856,000, representing 2.3% drop. Out of this total revenue, from the perspective of installation location, nearly 61.7% were shipments made to PRC (78.0% in Previous Period) and 14.3% were shipments made to Taiwan (12.5% in Previous Period).

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

According to a report issued by Gartner Inc in Mar 2022, global sales of smartphones declined by 1.7% in the fourth quarter of 2021 while the annual sales in 2021 increased by 6% compared to a decline of 12.5% in year 2020.

Top 5 Smartphone Companies, Worldwide Shipments, Market Share, and Year-Over-Year Growth, Q4 2021 and full year (shipments in millions of units)

Company	4Q 2021 Shipment Volumes	4Q 2021 Market Share	2021 Shipment Volumes	2020 Shipment Volumes	Year-Over-Year Change
Samsung	69.0	+11.0%	272.30	253.0	+7.6%
Apple	83.0	+3.8%	239.2	199.8	+19.7%
Xiaomi	44.8	+3.2%	189.3	145.8	+29.8%
OPPO	32.6	-5.2%	138.2	111.8	+23.7%
Vivo	29.1	-10.6%	136.01	107.4	+26.7%
Others	121.1	-9.5%	458.7	534.0	–14.1%
Total	379.5	-1.7%	1433.8	1351.8	+6%

Due to rounding, some figures may not add up precisely to the totals shown
Source: Gartner (March 2022)

Apple sold more smartphones than other companies in quarter four. The sales were mainly streamed from iPhone 13 series. Samsung and Xiaomi followed and they were the other two companies out of the top 5 to record a positive change in quarter four. Xiaomi recorded a significant growth on annual basis and remains as top 1 smartphone seller in India. According to the analysis of Gartner, the improved sales in year 2021 was mainly due to pent up demand in large markets such as India and China, opening of market places post lockdown, along with a lower base for comparison from 2020.

Bank on the improved sales of smartphones, most of our PCB customers recorded a handsome growth in revenue and profit as well and we were able to maintain the revenue in year 2021. However, due to appreciation of RMB and inflation, our cost of good sold has increased and hence a drop in gross profit.

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 12.6% from approximately HK$55,047,000 in the Previous Period to approximately HK$61,998,000 for the Period Under Review. Out of this total revenue, from the perspective of installation location, nearly 43.7% were shipments made to PRC (6.4% in Previous Period) and 25.3% were shipments made to Macedonia (44.6% in Previous Period).

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

According to a report issued by VDA[3], global car sales increased by 4% in year 2021, compared to a decline of 15% in year 2020. Same as smartphone, one of the reasons for the growth is a lower base of last year.

Region	2021	2020	% Change	2019	2018
Europe (EU+EFTA+UK)	11,774,900	11,961,200	- 1.5%	15,805,800	15,624,500
Russia (light vehicles only)	1,666,800	1,598,800	+ 4.3%	1,759,500	1,800,600
USA (light vehicles only)	14,913,700	14,450,800	+ 3.1%	16,965,200	17,215,200
Japan	3,675,700	3,810,000	- 3.5%	4,301,100	4,391,200
Brazil (light vehicles only)	1,977,100	1,954,800	+ 1.1%	2,665,600	2,475,400
India	3,082,400	2,435,100	+ 26.7%	2,962,100	3,394,700
China	21,090,200	19,790,000	+ 6.6%	21,045,000	23,256,300
COMBINED	58,180,800	56,000,700	+ 3.9%	65,504,300	68,157,900

China remained the best-performing car market in the world with sales grew by 6.6%. India was the fastest growing market but its overall vehicle market remained relatively small. New passenger vehicle registrations in Japan and Europe were weaker in 2021.

The geographical sales distribution from the VDA report mirrors, in some degree, to our sales activities in recent years. In year 2021, 43.7% of our revenue were shipments made to China and over 55% of our orders on hands are 2022 shipments to China.

The outlook for car sales in 2022 is positive although supply-chain shortages of especially semiconductors are likely to limit supply rather than demand.

Outlook

Year 2021 was a lurching year which began in hope, due to the introduction of vaccine, but was shuddered to a halt due to the unexpected spreading of Omicron. The number of infected cases suddenly surged to roof in a relatively short period of time. Various restrictive measures were re-imposed, including lockdown, and all these measures will inevitably hamper the recovery of economy and interrupt the supply chain. That is why we foresee that shortage of semi-conductors and various electronic components will continue, which in turns will affect the production of smartphones and car. The outbreak of the Russo-Ukrainian War has already driven energy and food prices higher and created macro uncertainty around the world. All in all, while we believe we will see a slight growth in global economy in year 2022 but it will be full of uncertainty and volatility. How to maintain a reasonable product cost and to meet the agreed delivery schedule with customers will be a great challenge in the coming year.

PROPERTY RE-DEVELOPMENT IN LONGHUA

Background

Reference is made to the Company's announcements issued (i) on 22 August 2011 with respect to the agreement ("Agreement") entered into by a wholly-owned subsidiary of the Company with an independent third party ("Counterparty") in relation to a re-development plan ("Re-development") of two parcels of industrial land located in Bao An District, Shenzhen, the PRC, of the Group ("Longhua Land") from industrial land into residential properties for resale; (ii) on 25 October 2013 with respect to the supplemental agreement signed, (iii) on 16 October 2014 with respect to the preliminary approval granted, (iv) on 26 October 2015 with respect to the second supplemental agreement signed, (v) on 30 November 2015 with respect to the final approval obtained for the construction plan, (vi) on 4 January 2017 with respect to the supplemental agreements ("Supplemental Agreements") which outlined the way to receive the expected consideration and (vii) on 28 June 2019 with respect to the revised supplemental agreements and on 9 September 2019 with respect to the Second Revised Supplemental Agreement A which outlined further changes in respect of the way to receive the expected consideration ("Revised Supplemental Agreements").

The Re-development was completed in 2019 and pre-sales certificate was obtained in August 2019. Showroom was set up and pre-sales was launched subsequently in the same year. As of the date of this annual report, all residential units were almost sold out leaving mainly the office building and commercial units. The sales process is still going on but at a very slow pace under a quiet market.

In accordance with the terms agreed in the Revised Supplemental Agreements, the Group will receive a total of RMB2.75 billion during the period from 6 January 2020 to 5 January 2023. As of the date of this annual report, the Group has already received RMB1.2 billion and will further receive RMB0.8 billion in year 2022 and RMB0.75 billion in year 2023.

Reference is made to the announcement issued by the Company on 31 December 2021. The Company was notified by the project company of the Longhua Project (the "Project Company") that it requests to postpone part of the guaranteed cash consideration for an amount of RMB0.8 billion in accordance with the terms set out in the Second Revised Supplemental Agreement A. The payment delay was mainly caused by the delinquent debt collections from their group's customers, namely property developers. The Project Company has in December 2021 paid to the Group HK$200 million as security for its repayment obligations. They have since paid default interest (which in fact is liquidated damages) of RMB4.25 million to the Group on timely basis and in accordance with the terms of the Agreements.

Financial impacts in year 2021

As at 31 December 2021, the Counterparty has suffered from delay in collecting receivables due from its customers and from sales of properties inventories due to the slowdown in the PRC property development sector. As the Counterparty has represented that they would not make timely payments for the instalments due in year 2022, such default in repayment was an evidence that the Deferred Consideration was credit-impaired. The Company was obliged to follow the requirements under the HKFRS 9 to change the ECL measurement model from 12-month ECL to lifetime ECL (credit-impaired). As a result, the impairment losses under the expected credit losses of approximately HK$1,320 million were recognized for the year ended 31 December 2021. Such amount was the difference between

a. the present value of Deferred Consideration of approximately HK$283 million (ie the present value of cash flows expected to be recovered by the Group within the contract period); and

b. the carrying amount before current year impairment of approximately HK$1,603 million (ie the present value of the original contractual cash flows that are due to the Group under the existing agreements less ECL made as at 1 January 2021).

In calculating the present value of cash flows for items (a) and (b), the Group has adopted discounted cashflow method by applying an effective interest rate of 16.8%. The effective interest rate was derived by using build-up method and was based on market risk-free rates, market yields of selected bonds with similar credit profiles as the Counterparty with adjustments on (i) country risk differentials between the issuers of the comparable bonds and the Counterparty and (ii) illiquidity risk premium. Such effective interest rate, once adopted at time of initial recognition ie 24 October 2019, will apply in all subsequent report periods.

As at 31 December 2021, the remaining present value of the Deferred Consideration i.e. approximately HK$283 million is comprised of (i) HK$200 million cash security as disclosed in the announcement of the Company dated 31 December 2021 and (ii) the present value of the possible repayment from the Project Company from sales of properties inventories by the end of the contract period ie 5 January 2023.

As at 31 December 2021, the Project Company had approximately 36,000 sqm of office space and 6,000 sqm of shop space remaining available for sell. Based on our understanding of the Longhua project and the objective evidence gathered on hands, the Company was able to derive a three years' sales forecast (ie from year 2022 to 2024) for the sales of remaining properties. The Company has also considered and assessed impact of Covid-19 and deterioration of PRC property market by making references to research conducted by professional service companies such as Jones Lang Salles, CBRE, Savills, CRIC etc as well as data published by National Bureau of Statistics and public available news. Nevertheless, given that the Revised Supplemental Agreements will end on 5 January 2023 and having considered the requirements under HKFRS 9, when the Company reported the remaining present value of the Deferred Consideration, the Company could only consider the expected receivable by end of the contract period (ie the maximum contractual period over which the Group is exposed to credit risk). As a result, only approximately HK$83 million was reported as present value of expected repayment from the Project Company from sales of remaining properties by the end of the contract period. This figure was our best estimated figure calculated under the framework of HKFRS 9. The amount of ECL is sensitive to changes in circumstances and forecasted economic conditions and the actual results may differ from the estimates.

While the Counterparty is currently default in payment, the Revised Supplemental Agreements are still in force. Under the terms of these agreements, the Counterparty has a time window of 12 months to rectify the defaults but is obliged to pay default interest to the Group. As of the date of this report, the Project Company has paid default interest of RMB4.25 million in year 2022.

Work done and latest status

For the purpose of collecting the outstanding payment of the Deferred Consideration,

(i) The Group has negotiated with the Counterparty who has demonstrated their intention to fulfill their future obligations by providing cash of HK$200 million to the Group in Hong Kong as additional security in December 2021;

(ii) The Project Company has been paying and is expected to pay the default interest to the Group in accordance with the terms of the existing agreements;

(iii) The Group has requested and has received the consolidated financial statements as of 31 December 2021 from the Counterparty in order to assess their financial condition;

(iv) The Group has requested and has received the latest sales status of the Longhua project in order to assess their potential sales and therefore subsequent cash inflow;

(v) The Group has requested a list of their projects on hands to assess if there will be any major expenditures or income coming forward; and

(vi) The Group is keeping a constant dialogue with the Counterparty and Project Company to understand their progress in collecting receivables from their debtors.

Based on our preliminary assessment and information on hands, the Counterparty is looking for raising additional fund from (a) selling the office and shop space from the Longhua project, (b) borrowing from banks, (c) seeking repayment or assets from their debtors and (d) completing a development project in 2023.

The Counterparty, unlike other property developers, has not issued any overseas bonds and is not subject to credit crunch or the new regulations as stipulated under the "Notice by the General Office of the National Development and Reform Commission of the Relevant Requirements for Recordation and Registration of Real Estate Enterprises' Applications for Issuance of Foreign Debts [No. 778 of 2019]". The Counterparty, unlike other tier 1 property developers, does not have on hands many development projects which will consume huge funding requirements.

The National Bureau of Statistics of China has recently released the property price movement of all major cities in February 2022. First-tier cities such as Beijing, Shanghai, Guangzhou and Shenzhen recorded price increment of 0.6%, 0.5%, 0.6% and 0.4% only. Shenzhen has got the lowest price growth. It is envisaged that the expected cash inflow for most of the property developers remain relatively the same as in last two years. For the office market, there were mixed signals. On the one hand, the Shenzhen office market has recorded vacancy rates between 18%-22% in the fourth quarter of last year, which is the lowest rate in last two years. On the other hand, the average selling prices are dropping. A JLL report shows that there will be nearly 1.8 million square meters new office area to be introduced to the Shenzhen market in in 2022. The Group believes that the oversupply situation will prompt a wait-and-see investment attitude. Aggregated by the resurge of COVID-19 in many parts of China, the pace of selling office space and shop space is slow. The marketing team of the Counterparty is working diligently with local agents on seeking potential customers.

While the Counterparty is working towards getting additional fund from the four sources stated above, we do believe that having regards to the current market situation and our on-going discussions with the Counterparty, a little bit more of the time is required for them to formulate a revised repayment plan.

In the meantime, in order to protect the interest of the Group, the Company is in the process of seeking additional securities in the form of cash or assets from the Counterparty. No conclusive terms are made for the moment and negotiation is on-going.

Looking forward

The Group has co-operated with the Counterparty for more than ten years, except experiencing certain delay in getting approvals from local authorities due to change of policies, the Counterparty has so far honored all agreed terms. In addition, the Counterparty was established in 1993. It was not the first time that Central government in China was trying to introduce tightening policies to cool down the property market in Shenzhen. The first round of policies could be traced back to year 2010 and 2011. The Company believes that based on past track records and their solid experience, it is likely that that the Counterparty could successfully secure additional funding from these four potential sources by granting them additional time.

The Board will continue to monitor the market situation as well as to keep the dialogue going so as to secure a repayment plan which will be in the interest of the Company and its shareholders as a whole. The Board will inform the shareholders and potential investments by making further announcement(s) as and when appropriate in accordance with the Listing Rules.

Please also refer to notes 17 and 34 in the consolidated financial statements.

MATERIAL ACQUISITION AND DISPOSAL

Reference is made to the announcement of the Company dated 7 May 2021 in relation to the acquisition of a property. The Group has acquired a property as a long-term investment at a consideration of HK$35,500,000. The transaction was completed on July 2022.

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

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 31 October 2016 and the circular dated 20 December 2016 in relation to the provision of revolving loan (the "Revolving Loan").

On 31 October 2016 (after trading hours), PAL Finance Limited, an indirect wholly owned subsidiary of the Company (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$130,000,000 bearing interest at Prime Rate for a term from 6 January 2017 to 30 October 2019 (the "2016 Loan Facility Agreement").

On 21 October 2019, the Group entered into a loan facility agreement ("2019 Loan Facility Agreement") with KTFG, pursuant to which the Group has agreed to renew the unsecured revolving loan facility of HK$130,000,000 with the same terms as the 2016 Loan Facility Agreement for three years ending on 20 October 2022.

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 2019 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 2019 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 24 October 2019 and the 2019 Loan Facility Agreement was approved by the independent shareholders of the Company in the said meeting.

As at 31 December 2021, a loan of approximately HK$36,000,000 (31 December 2020: approximately HK$55,500,000) was drawn by KTFG in accordance with the terms of the 2019 Loan Facility Agreement. The average effective interest rate, which is equal to contractual interest rate, is 5% (31 December 2020: 5%) per annum.

Pursuant to Rule 14A.55 of the Listing Rules, both the 2016 Loan Facility Agreement and 2019 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 issue their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions in accordance with Rule 14A.56 of the Listing Rules.

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

(i) had received the approvals of the Board;

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

(iii) had not exceeded the caps disclosed in the previous circulars of the Company dated 20 December 2016 and 27 September 2019.

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 2021, the Group had equity attributable to owners of the Company of approximately HK$1,319,202,000 (31 December 2020: HK$2,113,226,000). The gearing ratio was nil (31 December 2020: 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 2021, the Group had approximately HK$1,214,650,000 of cash on hand (31 December 2020: HK$991,563,000).

As at 31 December 2021, the Group pledged deposits of nil (31 December 2020: HK$159,000) to banks to secure the issuance of bank guarantee of the same amount. Total banking facilities available to the Group is HK$102,300,000 (31 December 2020: HK$102,300,000). Out of the facilities available, the Group has utilized (i) nil for the issuance of bank's guarantee under which customers retain right to claim refund of purchase deposits received by the Group as at 31 December 2021 (31 December 2020: HK$159,000) and (ii) approximately HK$4,605,000 for the issuance of import letters of credit to suppliers (31 December 2020: HK$9,226,000).

Foreign Currency Risk

Most of the assets and liabilities in the Group were mainly denominated in US dollars, HK dollars, Euro and Renminbi.

Contingent Liabilities

As at 31 December 2021, the Company had guarantees of approximately HK$137,500,000 (31 December 2020: HK$137,500,000) to banks in respect of banking facilities granted to subsidiaries of the Company. The amount utilized by the subsidiaries was approximately HK$4,605,000 (31 December 2020: HK$9,385,000).

Pledge of Assets

As at 31 December 2021, apart from the cash of nil (31 December 2020: HK$159,000) pledged to the banks for the issuance of bank guarantees as disclosed above, the Group did not pledge any other asset to any third party (31 December 2020: nil).

Capital Commitment

As at 31 December 2021, the Group did not have any significant capital commitment (31 December 2020: nil).

Employee and Remuneration Policies

As at 31 December 2021, the Group employs a total of 455 employees (31 December 2020: 492), including 28 employees (31 December 2020: 36) hired by our associated company. Total staff cost including payments to directors for the Period Under Review was approximately HK$85,633,000 (the Previous Period: approximately HK$135,152,000). 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.

Chairman's Statement and Management Discussions

Since the outbreak of Covid-19, we have adopted following measures to preserve a safe working environment for our staff:

- Meetings will be conducted electronically
- Physical assess to our premises will be conditional on satisfying current health criteria
- All non-essential business travel has ceased
- Allow most of the staff to work-from-home
- Staff who work in office are exercising social distancing
- Monitor the evolving landscape and conditions as they unfold
- Analyse the facts before us and implement policies and actions appropriate to the conditions in the best interest of our clients, staff and the group.

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 (2020: 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 2022 to shareholders whose names appear on the Register of Members of the Company on 4 July 2022.

APPRECIATION

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

EXECUTIVE DIRECTORS

Mr. LAM Kwok Hing *M.H., J.P., Honorary Consul*, aged 57, is the Chairman and Managing Director of Asia Tele-Net and Technology Corporation Limited ("ATNT") and joined the Group in 1995. Mr. Lam is the younger brother of Mr. Nam Kwok Lun, the Deputy Chairman and Executive Director of the Company.

Mr. Lam has over 30 years' experience in securities trading and over 20 years' experience in industrial corporate management. He also has experience in energy exploration business. He set up Karl-Thomson Securities Company Limited and Karl-Thomson Commodities Company Limited in 1991. Mr. Lam was a registered dealer of The Securities and Futures Commission. In 2000, Karl Thomson Holdings Limited ("Karl Thomson") (Hong Kong listed code 0007, which was subsequently renamed as Hoifu Energy Group Limited ("Hoifu")) and Hong Kong Finance Investment Holding Group Limited ("Hong Kong Finance Investment") was listed in the The Stock Exchange of Hong Kong Limited. Mr. Lam was the Chairman of Karl Thomson from 2000 to 2012. He is currently an executive director of Wisdom Wealth Resources Investment Holding Group Limited ("Wisdom Wealth Resources Investment") (formerly known as Hong Kong Finance Investment). In addition, Mr. Lam was the Chairman of Intech Machines Company Limited (a company which was previously listed under Taiwan Stock Exchange Corporation with listed code of 5492) from 2001 to 2008.

Mr. Lam was awarded the Medal of Honor by the Hong Kong Special Administrative Region (the "HKSAR") in 2009. On 30 June 2017, Mr. Lam was appointed as Justice of the Peace by the Chief Executive of the HKSAR. In July 2017, he was appointed as honorary consul of the Republic of Senegal in Hong Kong. In 2013, he was appointed as a committee member of the Shaanxi Provincial Committee of the Chinese People's Political Consultative Conference and was further appointed as a standing committee member in 2018.

As far as community affairs are concerned, Mr. Lam hosts a number of posts in various charitable organizations and schools. He is a permanent advisor of the Board of Pok Oi Hospital; he was further appointed as the Chairman of Permanent Advisory Committee of the Board of Pok Oi Hospital in 2017. In addition, Mr. Lam is Vice President of Scout Association of Hong Kong for New Territories East. He was the chairman of the board of Pok Oi Hospital for the year 2008/2009, the Chairman of the Corporate Governance Committee of Pok Oi Hospital for the year 2008/2009, the Vice Chairman of the board of Pok Oi Hospital from 2004 to 2008, a member of Tai Po Fight Crime Committee from 2005 to 2007, chief school managers of various primary and secondary schools in Hong Kong.

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 motivate elites in community to engage in various charitable projects and to build a society of peace and harmony. In 2015, he was elected as the Indigenous Inhabitant Representative of Pai Tau Village and Executive Committee Member of Shatin Rural Committee.

Mr. NAM Kwok Lun, aged 62, is the Deputy Chairman of ATNT. He joined the Group in 2005. He is responsible for overall strategic planning, day to day operations, execution and further development. Mr. Nam is the elder brother of Mr. Lam Kwok Hing.

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

Directors & Senior Management Profile

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. KWAN Wang Wai Alan, aged 58, joined the Group in 1996 as Non-executive Director of ATNT. He was re-designated as Independent Non-executive Director of ATNT in April 2005. He holds a Bachelor degree in Engineering Science and a Master of Arts degree from the University of Oxford and has extensive experience in the consumer electronics and LED field.

Mr. NG Chi Kin David, aged 60, is an Independent Non-executive Director of ATNT and joined the Group in 1995. He is a professional accountant, fellow member of the Hong Kong Institute of Certified Public Accountants and member of CPA Australia. Mr. Ng is a certified public accountant and a Director of CNG Partners CPA Limited.

Mr. CHEUNG Kin Wai, aged 66, is an Independent Non-executive Director of ATNT and joined the Group in 1998. He holds a Bachelor of Social Science degree from the Chinese University of Hong Kong and a MBA degree from the University of California, Riverside. Mr. Cheung has worked for over 25 years with various international banking and brokerage firms. He has extensive securities and financial investment experience and now owns his own investment and assets management company.

SENIOR MANAGEMENT

Ms. YUNG Wai Ching, Ada, aged 56, 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 57, is the Managing Director of Process Automation International Ltd ("PAL") and has worked for the Group since 1985. He is responsible for the day to day operations, strategic planning and business development of our electroplating equipment business. He holds a degree in Chemical Technology from Hong Kong Polytechnic University and has extensive experience in marketing and business development. He is the major contributor in building a strong presence for PAL in Asia, Taiwan in particular.

Mr. CHAN Chi Wai, aged 65, 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.

Mr. LAU Kam Chan, Kelvin, aged 55, is the Director of PAL and has joined the Group since 1990. 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.

COMPANY SECRETARY
Ms. YUNG Wai Ching, Ada

(as disclosed above)

Directors' Report

The Directors present their annual report and the audited consolidated financial statements for the year ended 31 December 2021.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its principal subsidiaries and associates are set out in notes 37 and 20 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 11 to 18.

SEGMENTAL INFORMATION

An analysis of the Group's revenue and results by segments for the year ended 31 December 2021 is set out in note 6 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 and liabilities in the Group were mainly denominated in US dollars, HK dollars, Euro and Renminbi. Hence, the Group is exposed to foreign currency risk.

Due to strengthening of US dollars, the Group may face possible price pressure from local competitors in Japan, Taiwan and Europe.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2021 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.

SUMMARY FINANCIAL INFORMATION

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

SHARE CAPITAL

Details of the share capital of the Company are set out in note 30 to the consolidated financial statements.

Directors' Report

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

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

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 2021 are approximately HK$147,829,000, being the contributed surplus of approximately HK$78,447,000 and retained profits of approximately HK$69,382,000.

MAJOR CUSTOMERS AND SUPPLIERS

The five largest customers of the Group together accounted for approximately 60.7% of the Group's turnover, with the largest customer accounted for approximately 36.1%. The aggregate purchases attributable to the Group's five largest suppliers were less than 24.0% 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 14 to the consolidated financial statements.

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

DIRECTORS

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

Executive directors:

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

Independent Non-executive directors:

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

In accordance with Clause 87(2) of the Company's Bye-laws, one-third of the Directors for the time being shall retire from office by rotation at each annual general meeting. In accordance with the code provision A.4.2 of Appendix 14 Corporate Governance Code, every director should be subject to retirement by rotation at least once every three years. Therefore, Mr. NAM Kwok Lun and Mr. CHEUNG Kin Wai should retire and subject to 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 21 to 23 of the annual report.

DIRECTORS' SERVICE CONTRACTS

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

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

DIRECTORS' REMUNERATION

The remuneration committee of the Board considers and recommends to the Board the remuneration and other benefits paid by the Company to the Directors. The remuneration of all Directors is subject to regular monitoring by the remuneration committee to ensure that the levels of their remuneration and compensation are appropriate. Details of the Directors' remuneration are set out in note 11 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 2020, 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

	Number of issued ordinary shares held			
Name of director	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	64.11%

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 2020.

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$24,000 as brokerage commission to Karl-Thomson Securities Company Limited, which is a wholly owned subsidiary of Wisdom Wealth Resources Investment Holding Group Limited ("Wisdom Wealth") in which Mr. Lam Kwok Hing and Mr. Nam Kwok Lun are the executive directors.

During the year, the Group has received management fees of approximately HK$496,000 from BioEm Air Sanitizing Technology Company Limited, a company which Mr. Lam Kwok Hing has indirectly held 68.75% shareholding interests. The Group has also purchased products from this company for approximately HK$69,000.

During the year, the Group received management fees of approximately HK$230,000 from Asia Oasis Limited ("Asia Oasis"). Mr. Lam Kwok Hing holds 68.75% indirect interest in Asia Oasis and acts as a director of Asia Oasis. The Group has also purchased products from this company for approximately HK$4,000.

During the year, the Group received management fees of approximately HK$92,000 from Aegis Intelligent Photocatalyst Technology Limited ("Aegis"). Mr. Lam Kwok Hing holds 68.75% indirect interest in Aegis and acts as a director of Aegis.

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 31 October 2016 and the circular dated 20 December 2016 in relation to the provision of revolving loan (the "Revolving Loan").

On 31 October 2016 (after trading hours), PAL Finance Limited, an indirect wholly owned subsidiary of the Company (the "Lender"), entered into a loan facility agreement with Karl Thomson Financial Group Limited ("KTFG"), pursuant to which the Lender has agreed to provide a revolving loan facility of HK$130,000,000 bearing interest at Prime Rate for a term from 6 January 2017 to 30 October 2019 (the " 2016 Loan Facility Agreement").

On 21 October 2019, the Group entered into a loan facility agreement ("2019 Loan Facility Agreement") with KTFG, pursuant to which the Group has agreed to renew the unsecured revolving loan facility of HK$130,000,000 with the same terms as the 2016 Loan Facility Agreement for three years ending on 20 October 2022.

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 2019 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 2019 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 24 October 2019 and the 2019 Loan Facility Agreement was approved by the independent shareholders of the Company in the said meeting.

As at 31 December 2021, a loan of approximately HK$36 million (31 December 2020: approximately HK$55.5 million) was drawn by KTFG in accordance with the terms of the 2019 Loan Facility Agreement. The average effective interest rate, which is equal to contractual interest rate, is 5% (31 December 2020: 5%) per annum.

Pursuant to Rule 14A.55 of the Listing Rules, both the 2016 Loan Facility Agreement and 2019 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 had 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

(iii) had not exceeded the caps disclosed in the previous circulars of the Company dated 20 December 2016 and 27 September 2019.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 31 December 2021, 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 2021, 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	11.38%
Karfun	Beneficial owner	201,995,834	47.37%
J & A	Beneficial owner	19,400,000	4.55%

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 2021, 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 2021

The number of shares available for issue under the Scheme was 42,646,340 shares representing 10%of the issued share capital of the Company at 31 December 2021.

(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 2021.

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 Thursday, 23 June 2022. 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 Friday, 17 June 2022 to Thursday, 23 June 2022, 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 Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on Thursday, 16 June 2022 for registration.

On behalf of the Board

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

Hong Kong, 31 March 2022

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 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Stock Exchange") ("Listing Rules").

During the financial year of 2021, the Company has complied with most of the CG Code, save for the following:

1. Under code provision A.4.2, 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 A.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 2021. The key corporate governance principles and practices of the Company are summarised in this report.

DIRECTORS' SECURITIES TRANSACTIONS

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

Having made specific enquiry by the Company, all Directors have confirmed that they had complied with the Model Code throughout the year ended 31 December 2021.

THE BOARD

Responsibilities

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

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

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

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

The Board acknowledges its responsibility for preparing the financial statements of the Company and the Group which give a true and fair view of the Group's affairs in accordance with statutory requirements and applicable accounting standards. The statement by the auditor of the Company about its reporting responsibilities for the consolidated financial statements of the Company is set out on pages 52 to 54 in the Independent Auditor's Report.

Corporate Governance 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.

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 2021, the Board comprised five members, including two Executive Directors and three Independent Non-executive Directors, as follows:

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

Independent Non-executive Directors
Mr. CHEUNG Kin Wai
Mr. KWAN Wang Wai Alan
Mr. NG Chi Kin David

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

During the year ended 31 December 2021 ("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 2020 were held with details of the Directors' attendance set out below:

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

Board Practices and Conduct of Meetings

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

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

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

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

Directors' Training

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

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

During the year of 2020, 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 C.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 2021, the Audit Committee met twice considering the annual results of the Group for the financial year ended 31 December 2020 and the interim results of the Group for the 6 months ended 30 June 2021, assessing any changes in accounting policies and practices, major judgmental areas and compliance with applicable legal and accounting requirements and standards, discussing with the auditor of the Company on internal control and the re-appointment of the external auditor. The Audit Committee also provides in important link between the Board and the Company's auditors in matters coming within the scope of its terms of reference and keeps under review the independence and objectivity of the auditors.

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

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

The interim results for the six-months ended 30 June 2021 and the annual results for the financial year ended 31 December 2020 were reviewed by the Audit Committee before publication.

Nomination Committee

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

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

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

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

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

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

Remuneration Committee

The Company established the Remuneration Committee in February 2005 with terms of reference substantially the same as those contained in paragraph B.1.3 of the CG Code. The written terms of reference which describe the authority and duties of the Remuneration Committee were adopted in 2005 and revised on March 2012 to conform to the provisions of the Code, a copy of which is posted on the Company's website and the Stock Exchange. A majority of the members of the Remuneration Committee is Independent Non-executive Directors and members of the Committee are listed as below.

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

The Remuneration Committee is primarily responsible for the following duties:

- to determine the policy for the remuneration of executive directors, assessing performance of executive directors and approving the terms of executive directors' service contracts;

- to make recommendations to the Board on the Company's policy and structure for all remuneration of directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration and to place recommendations before the Board concerning the total remuneration and/or benefits granted to the Directors from time to time;

- to review and approve the senior management's remuneration proposals with reference to the corporate goals and objectives resolved by the Board from time to time;

- to perform an advisory role to the Board and to make recommendations to the Board on the remuneration packages of individual executive directors and senior management, with the Board retaining the final authority to approve executive directors' and senior management's remuneration;

- to make recommendations to the Board on the remuneration of independent non-executive directors;

- to review and approve the compensation payable to executive directors and senior management in connection with any loss or termination of their office or appointment to ensure that such compensation is determined in accordance with relevant contractual terms and that such compensation is otherwise fair and not excessive; and

- to review and approve compensation arrangements relating to dismissal or removal of directors for misconduct to ensure that such arrangements are determined in accordance with relevant contractual terms and that any compensation payment is otherwise reasonable and appropriate.

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

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

Remuneration Committee Members	**Attendance/ Number of Meetings**
Mr. NG Chi Kin David *(Chairman)*	2/2
Mr. KWAN Wang Wai Alan	2/2
Mr. NAM Kwok Lun	2/2

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 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$1,400,000 for statutory audit services. Payments made by the Company for non-audit services to the auditor was made during the year were:

- HK$300,000 for review of the unaudited financial statements for the six months ended 30 June 2021
- 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 2021.

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 Level 54, Hopewell Centre, 183 Queen's Road East, 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 606-610, 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 2021.

Independent Auditor's Report

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 131, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, 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 17 to the consolidated financial statements)	
We identified impairment assessment of Deferred Consideration arising from the re-development of the land as a key audit matter due to the significance to the consolidated financial statements as a whole, as well as the use of judgment and estimates by management in determining the expected credit losses ("ECL") on Deferred Consideration, which is regarded as default and ECL is measured on a lifetime credit-impaired basis. The management determines the amount of ECL based on expectation on cash flows to be recovered from the Counterparty (as defined in note 17 to the consolidated financial statements) taking into account quantitative and qualitative information specific to the Counterparty and forward-looking information that is reasonably and supportably available to the management of the Group without undue cost or effort. Further details of impairment assessment are set out in note 34 to the consolidated financial statements. As disclosed in note 17 to the consolidated financial statements, the Group has provided ECL amounting to HK$1,320,267,000 during the current year and the carrying amount as at 31 December 2021 amounted to HK$283,129,000.	Our procedures in relation to impairment assessment of the Deferred Consideration which is measured on a lifetime credit-impaired basis included: • Understanding the key controls 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 with reference to Counterparty-specific information, including macroeconomic factors which are relevant to the Counterparty's operations that could significantly affect the Counterparty's ability to fulfill its repayment obligations; and • 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
31 March 2022

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2021

	NOTES	2021 HK$'000	2020 HK$'000
Revenue – contracts with customers	6	**364,634**	335,097
Cost of sales		**(327,901)**	(277,307)
Gross profit		**36,733**	57,790
Other gains and losses	7	**3,398**	(10,465)
Other income		**273,714**	305,409
Selling and distribution costs		**(9,762)**	(9,940)
Administrative expenses		**(60,261)**	(114,243)
(Impairment losses) reversals of impairment losses under expected credit loss model, net		**(1,320,614)**	18,590
Finance costs	8	**(3,442)**	(3,123)
Share of results of associates		**–**	(1,306)
(Loss) profit before taxation		**(1,080,234)**	242,712
Taxation	9	**241,634**	(102,518)
(Loss) profit for the year	10	**(838,600)**	140,194
Other comprehensive income			
Item that will not be reclassified subsequently to profit or loss:			
Reversal of revaluation of a property, net of tax effect	16, 31	**–**	(5,912)
Items that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operations			
– subsidiaries		**57,345**	130,008
– associate		**–**	447
		57,345	130,455
Other comprehensive income for the year		**57,345**	124,543
Total comprehensive (expense) income for the year		**(781,255)**	264,737

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2021

	NOTE	2021 HK$'000	2020 HK$'000
(Loss) profit for the year attributable to:			
Owners of the Company		**(838,547)**	138,772
Non-controlling interests		**(53)**	1,422
		(838,600)	140,194
Total comprehensive (expense) income for the year attributable to:			
Owners of the Company		**(781,230)**	263,329
Non-controlling interests		**(25)**	1,408
		(781,255)	264,737
(Loss) earnings per share	12		
Basic		**(HK$1.97)**	HK$0.33

Consolidated Statement of Financial Position

At 31 December 2021

	NOTES	2021 HK$'000	2020 HK$'000
Non-current assets			
Property, plant and equipment	14	**46,843**	15,612
Right-of-use assets	15	**5,261**	4,806
Deferred Consideration	17	**–**	1,333,432
Loans receivable	18	**8,769**	64,210
Investments in debt instruments	19	**33,044**	–
Interests in associates	20	**–**	–
Deferred tax assets	31	**729**	894
		94,646	1,418,954
Current assets			
Inventories	21	**33,074**	38,595
Deferred Consideration	17	**283,129**	220,528
Loans receivable	18	**48,068**	9,234
Contract assets	22	**83,939**	66,034
Debtors and prepayments	23	**90,342**	91,567
Held for trading investments	24	**26,765**	32,870
Amounts due from associates	25	**66**	50
Taxation recoverable		**1,251**	3
Pledged bank deposits	26	**–**	159
Bank deposits	26	**755,203**	–
Bank balances and cash	26	**459,447**	991,563
		1,781,284	1,450,603
Current liabilities			
Creditors and accrued charges	27	**172,286**	200,555
Other payables	17, 18	**201,000**	–
Warranty provision	28	**14,956**	16,621
Contract liabilities	22	**30,887**	39,025
Lease liabilities	29	**8,984**	8,393
Taxation payable		**4,418**	4,539
		432,531	269,133
Net current assets		**1,348,753**	1,181,470
Total assets less current liabilities		**1,443,399**	2,600,424

Consolidated Statement of Financial Position

At 31 December 2021

	NOTES	2021 HK$'000	2020 HK$'000
Capital and reserves			
Share capital	30	**4,265**	4,265
Reserves		**1,314,937**	2,108,961
Equity attributable to owners of the Company		**1,319,202**	2,113,226
Non-controlling interests		**32**	57
Total equity		**1,319,234**	2,113,283
Non-current liabilities			
Accrued charges	27	**41,352**	67,145
Warranty provision	28	**1,298**	2,255
Deferred tax liabilities	31	**81,515**	417,741
		124,165	487,141
		1,443,399	2,600,424

The consolidated financial statements on pages 55 to 131 were approved and authorised for issue by the Board of Directors on 31 March 2022 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 2021

	Attributable to owners of the Company											
	Share capital HK$'000	Share premium HK$'000	Property revaluation reserve HK$'000	Legal reserve HK$'000 (note a)	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 2020	4,265	28,500	13,253	14,336	–	(27,824)	48,937	1,206	1,780,018	1,862,691	(1,151)	1,861,540
Profit for the year	–	–	–	–	–	–	–	–	138,772	138,772	1,422	140,194
Reversal of revaluation of a property, net of tax effect (notes 16 and 31)	–	–	(5,912)	–	–	–	–	–	–	(5,912)	–	(5,912)
Exchange difference arising on translation of foreign operations												
– subsidiaries	–	–	–	–	–	130,022	–	–	–	130,022	(14)	130,008
– associate	–	–	–	–	–	447	–	–	–	447	–	447
Total comprehensive (expense) income for the year	–	–	(5,912)	–	–	130,469	–	–	138,772	263,329	1,408	264,737
Dividends (note 13)	–	–	–	–	–	–	–	–	(12,794)	(12,794)	–	(12,794)
Dividend paid to non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	–	(200)	(200)
Transfer	–	–	–	(14,336)	14,336	–	–	–	–	–	–	–
At 31 December 2020	4,265	28,500	7,341	–	14,336	102,645	48,937	1,206	1,905,996	2,113,226	57	2,113,283
Loss for the year	–	–	–	–	–	–	–	–	(838,547)	(838,547)	(53)	(838,600)
Exchange difference arising on translation of foreign operations												
– subsidiaries	–	–	–	–	–	57,317	–	–	–	57,317	28	57,345
Total comprehensive income (expense) for the year	–	–	–	–	–	57,317	–	–	(838,547)	(781,230)	(25)	(781,255)
Dividends (note 13)	–	–	–	–	–	–	–	–	(12,794)	(12,794)	–	(12,794)
At 31 December 2021	4,265	28,500	7,341	–	14,336	159,962	48,937	1,206	1,054,655	1,319,202	32	1,319,234

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 legal reserve (prior to 1 January 2020) and the PRC statutory reserves (after 1 January 2020) until the statutory funds is accumulated up to 50% of their registered capital. No such transfer was required for the years ended 31 December 2021 and 2020 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 2021

	NOTES	2021 HK$'000	2020 HK$'000
OPERATING ACTIVITIES			
(Loss) profit before taxation		**(1,080,234)**	242,712
Adjustments for:			
Share of results of associates		**–**	1,306
Interest income on bank deposits		**(19,945)**	(11,509)
Finance costs		**3,442**	3,123
Dividend income		**(1,852)**	(1,229)
Depreciation of property, plant and equipment		**4,885**	5,817
Depreciation of right-of-use assets		**8,487**	8,772
Allowance for slow moving inventories		**1,062**	976
Impairment losses (reversal of impairment losses) under expected credit loss model, net		**1,320,614**	(18,590)
Impairment of property, plant and equipment and right-of-use assets	16	**–**	5,952
Loss on disposal of property, plant and equipment		**133**	20
Net change in fair value of held for trading investments		**(817)**	4,532
Provision for warranty, net of reversal		**3,080**	(6,155)
Net exchange (gain) loss		**(2,714)**	5,923
Imputed interest income on Deferred Consideration	17	**(244,341)**	(279,801)
Operating cash flows before movements in working capital		**(8,200)**	(38,151)
Decrease (increase) in held for trading investments		**6,922**	(16,495)
Decrease (increase) in inventories		**3,604**	(8,911)
Increase in contract assets		**(18,104)**	(7,908)
Decrease (increase) in loans receivable		**16,008**	(8,500)
Decrease (increase) in debtors and prepayments		**801**	(39,745)
(Decrease) increase in creditors and accrued charges		**(66,675)**	93,493
Utilisation of warranty provision		**(5,702)**	(6,140)
(Decrease) increase in contract liabilities		**(8,138)**	18,534
Cash used in operations		**(79,484)**	(13,823)
Income tax refunded		**–**	2,016
Income tax paid		**(106,450)**	(276,773)
NET CASH USED IN OPERATING ACTIVITIES		**(185,934)**	(288,580)

Consolidated Statement of Cash Flows

For the year ended 31 December 2021

	NOTES	2021 HK$'000	2020 HK$'000
INVESTING ACTIVITIES			
Receipts of Deferred Consideration	17	**237,631**	1,103,396
Investments in debt instruments		**(20,843)**	–
Withdrawal of pledged bank deposits		**159**	–
Placement of bank deposits		**(755,203)**	–
Interest received		**19,945**	11,509
Purchase of property, plant and equipment		**(705)**	(225)
Acquisition of property, plant and equipment through acquisition of a subsidiary	36	**(35,500)**	–
Additional investment in an associate		**–**	(342)
Advance to an associate		**(16)**	(4)
Dividend received from investments		**1,852**	1,229
NET CASH (USED IN) FROM INVESTING ACTIVITIES		**(552,680)**	1,115,563
FINANCING ACTIVITIES			
Receipts of cash securities for Deferred Consideration and loan receivable	17, 18	**201,000**	–
Interest paid		**(237)**	(192)
Repayment of lease liabilities		**(8,265)**	(6,820)
Dividend paid		**(12,794)**	(12,794)
Dividend paid to non-controlling shareholders of subsidiaries		**–**	(1,101)
NET CASH FROM (USED IN) FINANCING ACTIVITIES		**179,704**	(20,907)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(558,910)**	806,076
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		**991,563**	125,001
EFFECT ON FOREIGN EXCHANGE RATE CHANGES		**26,794**	60,486
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**459,447**	991,563
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS			
Bank balances and cash		**459,447**	991,563

1. GENERAL INFORMATION

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

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

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

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

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Company and its subsidiaries (collectively referred to as "the Group") has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2021 for the preparation of the consolidated financial statements:

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2
Amendments to HKFRS 16	Covid-19-Related Rent Concessions

The application of the amendments to HKFRSs in the current year had no material impact on the Group's financial position and financial performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Application of the agenda decision of the Committee – Cost necessary to sell inventories (HKAS 2 Inventories)

In June 2021, the Committee, through its agenda decision, clarified the costs an entity should include as "estimated costs necessary to make the sale" when determining the net realisable value of inventories. In particular, whether such costs should be limited to those that are incremental to the sale. The Committee concluded that the estimated costs necessary to make the sale should not be limited to those that are incremental but should also include costs that an entity must incur to sell its inventories including those that are not incremental to a particular sale.

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

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

Application of the agenda decision of the Committee – Cost necessary to sell inventories (HKAS 2 Inventories) *(Continued)*

The Group's accounting policy prior to the Committee's agenda decision was to determine the net realisable value of inventories taking into consideration incremental costs only. Upon application of the Committee's agenda decision, the Group changed its accounting policy to determine the net realisable value of inventories taking into consideration both incremental costs and other cost necessary to sell inventories including selling and distribution costs. The new accounting policy has been applied retrospectively. The application of the Committee's agenda decision has had no material impact on the Group's financial positions and performance.

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance Contracts and the related Amendments[1]
Amendments to HKFRS 3	Reference to the Conceptual Framework[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021[4]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[1]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to HKAS 8	Definition of Accounting Estimates[1]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities from a Single Transaction[1]
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use[2]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 – 2020[2]

1 Effective for annual periods beginning on or after 1 January 2023
2 Effective for annual periods beginning on or after 1 January 2022
3 Effective for annual periods beginning on or after a date to be determined
4 Effective for annual periods beginning on or after 1 April 2021

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

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

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

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

HKAS 1 is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are accounted for in accordance with HKFRS 16 *Leases* ("HKFRS 16"), and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets* ("HKAS 36").

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

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

Basis of consolidation

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

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.

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

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

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

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

Interests in associates

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Interests in associates *(Continued)*

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

Revenue from contracts with customers

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

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

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

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

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

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9 *Financial Instruments* ("HKFRS 9"). In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due. A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue from contracts with customers *(Continued)*

Warranties

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

Existence of significant financing component

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

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

Incremental costs of obtaining a contract

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

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

Leases

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

The Group as a lessee

Allocation of consideration to components of a contract

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

The Group as a lessee *(Continued)*

Allocation of consideration to components of a contract (Continued)

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

Short-term leases and leases of low-value assets

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

Right-of-use assets

The cost of right-of-use assets includes:

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

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever the lease term has changed in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

The Group as a lessee *(Continued)*

Lease modifications

The Group accounts for a lease modification as a separate lease if:

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

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability, less any lease incentives receivables, based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification. The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset.

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 cost necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

Property, plant and equipment

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment *(Continued)*

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

Depreciation is recognised so as to write off the cost or revaluation of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. HK$) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of currency translation reserve (attributed to non-controlling interests as appropriate).

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Borrowing costs

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

Government grants

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

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

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

Taxation

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

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

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

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

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

Current and deferred tax are recognised in profit or loss.

Employee benefits

Retirement benefit costs

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

Short-term and long-term employee benefits

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments

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

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

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

Financial assets

Classification and subsequent measurement of financial assets

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

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Classification and subsequent measurement of financial assets (Continued)

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

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

(i) Amortised cost and interest income

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

(ii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

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

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

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets which are subject to impairment (including trade debtors, Deferred Consideration, loans receivable, investments in debt instruments, other receivables, amounts due from associates, pledged 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. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

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

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.

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

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

- significant deterioration in external market indicators of credit risk, for example, a significant increase in the credit spread, the credit default swap prices for the debtor;

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

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

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

- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

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

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

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).

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

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

(ii) Definition of default *(Continued)*

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.

(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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

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

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

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

Lifetime ECL for certain trade debtors and contract assets are considered individually and reassessed on a collective basis taking into consideration past due information and relevant credit information such as forward-looking macroeconomic information.

For collective assessment, the Group takes into consideration the past due status, nature, size and industry of debtors, and external and/or internal credit rating where available, when formulating the grouping. The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

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

Except for the loan commitment, the Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade debtors where the corresponding adjustment is recognised through a loss allowance account.

Derecognition or modification

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

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 and other payables, are subsequently measured at amortised cost, using the effective interest method.

Derecognition

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment losses of property, plant and equipment and right-of-use assets *(Continued)*

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

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

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

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. SIGNIFICANT ACCOUNTING POLICIES *(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).

4. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgment, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical judgment in applying accounting policies

The following is the critical judgment, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Revenue recognition on contract works over time

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

Key sources of estimation uncertainty

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

4. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

(Continued)

Key sources of estimation uncertainty *(Continued)*

Impairment assessment of Deferred Consideration

As disclosed in notes 17 and 34 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 17) and a delay in settlement of the two forthcoming instalments with an aggregate gross amount of RMB800,000,000. The Deferred Consideration is considered as credit-impaired and lifetime ECL is provided. The amount of ECL is determined based on expectation on cash flows to be recovered from the Counterparty taking into account quantitative and qualitative information specific to the Counterparty, including macroeconomic factors which are relevant to the Counterparty's operations that could significantly affect the Counterparty's ability to fulfill its repayment obligations, and forward-looking information that is reasonably and supportably available to the management of the Group without undue costs or effort, and are updated at the end of each reporting period date. The measurement of ECL is sensitive to changes in estimates. Further information about the ECL measurement of Deferred Consideration are disclosed in note 34.

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 approximately HK$273,854,000 (2020: HK$271,859,000) for the year ended 31 December 2021.

Provision of ECL for trade debtors and contract assets

Trade debtors and contract assets have been assessed individually and reassessed collectively. The Group applies internal credit rating for its customers. The debtors are assessed individually by reference to past default experience and current past due exposure of the debtor, and an analysis of the debtor's current financial position. The debtors are also assessed collectively for which debtors are grouped based on shared credit risk characteristics for assessment of potential increase in credit risk on a collective basis taking into consideration of forward-looking information that is available without undue costs or effort. At every reporting date, the potential increase in credit risk, the historical observed default rates are reassessed and changes in the forward-looking information are considered. The provision of ECL is sensitive to changes in estimates. The information about the ECL of the Group's trade debtors and contract assets, are disclosed in notes 23, 22 and 34.

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged for both years.

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

6. REVENUE AND SEGMENT INFORMATION

Revenue

(i) Disaggregation of revenue from contracts with customers

	2021 HK$'000	2020 HK$'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	**211,856**	216,812
– Surface Finishing	**61,998**	55,047
	273,854	271,859
Sales of spare parts of electroplating machinery	**8,521**	8,477
Provision of services – repairs, maintenance and modification	**82,259**	54,761
Total	**364,634**	335,097

6. REVENUE AND SEGMENT INFORMATION *(Continued)*

Revenue *(Continued)*

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

	2021 HK$'000	2020 HK$'000
Timing of revenue recognition		
A point in time	**8,521**	8,477
Over time	**356,113**	326,620
Total	**364,634**	335,097

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

6. 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.

6. 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 2021 and 2020 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 (loss) profit before taxation is as follows:

	Electroplating equipment	
	2021	2020
	HK$'000	HK$'000
Segment revenue	**364,634**	335,097
Segment loss	**(38,427)**	(15,182)
Intra-group management fee charged to operating segment	**4,551**	5,036
Certain other income	**271,197**	297,915
Central corporate expenses	**(28,298)**	(31,105)
Adjustment on provision for performance related incentive payments	**30,975**	(25,345)
(Impairment losses) reversals of impairment losses for loans receivable and Deferred Consideration under ECL model, net	**(1,320,866)**	18,856
Imputed interest on non-current portion of provision for performance related incentive payments (note 27)	**(3,182)**	(2,931)
Certain other gains and losses	**3,816**	(4,532)
(Loss) profit before taxation	**(1,080,234)**	242,712

6. 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 loss represents the gross profit of the electroplating equipment segment, other income and expenses directly attributable to the segment activity (including intra-group management fee) and share of results of associates but excluding other income (including interest income from loans receivable, imputed interest income of Deferred Consideration, unallocated interest income and sundry income), central corporate expenses including auditor's remuneration and directors' emoluments, impairment losses (reversal of impairment losses) for loans receivable and Deferred Consideration under ECL model, net, adjustment on provision for performance related incentive payments, imputed interest on non-current portion of provision for performance related incentive payments and other gains or losses (including net change in fair value of held for trading investments). 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	
	2021	2020
	HK$'000	HK$'000
Amounts included in the measure of segment results:		
Reversals of impairment losses (impairment losses) for trade debtors and contract assets under ECL model, net	**252**	(266)
Allowance for slow moving inventories	**(1,062)**	(976)
Share of results of associates	**–**	(1,306)
Impairment of property, plant and equipment and right-of-use assets	**–**	(5,952)
Loss on disposal of property, plant and equipment	**(133)**	(20)
Depreciation	**(12,514)**	(14,253)
Provision for warranty, net of reversal	**3,080**	6,155

6. REVENUE AND SEGMENT INFORMATION *(Continued)*

Segment information *(Continued)*

Other segment information *(Continued)*

	Unallocated	
	2021	2020
	HK$'000	HK$'000
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment results:		
(Impairment losses) reversals of impairment losses for loans receivable and Deferred Consideration under ECL model, net	**(1,320,866)**	18,856
Net change in fair value of held for trading investments	**817**	(4,532)
Imputed interest income of Deferred Consideration	**244,341**	279,801
Adjustment on provision for performance related incentive payments	**30,975**	(25,345)
Imputed interest on non-current portion of provision for performance related incentive payments	**(3,182)**	(2,931)

Geographical information

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

	2021	2020
	HK$'000	HK$'000
PRC	**219,718**	210,437
Taiwan	**45,087**	37,572
The United States of America	**41,680**	19,813
Macedonia	**15,693**	24,556
Vietnam	**12,818**	–
The United Kingdom	**7,420**	628
Mexico	**5,916**	5,827
Canada	**5,277**	–
Singapore	**3,028**	6,789
Slovakia	**2,162**	2,200
Korea	**1,584**	11,450
India	**1,535**	3,494
Germany	**338**	229
Other European countries	**136**	8,283
United Arab Emirates	**22**	7
Thailand	**–**	1,152
Others	**2,220**	2,660
	364,634	335,097

6. REVENUE AND SEGMENT INFORMATION *(Continued)*

Geographical information *(Continued)*

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

	2021 HK$'000	2020 HK$'000
Hong Kong	**46,119**	12,050
PRC	**5,860**	8,090
Others	**125**	278
	52,104	20,418

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:

	2021 HK$'000	2020 HK$'000
Customer A	**131,658**	110,755
Customer B	**36,817**	N/A*

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

7. OTHER GAINS AND LOSSES

	2021 HK$'000	2020 HK$'000
Net change in fair value of held for trading investments	**817**	(4,532)
Net exchange gain (loss)	**2,714**	(5,923)
Loss on disposal of property, plant and equipment	**(133)**	(20)
Others	**–**	10
	3,398	(10,465)

8. FINANCE COSTS

	2021 HK$'000	2020 HK$'000
Interest on lease liabilities	**237**	192
Imputed interest on non-current portion of provision for performance related incentive payments (note 27)	**3,182**	2,931
Others	**23**	–
	3,442	3,123

9. TAXATION

	2021 HK$'000	2020 HK$'000
Hong Kong Profits Tax	**–**	–
PRC Enterprise Income Tax		
Charge for the year	**59,718**	277,472
Overprovision in prior years	**–**	(43)
PRC withholding tax	**45,390**	–
	105,108	277,429
Deferred tax credit (note 31)	**(346,742)**	(174,911)
	(241,634)	102,518

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

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

9. TAXATION *(Continued)*

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

	2021	2020
	HK$'000	HK$'000
(Loss) profit before taxation	**(1,080,234)**	242,712
Taxation at the tax rate of 16.5% (2020: 16.5%)	**(178,239)**	40,047
Tax effect of share of results of associates	**–**	215
Tax effect of expenses not deductible for tax purpose	**708**	1,823
Tax effect of income not taxable for tax purpose	**(717)**	(1,411)
Tax effect of tax losses not recognised	**6,293**	12,803
Tax effect of utilisation of tax losses previously not recognised	**(4,090)**	(2,541)
Overprovision in prior years	**–**	(43)
Withholding tax for income derived from a PRC subsidiary	**28,066**	26,496
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(92,684)**	24,391
Others	**(971)**	738
Taxation for the year	**(241,634)**	102,518

10. (LOSS) PROFIT FOR THE YEAR

	2021 HK$'000	2020 HK$'000
(Loss) profit for the year has been arrived at after charging (crediting):		
Auditor's remuneration	**1,400**	1,400
Cost of inventories recognised as expenses (including allowance for slow moving inventories of approximately HK$1,062,000 (2020: HK$976,000))	**190,730**	178,513
Depreciation of property, plant and equipment	**4,885**	5,817
Depreciation of right-of-use assets	**8,487**	8,772
Staff costs:		
Directors' fee (note 11)	**300**	300
Directors' salaries and other benefits (note 11)	**13,200**	13,200
Adjustments on provision for performance related incentive payments (note 11)	**(30,975)**	25,345
Salaries and allowances	**101,453**	94,603
Contributions to retirement benefits schemes	**1,655**	1,704
	85,633	135,152
Impairment losses (reversals of impairment losses) for financial assets and contract assets, net:		
– Trade debtors	**(451)**	261
– Contract assets	**199**	5
– Loans receivable	**599**	4,253
– Deferred Consideration	**1,320,267**	(23,109)
	1,320,614	(18,590)
Interest income from financial assets at amortised cost (included in other income) :		
Interest income from loans receivable	**(3,763)**	(3,837)
Imputed interest income of Deferred Consideration (note 17)	**(244,341)**	(279,801)
Interest earned on bank deposits	**(19,945)**	(11,509)
	(268,049)	(295,147)
Dividend income (included in other income)	**(1,852)**	(1,229)
Government grants (included in other income)	**(1,790)**	(7,267)

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

The emoluments paid or payable to each of the five (2020: five) directors are as follows:

	Executive directors		Independent non-executive directors			
	Lam Kwok Hing HK$'000	Nam Kwok Lun HK$'000	Kwan Wang Wai Alan HK$'000	Ng Chi Kin David HK$'000	Cheung Kin Wai HK$'000	Total HK$'000
2021						
Other emoluments						
Salaries and other benefits	**8,400**	**4,800**	**–**	**–**	**–**	**13,200**
Performance bonus	**4,800**	**1,200**	**–**	**–**	**–**	**6,000**
Contributions to retirement benefits schemes	**18**	**18**	**–**	**–**	**–**	**36**
Fees	**–**	**–**	**100**	**100**	**100**	**300**
Total emoluments	**13,218**	**6,018**	**100**	**100**	**100**	**19,536**
2020						
Other emoluments						
Salaries and other benefits	8,400	4,800	–	–	–	13,200
Contributions to retirement benefits schemes	18	18	–	–	–	36
Fees	–	–	100	100	100	300
Total emoluments	8,418	4,818	100	100	100	13,536

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

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

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

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

The above table showing the emoluments paid or payable to the directors for the year ended 31 December 2021 and 31 December 2020 reflects the actual payment of performance bonus made to the respective directors.

Performance related incentive payments to the directors are calculated by applying the pre-agreed percentage on the bonus distribution mechanism, mainly associated with the settlement of the Deferred Consideration, and certain portion is expected to be paid after one year from the end of respective reporting periods. It is measured at present value as the carrying amount at the end of the reporting period. During the year ended 31 December 2021, following the change in the expected settlement of the Deferred Consideration, the Group has made a downward adjustment of HK$30,975,000 (2020: upward adjustment of HK$6,633,000) to the bonus provision. During the current year, the performance related incentive payments, of which provision was made in the prior years, amounting to HK$10,000,000 (2020: nil) was paid, of which HK$6,000,000 was paid to directors and HK$4,000,000 was paid to another member of key management as instructed by a respective director. As a preliminary plan, the provision for performance related incentive payments at 31 December 2021 is expected to be paid in instalments in the coming four years and approved by the Board of Directors of the Company on 31 March 2022.

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$45,649,000 (2020: HK$84,026,000) are not yet finalised at the end of the respective reporting periods, the table above does not include such amount. After payment is made or allocation is determined by the Remuneration Committee, further disclosure of the payment of this performance bonus will be made in the coming years' annual report.

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

	2021 **HK$'000**	2020 HK$'000
Salaries and other benefits	**3,276**	3,276
Performance bonus (note)	**9,000**	1,200
Contributions to retirement benefits schemes	**54**	54
	12,330	4,530

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

Note: During the year ended 31 December 2020, the Group has made a special bonus provision of approximately HK$20,000,000, with a present value of HK$18,712,000, for certain members of key management of the Group for their past contribution to the Group in which HK$5,000,000 (2020: HK$1,200,000) was paid to one of the highest paid individual during the year ended 31 December 2021. As actual allocation for the accrued special bonus as at 31 December 2021 among individual management personnel of approximately HK$13,096,000 (2020: HK$17,512,000) ("2020 Special Bonus Provision") as at 31 December 2021 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 2021 and 31 December 2020 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	
	2021	2020
Nil – HK$1,000,000	**–**	1
HK$1,000,001 – HK$1,500,000	**1**	1
HK$2,000,001 – HK$2,500,000	**–**	1
HK$4,500,001 – HK$5,000,000	**1**	–
HK$5,500,001 – HK$6,000,000	**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.

12. (LOSS) EARNINGS PER SHARE

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

	2021 **HK$'000**	2020 HK$'000
(Loss) profit for the year attributable to owners of the Company	**(838,547)**	138,772
Number of ordinary shares	**426,463,400**	426,463,400

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

13. DIVIDENDS

	2021 **HK$'000**	2020 HK$'000
Final dividend paid in respect of year ended 31 December 2020 (2020: year ended 31 December 2019) of HK$0.02 (2020: HK$0.02) per share	**8,529**	8,529
Interim dividend paid in respect of six months ended 30 June 2021 (2020: six months ended 30 June 2020) of HK$0.01 (2020: HK$0.01) per share	**4,265**	4,265
	12,794	12,794

A final dividend of HK$0.02 in respect of the year ended 31 December 2021 (2020: HK$0.02) per share, in an aggregate amount of approximately HK$8,529,000 (2020: HK$8,529,000), has been proposed by the directors of the Company and is subject to the approval by the shareholders at the forthcoming general meeting.

14. 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 2020	48,379	30,449	66,957	21,277	167,062
Currency realignment	–	138	678	213	1,029
Additions	–	166	59	–	225
Disposals	–	(76)	(121)	–	(197)
Written off	–	–	(13,129)	–	(13,129)
At 31 December 2020	48,379	30,677	54,444	21,490	154,990
Currency realignment	–	53	348	142	543
Additions	–	–	705	–	705
Acquisition of a subsidiary (note 36)	35,462	–	–	–	35,462
Disposals	–	–	(2,233)	(393)	(2,626)
At 31 December 2021	83,841	30,730	53,264	21,239	189,074
COMPRISING					
At cost	48,129	30,730	53,264	21,239	153,362
At valuation					
– 31 March 1992	35,712	–	–	–	35,712
	83,841	30,730	53,264	21,239	189,074
DEPRECIATION AND IMPAIRMENT					
At 1 January 2020	29,111	29,725	60,134	17,789	136,759
Currency realignment	–	107	375	171	653
Provided for the year	835	417	2,278	2,287	5,817
Eliminated on disposals	–	(68)	(109)	–	(177)
Eliminated on written off	–	–	(13,129)	–	(13,129)
Impairment losses	7,867	211	1,327	50	9,455
At 31 December 2020	37,813	30,392	50,876	20,297	139,378
Currency realignment	–	48	296	117	461
Provided for the year	1,468	151	2,800	466	4,885
Eliminated on disposals	–	–	(2,139)	(354)	(2,493)
At 31 December 2021	39,281	30,591	51,833	20,526	142,231
CARRYING AMOUNTS					
At 31 December 2021	44,560	139	1,431	713	46,843
At 31 December 2020	10,566	285	3,568	1,193	15,612

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

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

Leasehold land and buildings	over the shorter of 20 – 50 years or the term of the lease
Furniture and fixtures and leasehold improvements	25% or over the shorter of 25% or the term of the lease
Plant, machinery and equipment	$12^1/_2$% to $33^1/_3$%
Motor vehicles	$33^1/_3$%

At the end of the reporting period, certain property, plant and equipment are fully depreciated and still in use. As at 31 December 2021, had the revalued leasehold land and buildings been carried at cost less accumulated depreciation, the carrying value of the leasehold land and buildings would have been stated at approximately HK$9,615,000 (2020: HK$10,073,000).

During the year ended 31 December 2020, the management conducted an impairment review, an amount of approximately HK$2,375,000 and approximately HK$7,080,000 was charged to profit or loss as impairment loss and other comprehensive income as a reversal of previous revaluation surplus, respectively. During the year ended 31 December 2021, the management considered that no further impairment or reversal of impairment is required. Details are set out in note 16.

15. RIGHT-OF-USE ASSETS

	Leased properties	
	2021	2020
	HK$'000	HK$'000
At 31 December		
Carrying amount	**5,261**	4,806
For the year ended 31 December		
Additions	**8,838**	8,045
Depreciation	**8,487**	8,772
Impairment loss	**–**	3,577
Expenses relating to short-term leases	**1,626**	1,424
Expenses relating to leases of low-value assets	**247**	241
Total cash outflows for leases	**10,375**	8,677

The Group leases various factory premises and staff quarters for its operations. Lease contracts are entered into for fixed term of six months to two 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.

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

Lease liabilities of approximately HK$8,838,000 (2020: HK$8,045,000) are recognised with related right-of-use assets attributable to new leases entered into or renewal of the existing leased properties during the year ended 31 December 2021.

In addition, lease liabilities of approximately HK$8,984,000 are recognised with related right-of-use assets of approximately HK$5,261,000 (net of impairment of approximately HK$3,577,000) as at 31 December 2021 (2020: lease liabilities of approximately HK$8,393,000 are recognised with related right-of-use assets of approximately HK$4,806,000 (net of impairment of approximately HK$3,577,000)). 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.

During the year ended 31 December 2020, an impairment loss amounting to approximately HK$3,577,000 was recognised in profit or loss. During the year ended 31 December 2021, the management considered that no further impairment or reversal of impairment is required. Details are set out in note 16.

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

During the year ended 31 December 2021, 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 due to the outbreak of the novel coronavirus in current year and the prolonged US-sino trade war.

The recoverable amount of the CGU of the Electroplating Machinery Business has been determined on the basis of value in use calculation. The recoverable amount is based on certain key assumptions. The calculations used cash flow projections based on financial budgets approved by management covering a 5-year period, and at a pre-tax discount rate of 15% (2020: 15%) as at 31 December 2021 that was with reference to the historical performance of the Electroplating Machinery Business and the relevant industry growth forecasts that did not exceed the average long-term growth rate for the relevant industry. The CGU's cash flows beyond the 5-year period were extrapolated using a growth rate of 2%. Other 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.

At 31 December 2021, the carrying amount (which included allocated corporate assets) of the CGU of the Electroplating Machinery Business approximates the value in use, and accordingly no impairment or reversal of impairment has been recognised during the current year. As at 31 December 2020, the excess of carrying amount (which includes allocated corporate assets) over recoverable amount (amounted to approximately HK$16,050,000) of approximately HK$13,032,000 has been allocated based on the relative carrying amounts of property, plant and equipment and right-of-use assets, of which approximately HK$7,080,000 has been charged to other comprehensive income as a reversal of previous revaluation surplus and approximately HK$5,952,000 has been charged to profit or loss and included in cost of sales during the previous year.

17. DEFERRED CONSIDERATION

On 7 August 2011, a wholly-owned subsidiary of the Company entered into an agreement with an independent third party (the "Counterparty") in relation to a re-development plan of two parcels of industrial lands located in Bao An District, Shenzhen, the PRC from industrial land into residential properties for resale. The Group has undertaken a series of negotiations with the Counterparty on the settlement scheme. On 28 June 2019 and 9 September 2019, the negotiation was finalised and the Group is offered a guaranteed cash consideration of RMB2.75 billion (equivalent to approximately HK$3.1 billion) payable by six tranches which will be 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 2021, the outstanding instalment payments amounted to RMB400,000,000, RMB400,000,000 and RMB750,000,000 which are repayable on or before 5 January 2022, 5 July 2022 and 5 January 2023 respectively.

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

During the year ended 31 December 2021, the Group received the settlement of RMB200,000,000 (approximately HK$237,631,000) and impairment losses under expected credit loss model (net of reversal) of approximately HK$1,320,267,000 (net impairment) (2020: HK$23,109,000 (net reversal)) is recognised in profit or loss. Details of the impairment assessment of Deferred Consideration are set out in note 34. Imputed interest income of approximately HK$244,341,000 (2020: HK$279,801,000) is recognised as other income in profit or loss during the current year.

As at 31 December 2021, the Deferred Consideration amounting to approximately HK$283,129,000 (net of impairment losses under expected credit model of approximately HK$1,440,662,000) is expected to be settled within one year and accordingly is classified as current assets. As at 31 December 2020, the Deferred Consideration amounting to approximately HK$1,553,960,000 (net of impairment losses under expected credit model of approximately HK$116,965,000) is expected to be settled in accordance with the agreed timeline, and accordingly HK$220,528,000 is classified as current assets while the rest of the carrying amount is classified as non-current assets.

18. LOANS RECEIVABLE

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

	2021 HK$'000	2020 HK$'000
Repayable within one year	**50,500** (notes a, b)	13,000 (note c)
Repayable after one year	**12,992** (note c)	66,500 (notes a, b)
Less: Impairment losses under ECL model	**(6,655)**	(6,056)
	56,837	73,444
Analysed for reporting purposes as:		
Current	**48,068**	9,234
Non-current	**8,769**	64,210
	56,837	73,444

Notes:

(a) On 21 October 2019, the Group entered into a loan facility agreement ("2019 Loan Facility Agreement") with Karl Thomson Financial Group Limited ("KTFG"), which is a wholly-owned subsidiary of Wisdom Wealth Resources Investment Holding Group Limited ("Wisdom Wealth Resources"). Mr. Lam Kwok Hing, an executive director and the ultimate controlling shareholder of the Company, and Mr. Nam Kwok Lun, an executive director of the Company who has an indirect interest in the Company, are the directors of Wisdom Wealth Resources. Pursuant to 2019 Loan Facility Agreement, the Group provides an unsecured revolving loan facility of HK$130,000,000 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 2022. As at 31 December 2021, a loan of approximately HK$36,000,000 (2020: HK$55,500,000) was drawn by KTFG according to the terms of the 2019 Loan Facility Agreement. The average effective interest rate, which is equal to contractual interest rate, is 5% (2020: 5%) per annum.

(b) A loan amounted approximately HK$14,500,000 (2020: HK$11,000,000) as at 31 December 2021 was granted under a revolving loan facility agreement of approximately HK$20,000,000 with an independent third party as entered in May 2020. The loan bears interest at HSBC Prime Rate plus 3% per annum for the first HK$3,500,000 and HSBC Prime Rate beyond HK$3,500,000 and secured by a first mortgage of a property as provided by the borrower. The amount is repayable in full in 2022.

18. LOANS RECEIVABLE *(Continued)*

(c) A loan amounted approximately HK$13,000,000 was granted under a loan agreement with an independent third party as entered in December 2020 with outstanding principal amount of HK$12,992,000 (2020: HK$13,000,000) at 31 December 2021. The loan bears interest at HSBC Prime Rate for a portion of approximately HK$6,500,000 and HSBC Prime Rate plus 3% per annum for the remaining portion and secured by a second mortgage of a property owned by the spouse of the borrower and several post-dated cheques as provided by the borrower. During the current year, the Group has re-negotiated the terms of this loan and the loan is to be repayable in full in December 2025 with the interest rate revised to HSBC Prime Rate for the portion of HK$6,500,000 and 2.2% per annum for the remaining portion. 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 2021, impairment losses under ECL model of loans receivable of HK$6,655,000 (2020: HK$6,056,000) are recognised. Details of the impairment assessment of loans receivable are set out in note 34.

19. 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 3.15% to 3.35% and matures in September 2023 to December 2024. The investments are held within a business model whose objective is to hold the debt instruments in order to collect contractual cash flows and the contractual terms give rise on specific dates to cash flows that are solely payments of principals and interest on the principal amount outstanding and therefore are subsequently measured at amortised cost.

20. INTERESTS IN ASSOCIATES

	2021 **HK$'000**	2020 HK$'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)
	–	–

20. INTERESTS IN ASSOCIATES *(Continued)*

Details of the Group's associates as at 31 December 2021 and 2020 are as follows:

Name of associate	Form of business structure	Country of incorporation	Proportion of nominal value of issued capital held by the Group indirectly		Principal activities
			2021	2020	
Asia Vigour (Holdings) Limited	Incorporated	British Virgin Islands	**49%**	49%	Investment holding
Process Automation (Sea) Pte Limited	Incorporated	Singapore	**36%**	36%	Sales of electroplating machines and spare parts

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

21. INVENTORIES

	2021 HK$'000	2020 HK$'000
Raw materials	**33,074**	38,595

22. CONTRACT ASSETS/LIABILITIES

	2021 HK$'000	2020 HK$'000
Contract assets – current		
Contract works in respect of design, manufacturing and sale of custom-built electroplating machinery and other industrial machinery	**83,939**	66,034
Contract liabilities – current		
Contract works in respect of design, manufacturing and sale of custom-built electroplating machinery and other industrial machinery	**21,719**	27,799
Provision of services – repairs, maintenance and modification	**9,168**	11,226
	30,887	39,025

22. CONTRACT ASSETS/LIABILITIES *(Continued)*

At 1 January 2020, contract assets and contract liabilities amounted to approximately HK$58,331,000 and HK$20,591,000 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 34.

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.

	2021 **HK$'000**	2020 HK$'000
Contract works	**27,074**	15,495
Provision of services	**11,266**	5,096

23. DEBTORS AND PREPAYMENTS

	2021 HK$'000	2020 HK$'000
Trade debtors from contracts with customers	**63,174**	82,054
Less: Allowance for credit losses	**(516)**	(11,595)
	62,658	70,459
Rental and utilities deposits	**2,922**	3,061
Deposits paid for purchases of raw materials	**8,504**	6,868
Deposits paid for subcontracting costs	**7,653**	–
Other tax receivables	**1,223**	3,393
Other debtors and prepayments	**7,382**	7,786
	90,342	91,567

As at 31 December 2021, trade debtors balance include trade debts due from associates of approximately HK$1,102,000 (2020: HK$8,308,000).

As at 1 January 2020, trade debtors from contracts with customers amounted to approximately HK$33,943,000 (net of allowance for credit losses of HK$11,805,000).

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:

	2021 HK$'000	2020 HK$'000
0 – 60 days	**57,147**	67,284
61 – 120 days	**3,215**	1,757
121 – 180 days	**772**	875
Over 180 days	**1,524**	543
	62,658	70,459

23. DEBTORS AND PREPAYMENTS *(Continued)*

As at 31 December 2021, excluding the credit-impaired trade debtors balance, included in the Group's trade debtors balance are debtors with gross amount of approximately HK$3,641,000 (2020: HK$13,932,000) with allowance for credit losses of approximately HK$212,000 (2020: HK$240,000) in aggregate which are past due as at the reporting date. Out of the past due balances, approximately HK$772,000 (2020: HK$1,072,000) with allowance for credit losses of approximately HK$76,000 (2020: HK$173,000) 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 34.

24. HELD FOR TRADING INVESTMENTS

Held for trading investments as at 31 December 2021 and 2020 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 held for trading investments is classified as Level 1 of fair value hierarchy.

25. AMOUNTS DUE FROM ASSOCIATES

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

26. BANK DEPOSITS, BANK BALANCES AND PLEDGED BANK DEPOSITS

Bank deposits represent time deposits denominated in RMB, which are held with a bank in Hong Kong for investment purposes, carry fixed interest at 1.91% to 2.35% per annum.

Bank balances represent savings accounts that carry interest at market rates ranging from 0.001% to 1.73% per annum (2020: 0.001% to 2.35% per annum). At 31 December 2020, the pledged bank deposits represent deposits pledged to banks for the issuance of performance guarantee by banks to the customers to the Group, and will be released upon expiry of such bank guarantee(s).

27. CREDITORS AND ACCRUED CHARGES

	2021 HK$'000	2020 HK$'000
Trade creditors	**89,930**	116,061
Accrued staff costs	**16,265**	12,307
Commission payables to sales agents	**18,794**	16,457
Payment for acquisition of bond investments (note 38)	**12,201**	–
Provision for performance related incentive payments (note)	**58,745**	101,538
Other creditors and accrued charges for operating costs	**17,703**	21,337
	213,638	267,700
Less: Non-current portion of provision for performance related incentive payments (note)	**(41,352)**	(67,145)
	172,286	200,555

Note: As at 31 December 2021, the current and non-current portion of accrued charges of approximately HK$12,393,000 and HK$33,256,000 respectively (2020: HK$30,639,000 and HK$53,387,000 respectively) represents the provision of performance bonus to the executive directors of the Company. An imputed interest expense of approximately HK$2,598,000 (2020: HK$2,931,000) is charged to profit or loss during the current year.

As at 31 December 2021, apart from the above provision of performance bonus to the executive directors of the Company, the current and non-current portion of accrued charges of approximately HK$5,000,000 and HK$8,096,000 respectively (2020: HK$3,754,000 and HK$13,758,000 respectively) represents the provision of special bonus to the certain management of the Group as detailed in note 11. An imputed interest expense of approximately HK$584,000 (2020: nil) is charged to profit or loss during the current year.

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

	2021 HK$'000	2020 HK$'000
0 – 60 days	**53,240**	48,243
61 – 120 days	**22,133**	30,833
121 – 180 days	**6,829**	31,649
Over 180 days	**7,728**	5,336
	89,930	116,061

The average credit period on purchase of goods is 60 – 180 days (2020: 60 – 180 days).

28. WARRANTY PROVISION

	HK$'000
At 1 January 2021	**18,876**
Change in provision during the year	**3,080**
Utilisation of provision	**(5,702)**
At 31 December 2021	**16,254**
Analysed for reporting purposes as:	
Current	**14,956**
Non-current	**1,298**
	16,254

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.

29. LEASE LIABILITIES

Lease liabilities are payable within one year and are presented as current liabilities.

30. SHARE CAPITAL

	Number of shares	Amount HK$'000
Shares of HK$0.01 each		
Authorised:		
At 1 January 2020, 31 December 2020 and 31 December 2021	20,000,000,000	200,000
Issued and fully paid:		
At 1 January 2020, 31 December 2020 and 31 December 2021	426,463,400	4,265

31. DEFERRED TAXATION

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

	2021 HK$'000	2020 HK$'000
Deferred tax assets	(729)	(894)
Deferred tax liabilities	81,515	417,741
	80,786	416,847

	Deferred Consideration HK$'000	Withholding taxes HK$'000	Impairment losses on assets HK$'000	Accelerated tax depreciation HK$'000	Revaluation of properties HK$'000	Total HK$'000
At 1 January 2020	568,583	–	–	1,239	3,076	572,898
Charge (credit) to profit or loss (note 9)	75,728	26,496	(1,286)	–	–	100,938
Credit to property revaluation reserve	–	–	–	–	(1,168)	(1,168)
Transfer to current tax	(275,849)	–	–	–	–	(275,849)
Currency realignment	20,028	–	–	–	–	20,028
At 31 December 2020	388,490	26,496	(1,286)	1,239	1,908	416,847
(Credit) charge to profit or loss (note 9)	(268,981)	28,066	165	(1,194)	–	(241,944)
Transfer to current tax	(59,408)	(45,390)	–	–	–	(104,798)
Currency realignment	10,681	–	–	–	–	10,681
At 31 December 2021	70,782	9,172	(1,121)	45	1,908	80,786

At 31 December 2021, the Group had estimated unused tax losses of approximately HK$578,033,000 (2020: HK$564,685,000) 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 approximately HK$16,787,000 (2020: HK$969,456,000) 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. PLEDGE OF ASSETS

As at 31 December 2020, the Group pledged bank deposits of approximately HK$159,000 (2021: nil) to secure general banking facilities granted to the Group.

As at 31 December 2021, the Group utilised approximately HK$4,605,000 (2020: HK$9,226,000) of the banking facilities for the issuance of shipping guarantee by banks to the customers of the Group and import letters of credits by banks to the suppliers of the Group.

33. 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 approximately HK$1,655,000 (2020: HK$1,704,000) recognised to profit or loss represents contributions payable to these schemes by the Group in respect of current year.

(b) 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 42,646,340 shares representing 10% of the issued share capital at 31 December 2021. 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.

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

(b) *(Continued)*

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

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

The Scheme will expire at the close of business of 12 June 2025. No share option has been granted pursuant to the Scheme since its adoption by the Company up to 31 December 2021.

34. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2021 HK$'000	2020 HK$'000
Financial assets at amortised cost	**1,667,343**	2,701,782
Financial assets at FVTPL		
Held for trading investments	**26,765**	32,870
Financial liabilities		
Amortised cost	**339,628**	153,855

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 receivables, held for trading investments, investments in debt instruments, amounts due from associates, creditors and accrued charges, other payable and lease liabilities. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

34. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Currency risk

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 foreign currency denominated monetary assets and monetary liabilities against their functional currency at the end of the reporting period are as follows:

	Assets		Liabilities	
	2021	2020	**2021**	2020
	HK$'000	HK$'000	**HK$'000**	HK$'000
Sterling Pound ("GBP")	**6,910**	122	**653**	812
New Taiwan Dollars ("NTD")	**1,402**	1,372	**64**	99
United States Dollars ("USD")	**41,776**	66,456	**16,396**	13,130
Renminbi ("RMB")	**803,777**	79,049	**22**	22

The carrying amounts of inter-company balances of certain group entities which were denominated in foreign currency are as follows:

	Assets	
	2021	2020
	HK$'000	HK$'000
HKD against RMB	**169,530**	211,627

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.

34. 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% (2020: 10%) increase and decrease in relevant foreign currencies against the functional currency of the relevant group entities. 10% (2020: 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% (2020: 10%) change in foreign currency rates. A positive number below indicates a decrease in post-tax loss (2020: an increase in post-tax profit) for the year where relevant currencies strengthen 10% (2020: 10%) against the functional currency of the relevant group entities. For a 10% (2020: 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	
	2021	2020
	HK$'000	HK$'000
GBP against HKD	**522**	(58)
NTD against HKD	**112**	106
RMB against HKD	**67,114**	6,599
HKD against RMB	**14,156**	17,671

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

Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate loans receivable and bank balances as at 31 December 2021 (see notes 18 and 26 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 receivables, investments in debt instruments, pledged bank deposits, time deposits placed with banks and lease liabilities (see notes 17, 18, 19, 26 and 29 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.

34. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Interest rate risk *(Continued)*

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for the variable rate loans receivables at the end of the reporting period. The analysis is prepared assuming the amounts of loans receivable outstanding at the end of the reporting period were outstanding for the whole year. A 100 basis points (2020: 100 basis points) increase or decrease represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 basis points (2020: 100 basis points) higher/lower and all other variables were held constant, the Group's post-tax loss for the year ended 31 December 2021 would decrease/increase by HK$635,000 (2020: post-tax profit increase/decrease by HK$795,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate loans receivable.

Equity price risk

The Group is exposed to potential loss in market value resulting from an adverse change in prices through its quoted held for trading investments. 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.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to equity price risks for held for trading investments at the end of the reporting period.

If the prices of the respective equity instruments had been 10% (2020: 10%) higher/lower, the Group's post-tax loss for the year ended 31 December 2021 would decrease/increase by HK$2,677,000 (2020: post-tax profit increase/decrease by HK$3,287,000) as a result of the changes in fair value of held for trading investments.

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.

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 receivables and loan commitment, trade debtors, contract assets, other receivables, bank deposits, bank balances and investments in debt instruments. 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.

34. 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

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

34. 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 2021 HK$'000	Gross amount 2020 HK$'000
Financial assets at amortised cost						
Trade debtors from contracts with customers	23	N/A	(note i)	Lifetime ECL (assessed individually and collectively)		
			High risk		**772**	1,048
			Medium risk		**13,497**	12,884
			Low risk		**47,344**	56,223
					61,613	70,155
	23	N/A	Loss	Lifetime ECL (credit-impaired and assessed individually)	**1,561**	11,899
Deferred Consideration (note ii)	17	N/A	Low risk	12m ECL (assessed individually)	**–**	1,670,925
	17	N/A	Loss	Lifetime ECL (credit-impaired and assessed individually)	**1,723,791**	–
Loans receivable	18	N/A	Low risk	12m ECL (assessed individually)	**50,500**	66,500
	18	N/A	High risk	Lifetime ECL (not credit-impaired and assessed individually)	**12,992**	13,000

34. 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 2021 HK$'000	Gross amount 2020 HK$'000
Investments in debt instruments	19	A	N/A	12m ECL (assessed individually)	**33,044**	–
Other receivables	23	N/A	Low risk	12m ECL (assessed individually)	**16,959**	12,147
Amounts due from associates	25	N/A	Low risk	12m ECL (assessed individually)	**66**	50
Pledged bank deposits	26	Aa3	N/A	12m ECL (assessed individually)	**–**	159
Bank deposits and bank balances and cash	26	Aa2 to Baa3	N/A	12m ECL (assessed individually)	**1,214,650**	991,563
Other items						
Contract assets	22	N/A	(note i)	Lifetime ECL (assessed individually and collectively) - Low risk	**84,863**	66,759
Loan commitment	18	N/A	(note iii)	12m ECL (assessed individually)	**99,500**	83,500

34. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

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

Notes:

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

(ii) The gross amount of the Deferred Consideration (i.e. without taking account of the collateral) of approximately HK$1,895,653,000 (2020: HK$2,079,274,000) is used for the purpose of ECL assessment.

(iii) For the loan commitment, the gross carrying amount represents the maximum undrawn amount the Group has committed under the relevant loan facility agreements as set out in note 18.

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.

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 63% (2020: 66%) of the total trade debtors as at 31 December 2021 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.

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

34. 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)*

	Lifetime ECL (not credit–impaired) HK$'000	Lifetime ECL (credit–impaired) HK$'000	Total HK$'000
At 1 January 2020	63	11,742	11,805
Changes due to financial assets recognised as at 1 January 2020:			
– Transfer to lifetime ECL (credit-impaired)	(29)	29	–
– Amounts written off (note)	–	(471)	(471)
– Impairment losses reversed	(34)	(1,012)	(1,046)
– Impairment losses recognised	–	532	532
New financial assets originated	240	535	775
At 31 December 2020	240	11,355	11,595
Changes due to financial assets recognised as at 1 January 2021:			
– Transfer to lifetime ECL (credit-impaired)	(50)	50	–
– Amounts written off (note)	–	(10,628)	(10,628)
– Impairment losses reversed	(190)	(732)	(922)
– Impairment losses recognised	–	258	258
New financial assets originated	213	–	213
At 31 December 2021	213	303	516

Note: During the year ended 31 December 2021, the Group reassessed the impaired receivables and considered that there is no realistic prospect of recovery, the relevant receivables of approximately HK$10,628,000 (2020: HK$471,000) were written off accordingly.

The changes in lifetime ECL recognised for contract assets (not credit-impaired) during the current year is explained by impairment recognised for contract assets newly originated during the year net with the reversal of impairment for contract assets recognised at the beginning of the year of HK$199,000 (2020: HK$5,000).

34. 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

The directors of the Company manages the credit risk of Deferred Consideration by closely monitoring the instalment settlement prior to dates close to each agreed settlement dates, and obtaining the credit-related information about the Counterparty, including sales performance update of the relevant properties. Before the end of the reporting period, through continuous dialogue with the Counterparty, the Group has been informed the delay in payments for the instalments due in the coming twelve months. At the same time, in order to minimise the credit loss to the Group, the Group has negotiated with the Counterparty on the action plan and the Counterparty has agreed for the arrangement of HK$200,000,000 cash as security.

The delay in payment is caused by the significant change in the PRC real estate market resulting in a significant financial difficulty faced by the Counterparty and therefore, the Deferred Consideration is regarded as default. Therefore, ECL is measured on a lifetime credit-impaired basis. The measurement of ECL of Deferred Consideration is determined based on the expectation of cash flows to be recovered from the Counterparty. In this process, the management has taken into account quantitative and qualitative information that are specific to the Counterparty, including macroeconomic factors which are relevant to the Counterparty's operations that could significantly affect the Counterparty's ability to fulfill its repayment obligations, for example the sales forecast of the remaining units of the relevant properties, operating and financial performance of the Counterparty, and changes in regulatory requirements, as well as forward-looking information that is reasonably and supportably available to the management of the Group without undue costs or effort, in order to determine the best estimation of the amounts that could be recovered. On top of it, the measurement of expected recovery also includes the security of which the Group has already received in full and recognised as other payable at 31 December 2021. The additional provision during the current year is explained by increase in loss rate as at 31 December 2021 relative to 31 December 2020 offset by settlement collected during the current year. Starting from the second half of the current year, recent 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. The slow down in cash inflow of property developers has resulted in delay in payments to their suppliers and contractors. Specifically, the Counterparty is engaged in the provision of construction services to property developers and property development business. The unexpected drastic worsening of the credit environment in the industry has caused an adverse impact to the Counterparty. The capabilities to repay the Deferred Consideration has been significantly affected since the quality of underlying assets of the Counterparty (including its property inventories and contract receivables) has been deteriorated that increased the Counterparty's difficulty in realising these assets or obtaining further financing for the fulfillment of its repayment obligations.

34. 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)*

	12m ECL HK$'000	Lifetime ECL (credit–impaired) HK$'000	Total HK$'000
At 1 January 2020	132,939	–	132,939
Changes due to financial instruments recognised as at 1 January 2020:			
– Impairment losses reversed	(58,909)	–	(58,909)
– Impairment losses recognised	35,800	–	35,800
Currency realignment	7,135	–	7,135
At 31 December 2020	116,965	–	116,965
Changes due to financial instruments recognised as at 1 January 2021:			
– Impairment losses reversed	(16,599)	–	(16,599)
– Impairment losses recognised	–	1,336,866	1,336,866
Transfers	(100,366)	100,366	–
Currency realignment	–	3,430	3,430
At 31 December 2021	–	1,440,662	1,440,662

Loans receivable and loan commitment

The largest loans receivable and the related loan commitment as at 31 December 2021 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 one 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 approximately HK$6,655,000 (2020: HK$6,056,000) has been provided.

34. 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 *(Continued)*

	12m ECL HK$'000	Lifetime ECL (not credit–impaired) HK$'000	Total HK$'000
At 1 January 2020	1,803	–	1,803
Changes due to financial instruments recognised as at 1 January 2020:			
– Impairment losses reversed	(353)	–	(353)
– Impairment losses recognised	–	–	–
New financial assets originated	840	3,766	4,606
At 31 December 2020	2,290	3,766	6,056
Changes due to financial instruments recognised as at 1 January 2021:			
– Impairment losses reversed	(577)	–	(577)
– Impairment losses recognised	718	458	1,176
At 31 December 2021	2,431	4,224	6,655

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 pledged bank deposits and bank balances are mainly deposited with banks in Hong Kong and the PRC. The Group had concentration of credit risk as 86% and 13% (2020: 12% and 85%) of the total bank balances as at 31 December 2021 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 pledged 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.

Investments in debt instruments

The Group has utilized its idle cash to invest in fixed income instruments. The Group only invests in bonds with investment grade assigned by internationally recognised credit rating agencies and issued by reputable companies or issuers with stable industry outlook. As such, there has been no significant increase in credit risk since initial recognition and the ECL is considered to be negligible.

34. 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 receivables

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 receivables 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
2021							
Creditors and accrued charges	**–**	**110,674**	**36,339**	**25,273**	**47,179**	**219,465**	**213,638**
Other payables	**–**	**201,000**	**–**	**–**	**–**	**201,000**	**201,000**
Lease liabilities	**4.75**	**755**	**1,512**	**6,795**	**–**	**9,062**	**8,984**
		312,429	**37,851**	**32,068**	**47,179**	**429,527**	**423,622**
2020							
Creditors and accrued charges	–	76,596	53,625	70,856	74,350	275,427	267,700
Lease liabilities	4.75	727	1,454	6,427	–	8,608	8,393
		77,323	55,079	77,283	74,350	284,035	276,093

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.

34. FINANCIAL INSTRUMENTS *(Continued)*

Fair value measurements of financial instruments *(Continued)*

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

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

- the fair value of held for trading investments (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.

35. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Other payables HK$'000	**Lease liabilities** HK$'000	**Dividend payables** HK$'000
At 1 January 2020	–	7,128	901
Financing cash flows	–	(7,012)	(13,895)
Recognition of lease liabilities	–	8,045	–
Currency realignment	–	40	–
Dividends declared	–	–	12,994
Interest expenses	–	192	–
At 31 December 2020	–	8,393	–
Financing cash flows	201,000	(8,502)	(12,794)
Recognition of lease liabilities	–	8,838	–
Currency realignment	–	18	–
Dividends declared	–	–	12,794
Interest expenses	–	237	–
At 31 December 2021	201,000	8,984	–

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

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

Assets recognised at date of acquisition:

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

37. PRINCIPAL SUBSIDIARIES

Details of the principal subsidiaries as at 31 December 2021 and 2020 are as follows:

Name of subsidiary	Place of incorporation/ registration	Issued and fully paid up ordinary share capital/ registered capital	Proportion of ownership interest attributable to the Company		Principal activities
			2021 **%**	2020 %	
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**	–	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

37. PRINCIPAL SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation/ registration	Issued and fully paid up ordinary share capital/ registered capital	Proportion of ownership interest attributable to the Company		Principal activities
			2021 **%**	2020 %	
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
Process Automation International Limited ("PAIL")	Hong Kong	HK$2 (note)	**100**	100	Design, manufacture and sales of electroplating machines
Process Automation (Shenzhen) Limited 寶龍自動機械 (深圳) 有限公司 (WFOE)	PRC	HK$18,000,000	**100**	100	Design, manufacture and sales of electroplating machines
Rich Town Properties Limited	British Virgin Islands*	US$2	**100**	100	Property investment

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

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

Note: At 31 December 2021, 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.

37. PRINCIPAL SUBSIDIARIES *(Continued)*

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

38. NON-CASH TRANSACTIONS

(a) Right-of-use assets and lease liabilities are recognised upon renewals of lease agreement as disclosed in note 15.

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

39. RELATED PARTY TRANSACTIONS

Details of outstanding balances with associates are set out in notes 23 and 25.

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

	2021 HK$'000	2020 HK$'000
Associates		
Trade sales and services rendered	**2,991**	6,789
Trade purchases	**–**	30
Warranty expense	**–**	3
Installation expense	**–**	327
KTFG and its subsidiaries		
Commission expense and other securities dealing expenses	**24**	14
Interest income	**2,445**	3,050
BioEm Air Sanitizing Technology Company Limited (note)		
Rental income	**–**	136
Management fee income	**496**	480
Other expenses	**69**	101
Asia Oasis Limited (note)		
Management fee income	**230**	166
Other expenses	**4**	–
Aegis Intelligent Photocatalyst Technology Limited (note)		
Management fee income	**92**	85

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

39. RELATED PARTY TRANSACTIONS *(Continued)*

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

	2021 **HK$'000**	2020 HK$'000
Payments for salaries and other short-term employee benefits	**33,712**	19,438
Retirement benefits costs	**126**	126
	33,838	19,564

In addition, the details of the performance incentive payments to the executive directors are set out in note 11.

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

40. EVENTS AFTER THE REPORTING PERIOD

Subsequent to the end of the reporting period, the Group has acquired certain shares investments and bond investments of various listed companies at an aggregate consideration of approximately HK$650,000,000.

41. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

Statement of financial position

	2021 HK$'000	2020 HK$'000
Non-current assets		
Interests in subsidiaries	**60,902**	47,286
Amounts due from subsidiaries	**160,647**	56,685
	221,549	103,971
Current assets		
Amounts due from subsidiaries	**66,216**	66,497
Amounts due from associates	**66**	50
Other debtors and prepayments	**60**	60
Bank balances	**1,725**	1,543
	68,067	68,150
Current liabilities		
Creditors and accrued charges	**13,406**	31,800
Amounts due to subsidiaries	**62,360**	41,524
	75,766	73,324
Net current liabilities	**(7,699)**	(5,174)
Total assets less current liabilities	**213,850**	98,797
Capital and reserves		
Share capital	**4,265**	4,265
Reserves	**176,329**	41,145
Total equity	**180,594**	45,410
Non-current liabilities		
Accrued charges	**33,256**	53,387
	213,850	98,797

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

Movement of the Company's reserves

	Share premium HK$'000	Contributed surplus HK$'000	(Accumulated losses) retained profits HK$'000	Total HK$'000
At 1 January 2020	28,500	78,447	(66,210)	40,737
Profit and total comprehensive income for the year	–	–	13,202	13,202
Dividends (note 13)	–	–	(12,794)	(12,794)
At 31 December 2020	28,500	78,447	(65,802)	41,145
Profit and total comprehensive income for the year	–	–	147,978	147,978
Dividends (note 13)	–	–	(12,794)	(12,794)
At 31 December 2021	28,500	78,447	69,382	176,329

Financial Summary

RESULTS

	Year ended 31 December				
	2017 HK$'000	2018 HK$'000	2019 HK$'000	2020 HK$'000	**2021 HK$'000**
Revenue	800,966	342,750	357,698	335,097	**364,634**
Profit (loss) for the year attributable to:					
Owners of the Company	209,483	84,513	614,056	138,772	**(838,547)**
Non-controlling interests	553	(44)	(757)	1,422	**(53)**
	210,036	84,469	613,299	140,194	**(838,600)**

ASSETS AND LIABILITIES

	At 31 December				
	2017 HK$'000	2018 HK$'000	2019 HK$'000	2020 HK$'000	**2021 HK$'000**
Total assets	2,027,105	1,905,474	2,675,656	2,869,557	**1,875,930**
Total liabilities	(722,361)	(626,275)	(814,116)	(756,274)	**(556,696)**
	1,304,744	1,279,199	1,861,540	2,113,283	**1,319,234**
Equity attributable to owners of the Company	1,304,191	1,278,693	1,862,691	2,113,226	**1,319,202**
Non-controlling interests	553	506	(1,151)	57	**32**
	1,304,744	1,279,199	1,861,540	2,113,283	**1,319,234**

Note: In 2018, the Group had applied HKFRS 15, HKFRS 9 and other amendments to HKFRSs. Accordingly, certain comparative information for the year ended 31 December 2017 may not be comparable to the years ended 31 December 2018 to 2021 as such comparative information was prepared under HKAS 18, HKAS 11 and HKAS 39.

In 2019, the Group has applied HKFRS 16 and other amendments to HKFRSs. The comparative information for the years ended 31 December 2017 and 2018 have not been restated on initial application of HKFRS 16.