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## ASIA TELE-NET AND TECHNOLOGY CORPORATION LIMITED

亞洲聯網科技有限公司\*

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 679)**

### FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2022

The Board of Directors (the “Board”) of Asia Tele-Net and Technology Corporation Limited (the “Company”) announced that the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2022 (“Period Under Review”) together with last year’s comparative figures are as follows:–

#### CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2022

	<u>NOTES</u>	<u>2022</u> HK\$'000	<u>2021</u> HK\$'000
Revenue - contracts with customers	4	319,673	364,634
Cost of sales		<u>(290,010)</u>	<u>(327,901)</u>
Gross profit		29,663	36,733
Other gains and losses	5	(47,260)	3,398
Other income		90,369	273,714
Selling and distribution costs		(9,852)	(9,762)
Administrative expenses		(108,185)	(60,261)
Reversals of impairment losses (impairment losses) under expected credit loss model, net		58,950	(1,320,614)
Impairment of property, plant and equipment and right-of-use assets		(12,982)	-
Finance costs	6	<u>(4,898)</u>	<u>(3,442)</u>
Loss before taxation		(4,195)	(1,080,234)
Taxation	7	<u>(28,621)</u>	<u>241,634</u>
Loss for the year	8	<u>(32,816)</u>	<u>(838,600)</u>

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
(CONTINUED)**

*FOR THE YEAR ENDED 31 DECEMBER 2022*

	<u>NOTE</u>	<u>2022</u> HK\$'000	<u>2021</u> HK\$'000
Other comprehensive (expense) income			
<i>Item that will not be reclassified subsequently to profit or loss:</i>			
Reversal of revaluation of a property, net of tax effect		(7,341)	-
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange difference arising on translation of foreign operations		<u>(47,985)</u>	<u>57,345</u>
Other comprehensive (expense) income for the year		<u>(55,326)</u>	<u>57,345</u>
Total comprehensive expense for the year		<u><u>(88,142)</u></u>	<u><u>(781,255)</u></u>
Loss for the year attributable to:			
Owners of the Company		(32,727)	(838,547)
Non-controlling interests		<u>(89)</u>	<u>(53)</u>
		<u><u>(32,816)</u></u>	<u><u>(838,600)</u></u>
Total comprehensive expense for the year attributable to:			
Owners of the Company		(88,106)	(781,230)
Non-controlling interests		<u>(36)</u>	<u>(25)</u>
		<u><u>(88,142)</u></u>	<u><u>(781,255)</u></u>
Loss per share	9		
Basic		<u><u>(HK\$0.08)</u></u>	<u><u>(HK\$1.97)</u></u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2022

	<u>NOTES</u>	<u>2022</u> HK\$'000	<u>2021</u> HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment		30,321	46,843
Right-of-use assets		-	5,261
Deferred Consideration	10	328,616	-
Loans receivable	11	34,591	8,769
Investments in debt instruments		461,045	33,044
Interests in associates		-	-
Deferred tax assets		-	729
		<u>854,573</u>	<u>94,646</u>
<b>Current assets</b>			
Inventories		27,009	33,074
Deferred Consideration	10	-	283,129
Loans receivable	11	-	48,068
Contract assets		71,941	83,939
Debtors and prepayments	12	102,704	90,342
Investments at fair value through profit or loss		170,463	26,765
Amounts due from associates		83	66
Taxation recoverable		1,251	1,251
Investments in debt instruments		67,257	-
Bank deposits		271,930	755,203
Bank balances and cash		243,624	459,447
		<u>956,262</u>	<u>1,781,284</u>
<b>Current liabilities</b>			
Creditors and accrued charges	13	209,245	172,286
Other payables		201,000	201,000
Warranty provision		14,361	14,956
Contract liabilities		89,631	30,887
Lease liabilities		2,050	8,984
Taxation payable		8,176	4,418
		<u>524,463</u>	<u>432,531</u>
Net current assets		<u>431,799</u>	<u>1,348,753</u>
Total assets less current liabilities		<u><u>1,286,372</u></u>	<u><u>1,443,399</u></u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)**

AT 31 DECEMBER 2022

	<u>NOTE</u>	<u>2022</u> HK\$'000	<u>2021</u> HK\$'000
Capital and reserves			
Share capital		3,940	4,265
Reserves		<u>1,180,309</u>	<u>1,314,937</u>
Equity attributable to owners of the Company		1,184,249	1,319,202
Non-controlling interests		<u>(4)</u>	<u>32</u>
Total equity		<u>1,184,245</u>	<u>1,319,234</u>
Non-current liabilities			
Accrued charges	13	3,501	41,352
Warranty provision		2,913	1,298
Lease liabilities		5,511	-
Deferred tax liabilities		<u>90,202</u>	<u>81,515</u>
		<u>102,127</u>	<u>124,165</u>
		<u>1,286,372</u>	<u>1,443,399</u>

Notes:

## 1. GENERAL

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 consolidated financial statements are presented in Hong Kong dollars, 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.

## 2. APPLICATION OF NEW AND 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 Group's annual periods beginning on or after 1 January 2022 for the preparation of the consolidated financial statements:

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

## 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.

#### 4. REVENUE AND SEGMENT INFORMATION

##### Revenue

##### Disaggregation of revenue from contracts with customers

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

#### 4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

##### Segment information

##### *Segment revenue and results*

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

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

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

## 5. OTHER GAINS AND LOSSES

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

## 6. FINANCE COSTS

	<u>2022</u> HK\$'000	<u>2021</u> HK\$'000
Interest on lease liabilities	235	237
Imputed interest on non-current portion of provision for performance related incentive payments	4,328	3,182
Interest on bank borrowings	335	-
Others	-	23
	<u>4,898</u>	<u>3,442</u>

## 7. TAXATION

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

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.

## 8. LOSS FOR THE YEAR

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

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

## 9. LOSS PER SHARE

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

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

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

## 10. 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 (the "Re-development Plan") of two parcels of industrial land 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 2022 and 2021, the outstanding instalment payments amounted to RMB400,000,000, RMB400,000,000 and RMB750,000,000 which are repayable on or before 5 January 2022, 5 July 2022 and 5 January 2023 respectively.

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

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

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

## 11. LOANS RECEIVABLE

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

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

Notes:

- (a) The Group entered into a loan facility agreement ("Loan Facility Agreement") with Karl Thomson Financial Group Limited ("KTFG"), which is a wholly owned subsidiary of Wisdom Wealth Resources Investment Holding Group Limited ("Wisdom Wealth Resources"). Mr. Lam Kwok Hing, an executive director and the ultimate controlling shareholder of the Company, and Mr. Nam Kwok Lun, an executive director of the Company who has an indirect interest in the Company, are the directors of Wisdom Wealth Resources. Pursuant to the Loan Facility Agreement, the Group provides an unsecured revolving loan facility of HK\$130,000,000 (revised to HK\$80,000,000 upon renewal of agreement during the current year) bearing interest at prime rate as announced from time to time by The Hongkong and Shanghai Banking Corporation Limited for lending Hong Kong Dollars ("HSBC Prime Rate") for a term of three years commencing from the loan effective date and ending on 20 October 2025 (2021: 20 October 2022). As at 31 December 2022, a loan of approximately HK\$19,500,000 (2021: HK\$36,000,000) was drawn by KTFG according to the terms of the Loan Facility Agreement. The average effective interest rate, which is equal to contractual interest rate, is 5.14% (2021: 5%) per annum.
- (b) A loan amounted approximately HK\$7,500,000 (2021: HK\$14,500,000) as at 31 December 2022 was granted under a revolving loan facility agreement of approximately HK\$20,000,000 with an independent third party as entered in May 2021. The loan bears interest at HSBC Prime Rate plus 3% per annum for the first HK\$3,500,000 and HSBC Prime Rate beyond HK\$3,500,000 and secured by a first mortgage of a property as provided by the borrower. The loan was extended to 6 May 2024 during the current year.

## 11. LOANS RECEIVABLE (CONTINUED)

Notes: (continued)

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

As at 31 December 2022, impairment losses under ECL model of loans receivable of HK\$5,433,000 (2021: HK\$6,655,000) are recognised.

## 12. DEBTORS AND PREPAYMENTS

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

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:

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

### 13. CREDITORS AND ACCRUED CHARGES

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

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

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

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

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

## Chairman's Statement and Management Discussions

### FINANCIAL RESULTS

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

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

### FINANCIAL REVIEW

#### Revenue

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

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

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

#### Gross Profit

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

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

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

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

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

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

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

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

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

### Other income of approximately HK\$90,369,000

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

(a) Interest and fees arising from loans receivable

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

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

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

(b) Interest received from bank deposits

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

(c) Interest income from investments in debt instruments

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

(d) Imputed interest income on Deferred Consideration

Please refer to note 10 of the financial information of this result announcement for more detailed explanation on the imputed interest income of approximately HK\$45,498,000 (the Previous Period: HK\$244,341,000).

(e) Dividend income

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

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

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

**Administrative expenses of approximately HK\$108,185,000**

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

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

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

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

No such reversal was made in the Period Under Review.

(b) Provision of redundancy cost

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

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

As a benchmark, the average inflation rates in China and Hong Kong for 2022 were 2.0%<sup>1</sup> and 1.9%<sup>2</sup> respectively.

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

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

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

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

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

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

<sup>1</sup> Inflation rate in China is reported by the National Bureau of Statistics of China.

<sup>2</sup> Inflation rate in Hong Kong is reported by Census and Statistics Department of Hong Kong.

### **Finance cost of approximately HK\$4,898,000**

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

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

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

### **Taxation of approximately HK\$28,621,000**

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

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

### **Net gain (loss) in relation to the Longhua Project**

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

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

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

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

## **Deferred Consideration**

Please refer to note 10 of the financial information of this result announcement for more detailed explanation.

## **Loans receivable**

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

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

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

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

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

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

## Investments in debt instruments

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

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

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

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

### **Investments at fair value through profit or loss under current assets**

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

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

### **Contract assets**

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

### **Creditors and accrued charges under current liability**

The amount payable to creditors and accrued charges as at 31 December 2022 was HK\$209,245,000 which was approximately HK\$36,959,000 higher than the Previous Period. Please refer to note 13 of the financial information of this result announcement for more details. The increase was mainly due to provision of approximately HK\$22,390,000 of redundancy cost in late 2022 and increase in current portion of provision for performance related incentive payments payable to executive directors by approximately HK\$15,179,000.

### **Contract liabilities**

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

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

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

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

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

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

## BUSINESS REVIEW ON ELECTROPLATING EQUIPMENT (UNDER THE TRADE NAME OF “PAL”)

### Electroplating Equipment-Printed Circuit Boards (“PCB”) Sector

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

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

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

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

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

Company	4Q 2022 Shipment Volumes	4Q 2022 Market Share	2022 Shipment Volumes	2021 Shipment Volumes	Year-Over-Year Change
Apple	72.3	24.1%	260.9	272.1	-4.1%
Samsung	58.2	19.4%	226.4	235.8	-4.0%
Xiaomi	33.2	11.0%	153.1	191.0	-19.8%
OPPO	25.3	8.4%	103.3	133.6	-22.7%
Vivo	22.9	7.6%	99.0	128.3	-22.8%
Others	88.3	29.4%	362.7	399.1	-9.1%
<b>Total</b>	<b>300.3</b>	<b>100.0%</b>	<b>1205.5</b>	<b>1359.8</b>	<b>-11.3%</b>

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

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

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

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

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

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

## Electroplating Equipment-Surface Finishing (“SF”) Sector

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

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

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

According to a report issued by VDA<sup>3</sup>, global car sales remained flat in year 2022 when compared to year 2021.

Region	2022	2021	% Change	2020	2019
Europe (EU+EFTA+UK)	11,286,900	11,774,900	- 4.1%	11,961,200	15,805,800
Russia (light vehicles only)	687,400	1,666,800	- 58.8%	1,598,800	1,759,500
USA (light vehicles only)	13,734,200	14,913,700	- 8.1%	14,450,800	16,965,200
Japan	3,448,300	3,675,700	- 6.2%	3,810,000	4,301,100
Brazil (light vehicles only)	1,960,500	1,977,100	+ 0.8%	1,954,800	2,665,600
India	3,792,400	3,082,400	+ 23.0%	2,435,100	2,962,100
China	23,240,500	21,090,200	+ 10.0%	19,790,000	21,045,000
COMBINED	58,150,200	58,180,800	- 0.05%	56,000,700	65,504,300

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

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

## **Outlook**

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

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

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

## **PROPERTY DEVELOPMENT**

### **Property Re-development Project in Longhua**

The re-development plan in relation to two parcels of industrial land located in Bao An District, Shenzhen, PRC was completed in 2019. In accordance with the terms set out in the second revised supplemental agreement A (the “Revised Agreement”) as set out in the Company’s circular dated 27 September 2019, the Group has already received RMB 1.2 billion.

Reference is made to the announcement issued by the Company on 31 December 2021. The Company was notified by the project company of the Longhua Project (the “Project Company”) that it requested to postpone payment for the cash consideration (“Deferred Consideration”) for an amount of RMB 0.8 billion in accordance with the terms set out in the Revised Agreement. The payment delay was mainly caused by the delinquent debt collections from their group’s customers, namely property developers. The Project Company has arranged in December 2021 to pay to the Group HK\$200 million as security (“First Security”) for its repayment obligations.

For the purpose of measuring impairment of expected credit loss (“ECL”) and in accordance with HKFRS 9, the Group applied 12-month ECL in year 2019 and 2020 (i.e. stage 1). Given the expected delayed in the recoverable amount due by the Project Company, the Group has switched to lifetime expected credit loss (i.e. stage 3, credit impaired) in year 2021. An impairment loss of approximately HK\$1320 million were recognized for the year ended 31 December 2021 and the remaining value of the Deferred Consideration as at 31 December 2021 was approximately HK\$283,129,000 as estimated by the Board. Such remaining value represented the present value of the First Security and the possible repayment from the Project Company through the sales of remaining shop and office spaces.

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

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

The Project Company has since paid default interest of approximately RMB 27,200,000 (equivalent to approximately HK\$31,400,000) to the Group on timely basis and in accordance with the terms of the Agreements.

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

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

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

## **MATERIAL ACQUISITION AND DISPOSAL**

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

Reference is made to the announcements of the Company dated 5 January 2022, 24 January 2022, 26 January 2022, 9 February 2022, 10 February 2022, 4 March 2022, 11 March 2022, 24 March 2022, 4 April 2022, 7 April 2022, 11 April 2022, 12 April 2022, 20 April 2022, 25 April 2022, 11 May 2022 and 12 August 2022 in relation to the acquisition and disposal of bonds and listed equities. Current holdings as at 31 December 2022 are disclosed as the Group's investments at fair value through profit or loss on page 21 and in the section "Investments in debt instruments" shown in above.

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

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

## **EVENT AFTER THE REPORTING PERIOD**

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

## **CONTROLLING SHAREHOLDER'S INTERESTS IN CONTRACTS OF SIGNIFICANCE**

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

## **CONTINUING CONNECTED TRANSACTION**

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

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

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

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

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

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

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

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

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

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

- (i) had received the approvals of the Board;
- (ii) had been entered into in accordance with the relevant agreements governing the 2019 Loan Facility Agreement and 2022 Loan Facility Agreement; and
- (iii) had not exceeded the caps disclosed in the previous circulars of the Company dated 27 September 2019 and 20 October 2022.

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

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

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

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

### **Foreign Currency Risk**

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

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

### **Contingent Liabilities**

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

### **Pledge of Assets**

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

### **Capital Commitment**

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

## **Employee and Remuneration Policies**

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

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

## **FINAL DIVIDEND**

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

## **APPRECIATION**

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

## CORPORATE GOVERNANCE

The Company recognizes that good corporate governance is vital to the success of the Group and sustains development of the Group. The Company aims at complying with, where appropriate, all code provisions set out in Appendix 14 Corporate Governance Code (the “CG Code”) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”).

The Company’s corporate governance practices are based on the principles and the code provisions (“Code Provisions”) as set out in the CG Code of the Listing Rules. The Company has, throughout the year ended 31 December 2022 and up to the date of this announcement, applied and complied with most of the Code Provisions save for certain deviations from the Code Provisions in respect of code provisions C.2.1 and B.2.2, details of which are explained below.

### Code provision C.2.1

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 Company does not have a separate Chairman and MD and Mr. Lam Kwok Hing currently holds both positions. 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. 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.

### Code provision B.2.2

According to Bye-laws of the Company, the Chairman or MD are not subject to retirement by rotation or taken into account on determining the number of directors to retire. This constitutes a deviation from code provision B.2.2 of the CG Code. As continuation is a key factor to the successful implementation of any long term business plans, the Board believes, together with the reasons for deviation from code provision C.2.1, that the present arrangement is most beneficial to the Company and the shareholders as a whole.

## 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 a revised term of reference which is effective 1 March 2012 and describes the authority and duties of the Committee, as quoted under code provision D.3.3 of the GC Code.

The Audit Committee is primarily responsible for the following duties:

- (a) to review the financial statements and reports and consider any significant or unusual items raised by the qualified accountant or external auditor.
- (b) to review the relationship with the external auditor by reference to the work performed by the auditor, their fees and terms of engagement, and make recommendation to the Board on the appointments, re-appointment and removal of external auditor.
- (c) to review the adequacy and effectiveness of the Company’s financial reporting system, internal control system and risk management system and associated procedures.

The Audit Committee will meet at least twice each year. In 2022, the Audit Committee met twice considering the annual results of the Group for the financial year ended 31 December 2021 and the interim results of the Group for the 6 months ended 30 June 2022, assessing any changes in accounting policies and practices, major judgmental areas and compliance with applicable legal and accounting requirements and standards, discussing with the auditor of the Company on internal control and the re-appointment of the external auditor. The annual results for the financial year ended 31 December 2022 was reviewed by the Audit Committee before publication.

#### **REMUNERATION COMMITTEE**

For year 2022, the remuneration committee of the Company (the “Remuneration Committee”) is composed of three Directors, namely Messrs. Nam Kwok Lun, Kwan Wang Wai Alan and Ng Chi Kin David. The principal functions of the Remuneration Committee include determining the policy for the remuneration of executive directors, assessing performance of executive directors and approving the terms of executive directors’ service contracts; making 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.

#### **NOMINATION COMMITTEE**

The nomination committee of the Company (the “Nomination Committee”) is established on 27 March 2012. For year 2022, it is composed of three Directors, namely Messrs. Lam Kwok Hing, Cheung Kin Wai and Ng Chi Kin David. The principal functions of the Nomination Committee include reviewing the structure, size and composition of the Board, making recommendations on any proposed changes to the Board to complement the Company’s corporate strategy, identifying and nominating qualified individuals for appointment as additional directors or to fill Board vacancies as and when they arise.

#### **MODEL CODE FOR SECURITIES TRANSACTION BY DIRECTORS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies (the “Model Code”) set out in Appendix 10 of the Listing Rules. Upon enquiry by the Company, all directors of the Company have confirmed that they have complied with the required standard set out in the Model Code during the year ended 31 December 2022.

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

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

## **SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU**

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2022 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the audited consolidated financial statements of the Group for the year as approved by the Board of Directors on 30 March 2023. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

## **CLOSURE OF REGISTER OF MEMBERS**

### (i) For determining the entitlement to attend and vote at the annual general meeting

- Latest time to lodge all transfer documents for registration with Company's registrar At 4:30 p.m. on 12 June 2023 (Mon)
- Closure of Register of Members 13 June 2023 (Tue) to 19 June 2023 (Mon) (both dates inclusive)
- Record date 19 June 2023 (Mon)

### (ii) For determining the qualification for the proposed final dividend

- Ex-dividend date 23 June 2023 (Fri)
- Latest time to lodge all transfer documents for registration with Company's registrar At 4:30 p.m. on 26 June 2023 (Mon)
- Closure of Register of Members 27 June 2023 (Tue) to 29 June 2023 (Thu) (both dates inclusive)
- Record date 29 June 2023 (Thu)
- Payment of dividend 20 July 2023 (Thu)

During the above closure periods, no transfer of shares will be registered. To be eligible to attend and vote at the annual general meeting, and to qualify for the final dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with Company's share registrars and transfer office, Tricor Secretaries Limited, at 17/F, Far East Finance Centre 16 Harcourt Road Hong Kong no later than the aforementioned latest time.

## **ANNUAL GENERAL MEETING**

The forthcoming Annual General Meeting of the Company will be held on Monday, 19 June 2023. Further announcement(s) and/or circular will be made by the Company as and when appropriate in accordance with the Listing Rules.

## **PUBLICATION OF FINAL RESULTS AND ANNUAL REPORT**

This results announcement is published on the websites of The Stock Exchange of Hong Kong Limited (<http://www.hkexnews.hk>) and the Company (<http://www.atnt.biz>). The annual report of the Company for the year ended 31 December 2022 will be despatched to shareholders of the Company and available on the above websites in due course.

By Order of the Board  
**Asia Tele-Net and Technology Corporation Limited**  
**Lam Kwok Hing M.H., J.P.**  
*Chairman and Managing Director*

Hong Kong, 30 March 2023

*As at the date of this announcement, the executive directors of the Company are Messrs. Lam Kwok Hing M.H., J.P. and Nam Kwok Lun, and the independent non-executive directors are Messrs. Cheung Kin Wai, Kwan Wang Wai, Alan and Ng Chi Kin, David.*

*\* For identification purpose only*