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)

ANNUAL REPORT

2020

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

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

REMUNERATION COMMITTEE

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

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 and Analysis

FINANCIAL RESULTS

During the year ended 31 December 2020 ("the Period Under Review"), the Group recorded profit attributable to owners of the Company of approximately HK$138,772,000 compared to the profit attributable to owners of the Company of approximately HK$614,056,000 for the year ended 31 December 2019 ("the Previous Period"), representing approximately 77.4% decrease. The significant decrease in Group's profit attributable to owners of the Company during the Period Under Review was primarily due to (i) decrease in gross profit of approximately HK$36,066,000 from approximately HK$99,808,000 in the Previous Period to approximately HK$63,742,000 in the Period Under Review and (ii) drop in net gain arising from the arrangement in relation to a site located at Longhua (see the paragraph below with heading "Net gain in relation to the Longhua Project" on page 10).

The basic earnings per share for the Period Under Review was HK$0.33 compared to the basic earnings per share of HK$1.44 or the Previous Period.

FINANCIAL REVIEW

Revenue

The revenue for the Period Under Review was approximately HK$335,097,000 or 6.3% less than the Previous Period. Lower revenue reported during the Period Under Review was mainly due to weaken demand in high-end communication device and automobile.

In terms of business segment, approximately 79.8% of the revenue was generated from PCB sector (the Previous Period: approximately 68.1%), and approximately 20.2% came from surface finishing sector (the Previous Period: approximately 31.9%).

In terms of the machines geographical installation base, the revenue composition during the Period Under Review was 62.8% machine values were installed in PRC (the Previous Period: 49.9%), 11.2% in Taiwan (the Previous Period: 16.7%), 7.3% in the Macedonia (the Previous Period: 0.2%), 5.9% in the USA (the Previous Period: 4.1%), 3.4% in Korea (the Previous Period: 0.2%), 2.5% in Other European countries (the Previous Period: 1.7%), 2.0% in the Singapore (the Previous Period: 0.8%), 1.7% in Mexico (the Previous Period: 11.5%), and 3.2% in rest of the world (the Previous Period: 14.9%).

Gross Profit

Due to price pressure from customer, gross profit was 19.0% which was lower than the Previous Period (approximately 27.9%).

Gain on derecognition of Deferred Consideration in the Previous Period

On 28 June 2019 and 9 September 2019, the Group entered into the revised supplemental agreements ("Revised Supplemental Agreements") to amend certain terms of the Supplemental Agreements which was previously approved by the shareholders of the Company on 2 March 2017. Pursuant to the Revised Supplemental Agreements, instead of receiving Guaranteed Cash Consideration ("GCC") and Additional Cash Consideration ("ACC"), the Group is offered a revised 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 (Revised Guaranteed Cash Consideration ("RGCC")). The details of the amendment are set out in the Company's circular dated 27 September 2019. The transactions contemplated under the Revised Supplemental Agreements was approved by the shareholders of the Company on 24 October 2019.

With the effective of Revised Supplemental Agreements, the Group surrendered its right to receive the GCC and ACC in exchange for the right to receive RGCC. Since then, the Deferred Consideration is made of RGCC only. The fair value of RGCC was approximately HK$2,182,605,000 at the initial recognition. The fair value of RGCC had been arrived at using discounted cash flow method by discounting future cash flows at an interest rate of 16.8% per annum based on a valuation performed by an independent valuation company. At the effective date of Revised Supplemental Agreements, the carrying amount of Deferred Consideration which included GCC and ACC was approximately HK$1,574,702,000. The Group recognised a gain on derecognition of Deferred Consideration of HK$607,903,000 upon the initial recognition of RGCC during the year ended 31 December 2019 accordingly. Subsequent to the initial recognition, RGCC is measured at amortised cost using the effective interest method, less any impairment.

No such gain was recognized in the Period Under Review.

Gain on change in fair value of ACC in the Previous Period

The Company has appointed an independent valuation company to determine the fair value for the Additional Cash Consideration under the supplemental agreements signed on 4 January 2017 up to the effective date of Revised Supplemental Agreements. Based on the valuation received, the Group has recorded a gain of approximately HK$128,744,000 during the year ended 31 December 2019.

No such gain was recognized in the Period Under Review.

Other gains and losses of approximately HK$10,465,000

This represented (a) Net change in realized and unrealized fair value loss of held for trading investments was approximately HK$4,532,000 (the Previous Period: loss of HK$10,504,000) (b) net exchange loss of approximately HK$5,923,000 (the Previous Period: gain of HK$6,969,000).

(a) Net change in realized and unrealized fair value loss of held for trading investments was approximately HK$4,532,000 (the Previous Period: loss of HK$10,504,000)

All held for trading investments were recorded at fair value as at 31 December 2020 and represented listed securities in Hong Kong. The loss of approximately HK$4.5 million represents fair value loss 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 2020:

Company Name/Stock Code	% of Shareholding as at 31 December 2020	Fair value change HK$'000	Fair value as at 31 December 2020 HK$'000	% of Total Assets of the Group as at 31 December 2020	Fair value as at 31 December 2019 HK$'000	% of Total Assets of the Group as at 31 December 2019
Shanghai Industrial Urban Development Group Ltd. (563)	0.26%	(753)	10,322	0.36%	5,978	0.22%
Q P Group Holdings Ltd. (1412)	1.59%	(2,389)	7,711	0.27%	—	—
South China Holdings Company Ltd (413)	0.20%	(917)	4,045	0.14%	4,961	0.19%
Orient Victory Travel Group Company Ltd. (265)	0.38%	(1,551)	3,057	0.11%	4,608	0.17%
South China Assets Holdings Ltd. (8155)	0.72%	(549)	804	0.03%	857	0.03%
Bonjour Holdings Ltd (653)	1.01%	2,242	5,176	0.18%	2,933	0.11%
Others (Note)		(615)	1,755	0.05%	1,570	0.16%
Total		(4,532)	32,870	1.14%	20,907	0.78%

(b) Net exchange loss of approximately HK$5,923,000 (the Previous Period: gain of HK$6,969,000)

The net exchange loss was mainly due to the exchange loss 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 6.4% 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$305,409,000

This represented (a) interest and fees arising from loan receivables of approximately HK$3,837,000 (the Previous Period: HK$4,050,000) (b) interest received from bank deposits of approximately HK$11,509,000 (the Previous Period: HK$1,173,000) (c) imputed interest income on Deferred Consideration of approximately HK$279,801,000 (the Previous Period: approximately HK$209,352,000) (d) Government subsidy of approximately HK$7,267,000 (the Previous Period: approximately HK$66,000).

(a) Interest and fees 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 Hong Kong Finance Investment Holding Group Limited ("Hong Kong Finance 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 Hong Kong Finance 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 interest income and handling fee income of approximately HK$3,050,000 and nil respectively (the Previous Period: approximately HK$2,927,000 and HK$390,000) from KTFG.

Besides the revolving loan facility with KTFG, the Group has also received interest income of approximately HK$787,000 from other loans with independent third parties (the Previous Period: HK$733,000).

(b) Interest received from bank deposits

Interest income from bank deposits was approximately HK$11,509,000 (the Previous Period: HK$1,173,000).

(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$279,801,000 (the Previous Period: HK$209,352,000).

(d) Government subsidy of approximately HK$7,267,000

During the Period Under Review, the HKSAR Government has launched the Employment Support Scheme ("ESS") under the Anti-epidemic Fund to provide time-limited financial support to employers to retain employees who may otherwise be made redundant. The Group has received a total of approximately HK$6,219,000 from the ESS.

A PRC subsidiary of the Group has also received approximately HK$1,048,000 (the Previous Period: approximately HK$66,000) being refund of certain government fees. The refund was higher for the Period Under Review as a hardship subsidy due to the Covid-19 pandemic.

Selling and Distribution Costs of approximately HK$9,940,000

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 34.9% lower than the Previous Period. It was primarily due to decrease of revenue and reduced sales activities due to the lockdown.

Administrative expenses of approximately HK$114,243,000

The administrative expenses for the Period Under Review was 16.2% lower than the Previous Period. It was mainly due to (a) decrease in provision for performance related incentive payments payable to executive directors and management of the Group, and (b) decrease in general expenses.

(a) 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.

For the Period Under Review, provision for performance related incentive payments was approximately HK$6,633,000 (the Previous Period: HK$28,858,000). Such provision was calculated based on the assumptions that the Company shall receive the guaranteed cash consideration of RMB2.75 billion in accordance with the agreed timetable in accordance with the Revised Supplemental Agreements.

During the Period Under Review, the Group has made a special bonus provision of approximately HK$18,712,000 (the Previous Period: nil) for certain management staff of the Group for their past contribution to the Re-development Plan (as defined in note 17).

(b) Decrease in general expenses

After taking out the provision for performance related incentive payments as disclosed above, the remaining administrative expenses was approximately HK$88,898,000 was 17.3% lower than the Previous Period (the Previous Period: HK$107,490,000). It was mainly due to reduction in headcount in mid 2019 and our continuous effort in controlling our operating costs in order to drive an improved performance.

As a benchmark, the average inflation rates in China and Hong Kong for 2020 were 2.5%[1] and 1.3%[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 or (gain) under expected credit loss model, net of reversal, of approximately HK$18,590,000

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

	Year ended 31 December	
	2020	2019
	HK$'000	HK$'000
Trade debtors	**261**	(649)
Contract assets	**5**	73
Loans receivable	**4,253**	813
Deferred Consideration	**(23,109)**	62,901
	(18,590)	63,138

The Group recognized a net reversal of impairment loss of approximately HK$23,109,000 (the Previous Period: an impairment losses of approximately HK$62,901,000) for Deferred Consideration with the receipts of first two tranches of Deferred Consideration of RMB1 billion during the Period Under Review.

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

HKAS 36 Impairment of Assets (the "Standard") requires an entity to assess, at each reporting date, whether there are any indicators that assets or the cash generating unit (the "CGU") may be impaired. If there is an indication that an asset or the CGU may be impaired, the recoverable amount of the asset or CGU is determined. Recoverable amount is defined as the higher of the "fair value less costs to sell" and the "value in use". Assets or CGU should be carried at no more than their recoverable amount.

During the year ended 31 December 2020, 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 excess of carrying amount over recoverable amount 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 (The Previous Period: nil) has been charged to other comprehensive income as a reversal of previous revaluation surplus and approximately HK$5,952,000 (The Previous Period: nil) has been charged to profit or loss during the year ended 31 December 2020.

Finance cost of approximately HK$3,123,000

This represented mainly the imputed interest expenses on non-current portion of provision of performance related incentive payments of approximately HK$2,931,000 (the Previous Period: HK$1,877,000) and the interest expenses on lease liabilities of approximately HK$192,000 (the Previous Period: HK$591,000).

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

Taxation of approximately HK$101,350,000 (the Previous Period: HK$220,751,000) represented mainly taxes paid by our wholly-owned subsidiaries in China and Taiwan.

(a) As the Group recorded a gain in relation to the Longhua Project before tax approximately HK$285,011,000 (the Previous Period: HK$856,727,000), the Group recorded a corresponding estimated taxes of approximately HK$75,728,000 (the Previous Period: HK$220,775,000); and

(b) The Group also intended to declare dividend from a PRC subsidiary. The funding comes from receipt in relation to the Longhua Project. In accordance with current tax rules, such dividend will be subject to a withholding tax of approximately HK$26,496,000 (the Previous Period: nil).

Net 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	
	2020	2019
	HK$'000	HK$'000
Under "Other Income" — Imputed interest income on Deferred Consideration	**279,801**	209,352
Under "Other Income" — Interest earned on bank deposits	**10,377**	—
Under "Administrative expenses" — Provision for directors' and special management bonus	**(25,345)**	(28,858)
Under "Finance costs" — Imputed interest on non-current portion of provision for performance related incentive payments	**(2,931)**	(1,877)
Under "Gain on derecognition of Deferred Consideration"	**—**	607,903
Under "Gain on change in fair value of ACC"	**—**	128,744
Under "Impairment loss under expected credit loss model, net of reversal" — Impairment loss for Deferred Consideration	**23,109**	(62,901)
Under "Other gains and losses" — Adjustment on non-current portion of provision for performance related incentive payments	**—**	4,364
Under "Taxation"	**(102,223)**	(220,775)
Net gain in relation to the Longhua Project	**182,788**	635,952

Exchange difference arising on translation of foreign operation of approximately HK$130,008,000

This represented mainly the exchange difference arising on translation of operations in the PRC due to the appreciation in RMB (of approximately HK$6,264,000) and revaluation of Deferred Consideration and corresponding deferred tax liability (of approximately HK$123,544,000). The currency translation reserve was increased at the same amount.

Deferred Consideration

Please refer to 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 Hong Kong Finance 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 Hong Kong Finance 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 2020, a loan of approximately HK$55,500,000 (31 December 2019: approximately HK$49,000,000) 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 and handling fee earned in relation to above loans was approximately HK$3,050,000 and nil respectively (the Previous Period: approximately HK$2,927,000 and HK$390,000 respectively).

Besides the revolving loan facility with KTFG, the Group has granted a few loans with independent third parties bearing interest between 5% to 10% per annum and the Group has received interest income of approximately HK$787,000 from these loans during the Period Under Review (the Previous Period: HK$733,000).

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

The carrying amount for each respective period is shown below:

	As at 31 December	
	2020	2019
	HK$'000	HK$'000
Principal outstanding repayable within one year	**13,000**	22,000
Principal outstanding repayable after one year	**66,500**	49,000
Less impairment loss allowance	**(6,056)**	(1,803)
Net carrying amount	**73,444**	69,197
Analysed for reporting purpose as:		
Current	**9,234**	21,647
Non-current	**64,210**	47,550
	73,444	69,197

Held for trading investments under current assets

As at 31 December 2020, the Company had held for trading investment in listed securities in Hong Kong with a market value of approximately HK$32,870,000 (31 December 2019: approximately HK$20,907,000), representing an investment portfolio of sixteen 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 2020 was HK$200,555,000 which was approximately HK$96,599,000 higher than the Previous Period. Please refer to note 26 of the consolidated financial statements for more details. The increase was mainly due to

(a) reclassification of certain performance related incentive payments of approximately HK$30,639,000 from non-current liability to current liability;

(b) increase in amount due to suppliers for approximately HK$65,934,000 as more material was ordered in late 2020; and

(c) The average credit period granted by suppliers is extended from 60–120 days to 60–180 days as more purchases were made in mainland China.

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$67,145,000 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 taxation of approximately HK$417,741,000 under non-current liability

The Group has recorded a deferred taxation of approximately HK$388,490,000 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$29,251,000 represented deferred tax liabilities recognized for accelerated tax depreciation of approximately HK$1,239,000, revaluation of properties of approximately HK$1,516,000 (net off with impairment loss on assets of approximately HK$392,000), and withholding tax provision for dividend payable by a PRC subsidiary of approximately HK$26,496,000.

BUSINESS REVIEW

Business review on electroplating equipment (under the trade name of "Pal")

Year 2020 was certainly a year we would not forget. It was a year overshadowed by coronavirus pandemic which turned countless lives upside down and, perhaps, changed the world forever. Public at large are more used to new normals such as wearing masks, zoom meeting, working-from-home, social distancing and greeting Kung Hei Fat Choy via video call on whatsapp! The coronavirus pandemic has pushed many shoppers to make their purchases online. Museums have offered virtual tours as travelling was reduced to almost zero in 2020. Given this unprecedented demand on data traffic, we witness massive spending increases on data centers from the world's largest data center operators — led by Amazon, Google, Facebook and Microsoft. While we embrace all these positive changes, we sadly witness also the detrimental effects the pandemic has brought, mainly, damage caused to global economic growth. The global growth contraction for 2020 is estimated at -3.5 percent by IMF[3]. Investment confidence was low throughout the year, so was consumer spending. As a result, the number of enquiries received by our subsidiaries and quote-to-close ratio were both significantly dropped.

[3] International Monetary Fund (IMF) is an organization of 190 countries, working to foster global monetary cooperation, secure financial stability, facilitate international trade, promote high employment and sustainable economic growth.

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

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

During the Period Under Review, the revenue in this business area increased from HK$183,403,000 in Previous Period to HK$216,812,000, representing 18.2% rise. Out of this total revenue, from the perspective of installation location, nearly 78.0% were shipments made to PRC (48.6% in Previous Period) and 12.5% were shipments made to Taiwan (27.3% 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 Feb 2021, global sales of smartphones declined 5.4% in the fourth quarter of 2020 while smartphone sales declined 12.5% in full year 2020.

Top 5 Smartphone Companies, Worldwide Shipments, Market Share, and Year-Over-Year Growth, Q4 2020 and full year (shipments in millions of units)

Company	4Q 2020 Shipment Volumes	4Q 2020 Market Share	2020 Shipment Volumes	2019 Shipment Volumes	Year-Over-Year Change
Apple	79.9	20.8%	199.8	193.5	+3.2%
Samsung	62.1	16.2%	253.0	296.2	–14.5%
Xiaomi	43.4	11.3%	145.8	126.0	+15.7%
OPPO	34.3	8.9%	111.8	118.7	–5.8%
Huawei	34.3	8.9%	182.6	240.6	–24.1%
Others	130.4	33.9%	454.8	565.6	–19.6%
Total	**384.4**	**100.0%**	**1,347.8**	**1,540.6**	**–12.5%**

Due to rounding, some figures may not add up precisely to the totals shown
Source: Gartner (February 2021)

COVID-19 is the main reason the shipment of smartphones has dropped, with the pandemic hitting consumer spending hard. The severity of the virus caused customers to focus on purchasing essential items, placing nonessential orders on hold, said Ryan Reith, program vice president with IDC[4]'s Worldwide Mobile Device Trackers. The effects of nonessential spending were seen in the number of retailers and brand holders that filed for bankruptcy, which included J. Crew, JC Penney, Topshops, and Brooks Brothers (to name a few).

4 International Data Corporation (IDC) provides market analysis and insights for the information technology and telecommunications markets.

Although facing a general decline in demand, most of the smartphone manufacturers still compiled a conservative expansion plan in 2020, mainly for the 5G phones. In fact, the sales of smartphones in quarter 4 recorded a moderate drop only. The drop was moderate because sales of more 5G smartphones and lower-to-mid-tier smartphones was relatively more in quarter 4 when compared to first three quarters. For this reason, we maintained a relatively stable revenue last year. However, we faced a severe price-cut from our customers and hence the drop of 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 decreased by 36.0% from approximately HK$85,994,000 in the Previous Period to approximately HK$55,047,000 for the Period Under Review. Out of this total revenue, from the perspective of installation location, nearly 44.6% were shipments made to Macedonia (0.9% in Previous Period) and 30.9% were shipments made to USA (0.1% in Previous Period).

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

Back in mid last year, VDA[5] predicted a slight recovery in car sales in second half of 2020 and with a forecast of 17% contraction for full calendar year. Their prediction was not far from actual. According to a latest report issued by VDA, car sales worldwide in 2020 contracted by 15%.

Region	2020	2019	% Change	2018	2017
Europe (EU+EFTA+UK)	11,961,200	15,805,800	–24	15,624,500	15,631,700
Russia (light vehicles only)	1,598,800	1,759,500	–9	1,800,600	1,595,700
USA (light vehicles only)	14,450,800	16,965,200	–15	17,215,200	17,134,700
Japan	3,810,000	4,301,100	–11	4,391,200	4,386,400
Brazil (light vehicles only)	1,954,800	2,665,600	–27	2,475,400	2,176,000
India	2,435,100	2,962,100	–18	3,394,700	3,229,100
China	19,790,000	21,045,000	–6	23,256,300	24,171,400
COMBINED	56,000,700	65,504,300	–15	68,157,900	68,325,000

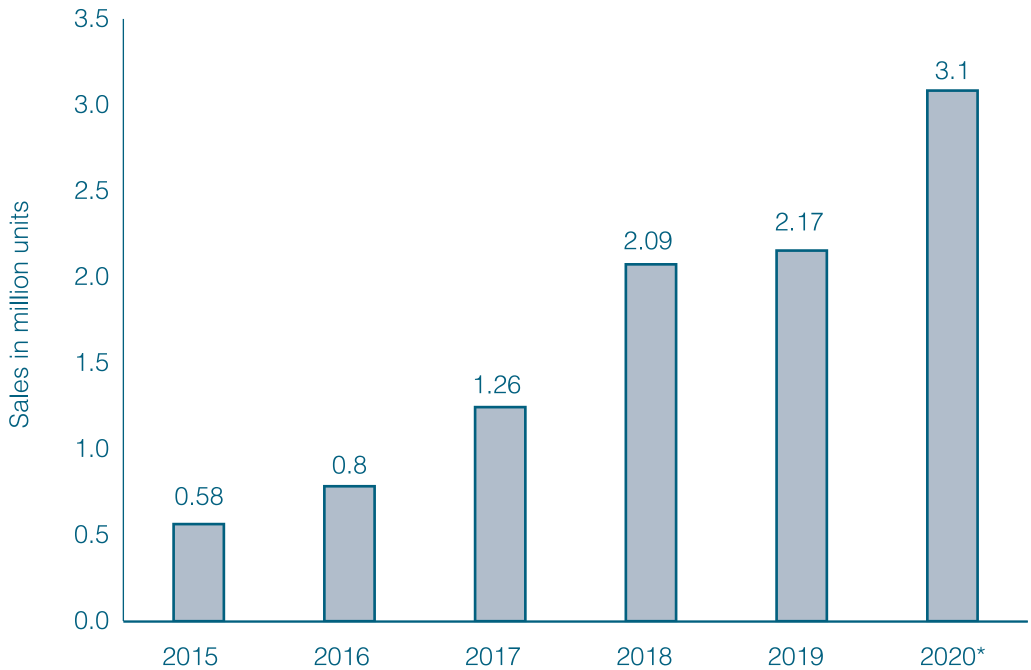
Source: VDA

China and Russia performed the best. China remained the best-performing car market in the world with sales down 6% to just less than 20 million vehicles. Car sales in Russia and Japan were down by around 10% while the US and Indian markets were down by around 17%. Car sales in Brazil were down by 27% while the large European market contracted by 24%.

5 VDA is a short form standing for Verband der Automobilindustrie. It is a German association of automotive industry.

The bright spot remains the sales of electric cars. The number hits a new high last year at just over 3 million units (see table below). Analysts attribute part of the rise in electric cars to subsidies introduced in some countries to stimulate demand during the COVID-19 crisis, such as the $8,550 (€7,000) discount on offer to electric car buyers in France. In Norway, electric car drivers enjoy a 90% discount on road tax. In Hong Kong, our government has offered a "One-for-One Replacement" Scheme as well as a waiver for first registration tax up to HK$97,500. Across the world, car manufacturers are introducing new electric models in 2021 with improved range and performance. Key to the sales success of EVs is the price and performance of their batteries and both are improving.

Estimated plug-in electric light vehicle sales worldwide from 2015 to 2020
(in million units)



Outlook

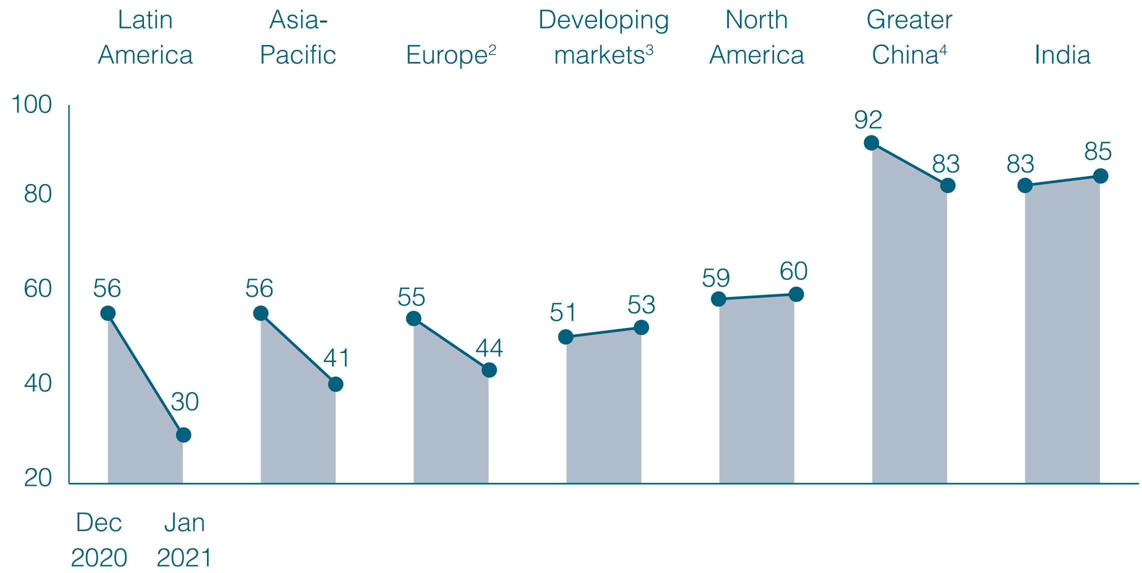
Since December last year, everyone was so grateful for the promised delivery of vaccine. Having a COVID-19 vaccine means an opportunity to not only protect ourselves, but also to protect our families and our communities. It was our belief that a wide scaled immunization is the best option to protect people from COVID-19, and as more people get vaccinated, we will be able to return to activities that haven't been possible during the pandemic. However, this optimistic view was tempered gradually due to the increasing number of death case and allergy warning issued around the world.

Chairman's Statement and Management Discussions and Analysis

McKinsey has done surveys over economic expectation in December 2020 with a follow up in January 2021. Their conclusion is majorities of executives continue to believe that conditions in their home economies and in the global economy will improve over the next six months but yet their positivity has moderated since the previous survey ie December.

In several regions, economic sentiment has taken a negative turn since December.

% of respondents expecting improved economic conditions in their countries, next 6 months,[1] region by office



Although investment confidence will definitely pick up in 2021, in our view, it will be moderate. It is clear that the pandemic of 2020 has given rise to a cycle of low growth. Through our R&D efforts over the past years, we have accumulated a wide range of equipment designs which offer a better uniformity and yield rate. We will continue to invest in R&D in the coming years to provide innovative solutions and groundbreaking experiences to industrial and business end users. In addition, given that the COVID-19 pandemic will continue into year 2021, we will adopt all precautionary measures we have applied in 2020 to provide a safe working environment for our staff.

PROPERTY DEVELOPMENT

Property Re-development Plan in Longhua

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 ("Counter Party") 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 ("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.

The Re-development was completed in 2019 and pre-sales was launched 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.

In accordance with the terms agreed in the Second Revised Supplemental Agreement A, the Group will receive a total of RMB2.75 billion. 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.

Progress in searching for another suitable site as our long-term production base

The Group has relocated its production base to a ready-built factory in Datianyan Industrial Zone, Songgan Street Committee, Baoan District (the "Songgan Factory") under a short term lease, which will expire in December 2021.

At the same time, the management team is searching for another suitable production site for the long term development and benefits of PAL. Our primary focus is to look for a site within Shenzhen region. Of course, given the current development in Shenzhen, it is not easy at all to find a spare land which will fit for our manufacturing purposes. Nevertheless, we will try our best and continue the land searching in Shenzhen region. Failing such, we have no choice but to look for a site near the outskirts but out of Shenzhen region. In the case where a suitable long-term production site is identified but the Group meets with any shortage of fund, the Company will consider fund raising options including but not limited to share subscription, right issue and issue of convertible bonds.

MATERIAL ACQUISITION AND DISPOSAL

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 2020, a loan of approximately HK$55,500,000 (31 December 2019: approximately HK$49,000,000) 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 2019: 5%) per annum.

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 2020, the Group had equity attributable to owners of the Company of approximately HK$2,113,226,000 (31 December 2019: HK$1,862,691,000). The gearing ratio was nil (31 December 2019: 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 2020, the Group had approximately HK$991,722,000 of cash on hand (31 December 2019: HK$125,160,000).

As at 31 December 2020, the Group pledged deposits of HK$159,000 (31 December 2019: 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 2019: HK$102,300,000). Out of the facilities available, the Group has utilized (i) approximately HK$159,000 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 2020 (31 December 2019: HK$1,180,000) and (ii) approximately HK$9,226,000 for the issuance of import letters of credit to suppliers (31 December 2019: HK$4,624,000).

Most of the bank borrowing is charged at inter-bank offer rate plus a spread in the countries where the Company's subsidiaries are operating in.

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 2020, the Company had guarantees of approximately HK$137,500,000 (31 December 2019: 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$9,385,000 (31 December 2019: HK$6,379,000).

Pledge of Assets

As at 31 December 2020, apart from the cash of HK$159,000 (31 December 2019: 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 2019: nil).

Capital Commitment

As at 31 December 2020, the Group did not have any significant capital commitment (31 December 2019: nil).

Employee and Remuneration Policies

As at 31 December 2020, the Group employs a total of 492 employees (31 December 2019: 538), including 36 employees (31 December 2019: 37) hired by our associated company. Total staff cost including payments to directors for the Period Under Review was approximately HK$135,152,000 (the Previous Period: approximately HK$164,402,000). 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.

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 (2019: 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 30 July 2021 to shareholders whose names appear on the Register of Members of the Company on 28 June 2021.

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 56, 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")) 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 Hong Kong Finance Investment Holding Group Limited ("Hong Kong Finance Investment") (formerly known as Hoifu). 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 61, 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 Hong Kong Finance Investment 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 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 57, 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 59, 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 65, 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 55, 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 Hong Kong Institute of Chartered Secretaries. Before joining ATNT Group, she had extensive experience in various industries including telecommunication, trading, manufacturing and system integration.

Mr. WONG Kwok Wai, Ronnie, aged 56, 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 64, 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 54, 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 2020.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its principal subsidiaries and associates are set out in notes 35 and 19 respectively to the consolidated financial statements.

BUSINESS REVIEW

A business review as required under the Companies Ordinance (Chapter 622 of the laws of Hong Kong) is set out in the "Chairman's Statement and Management Discussion and Analysis" on pages 13 to 20.

SEGMENTAL INFORMATION

An analysis of the Group's revenue and results by segments for the year ended 31 December 2020 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 2020 are set out in the consolidated statement of profit or loss and other comprehensive income on page 58. 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 financial statements and restated/reclassified as appropriate, is set out on page 138.

SHARE CAPITAL

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

PURCHASE, SALE OR REDEMPTION OF 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 2020 are approximately HK$12,645,000, being the contributed surplus of approximately HK$78,447,000 and accumulated losses of approximately HK$65,802,000.

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 33.1%. 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. NG Chi Kin David 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 23 to 25 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 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

Name of director	Number of issued ordinary shares held: Personal interest	Number of issued ordinary shares held: Corporate interest	Total	Percentage of the issued share capital of the Company
Mr. Lam Kwok Hing	3,474,667	269,916,500 (Note)	273,391,167	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$14,000 as brokerage commission to Karl-Thomson Securities Company Limited, which is a wholly owned subsidiary of Hong Kong Finance Investment Holding Group Limited ("Hong Kong Finance Investment") in which Mr. Lam Kwok Hing and Mr. Nam Kwok Lun are the executive directors.

During the year, the Group has received rental income of approximately HK$136,000 and management fees of approximately HK$480,000 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$101,000.

During the year, the Group received management fees of approximately HK$166,000 from Asia Oasis Limited ("Asia Oasis"). Mr. Lam Kwok Hing holds 68.75% indirect interest in Asia Oasis and acts as a director of Asia Oasis.

During the year, the Group received management fees of approximately HK$85,000 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 2020, a loan of approximately HK$55,500,000 (31 December 2019: approximately HK$49,000,000) 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 2019: 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 both the 2016 Loan Facility Agreement and 2019 Loan Facility Agreement:

(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 2020, 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 2020, 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 2020, 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 2020

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 2020.

(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 38 to 51.

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 2020.

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 Wednesday, 23 June 2021. 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, 18 June 2021 to Wednesday, 23 June 2021, 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, 17 June 2021 for registration.

On behalf of the Board

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

Hong Kong, 30 March 2021

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 2020, 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 2020. 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 2020.

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 financial statements of the Company is set out on pages 55 to 57 in the Independent Auditor's Report.

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

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 2020, 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 23 to 25.

During the year ended 31 December 2020 ("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	3/4	1/1
Mr. KWAN Wang Wai Alan	4/4	1/1
Mr. NG Chi Kin David	4/4	1/1

* Mr. Cheung did not attend the Board Meetings held on 28 October 2020 due to a business engagement.

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 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 2020, the Audit Committee met twice considering the annual results of the Group for the financial year ended 31 December 2019 and the interim results of the Group for the 6 months ended 30 June 2020, 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 2020 and the annual results for the financial year ended 31 December 2019 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 2020

- HK$77,000 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 2020.

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 FINANCIAL STATEMENTS

The Board acknowledges that it is their responsibilities for:

(i) overseeing the preparation of the financial statements of the Group with a view to ensuring such 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 55 to 57 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:	11 Dai Hei Street, Tai Po Industrial Estate, Tai Po, New Territories, Hong Kong
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 2020.

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 58 to 137, which comprise the consolidated statement of financial position as at 31 December 2020, 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 2020, 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 judgments and estimates by management in determining the expected credit losses ("ECL") on Deferred Consideration. As disclosed in note 17 to the consolidated financial statements, the carrying amount of Deferred Consideration is HK$1,553,960,000 (net of impairment recognised amounting to HK$116,965,000) as at 31 December 2020, which represented approximately 54% of the Group's total assets. The management determines the amount of ECL based on expectation on cash flows after assessing the credit risk characteristics of the Project Company (as defined in note 17 to the consolidated financial statements) taking into account its historical repayment records and forward-looking information that is reasonably and supportably available to the management of the Group without undue costs or effort. Further details of impairment assessment are set out in notes 17 and 33 to the consolidated financial statements.	Our procedures in relation to the appropriateness of impairment assessment of the Deferred Consideration 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 assessing the credit risk characteristics of the Project Company; • Assessing the reasonableness of assumptions and key parameters adopted by the management in the ECL model with reference to historical repayment records of the Project Company and relevant data searched from public domain; and • Evaluating the appropriateness of the Group's ECL methodology with reference to the requirements of the prevailing accounting standards and performing arithmetical check on the calculation of the ECL amount.

KEY AUDIT MATTERS *(Continued)*

Key audit matter	How our audit addressed the key audit matter
Revenue recognition on contract works over time	
We identified the revenue recognition on contract works over time as a key audit matter due to the significant management judgment and estimation are required in the determination of contract revenue. The Group is engaged in design, manufacturing and sales of custom-built electroplating machinery and other industrial machinery. The accounting policies in relation to revenue recognition on contract works over time are set out in note 3 to the consolidated financial statements. As disclosed in note 4 to the consolidated financial statements, the Group recognises contract revenue based on the 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 estimates being made to the actual inputs and the total expected inputs to the satisfaction of that performance obligation. As disclosed in note 6 to the consolidated financial statements, the revenue from contract works amounted to approximately HK$271,859,000 for the year ended 31 December 2020.	Our procedures in relation to the revenue recognition on contract works over time included: • Obtaining an understanding of the Group's process in estimation of the contract revenue and on determination and approval of the estimated total contract costs; • Evaluating the reasonableness of the basis and assumptions of the estimated total contract costs; • Comparing actual total contract costs incurred to estimated total contract costs of contracts completed during the year, on a sample basis, to assess the reasonableness of management's estimation; • Performing arithmetical check on the schedule of the calculation of the contract revenue based on the input method, on a sample basis, based on the schedule prepared by the management with information including contract sum, estimated total contract costs and contract costs incurred (the "Schedule"); and • Verifying contract sum, estimated total contract costs and contract cost incurred as set out in the Schedule, on a sample basis, to the respective signed contracts, approved cost budgets and relevant supporting documents of the contract costs incurred respectively.

OTHER INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

30 March 2021

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2020

	NOTES	2020 HK$'000	2019 HK$'000
Revenue — contracts with customers	6	**335,097**	357,698
Cost of sales		**(271,355)**	(257,890)
Gross profit		**63,742**	99,808
Gain on derecognition of Deferred Consideration	17	**—**	607,903
Gain on change in fair value of ACC	17	**—**	128,744
Other gains and losses	7	**(10,465)**	393
Other income		**305,409**	215,910
Selling and distribution costs		**(9,940)**	(15,278)
Administrative expenses		**(114,243)**	(136,348)
Impairment losses under expected credit loss model, net of reversal		**18,590**	(63,138)
Impairment of property, plant and equipment and right-of-use assets	16	**(5,952)**	—
Finance costs	8	**(3,123)**	(2,468)
Share of results of associates		**(1,306)**	(1,476)
Profit before taxation		**242,712**	834,050
Taxation	9	**(102,518)**	(220,751)
Profit for the year	10	**140,194**	613,299
Other comprehensive income (expense)			
Item that will not be reclassified subsequently to profit or loss:			
Reversal of revaluation of a property, net of tax effect	16, 30	**(5,912)**	—
Items that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operations			
— subsidiaries		**130,008**	(29,702)
— associate		**447**	(355)
		130,455	(30,057)
Other comprehensive income (expense) for the year		**124,543**	(30,057)
Total comprehensive income for the year		**264,737**	583,242
Profit (loss) for the year attributable to:			
Owners of the Company		**138,772**	614,056
Non-controlling interests		**1,422**	(757)
		140,194	613,299
Total comprehensive income (expense) for the year attributable to:			
Owners of the Company		**263,329**	583,998
Non-controlling interests		**1,408**	(756)
		264,737	583,242
Earnings per share	12		
Basic		**HK$0.33**	HK$1.44

Consolidated Statement of Financial Position

At 31 December 2020

	NOTES	2020 HK$'000	2019 HK$'000
Non-current assets			
Property, plant and equipment	14	**15,612**	30,303
Right-of-use assets	15	**4,806**	9,066
Deferred Consideration	17	**1,333,432**	1,269,354
Loans receivable	18	**64,210**	47,550
Interests in associates	19	**—**	517
Deferred tax assets	30	**894**	—
		1,418,954	1,356,790
Current assets			
Inventories	20	**38,595**	32,366
Deferred Consideration	17	**220,528**	1,004,976
Loans receivable	18	**9,234**	21,647
Contract assets	21	**66,034**	58,331
Debtors and prepayments	22	**91,567**	53,414
Held for trading investments	23	**32,870**	20,907
Amounts due from associates	24	**50**	46
Taxation recoverable		**3**	2,019
Pledged bank deposits	25	**159**	159
Bank balances and cash	25	**991,563**	125,001
		1,450,603	1,318,866
Current liabilities			
Creditors and accrued charges	26	**200,555**	103,956
Warranty provision	27	**16,621**	30,043
Contract liabilities	21	**39,025**	20,591
Lease liabilities	28	**8,393**	6,801
Taxation payable		**4,539**	3,910
		269,133	165,301
Net current assets		**1,181,470**	1,153,565
Total assets less current liabilities		**2,600,424**	2,510,355

Consolidated Statement of Financial Position

At 31 December 2020

	NOTES	2020 HK$'000	2019 HK$'000
Capital and reserves			
Share capital	29	**4,265**	4,265
Reserves		**2,108,961**	1,858,426
Equity attributable to owners of the Company		**2,113,226**	1,862,691
Non-controlling interests		**57**	(1,151)
Total equity		**2,113,283**	1,861,540
Non-current liabilities			
Accrued charges	26	**67,145**	74,462
Warranty provision	27	**2,255**	1,128
Lease liabilities	28	**—**	327
Deferred tax liabilities	30	**417,741**	572,898
		487,141	648,815
		2,600,424	2,510,355

The consolidated financial statements on pages 58 to 137 were approved and authorised for issue by the Board of Directors on 30 March 2021 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 2020

	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 2019	4,265	28,500	13,253	14,336	—	2,234	48,937	1,206	1,165,962	1,278,693	506	1,279,199
Profit (loss) for the year	—	—	—	—	—	—	—	—	614,056	614,056	(757)	613,299
Exchange difference arising on translation of foreign operations												
— subsidiaries	—	—	—	—	—	(29,703)	—	—	—	(29,703)	1	(29,702)
— associate	—	—	—	—	—	(355)	—	—	—	(355)	—	(355)
Total comprehensive (expense) income for the year	—	—	—	—	—	(30,058)	—	—	614,056	583,998	(756)	583,242
Dividend payable by subsidiaries to its non-controlling interests	—	—	—	—	—	—	—	—	—	—	(901)	(901)
At 31 December 2019	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 30)	—	—	(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
Dividend (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

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 2020 and 2019 as the relevant subsidiaries had already transferred up to 50% of their registered capital to legal 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 2020

	NOTES	2020 HK$'000	2019 HK$'000
OPERATING ACTIVITIES			
Profit before taxation		**242,712**	834,050
Adjustments for:			
Share of results of associates		**1,306**	1,476
Interest income on bank deposits		**(11,509)**	(1,173)
Finance costs		**3,123**	2,468
Dividend income		**(1,229)**	(258)
Depreciation of property, plant and equipment		**5,817**	7,365
Depreciation of right-of-use assets		**8,772**	8,601
Allowance for slow moving inventories		**976**	450
Impairment losses under expected credit loss model, net of reversal		**(18,590)**	63,138
Impairment of property, plant and equipment and right-of-use assets	16	**5,952**	—
Loss on disposal of property, plant and equipment		**20**	23
Net change in fair value of held for trading investments		**4,532**	10,504
Provision for warranty, net of reversal		**(6,155)**	(465)
Net exchange loss		**5,923**	(4,773)
Gain on derecognition of Deferred Consideration	17	**—**	(607,903)
Gain on change in fair value of ACC	17	**—**	(128,744)
Imputed interest on Deferred Consideration	17	**(279,801)**	(209,352)
Adjustment on non-current portion of provision for performance related incentive payments	26	**—**	(4,364)
Operating cash flows before movements in working capital		**(38,151)**	(28,957)
Increase in held for trading investments		**(16,495)**	(2,280)
(Increase) decrease in inventories		**(8,911)**	16,138
(Increase) decrease in contract assets		**(7,908)**	843
Increase in loans receivable		**(8,500)**	(5,000)
(Increase) decrease in debtors and prepayments		**(39,745)**	37,812
Increase (decrease) in creditors and accrued charges		**93,493**	(15,422)
Utilisation of warranty provision		**(6,140)**	(5,002)
Increase (decrease) in contract liabilities		**18,534**	(4,302)
Cash used in operations		**(13,823)**	(6,170)
Income tax refunded		**2,016**	734
Income tax paid		**(276,773)**	(2,959)
NET CASH USED IN OPERATING ACTIVITIES		**(288,580)**	(8,395)

Consolidated Statement of Cash Flows

For the year ended 31 December 2020

	NOTE	2020 HK$'000	2019 HK$'000
INVESTING ACTIVITIES			
Receipts of Deferred Consideration	17	**1,103,396**	—
Withdrawal of pledged bank deposits		**—**	10,736
Placement of pledged bank deposits		**—**	(7,580)
Interest received		**11,509**	1,173
Purchase of property, plant and equipment		**(225)**	(1,275)
Proceeds on disposal of property, plant and equipment		**—**	49
Additional investment in an associate		**(342)**	—
Advance to an associate		**(4)**	(4)
Dividend received from investments		**1,229**	258
NET CASH FROM INVESTING ACTIVITIES		**1,115,563**	3,357
FINANCING ACTIVITIES			
Interest paid		**(192)**	(591)
Repayment of lease liabilities		**(6,820)**	(10,578)
Dividend paid		**(12,794)**	—
Dividend paid to non-controlling shareholders of subsidiaries		**(1,101)**	—
CASH USED IN FINANCING ACTIVITIES		**(20,907)**	(11,169)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**806,076**	(16,207)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**125,001**	141,477
EFFECT ON FOREIGN EXCHANGE RATE CHANGES		**60,486**	(269)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		**991,563**	125,001
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS			
Bank balances and cash		**991,563**	125,001

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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 35.

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 *Amendments to References to the Conceptual Framework in HKFRS Standards* and 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 2020 for the preparation of the consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

The application of the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the amendments to HKFRSs in the current year had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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

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]
Amendment to HKFRS 16	Covid-19-Related Rent Concessions[4]
Amendments to HKFRS 3	Reference to the Conceptual Framework[2]
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2[5]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
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 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 June 2020
5 Effective for annual periods beginning on or after 1 January 2021

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation of consolidated financial statements

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

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

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. 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*, 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").

For financial instruments which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies

Basis of consolidation

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

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

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

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

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.

The Group assesses whether there is an objective evidence that the interest in an associate may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Revenue from contracts with customers *(Continued)*

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

Input method

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. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 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

Definition of a lease

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.

For contracts entered into or modified on or after the date of initial application or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Leases *(Continued)*

The Group as a lessee

Allocation of consideration to components of a contract

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

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

Short-term leases

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases 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 asset 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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Leases *(Continued)*

The Group as a lessee (Continued)

Right-of-use assets *(Continued)*

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

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. 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.

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

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.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Leases *(Continued)*

The Group as a lessee (Continued)

Lease modifications *(Continued)*

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.

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.

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Property, plant and equipment *(Continued)*

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.

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. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Taxation *(Continued)*

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

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

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

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

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 *Income Taxes* requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities resulting in net deductible temporary differences.

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

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.

Financial instruments

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Financial instruments *(Continued)*

Financial assets

Classification and subsequent measurement of financial assets

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

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Classification and subsequent measurement of financial assets *(Continued)*

(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, 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. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

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

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

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

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

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

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 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

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

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

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

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or

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

(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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 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

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

For 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 following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External and/or internal credit rating where available.

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 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)*

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

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

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

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

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

Financial liabilities at amortised cost

Financial liabilities including creditors and accrued charges, 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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

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

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

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

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

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

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.

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.

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

Critical judgment in applying accounting policies *(Continued)*

Revenue recognition on contract works over time

Under HKFRS 15, control of the asset is transferred over time when the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date. Significant judgment is required in determining whether the terms of the Group's contracts with customers in relation to contract works with no alternative use to the Group will create an enforceable right to payment for performance completed to date for the Group. The Group has considered the terms of the relevant contracts, the laws of relevant jurisdiction that apply to those relevant contracts and opinion from external legal counsel. Based on the assessment of the Group's management, there is an enforceable right to payment for the Group. Accordingly, the revenue from design, manufacturing and sales of custom-built electroplating machinery and other industrial machinery is considered to be recognised over time.

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.

Key sources of estimation uncertainty

Impairment assessment of Deferred Consideration arising from the re-development of the land

Details of the recognition of Deferred Consideration are set out in note 17. The management determines that the credit risk of the Project Company (as defined in note 17) has not increased significantly since initial recognition and accordingly 12m ECL is provided. The amount of ECL is determined based on expectation on cash flows after assessing the credit risk characteristics of the Project Company and forward-looking information that is reasonably and supportably available to the management of the Group without undue costs or effort, and are updated at the end of each reporting period date. The measurement of ECL is sensitive to changes in estimates. Further information about the ECL measurement of Deferred Consideration are disclosed in note 33.

Revenue recognition on contract works over time

Revenue from contract works in respect of design, manufacturing and sales of custom-built electroplating machinery and other industrial machinery, which is individually built to customer order and unique specifications, is recognised using input method, which is to recognise revenue on the basis of the Group's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation. Accordingly, revenue recognition involves a significant degree of judgment, 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$271,859,000 (2019: HK$269,397,000) for the year ended 31 December 2020.

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

Key sources of estimation uncertainty *(Continued)*

Estimated impairment of property, plant and equipment and right-of-use assets

Determining whether an impairment loss is required requires an estimate of the recoverable amount of relevant assets or the CGU to which the asset belongs. In assessing impairment of property, plant and equipment and right-of-use assets of the CGU which is engaged in electroplating machinery business ("Electroplating Machinery Business"), the recoverable amount is measured by reference to the value in use calculation. In determining the value in use, the Group estimated the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate the present value. As at 31 December 2020, the carrying amounts (before impairment) of property, plant and equipment and right-of-use assets (including allocated corporate assets) subject to impairment assessment were approximately HK$20,699,000 and approximately HK$8,383,000 respectively. Details of the recoverable amount calculation for the CGU are set out in note 16. The excess of carrying amount over recoverable amount 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 (2019: nil) has been charged to other comprehensive income as a reversal of previous revaluation surplus and approximately HK$5,952,000 (2019: nil) has been charged to profit or loss during the year ended 31 December 2020. Where the actual future cash flows are less or more than expected, or change in facts and circumstances which results in revision of future cash flows or revision of discount rate, further impairment loss or reversal of impairment may arise. Furthermore, the estimated cash flows and discount rate are subject to higher degree of estimation uncertainties in the current year due to uncertainty on how the Covid-19 pandemic may progress and evolve and volatility in financial markets.

Provision of ECL for trade debtors and contract assets

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

The provision of ECL is sensitive to changes in estimates. The information about the ECL of the Group's trade debtors and contract assets, are disclosed in notes 22, 21 and 33.

5. 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

	2020 HK$'000	2019 HK$'000
Types of goods or service		
Contract works in respect of design, manufacturing and sale of custom-built electroplating machinery and other industrial machinery		
— Printed Circuit Boards	**216,812**	183,403
— Surface Finishing	**55,047**	85,994
	271,859	269,397
Sale of spare parts of electroplating machinery	**8,477**	9,835
Provision of services — repairs, maintenance and modification	**54,761**	78,466
Total	**335,097**	357,698

	2020 HK$'000	2019 HK$'000
Timing of revenue recognition		
A point in time	**8,477**	9,835
Over time	**326,620**	347,863
Total	**335,097**	357,698

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

6. REVENUE AND SEGMENT INFORMATION *(Continued)*

Revenue *(Continued)*

(ii) Performance obligations for contracts with customers

The Group recognises revenue from the following major 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 customer. Revenue from construction of custom-built electroplating machinery and other industrial machinery is recognised over time on an 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.

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 reached, 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.

6. REVENUE AND SEGMENT INFORMATION *(Continued)*

Revenue *(Continued)*

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

(b) Sales of spare parts of electroplating machinery

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

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

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

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

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

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

All contracts with customers with unsatisfied performance obligations, including contracts relating to design, manufacturing and sale of custom-built electroplating machinery and other industrial machinery, contracts for provision of services in relation to repairs, maintenance and modification and sale of spare parts of electroplating machinery at 31 December 2020 and 2019 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.

6. 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 profit before taxation is as follows:

	Electroplating equipment	
	2020	2019
	HK$'000	HK$'000
Segment revenue	**335,097**	357,698
Segment (loss) profit	**(15,182)**	2,517
Intra-group management fee charged to operating segment	**5,036**	5,917
Certain other income	**297,915**	214,247
Central corporate expenses	**(56,450)**	(53,547)
Gain on derecognition of Deferred Consideration (note 17)	**—**	607,903
Gain on change in fair value of ACC (note 17)	**—**	128,744
Impairment losses under ECL model for loans receivable and Deferred Consideration, net of reversal	**18,856**	(63,714)
Imputed interest on non-current portion of provision for performance related incentive payments (note 26)	**(2,931)**	(1,877)
Certain other gains and losses	**(4,532)**	(6,140)
Profit before taxation	**242,712**	834,050

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment (loss) profit represents the gross profit of the electroplating equipment segment, impairment of property, plant and equipment and right-of-use assets, 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, gain on derecognition of Deferred Consideration, gain on change in fair value of ACC, impairment losses under ECL model for loans receivable and Deferred Consideration (net), 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 and adjustment 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.

6. REVENUE AND SEGMENT INFORMATION *(Continued)*

Segment information *(Continued)*

Segment assets and liabilities

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

Other segment information

	Electroplating equipment	
	2020	2019
	HK$'000	HK$'000
Amounts included in the measure of segment result:		
Impairment losses under ECL model, for trade debtors and contract assets, net of reversal	**(266)**	576
Allowance for slow moving inventories	**(976)**	(450)
Share of results of associates	**(1,306)**	(1,476)
Impairment of property, plant and equipment and right-of-use assets	**(5,952)**	—
Loss on disposal of property, plant and equipment	**(20)**	(23)
Depreciation	**(14,253)**	(15,651)
Provision for warranty, net of reversal	**6,155**	465

	Unallocated	
	2020	2019
	HK$'000	HK$'000
Amounts regularly provided to the chief operating decision makers but not included in the measure of segment profit or loss:		
Gain on derecognition of Deferred Consideration	**—**	607,903
Gain on change in fair value of ACC	**—**	128,744
Impairment losses under ECL model for loans receivable and Deferred Consideration, net of reversal	**18,856**	(63,714)
Net change in fair value of held for trading investments	**(4,532)**	(10,504)
Imputed interest income of Deferred Consideration	**279,801**	209,352
Adjustment on non-current portion of provision for performance related incentive payments	**—**	4,364
Imputed interest on non-current portion of provision for performance related incentive payments	**(2,931)**	(1,877)

6. REVENUE AND SEGMENT INFORMATION *(Continued)*

Geographical information

The Group's operations are mainly located in Hong Kong, the PRC, Taiwan, Europe, the United States of America and other Asia countries.

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

	2020 HK$'000	2019 HK$'000
PRC	210,437	178,668
Taiwan	37,572	59,860
Macedonia	24,556	778
The United States of America	19,813	14,729
Korea	11,450	740
Other European countries	8,283	6,198
Singapore	6,789	2,699
Mexico	5,827	41,110
India	3,494	10,615
Slovakia	2,200	—
Thailand	1,152	12,001
The United Kingdom	628	6,460
Germany	229	13,448
United Arab Emirates	7	3,740
Russia	—	3,492
Others	2,660	3,160
	335,097	357,698

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

	2020 HK$'000	2019 HK$'000
Hong Kong	12,050	25,486
PRC	8,090	13,477
Others	278	923
	20,418	39,886

6. REVENUE AND SEGMENT INFORMATION *(Continued)*

Information about major customers

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

	2020 **HK$'000**	2019 HK$'000
Customer A	**110,755**	72,465

7. OTHER GAINS AND LOSSES

	2020 **HK$'000**	2019 HK$'000
Net change in fair value of held for trading investments	**(4,532)**	(10,504)
Net exchange (loss) gain	**(5,923)**	6,969
Loss on disposal of property, plant and equipment	**(20)**	(23)
Adjustment on non-current portion of provision for performance related incentive payments (note 26)	**—**	4,364
Others	**10**	(413)
	(10,465)	393

8. FINANCE COSTS

	2020 **HK$'000**	2019 HK$'000
Interest on lease liabilities	**192**	591
Imputed interest on non-current portion of provision for performance related incentive payments (note 26)	**2,931**	1,877
	3,123	2,468

9. TAXATION

	2020	2019
	HK$'000	HK$'000
The taxation charge comprises:		
Hong Kong taxation		
Overprovision in prior years	**—**	(48)
Taxation outside Hong Kong		
Charge for the year	**277,472**	5
(Over)underprovision in prior years	**(43)**	19
	277,429	(24)
Deferred tax charge (note 30)	**(174,911)**	220,775
	102,518	220,751

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The directors of the Company considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

No tax was payable on the profit for the year ended 31 December 2019 arising in Hong Kong for certain group entities since the assessable profit was wholly absorbed by tax losses brought forward.

9. TAXATION *(Continued)*

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the remaining group entities subjected to Hong Kong Profits Tax have no assessable profit for both years.

Taxation outside Hong Kong (including PRC enterprise income tax) is calculated at the rates prevailing in the relevant jurisdictions.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulations of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

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

	2020 HK$'000	2019 HK$'000
Profit before taxation	**242,712**	834,050
Taxation at the income tax rate of 16.5% (2019: 16.5%)	**40,047**	137,618
Tax effect of share of results of associates	**215**	244
Tax effect of expenses not deductible for tax purpose	**1,823**	2,088
Tax effect of income not taxable for tax purpose	**(1,411)**	(370)
Tax effect of tax losses not recognised	**12,803**	7,555
Tax effect of utilisation of tax losses previously not recognised	**(2,541)**	(1,849)
Overprovision in prior years	**(43)**	(29)
Withholding tax for income derived from a PRC subsidiary (note 30)	**26,496**	—
Effect of different tax rates of subsidiaries operating in other jurisdictions	**24,391**	75,020
Others	**738**	474
Taxation for the year	**102,518**	220,751

10. PROFIT FOR THE YEAR

	2020 HK$'000	2019 HK$'000
Profit for the year has been arrived at after charging (crediting):		
Auditor's remuneration	**1,400**	1,624
Cost of inventories recognised as expenses (including allowance for slow moving inventories of approximately HK$976,000 (2019: HK$450,000))	**178,513**	157,012
Depreciation of property, plant and equipment	**5,817**	7,365
Depreciation of right-of-use assets	**8,772**	8,601
Staff costs:		
Directors' fee (note 11)	**300**	300
Directors' salaries, other benefits and performance related incentive payments (note 11)	**19,833**	37,058
Salaries and allowances	**113,315**	113,822
Redundancy compensation	**—**	11,282
Contributions to retirement benefits schemes	**1,704**	1,940
	135,152	164,402
Impairment losses allowance for financial assets and contract assets, net of reversal:		
— Trade debtors	**261**	(649)
— Contract assets	**5**	73
— Loans receivable	**4,253**	813
— Deferred Consideration	**(23,109)**	62,901
	(18,590)	63,138
Interest income from financial assets at amortised cost (included in other income):		
Interest income from loans receivable	**(3,837)**	(3,660)
Imputed interest income of Deferred Consideration (note 17)	**(279,801)**	(209,352)
Interest earned on bank deposits	**(11,509)**	(1,173)
	(295,147)	(214,185)
Dividend income	**(1,229)**	(258)
Government grants (note)	**(7,267)**	(66)

Note: For the year ended 31 December 2020, Covid-19-related government grants amounted to approximately HK$7,267,000 have been recognised as "other income".

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

The emoluments paid or payable to each of the five (2019: five) directors are as follows:

For the year ended 31 December 2020

	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
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

For the year ended 31 December 2019

	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
Other emoluments						
Salaries and other benefits	4,400	3,800	—	—	—	8,200
Contributions to retirement benefits schemes	18	18	—	—	—	36
Fees	—	—	100	100	100	300
Total emoluments	4,418	3,818	100	100	100	8,536

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.

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

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.

Apart from the emoluments for the directors as disclosed above, during the year ended 31 December 2020, the Group has made a provision for performance related incentive payments to the executive directors of the Company in an aggregate amount of approximately HK$6,633,000 ("2020 Provision") (2019: HK$28,858,000 ("2019 Provision")) which is approved by the Board of Directors of the Company on 30 March 2021 and payable after one year.

The 2020 Provision and 2019 Provision are calculated by applying the pre-agreed percentage on the bonus distribution mechanism with the executive directors and expected to be paid after one year from the end of respective reporting periods, the related provisions were measured at present value at initial recognition and subsequently adjusted by interest accretion and other revisions.

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 approximately HK$84,026,000 (2019: HK$74,462,000) are not yet finalised at the end of the respective reporting periods, the table above showing the emoluments paid or payable to the directors for the year ended 31 December 2020 and 31 December 2019 does not include the 2020 Provision and 2019 Provision. 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 (2019: two) were directors including chief executive of the Company whose emoluments are included in the disclosure above. The emoluments of the remaining three (2019: three) individuals are as follows:

	2020 **HK$'000**	2019 HK$'000
Salaries and other benefits	**3,276**	3,790
Performance bonus (note)	**1,200**	—
Contributions to retirement benefits schemes	**54**	54
	4,530	3,844

Note: During the year ended 31 December 2020, the Group has made a special bonus provision of approximately HK$18,712,000 (2019: nil) for certain management of the Group for their past contribution to the Re-development Plan (as defined in note 17) in which approximately HK$1,200,000 was paid to one of the highest paid individual. As actual allocation for the accrued special bonus as at 31 December 2020 among individual management personnel of approximately HK$17,512,000 ("2020 Special Bonus Provision") as at 31 December 2020 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 2020 does not include the 2020 Special Bonus Provision. 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.

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

Their emoluments are within the following bands:

	Number of employees	
	2020	2019
NIL – HK$1,000,000	**1**	1
HK$1,000,001 – HK$1,500,000	**1**	2
HK$2,000,001 – HK$2,500,000	**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. EARNINGS PER SHARE

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

	2020 HK$'000	2019 HK$'000
The Group's profit for the year attributable to owners of the Company	**138,772**	614,056
Number of ordinary shares	**426,463,400**	426,463,400

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

13. DIVIDEND

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

A final dividend of HK$0.02 in respect of the year ended 31 December 2020 (2019: HK$0.02) per share, in an aggregate amount of approximately HK$8,529,000 (2019: 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$'000	Furniture and fixtures HK$'000	Leasehold improvements HK$'000	Plant, machinery and equipment HK$'000	Motor vehicles HK$'000	Computer software HK$'000	Total HK$'000
COST OR VALUATION							
At 1 January 2019	48,379	9,535	16,890	67,228	20,893	4,046	166,971
Currency realignment	—	(32)	—	(390)	(101)	—	(523)
Additions	—	25	—	534	716	—	1,275
Disposals	—	(15)	—	(415)	(231)	—	(661)
At 31 December 2019	48,379	9,513	16,890	66,957	21,277	4,046	167,062
Currency realignment	—	138	—	678	213	—	1,029
Additions	—	44	—	59	—	122	225
Disposals	—	(76)	—	(121)	—	—	(197)
Written off	—	—	—	(13,129)	—	—	(13,129)
At 31 December 2020	48,379	9,619	16,890	54,444	21,490	4,168	154,990
COMPRISING							
At cost	12,667	9,619	16,890	54,444	21,490	4,168	119,278
At valuation							
— 31 March 1992	35,712	—	—	—	—	—	35,712
	48,379	9,619	16,890	54,444	21,490	4,168	154,990
DEPRECIATION AND IMPAIRMENT							
At 1 January 2019	28,276	8,752	16,664	58,061	14,587	4,008	130,348
Currency realignment	—	(3)	—	(306)	(56)	—	(365)
Provided for the year	835	214	67	2,726	3,487	36	7,365
Eliminated on disposals	—	(13)	—	(347)	(229)	—	(589)
At 31 December 2019	29,111	8,950	16,731	60,134	17,789	4,044	136,759
Currency realignment	—	107	—	375	171	—	653
Provided for the year	835	248	69	2,278	2,287	100	5,817
Eliminated on disposals	—	(68)	—	(109)	—	—	(177)
Eliminated on written off	—	—	—	(13,129)	—	—	(13,129)
Impairment losses	7,867	163	38	1,327	50	10	9,455
At 31 December 2020	37,813	9,400	16,838	50,876	20,297	4,154	139,378
CARRYING AMOUNTS							
At 31 December 2020	10,566	219	52	3,568	1,193	14	15,612
At 31 December 2019	19,268	563	159	6,823	3,488	2	30,303

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	25%
Leasehold improvements	over the shorter of 25% or the term of the lease
Plant, machinery and equipment	12½% to 33⅓%
Motor vehicles	33⅓%
Computer software	12½%

At the end of the reporting period, certain property, plant and equipment are fully depreciated and still in use. As at 31 December 2020, 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$10,073,000 (2019: HK$18,727,000).

During the year ended 31 December 2020, the management conducted an impairment review, an amount of approximately HK$2,375,000 (2019: nil) and approximately HK$7,080,000 (2019: nil) was charged to profit or loss as impairment loss and other comprehensive income as a reversal of previous revaluation surplus, respectively. Details are set out in note 16.

15. RIGHT-OF-USE ASSETS

	Leased properties	
	2020	2019
	HK$'000	HK$'000
At 31 December		
Carrying amount	**4,806**	9,066
For the year ended 31 December		
Additions	**8,045**	847
Depreciation charge	**8,722**	8,601
Impairment loss	**3,577**	—

Notes:

(1) Expense relating to short-term leases is approximately HK$1,665,000 (2019: HK$952,000 (including HK$500,000 relates to leases with lease terms end within 12 months of the date of initial application of HKFRS 16)) during the year ended 31 December 2020. As at 31 December 2020, the outstanding lease commitments relating to these short-term leases is approximately HK$2,316,000 (2019: nil). In addition, expense relating to leases of low value assets, excluding short-term lease of low value assets is approximately HK$1,097,000 (2019: Nil) during the year ended 31 December 2020.

(2) Total cash outflow for leases is approximately HK$8,677,000 during the year ended 31 December 2020 (2019: HK$12,121,000).

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

For both years, 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 leases contracts. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable. The termination options are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The Group assessed at lease commencement date it is reasonably certain not to exercise the termination options.

Lease liabilities of approximately HK$8,045,000 (2019: HK$847,000) 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 2020. This constitute the Group's major non-cash transaction for the year.

In addition, 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) as at 31 December 2020 (2019: lease liabilities of approximately HK$7,128,000 and related right-of-use assets of approximately HK$9,066,000 (net of impairment of nil)). 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 (2019: nil) was recognised in profit or loss. 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 2020, 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% as at 31 December 2020 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.

16. IMPAIRMENT ASSESSMENT ON PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS *(Continued)*

The excess of carrying amount 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 (2019: nil) has been charged to other comprehensive income as a reversal of previous revaluation surplus and approximately HK$5,952,000 (2019: nil) has been charged to profit or loss during the year ended 31 December 2020.

17. DEFERRED CONSIDERATION

On 7 August 2011, a wholly-owned subsidiary of the Company entered into an agreement (the "Re-development Agreement") with an independent third party (the "Counter Party") 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 (the "Land") from industrial land into residential properties for resale. Details of the Re-development Agreement are set out in the Company's circular dated 19 September 2011. Pursuant to the Re-development Agreement, the Group agreed to vacate from the Land and demolish the existing buildings and structures built or erected on the Land at its own costs, and the Counter Party agreed to re-develop the Land into residential properties and to compensate the Group by paying a relocation compensation of RMB50 million (approximately HK$64 million) to the Group and transferring the title of 41,000 sq.m. marketable residential or commercial properties which do not include subsidised apartments and any floor area reserved for public facilities usage on the redeveloped land (the "Relevant Properties") to the Group upon the completion of the Re-development Plan. Pursuant to the Re-development Agreement, the Counter Party is responsible for the set up of a project company (the "Project Company") for the purpose of the Re-development Plan. The Project Company was established by the Counter Party in August 2011.

According to the terms of the Re-development Agreement, the Group recognised the right to receive the Relevant Properties (the "RGCC") of approximately HK$999,560,000, based on the valuation report issued by Avista Valuation Advisory Limited ("Avista"), an independent professional valuer. The RGCC was initially recognised at its fair value and subsequently carried at cost less impairment.

17. DEFERRED CONSIDERATION *(Continued)*

On 4 January 2017, the Group, the Counter Party and the Project Company entered into the supplemental agreements (the "Supplemental Agreements") to amend certain terms associated with the settlement arrangement of the Re-development Plan. Pursuant to the Supplemental Agreements, instead of transferring the title of the Relevant Properties, the Group is offered a guaranteed cash consideration of RMB1.23 billion (equivalent to approximately HK$1,403,789,000) ("GCC"), payable by six tranches within fifteen days after eighteen months of the issue of the presales certificate without waiting for the completion of the Re-development Plan. The first tranche will be payable within fifteen days after three months of the issue of the pre-sales certificate and the next tranche will be payable three months thereafter and so on. Apart from GCC, the Group will receive additional cash consideration representing the difference between the actual net sales proceed less RMB1.23 billion ("ACC"). Actual net sales proceed is equal to actual gross proceed to be received by the Project Company in respect of the Relevant Properties during the pre-sales period and after netting off value-added taxes, urban maintenance and construction tax, educational surtax, stamp duty, share of sales and marketing expenses and decoration expenses (if any). ACC in relation to residential properties will be payable within thirty-six months after the issue of the pre-sales certificate and ACC in relation to commercial properties will be payable within seventy-two months after the issue of the pre-sales certificate. The details of the amendment are set out in the Company's circular dated 15 February 2017. The transactions contemplated under the Supplemental Agreements were approved by the shareholders of the Company on 2 March 2017.

With the effective of the Supplemental Agreements, the Group surrendered its right to receive the Relevant Properties in exchange for the right to receive GCC and ACC. The fair values of GCC and ACC were approximately HK$910,602,000 and HK$193,657,000 respectively at the initial recognition. The fair values of GCC and ACC had been arrived at using discounted cash flow method by discounting future cash flows at an interest rate of 14.9% per annum based on a valuation performed by Avista. Pursuant to the Supplemental Agreements, the deadline for the Project Company to obtain the pre-sales certificate is on or before 30 June 2019. In the estimation of the fair values of GCC and ACC at initial recognition, the directors of the Company expect the pre-sales certificate to be issued on 30 June 2019. Subsequent to the initial recognition, GCC is measured at amortised cost using the effective interest method, less any impairment while ACC is measured at fair value with changes in fair value through profit or loss.

On 28 June 2019 and 9 September 2019, the Group entered into the revised supplemental agreements ("Revised Supplemental Agreements") to amend certain terms of the Supplemental Agreements which were previously approved by the shareholders of the Company on 2 March 2017. Pursuant to the Revised Supplemental Agreements, instead of receiving GCC and ACC, the Group is offered a revised 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 ("RGCC"). The details of the amendment are set out in the Company's circular dated 27 September 2019. The transactions contemplated under the Revised Supplemental Agreements was approved by the shareholders of the Company on 24 October 2019.

17. DEFERRED CONSIDERATION *(Continued)*

As at 31 December 2018, the undiscounted gross amount of ACC was approximately HK$534,146,000. The Group recognised a gain on change in fair value of ACC of approximately HK$128,744,000 up to the effective date of Revised Supplemental Agreements and included in profit or loss during the year ended 31 December 2019. The increase of fair value for the year ended 31 December 2019 was mainly due to the increase in average unit rate of the Relevant Properties.

With the effective of Revised Supplemental Agreements, the Group surrendered its right to receive the GCC and ACC in exchange for the right to receive RGCC. Since then, the Deferred Consideration is made up of RGCC. The fair value of RGCC was approximately HK$2,182,605,000 at the initial recognition. The fair value of RGCC had been arrived at using discounted cash flow method by discounting future cash flows at an interest rate of 16.8% per annum based on a valuation performed by Avista. At the effective date of Revised Supplemental Agreements, the carrying amount of Deferred Consideration which included GCC and ACC was approximately HK$1,574,702,000. The Group recognised a gain on derecognition of Deferred Consideration of HK$607,903,000 upon the initial recognition of RGCC during the year ended 31 December 2019 accordingly. Subsequent to the initial recognition, RGCC is measured at amortised cost using the effective interest method, less any impairment.

During the year ended 31 December 2020, the first two tranches of RGCC of RMB1,000 million (approximately HK$1,103,396,000) were received by the Group in cash.

Imputed interest income of HK$279,801,000 (2019: HK$209,352,000) is recognised as other income in the profit or loss during the year ended 31 December 2020.

During the year ended 31 December 2020, impairment losses under ECL model (net of reversal) of HK$23,109,000 (net reversal) (2019: HK$62,901,000 (net impairment)) is recognised in the profit or loss. Details of the impairment assessment are set out in note 33.

As at 31 December 2020, the Deferred Consideration amounting to HK$1,553,960,000 (2019: HK$2,274,330,000) (net of impairment losses under ECL model of HK$116,965,000) (2019: HK$132,939,000) is expected to be received in accordance with the agreed timeline and therefore the third tranche of RGCC of RMB200 million (approximately HK$220,528,000) is classified as current assets while the rest are non-current assets. Subsequent to 31 December 2020, the RMB200 million is received by the Group in cash.

18. LOANS RECEIVABLE

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

	2020 HK$'000	2019 HK$'000
Repayable after one year (note a)	**66,500**	49,000
Repayable within one year (note b)	**13,000**	22,000
Less: Impairment losses under ECL model	**(6,056)**	(1,803)
	73,444	69,197
Analysed for reporting purposes as:		
Current	**9,234**	21,647
Non-current	**64,210**	47,550
	73,444	69,197

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 Hong Kong Finance Investment Holding Group Limited ("Hong Kong Finance 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 Hong Kong Finance 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 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 2020, a loan of approximately HK$55,500,000 (2019: HK$49,000,000) 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% (2019: 5%) per annum.

A long-term loan amounted approximately HK$11,000,000 as at 31 December 2020 was granted under a revolving loan facility agreement of approximately HK$20,000,000 with an independent third party as entered on 6 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.

18. LOANS RECEIVABLE *(Continued)*

Notes: *(Continued)*

(b) A short-term loan amounted approximately HK$13,000,000 as at 31 December 2020 was granted under a loan agreement with an independent third party as entered in December 2020. 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.

A short-term loan amounted approximately HK$6,000,000 as at 31 December 2019 was granted under a loan agreement with an independent third party as entered on 21 October 2019. The loan bore interest of 10% per annum and secured by several post-dated cheques as provided by the borrower. Another short-term loan amounted approximately HK$16,000,000 as at 31 December 2019 was granted under a loan agreement with an independent third party as entered on 23 October 2019. The loan bore interest of 6% per annum and secured by a second mortgage of a property as provided by the borrower. The loans were fully repaid during the year ended 31 December 2020.

As at 31 December 2020, impairment losses under ECL model of loans receivable of HK$6,056,000 (2019: HK$1,803,000) are recognised. Details of the impairment assessment of loans receivable are set out in note 33.

19. INTERESTS IN ASSOCIATES

	2020 **HK$'000**	2019 HK$'000
Cost of investments in associates		
Unlisted	**3,627**	3,285
Share of post-acquisition results, net of dividend received	**(1,918)**	(612)
Less: Impairment made	**(1,709)**	(1,709)
Share of currency translation reserve	**—**	(447)
Share of net assets	**—**	517

Details of the Group's associates as at 31 December 2020 and 2019 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**
			2020	2019	
Asia Vigour (Holdings) Limited	Incorporated	British Virgin Islands	**49%**	49%	Investment holding
Process Automation (Sea) Pte Limited	Incorporated	Singapore	**36%**	36%	Sale of electroplating machines and spare parts

20. INVENTORIES

	2020 **HK$'000**	2019 HK$'000
Raw materials	**38,595**	32,366

21. CONTRACT ASSETS/LIABILITIES

	2020 **HK$'000**	2019 HK$'000
Contract assets — current		
Contract works in respect of design, manufacturing and sale of custom-built electroplating machinery and other industrial machinery	**66,034**	58,331
Contract liabilities — current		
Contract works in respect of design, manufacturing and sale of custom-built electroplating machinery and other industrial machinery	**27,799**	15,495
Provision of services — repairs, maintenance and modification	**11,226**	5,096
	39,025	20,591

At 1 January 2019, contract assets and contract liabilities amounted to approximately HK$59,260,000 and HK$25,169,000 respectively.

The increase of contract assets and contract liabilities at 31 December 2020 is mainly due to increase in the number of contracts at 31 December 2020.

21. CONTRACT ASSETS/LIABILITIES *(Continued)*

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 transfer the milestone payments to trade debtors when it becomes unconditional. The Group is entitled to receive the final acceptance payment upon the final acceptance of the completion of contract works by customers.

The Group classifies these contract assets as current because the Group expects to realise them in its normal operating cycle.

Details of the impairment assessment of contract assets are set out in note 33.

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

Provision of services — repairs, maintenance and modification

The Group would require 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.

	2020 **HK$'000**	2019 HK$'000
Contract works	**15,495**	17,342
Provision of services	**5,096**	6,903

22. DEBTORS AND PREPAYMENTS

	2020 HK$'000	2019 HK$'000
Trade debtors from contracts with customers	**82,054**	45,748
Less: Allowance for credit losses	**(11,595)**	(11,805)
	70,459	33,943
Rental and utilities deposits	**3,061**	2,902
Deposits paid for purchases of raw materials	**6,868**	5,651
Other tax receivables	**3,393**	669
Other debtors and prepayments	**7,786**	10,249
	91,567	53,414

As at 31 December 2020, the trade debtors balance include trade debts due from associates of approximately HK$8,308,000 (2019: HK$1,846,000).

As at 1 January 2019, trade debtors from contracts with customers amounted to approximately HK$72,338,000 (net of allowance for credit losses of HK$12,457,000).

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

The following is an aged 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:

	2020 HK$'000	2019 HK$'000
0–60 days	**67,284**	30,445
61–120 days	**1,757**	2,514
121–180 days	**875**	222
Over 180 days	**543**	762
	70,459	33,943

22. DEBTORS AND PREPAYMENTS *(Continued)*

As at 31 December 2020, excluding the credit-impaired trade debtors balance, included in the Group's trade debtors balance are debtors with gross amount of approximately HK$13,932,000 (2019: HK$9,521,000) with allowance for credit losses of approximately HK$240,000 (2019: HK$63,000) in aggregate which are past due as at the reporting date. Out of the past due balances, approximately HK$1,072,000 (2019: HK$441,000) with allowance for credit losses of approximately HK$173,000 (2019: HK$24,000) has been past due 90 days or more and is not considered as in default as these customers have a good business relationship with the Group with satisfactory settlement history of recurring overdue records and, no history of default of these relevant customers. The Group does not hold any collateral over these balances.

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

23. HELD FOR TRADING INVESTMENTS

	2020 HK$'000	2019 HK$'000
Equity securities listed in Hong Kong	**32,870**	20,907

Held for trading investments as at 31 December 2020 and 2019 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.

24. AMOUNTS DUE FROM ASSOCIATES

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

25. PLEDGED BANK DEPOSITS AND BANK BALANCES AND CASH

Bank balances including saving deposits and time deposits carry interest at market rates ranging from 0.001% to 2.35% per annum (2019: 0.001% to 2.4% per annum). The pledged bank deposits carry fixed interest rate at 0.001% per annum (2019: 0.1% per annum). 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).

26. CREDITORS AND ACCRUED CHARGES

	2020 **HK$'000**	2019 HK$'000
Trade creditors	**116,061**	50,127
Accrued staff costs	**12,307**	16,356
Commission payables to sales agents	**12,300**	16,123
Dividend payables by subsidiaries to its non-controlling interests	**—**	901
Other creditors and accrued charges (note)	**127,032**	94,911
	267,700	178,418
Less: Non-current portion of accrued charges (note)	**(67,145)**	(74,462)
	200,555	103,956

Note: As at 31 December 2020, the current and non-current portion of accrued charges of approximately HK$30,639,000 and HK$53,387,000 respectively (2019: nil and HK$74,462,000 respectively) represents the provision of performance bonus to the executive directors of the Company. An imputed interest expense of approximately HK$2,931,000 (2019: HK$1,877,000) is charged to profit or loss during the current year. With the effective of the Revised Supplemental Agreements, the estimated timing of payment of the non-current portion of provision was revised and an adjustment of provision for performance related incentive payments of approximately HK$4,364,000 was credited to profit or loss during the year ended 31 December 2019.

As at 31 December 2020, 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$3,754,000 and HK$13,758,000 respectively (2019: nil) represents the provision of special bonus to the certain management of the Group as detailed in note 11.

26. CREDITORS AND ACCRUED CHARGES *(Continued)*

The following is an aged analysis of trade creditors as at the end of the reporting period which is based on the invoice dates of the amounts due:

	2020 **HK$'000**	2019 HK$'000
0–60 days	**48,243**	27,579
61–120 days	**30,833**	11,298
121–180 days	**31,649**	6,081
Over 180 days	**5,336**	5,169
	116,061	50,127

The average credit period on purchase of goods is 60–180 days (2019: 60–120 days).

27. WARRANTY PROVISION

	HK$'000
At 1 January 2020	**31,171**
Change in provision in the year	**(6,155)**
Utilisation of provision	**(6,140)**
At 31 December 2020	**18,876**
Analysed for reporting purposes as:	
Current	**16,621**
Non-current	**2,255**
	18,876

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

28. LEASE LIABILITIES

	2020 HK$'000	2019 HK$'000
Lease liabilities payable:		
Within one year	**8,393**	6,801
Within a period of more than one year but not exceeding two years	**—**	327
	8,393	7,128
Less: Amount due for settlement with 12 months shown under current liabilities	**(8,393)**	(6,801)
Amount due for settlement after 12 months shown under non-current liabilities	**—**	327

29. SHARE CAPITAL

	Number of shares	Amount HK$'000
Shares of HK$0.01 each		
Authorised:		
At 1 January 2019, 31 December 2019 and 31 December 2020	20,000,000,000	200,000
Issued and fully paid:		
At 1 January 2019, 31 December 2019 and 31 December 2020	426,463,400	4,265

30. DEFERRED TAXATION

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

	2020 HK$'000	2019 HK$'000
Deferred tax assets	**(894)**	—
Deferred tax liabilities	**417,741**	572,898
	416,847	572,898

30. DEFERRED TAXATION *(Continued)*

The following is the deferred tax recognised and movements thereon during the current and prior reporting periods:

	Fair value adjustment of 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 2019	356,132	—	—	1,239	3,076	360,447
Charge to profit or loss (note 9)	220,775	—	—	—	—	220,775
Currency realignment	(8,324)	—	—	—	—	(8,324)
At 31 December 2019	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

At 31 December 2020, the Group had estimated unused tax losses of approximately HK$564,685,000 (2019: HK$502,491,000) 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.

Starting from 1 January 2008, the tax law of the PRC requires withholding tax upon the distribution of undistributed retained profits earned by the PRC subsidiaries to the overseas shareholders. Deferred tax has not been provided for in the consolidated financial statements in respect of the temporary differences attributable to the profits after 1 January 2008 amounting to approximately HK$1,695,017,000 (2019: HK$1,839,446,000) 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. The aggregate amount of temporary differences associated with undistributed earnings of a PRC subsidiary for which deferred tax liabilities have been recognised was approximately HK$529,920,000 at a withholding tax rate of 5% which is based on the expected distribution of earning of that PRC subsidiary. During the year ended 31 December 2020, deferred tax liabilities of approximately HK$26,496,000 (2019: nil) have been recognised in profit or loss.

31. PLEDGE OF ASSETS

As at 31 December 2020, the Group pledged bank deposits of approximately HK$159,000 (2019: HK$159,000) to secure general banking facilities granted to the Group.

As at 31 December 2020, the Group utilised approximately HK$9,226,000 (2019: HK$6,379,000) of the banking facilities for the issuance of shipping guarantee by banks to the customers of the Group and import letters of credits by banks to the suppliers of the Group.

32. 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 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.

The total cost of approximately HK$1,704,000 (2019: HK$1,940,000) 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 2020. 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.

32. 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 2020.

33. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2020 **HK$'000**	2019 HK$'000
Financial assets at amortised cost	**2,701,782**	2,511,662
Financial assets at FVTPL		
Held for trading investments	**32,870**	20,907
Financial liabilities		
Amortised cost	**153,855**	87,600

Financial risk management objectives and policies

The Group's major financial instruments include Deferred Consideration, loans receivable, trade debtors, other receivables, held for trading investments, amounts due from associates, pledged bank deposits, bank balances and cash, creditors and accrued charges and lease liabilities. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

33. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Currency risk

Several subsidiaries of the Group have foreign currency sales and purchases. The Group is therefore exposed to foreign currency risk. In addition, certain debtors, pledged 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 entities' foreign currency denominated monetary assets and monetary liabilities against their functional currency at the end of the reporting period are as follows:

	Assets		Liabilities	
	2020	2019	**2020**	2019
	HK$'000	HK$'000	**HK$'000**	HK$'000
Australia Dollars ("AUD")	**40**	29	**203**	203
Canadian Dollars ("CAD")	**102**	89	**940**	940
Euro ("EUR")	**10,156**	204	**2,137**	3,033
Sterling Pound ("GBP")	**122**	828	**812**	626
New Taiwan Dollars ("NTD")	**1,372**	1,288	**99**	82
United States Dollars ("USD")	**66,456**	33,696	**13,130**	15,384
Japanese Yen ("JPY")	**—**	—	**265**	278
Renminbi ("RMB")	**79,049**	372	**22**	22

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

	Assets	
	2020	2019
	HK$'000	HK$'000
HKD against RMB	**211,627**	146,988

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

33. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Currency risk *(Continued)*

Sensitivity analysis

The following table details the Group's sensitivity to a 10% (2019: 10%) increase and decrease in relevant foreign currencies against the functional currency of the relevant group entities. 10% (2019: 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% (2019: 10%) change in foreign currency rates. A positive number below indicates an increase in post-tax profit for the year where relevant currencies strengthen 10% (2019: 10%) against the functional currency of the relevant group entities. For a 10% (2019: 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	
	2020	2019
	HK$'000	HK$'000
AUD against HKD	**(14)**	(15)
CAD against HKD	**(70)**	(71)
EUR against HKD	**670**	(236)
GBP against HKD	**(58)**	17
NTD against HKD	**106**	101
JPY against HKD	**(22)**	(23)
RMB against HKD	**6,599**	29
HKD against RMB	**17,671**	12,273

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 2020 (see notes 18 and 25 for details). It is the Group's policy to keep its loans receivable at floating rate of interest so as to minimise the fair value interest rate risk.

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

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

33. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Interest rate risk *(Continued)*

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for the variable rate loans receivables at the end of the reporting period. The analysis is prepared assuming the amounts of loans receivable outstanding at the end of the reporting period were outstanding for the whole year. A 100 basis points (2019: 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 (2019: 100 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2020 would increase/decrease by HK$795,000 (2019: HK$490,000). 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% (2019: 10%) higher/lower, the Group's post-tax profit for the year ended 31 December 2020 would increase/decrease by HK$3,287,000 (2019: HK$1,746,000) 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.

33. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment

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

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

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

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

Internal credit rating	Description	Trade debtors/contract assets	Other financial assets/other items
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL - not credit-impaired	12m ECL
Medium risk	Debtor frequently repays after due dates but usually settle in full	Lifetime ECL - not credit-impaired	12m ECL
High risk	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL - not credit-impaired	Lifetime ECL - not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL - credit-impaired	Lifetime ECL - credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

33. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

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

The tables below details the credit risk exposures 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 2020 HK$'000	Gross amount 2019 HK$'000
Financial assets at amortised cost						
Trade debtors from contracts with customers	22	N/A	(Note i)	Lifetime ECL (not credit-impaired and assessed individually and collectively)		
			High risk		1,048	244
			Medium risk		12,884	9,277
			Low risk		56,223	23,768
					70,155	33,289
	22	N/A	Loss	Credit-impaired	11,899	12,459
Deferred Consideration (Note ii)	17	N/A	Low risk	12m ECL (not credit-impaired and assessed individually)	1,670,925	2,407,269
Loans receivable	18	N/A	Low risk	12m ECL (not credit-impaired and assessed individually)	66,500	71,000
	18	N/A	High risk	Lifetime ECL (not credit-impaired and assessed individually)	13,000	—
Other receivables	22	N/A	Low risk	12m ECL (not credit-impaired and assessed individually)	12,147	8,986
Amounts due from associates	24	N/A	Low risk	12m ECL (not credit-impaired and assessed individually)	50	46
Pledged bank deposits	25	Aa3	N/A	12m ECL (not credit-impaired and assessed individually)	159	159
Bank balances and cash	25	Aa2 to Baa3	N/A	12m ECL (not credit-impaired and assessed individually)	991,563	125,001
Other items						
Contract assets	21	N/A	(Note i)	Lifetime ECL (not credit-impaired and assessed individually and collectively) — Low risk	66,759	59,051
Loan commitment	18	N/A	(Note iii)	12m ECL (not credit-impaired and assessed individually)	83,500	81,000

33. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

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

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 of approximately HK$2,079,274,000 (2019: HK$3,069,950,000) 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 economics 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 agency. 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.

<u>Trade debtors and contract assets</u>

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 66% (2019: 48%) of the total trade debtors as at 31 December 2020 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, management closely monitored the recoverability of the amounts due. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

33. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

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

Trade debtors and contract assets *(Continued)*

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

	Lifetime ECL (not credit-impaired) HK$'000	Lifetime ECL (credit-impaired) HK$'000	Total HK$'000
At 1 January 2019	80	12,377	12,457
Changes due to financial assets recognised as at 1 January 2019:			
— Transfer to lifetime ECL (credit-impaired)	(1)	1	—
— Amounts written off (note)	—	(3)	(3)
— Impairment losses reversed	(79)	(1,826)	(1,905)
— Impairment losses recognised	—	270	270
New financial assets originated	63	923	986
At 31 December 2019	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

Note: During the year ended 31 December 2020, the Group reassessed the impaired receivables and considered that there is no realistic prospect of recovery, the relevant receivables of approximately HK$471,000 (2019: HK$3,000) 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$5,000 (2019: HK$73,000).

33. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

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

Deferred Consideration, and loans receivable and loan commitment

The history and details of the recognition of Deferred Consideration are disclosed in note 17. The directors of the Company manages the credit risk of Deferred Consideration by obtaining the sales performance update of the Relevant Properties from the Project Company and closely monitoring the instalment settlement prior to dates close to each agreed settlement dates. On the basis that there had been no overdue amounts during the year, the directors considered the credit risk of the Project Company has not increased significantly and therefore ECL is measured on a 12m ECL basis. The measurement of ECL of Deferred Consideration is determined based on the expectation of cash flows after assessing the credit risk characteristics of the Project Company which also takes into account the relevant factors of the property market in the PRC. The directors of the Company determine the probability of default and loss given default with reference to the rates published by reputable credit-rating agency. The decrease in ECL is explained by the settlement collected whilst the additional provision is due to increase in loss rate as at 31 December 2020 relative to 31 December 2019. The calculation of the ECL amount also reflects the time value of money and reasonable and supportable information that is available at the end of each reporting date if considered to be required.

The largest loans receivable and the related loan commitment as at 31 December 2020 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, 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 estimated realisable amount from the collaterals are considered in the loss given default for measurement of ECL and ECL amounting to approximately HK$6,056,000 (2019: HK$1,803,000) has been provided.

33. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

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

Deferred Consideration, loans receivable and loan commitment *(Continued)*

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

	Deferred Consideration		Loans receivable and loan commitment		
	RGCC HK$'000	GCC HK$'000	12m ECL HK$'000	Lifetime ECL (not credit-impaired) HK$'000	Total HK$'000
At 1 January 2019	—	71,404	990	—	990
Changes due to financial instruments recognised as at 1 January 2019:					
— Impaired losses reversed	—	—	(255)	—	(255)
— Impaired losses recognised	—	8,479	715	—	715
Reversal upon derecognition of GCC	—	(77,567)	—	—	—
Upon initial recognition	139,612	—	—	—	—
New financial assets originated	(7,623)	—	353	—	353
Currency realignment	950	(2,316)	—	—	—
At 31 December 2019	132,939	—	1,803	—	1,803
Changes due to financial instruments recognised as at 1 January 2020:					
— Impaired losses reversed	(58,909)	—	(353)	—	(353)
— Impaired losses recognised	35,800	—	—	—	—
New financial assets originated	—	—	840	3,766	4,606
Currency realignment	7,135	—	—	—	—
At 31 December 2020	116,965	—	2,290	3,766	6,056

33. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

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

Pledged bank deposits and bank balances

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 12% and 85% (2019: 63% and 18%) of the total bank balances as at 31 December 2020 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.

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.

33. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Liquidity risk *(Continued)*

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 of performance bonus 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	1–3 months	3 months to 1 year	1 year to 5 years	Total undiscounted cash flows	Carrying amount
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
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**
2019							
Creditors and accrued charges	—	32,355	45,209	26,392	83,123	187,079	178,418
Lease liabilities	4.75	583	1,165	5,245	334	7,327	7,128

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.

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.

33. FINANCIAL INSTRUMENTS *(Continued)*

Fair value measurements of financial instruments *(Continued)*

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 relevant 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 measurement recognised in the consolidated statement of financial position

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Financial assets	Fair value as at 31 December		Fair value hierarchy	Valuation technique and key inputs
	2020 HK$'000	2019 HK$'000		
Investments in equity securities listed in Hong Kong classified as held for trading investments	**32,870**	20,907	Level 1	Quoted bid prices in active market

Reconciliation of Level 3 fair value measurements of financial assets (representing ACC as included in Deferred Consideration (Note 17)

	HK$'000
At 1 January 2019	308,481
Currency realignment	(12,882)
Derecognition upon effective of Revised Supplemental Agreements	(295,599)
At 31 December 2019	—

There were no transfers among levels of the fair value hierarchy.

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 amount (before impairment allowance) of the Deferred Consideration, other financial assets and other financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their fair values.

34. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Lease liabilities HK$'000	Dividend payables HK$'000
At 1 January 2019	17,021	—
Financing cash flows	(11,169)	—
Recognition of lease liabilities	847	—
Currency realignment	(162)	—
Dividends declared	—	901
Interest expenses	591	—
At 31 December 2019	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	—

35. PRINCIPAL SUBSIDIARIES

Details of the principal subsidiaries as at 31 December 2020 and 2019 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
			2020 %	2019 %	
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
台灣亞洲自動化設備股份有限公司	Taiwan	TWD10,000,000	**100**	100	Installation of electroplating machines and after sale services
Palcon International Limited	British Virgin Islands*	US$100	**60**	60	Investment holding
PAL Control Sdn. Bhd.	Malaysia	MYR2	**60**	60	Software development
PAL Finance Limited	Hong Kong	HK$2	**100**	100	Money lending
PAL Surface Treatment Systems Limited	Hong Kong	HK$10,000	**100**	100	Sale 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 sale of electroplating machines
Process Automation International Limited ("PAIL")	Hong Kong	HK$2 (note)	**100**	100	Design, manufacture and sale 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 sale 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 2020, 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.

35. PRINCIPAL SUBSIDIARIES *(Continued)*

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

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

36. RELATED PARTY TRANSACTIONS

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

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

	2020 HK$'000	2019 HK$'000
Associates		
Trade sales and services rendered	**6,789**	2,699
Trade purchases	**30**	69
Warranty expense	**3**	174
Installation expense	**327**	2,031
KTFG and its subsidiaries		
Commission expense and other securities dealing expenses	**14**	7
Interest income	**3,050**	2,927
Handling fee income	**—**	390
BioEm Air Sanitizing Technology Company Limited (Note)		
Rental income	**136**	163
Management fee income	**480**	247
Other expenses	**101**	47
Asia Oasis Limited (Note)		
Management fee income	**166**	—
Aegis Intelligent Photocatalyst Technology Limited (Note)		
Management fee income	**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.

36. RELATED PARTY TRANSACTIONS *(Continued)*

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

	2020 **HK$'000**	2019 HK$'000
Salaries and other short-term employee benefits	**19,438**	41,186
Retirement benefits costs	**126**	108
	19,564	41,294

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.

37. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY AT 31 DECEMBER 2020

Statement of financial position

	2020 HK$'000	2019 HK$'000
Non-current assets		
Interests in subsidiaries	**47,286**	47,286
Amounts due from subsidiaries	**56,685**	50,756
	103,971	98,042
Current assets		
Amounts due from subsidiaries	**66,497**	92,352
Amounts due from associates	**50**	46
Other debtors and prepayments	**60**	60
Bank balances	**1,543**	1,551
	68,150	94,009
Current liabilities		
Creditors and accrued charges	**31,800**	980
Amounts due to subsidiaries	**41,524**	71,607
	73,324	72,587
Net current (liabilities) assets	**(5,174)**	21,422
Total assets less current liabilities	**98,797**	119,464
Capital and reserves		
Share capital	**4,265**	4,265
Reserves	**41,145**	40,737
Total equity	**45,410**	45,002
Non-current liabilities		
Accrued charges	**53,387**	74,462
	98,797	119,464

37. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY AT 31 DECEMBER 2020 *(Continued)*

Movement of the Company's reserves

	Share premium HK$'000	Contributed surplus HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2019	28,500	78,447	(53,781)	53,166
Loss and total comprehensive expenses for the year	—	—	(12,429)	(12,429)
At 31 December 2019	28,500	78,447	(66,210)	40,737
Profit and total comprehensive income for the year	—	—	13,202	13,202
Dividend (note 13)	—	—	(12,794)	(12,794)
At 31 December 2020	28,500	78,447	(65,802)	41,145

Financial Summary

RESULTS

	Year ended 31 December				
	2016 HK$'000	2017 HK$'000	2018 HK$'000 (note)	2019 HK$'000 (note)	**2020** **HK$'000**
Revenue	601,898	800,966	342,750	357,698	**335,097**
Profit (loss) for the year attributable to:					
Owners of the Company	761,996	209,483	84,513	614,056	**138,772**
Non-controlling interests	375	553	(44)	(757)	**1,422**
	762,371	210,036	84,469	613,299	**140,194**

ASSETS AND LIABILITIES

	At 31 December				
	2016 HK$'000	2017 HK$'000	2018 HK$'000 (note)	2019 HK$'000 (note)	**2020** **HK$'000**
Total assets	1,632,256	2,027,105	1,905,474	2,675,656	**2,869,557**
Total liabilities	(613,195)	(722,361)	(626,275)	(814,116)	**(756,274)**
	1,019,061	1,304,744	1,279,199	1,861,540	**2,113,283**
Equity attributable to owners of the Company	1,018,699	1,304,191	1,278,693	1,862,691	**2,113,226**
Non-controlling interests	362	553	506	(1,151)	**57**
	1,019,061	1,304,744	1,279,199	1,861,540	**2,113,283**

Note: In 2018, the Group had applied HKFRS 15, HKFRS 9 and other amendments to HKFRSs. Accordingly, certain comparative information for the years ended 31 December 2016 and 2017 may not be comparable to the year ended 31 December 2018, 2019 and 2020 as such comparative information was prepared under HKAS 18, HKAS 11 and HKAS 39. Accounting policies resulting from application of HKFRS 15 and HKFRS 9 are disclosed in the "Significant accounting policies" Section in the consolidated financial statements.

In 2019, the Group has applied HKFRS 16 and other amendments to HKFRSs. The comparative information for the years ended 31 December 2016, 2017 and 2018 have not been restated on initial application of HKFRS 16.