KARFUN INVESTMENTS LIMITED
佳帆投資有限公司

Reports and Consolidated Financial Statements
For the year ended 31 December 2022

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REPORTS AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

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KARFUN INVESTMENTS LIMITED
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DIRECTORS' REPORT

The directors present their annual report and the audited consolidated financial statements for the year ended 31 December 2022.

PRINCIPAL ACTIVITY

The Company is an investment holding company, holding 201,995,834 shares in Asia Tele-Net and Technology Corporation Limited ("ATNT"), a listed company in Hong Kong, representing 51.27% of the entire issued share capital of ATNT.

The term "Group" used in this report refers to the Company and ATNT.

BUSINESS REVIEWS

Financial Results

During the year ended 31 December 2022 ("the Period Under Review"), the Group recorded loss attributable to owners of the Company of approximately HK$16,182,000 compared to the loss attributable to owners of the Company of approximately HK$395,497,000 for the year ended 31 December 2021 ("the Previous Period"). The key factors attributable to the significant decrease in net loss include, inter alia, (i) a decrease in impairment losses under expected credit loss model; (ii) a reversal of tax provision; (iii) a decrease in other income; (iv) an increase in exchange losses and (v) an increase in administrative expenses as compared to the Previous Period.

Financial Review

Revenue

The revenue for the Period Under Review was approximately HK$319,673,000 or 12.3% more than the Previous Period.

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

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

BUSINESS REVIEWS - continued

Financial Review - continued

Gross Profit

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

Other gains and losses of approximately HK$46,536,000

This mainly represented (a) Net change in realized and unrealized fair value gain of investments at fair value through profit or loss of approximately HK$7,510,000 (the Previous Period: gain of HK$2,627,000) (b) net exchange loss of approximately HK$54,025,000 (the Previous Period: gain of HK$2,714,000).

(a) Net change in realised and unrealised fair value gain of investments at fair value through profit or loss of approximately HK$7,510,000 (the Previous Period: loss of HK$2,627,000)

All investments at fair value through profit or loss were recorded at fair value as at 31 December 2022 and represented listed securities in Hong Kong. The gain of approximately HK$7,510,000 represents fair value gain of investments at fair value through profit or loss, as a result of mark to market valuations as at the balance sheet date.

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

Company Name/Stock Code	% of Shareholding as at 31 December 2022	Fair value change HK$'000	Fair value as at 31 December 2022 HK$'000	% of Total Assets of the Group as at 31 December 2022	Fair value as at 31 December 2021 HK$'000	% of Total Assets of the Group as at 31 December 2021
Shanghai Industrial Urban Development Group Ltd. (563)	0.26%	(1,259)	8,308	0.46%	9,567	0.51%
Q P Group Holdings Ltd. (1412)	1.59%	1,102	11,525	0.63%	10,423	0.55%
Hysan Development Company Ltd (14)	0.07%	1,153	19,228	1.06%	-	-
SenseTime Group Inc. (20)	0.01%	(10,726)	8,525	0.47%	-	-
China Mobile Ltd. (941)	0.01%	2,401	103,500	5.69%	-	-
China Construction Bank Corporation (939)	-	(551)	4,890	0.27%	-	-
CNOOC Ltd (883)	-	16,371	-	-	-	-
Yanchang Petroleum International Ltd (346)	0.66%	724	6,756	0.37%	6,034	0.32%
Others		(1,705)	14,487	0.80%	6,775	0.36%
Total		7,510	177,219	9.74%	32,797	1.74%

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

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

BUSINESS REVIEWS - continued

Financial Review - continued

Other income of approximately HK$90,369,000

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

(a) Interest and fees arising from loan receivables

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

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

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

(b) Interest received from bank deposits

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

(c) Interest income from investments in debt instruments

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

(d) Imputed interest income of Deferred Consideration

Please refer to note 14 of the financial information of this consolidated financial statements for more detailed explanation on the imputed interest income of approximately HK$45,498,000 (the Previous Period: HK$244,341,000).

BUSINESS REVIEWS - continued

Financial Review - continued

Other income of approximately HK$90,369,000 - continued

(e) Dividend income

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

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

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

Administrative expenses of approximately HK$108,313,000

The day-to-day administrative expenses for the Period Under Review was lower than the Previous Period but the total administrative expenses was higher than the Previous Period by approximately HK$47,965,000. The increment was mainly due to (a) reversal of provision for performance related incentive payments payable to executive directors of the Group in the Previous Period but no such reversal in the Period Under Review and (b) provision of redundancy cost in the Period of Under Review.

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

Provision for performance related incentive payments is calculated by applying the pre-agreed percentage on the overall financial performance of the Group for a financial year and discounted to present value.

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

No such reversal was made in the Period Under Review.

(b) Provision of redundancy cost

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

After taking out the effect of reversal of provision for performance related incentive payments and the provision of redundancy cost, the day-to-day administrative expenses for the Period Under Review was approximately HK$85,923,000 which is lower than the Previous Period (the Previous Period: HK$91,323,000.

As a benchmark, the average inflation rates in China and Hong Kong for 2022 were 2.0%[1] and 1.9%[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.

BUSINESS REVIEWS - continued

Financial Review - continued

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

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

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

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

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

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

Finance cost of approximately HK$4,898,000

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

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

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

BUSINESS REVIEWS - continued

Financial Review - continued

Taxation of approximately HK$28,621,000

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

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

Net gain (loss) in relation to the Longhua Project

As can be seen above, various incomes and expenses in relation to the property Re-development 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	
	2022	2021
	HK$'000	HK$'000
Under "Other Income" - Imputed interest income on Deferred Consideration	45,498	244,341
Under "Other Income" - Interest earned on bank deposits	-	19,880
Under "Administrative expenses" - Reversal for directors' and special management bonus	-	30,975
Under "Finance costs" - Imputed interest on non-current portion of provision for performance related incentive payments	(4,328)	(3,182)
Under "Reversals of impairment loss (impairment losses) under expected credit loss model, net" - Impairment loss for Deferred Consideration	58,900	(1,320,267)
Under "Taxation"	(27,661)	240,915
Net gain (loss) in relation to the Longhua Project	72,409	(787,338)

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

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

BUSINESS REVIEWS - continued

Financial Review - continued

Deferred Consideration

Please refer to note 14 of the financial information of this consolidated financial statements for more detailed explanation.

Loans receivable

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

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

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

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

The carrying amount for each respective period is shown below:

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

BUSINESS REVIEWS - continued

Financial Review - continued

Investments in debt instruments

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

No	Issuer	Bond Currency	Coupon rate	Maturity date	Carrying amount as at 31.12.2022 (HK$'000)	Bond Credit rating S&P's	Bond Credit rating Moody's	% to Group's total assets
1	Bank of Comm Company Ltd	RMB	3.15%	2024/12/13	19,071	A-	NR	1.1%
2	Henderson Land MTN Ltd	RMB	3.35%	2023/09/21	11,163	NR	NR	0.6%
3	Henderson Land MTN Ltd	RMB	3.30%	2024/02/07	100,710	NR	NR	5.6%
4	Wharf REIC Finance BVI Ltd	RMB	2.95%	2024/01/19	23,428	NR	A2	1.3%
5	Wharf Finance BVI Ltd	RMB	3.25%	2024/01/14	55,704	NR	NR	3.1%
6	Sun Hung Kai Properties Capital Market Ltd	RMB	2.80%	2024/06/24	15,494	A+	NR	0.9%
7	Barclays Bank PLC	RMB	4.00%	2024/03/24	95,353	A-	NR	5.3%
8	Wharf REIC Finance BVI Ltd	RMB	3.85%	2024/04/06	55,931	NR	A2	3.1%
9	Hong Kong Mortgage Corp Ltd	RMB	3.59%	2023/10/30	56,094	NR	Aa3	3.1%
10	China Construction Bank Corp of London	RMB	3.40%	2024/05/17	22,436	NR	A1	1.2%
11	Standard Chartered Bank	RMB	3.58%	2025/08/25	55,950	NR	NR	3.1%
12	Sun Hung Kai Properties Capital Market Ltd	RMB	3.20%	2027/08/14	5,337	NR	NR	0.3%
13	NWD MTN Ltd	USD	5.88%	2027/06/16	7,754	NR	NR	0.4%
14	NWD Finance BVI Ltd	USD	6.15%	Perpetual	3,877	NR	NR	0.2%
					528,302			

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

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

Investments at fair value through profit or loss under current assets

As at 31 December 2022, the Company had investments in listed securities in Hong Kong with a market value of approximately HK$177,219,000 (31 December 2021: approximately HK$32,797,000), representing an investment portfolio of 22 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".

BUSINESS REVIEWS - continued

Financial Review - continued

Contract assets

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

Creditors and accrued charges under current liability

The amount payable to creditors and accrued charges as at 31 December 2022 was HK$209,357,000 which was approximately HK$36,959,000 higher than the Previous Period. Please refer to note 24 of the consolidated financial statements for more details. The increase was mainly due to provision of approximately HK$22,390,000 of redundancy cost in late 2022 and increase in current portion of provision for performance related incentive payments payable to executive directors by approximately HK$15,179,000.

Contract liabilities

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

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

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

Deferred tax of approximately HK$90,202,000 under non-current assets and liabilities

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

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

BUSINESS REVIEWS - continued

Financial Review - continued

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

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

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

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

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

Top 5 Smartphone Companies, Worldwide Shipments, Market Share, and Year-Over-Year Growth, Q4 2022 and full year (shipments in millions of units)					
Company	**4Q 2022 Shipment Volumes**	**4Q 2022 Market Share**	**2022 Shipment Volumes**	**2021 Shipment Volumes**	**Year-Over-Year Change**
Apple	72.3	24.1%	260.9	272.1	-4.1%
Samsung	58.2	19.4%	226.4	235.8	-4.0%
Xiaomi	33.2	11.1%	153.1	191.0	-19.8%
OPPO	25.3	8.4%	103.3	133.6	-22.7%
Vivo	22.9	7.6%	99.0	128.3	-22.8%
Others	88.3	29.4%	362.7	399.1	-9.1%
Total	300.2	100.0%	1,205.4	1,359.9	-11.4%
Due to rounding, some figures may not add up precisely to the totals shown Source: IDC Worldwide Quarterly Mobile Phone Tracker, January 25, 2023					

BUSINESS REVIEWS - continued

Financial Review - continued

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

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

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

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

Electroplating Equipment-Surface Finishing ("SF") Sector

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

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

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

According to a report issued by VDA3, global car sales remained flat in year 2022 when compared to year 2021.

Region	2022	2021	% Change	2020	2019
Europe (EU+EFTA+UK)	11,286,900	11,774,900	- 4.1%	11,961,200	15,805,800
Russia (light vehicles only)	687,400	1,666,800	- 58.8%	1,598,800	1,759,500
USA (light vehicles only)	13,734,200	14,913,700	- 7.9%	14,450,800	16,965,200
Japan	3,448,300	3,675,700	- 6.2%	3,810,000	4,301,100
Brazil (light vehicles only)	1,960,500	1,977,100	- 0.8%	1,954,800	2,665,600
India	3,792,400	3,082,400	+ 23.0%	2,435,100	2,962,100
China	23,240,500	21,090,200	+ 10.2%	19,790,000	21,045,000
COMBINED	58,150,200	58,180,800	- 0.1%	56,000,700	65,504,300

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

BUSINESS REVIEWS - continued

Financial Review - continued

Electroplating Equipment-Surface Finishing ("SF") Sector - continued

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

Outlook

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

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

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

PROPERTY DEVELOPMENT

Property Re-development Plan in Longhua

The re-development plan in relation to two parcels of industrial land located in Bao An District, Shenzhen, PRC was completed in 2019. In accordance with the terms set out in the second revised supplemental agreement A (the "Revised Agreement") as set out in the Company's circular dated 27 September 2019, the Group has already received RMB1.2 billion.

Reference is made to the announcement issued by the Company on 31 December 2021. The Company was notified by the project company of the Longhua Project (the "Project Company") that it requested to postpone payment for the cash consideration ("Deferred Consideration") for an amount of RMB0.8 billion in accordance with the terms set out in the Revised Agreement. The payment delay was mainly caused by the delinquent debt collections from their group's customers, namely property developers. The Project Company has arranged in December 2021 to pay to the Group HK$200 million as security ("First Security") for its repayment obligations.

PROPERTY DEVELOPMENT - continued

Property Re-development Plan in Longhua - continued

For the purpose of measuring impairment of expected credit loss ("ECL") and in accordance with HKFRS 9, the Group applied 12-month ECL in year 2019 and 2020 (i.e. stage 1). Given the expected delayed in the recoverable amount due by the Project Company, the Group has switched to lifetime expected credit loss (i.e. stage 3, credit-impaired) in year 2021. An impairment loss of approximately HK$1,320,267,000 million were recognized for the year ended 31 December 2021 and the remaining value of the Deferred Consideration as at 31 December 2021 was approximately HK$283,129,000 as estimated by the Board. Such remaining value represented the present value of the First Security and the possible repayment from the Project Company through the sales of remaining shop and office spaces.

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

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

The Project Company has since paid default interest of approximately RMB27,200,000 (equivalent to approximately HK$31,400,000) to the Group on timely basis and in accordance with the terms of the Agreements.

PROPERTY DEVELOPMENT - continued

Property Re-development Plan in Longhua - continued

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

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

RESULTS

The results of the Group for the year ended 31 December 2022 are set out in the consolidated statement of profit or loss and other comprehensive income on page 21.

During the year ended 31 December 2022, the directors have declared and the Company has paid an interim dividend of approximately HK$7,068,000 (at HK$0.068 per share) to the shareholders of the Company. The directors do not recommend any final dividend.

PROPERTY, PLANT AND EQUIPMENT

Details of movement during the year in the property, plant and equipment of the Group are set out in note 11 to the consolidated financial statements.

SHARE CAPITAL

Details of the share capital of the Company are set out in note 27 to the consolidated financial statements.

EMPLOYEE, SUPPLIERS AND CUSTOMERS

The Company is an investment holding company. It does not have any employee nor any critical supplier or customer.

ENVIRONMENTAL POLICY

The Company is an investment holding company and does not warrant to have an environmental policy of its own. Nevertheless, its associated company, ATNT, has adopted the following environmental policy:

- 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

PERMITTED INDEMNITY PROVISION

Every director, managing director, agent, auditor, secretary and other officer for the time being of the Company shall be indemnified out of the assets of the Company against any liability incurred by him in relation to the Company in defending any proceedings, whether civil or criminal, in which judgment is given in his favour.

DIRECTORS

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

Mr. Lam Kwok Hing	
Mr. Nam Kwok Lun	
Ms. Yung Wai Ching	(appointed on 7 June 2023, Alternate to Mr. Lam Kwok Hing)

There being no provision to the contrary in the Company's Articles of Association, both directors continue in office.

Directors of the Company's subsidiaries

The names of all directors who have served on the boards of the subsidiaries of the Company during the year ended 31 December 2022 or during the period from 1 January 2022 to the date of this report are available at the registered office of the Company.

DIRECTORS' SERVICE CONTRACTS

The Directors have not signed any service contract with the Company but the Directors have signed service contracts with ATNT.

DIRECTORS' INTERESTS IN SHARES

At 31 December 2022, the interest of Directors in the Shares of the Company and its subsidiary, as recorded in the register maintained by the Company were as follows:

Long position

(a) Interest of the Directors in the Company

Name	Capacity	Number of Shares held	Percentage of the issued share capital of the Company
Mr. Lam Kwok Hing (Note)	Interest of controlled corporation	102,511,061	98.63%
Mr. Nam Kwok Lun (Note)	Interest of controlled corporation	102,511,061	98.63%

Note: The Shares are registered in the name of and beneficially owned by J & A Investment Limited ("J & A"). The entire issued share capital of J & A is beneficially owned as to 80% by Mr. Lam Kwok Hing and 20% by Mr. Nam Kwok Lun.

(b) Interest of the Directors in ATNT

	Number of ATNT Shares held			
Name	Personal interest	Interest in controlled corporation	Total	Percentage of the issued share capital of ATNT
Mr. Lam Kwok Hing	3,474,667	269,916,500 (Note[1])	273,391,167	69.40%
Mr. Nam Kwok Lun	-	221,395,834 (Note[2])	221,395,834	56.20%

Note[1]: The amount composed of 48,520,666, 201,995,834 and 19,400,000 shares of ATNT that were held by Medusa Group Limited ("Medusa"), the Company and J & A respectively. Medusa is a company wholly-owned by Mr. Lam Kwok Hing. The Company is owned by J & A for approximately 98.63%. Mr. Lam Kwok Hing who is the Chairman and Managing Director of ATNT owns 80% shareholding in J & A.

Note[2]: The amount composed of 201,995,834 and 19,400,000 shares of ATNT that were held by the Company and J & A respectively. The Company is owned by J & A for approximately 98.63%. Mr. Nam Kwok Lun who is the Deputy Chairman of ATNT owns 20% shareholding in J & A.

DIRECTORS' RIGHT TO ACQUIRE SHARES AND DEBENTURES

As at 31 December 2022, the Company has no share option scheme in place.

Other than as disclosed above, at no time during the year was the Company, its ultimate holding company or any subsidiaries of its ultimate holding company was a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTEREST IN CONTRACT OF SIGNIFICANCE

No contract of significance to which the Company or 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.

AUDITOR

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

NAM KWOK LUN
DIRECTOR
8 June 2023

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF KARFUN INVESTMENTS LIMITED
佳帆投資有限公司
(incorporated in Hong Kong with limited liability)

Opinion

We have audited the consolidated financial statements of Karfun Investments Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 21 to 83, which comprise the consolidated statement of financial position as at 31 December 2022, 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 2022, 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 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.

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 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 405 of the Hong Kong Companies Ordinance, 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.

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.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements - continued

- 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.

Deloitte Touche Tohmatsu

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
8 June 2023

KARFUN INVESTMENTS LIMITED
佳帆投資有限公司

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

	NOTES	2022 HK$'000	2021 HK$'000
Revenue - contracts with customers	6	319,673	364,634
Cost of sales		(290,010)	(327,901)
Gross profit		29,663	36,733
Other gains and losses	7	(46,536)	5,208
Other income		90,369	273,714
Selling and distribution costs		(9,852)	(9,762)
Administrative expenses		(108,313)	(60,348)
Reversals of impairment losses (impairment losses) under expected credit loss model, net		58,950	(1,320,614)
Impairment of property, plant and equipment and right-of-use assets	15	(12,982)	-
Finance costs	9	(4,898)	(3,442)
Loss before taxation		(3,599)	(1,078,511)
Taxation	8	(28,621)	241,634
Loss for the year	9	(32,220)	(836,877)
Other comprehensive (expense) income			
Item that will not be reclassified subsequently to profit or loss:			
Reversal of revaluation of a property, net of tax effect	13, 28	(7,341)	-
Item that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operations		(47,985)	57,345
Other comprehensive (expense) income for the year		(55,326)	57,345
Total comprehensive expense for the year		(87,546)	(779,532)
Loss for the year attributable to:			
Owners of the Company		(16,182)	(395,497)
Non-controlling interests		(16,038)	(441,380)
		(32,220)	(836,877)
Total comprehensive expense for the year attributable to:			
Owners of the Company		(44,288)	(368,345)
Non-controlling interests		(43,258)	(411,187)
		(87,546)	(779,532)

KARFUN INVESTMENTS LIMITED
佳帆投資有限公司

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2022

	NOTES	2022 HK$'000	2021 HK$'000
Non-current assets			
Property, plant and equipment	11	30,321	46,843
Right-of-use assets	12	-	5,261
Deferred Consideration	14	328,616	-
Loans receivable	15	34,591	8,769
Investments in debt instruments	16	461,045	33,044
Interests in associates	17	-	-
Deferred tax assets	28	-	729
		854,573	94,646
Current assets			
Inventories	18	27,009	33,074
Deferred Consideration	14	-	283,129
Loans receivable	15	-	48,068
Contract assets	19	71,941	83,939
Debtors and prepayments	20	102,704	90,437
Investments at fair value through profit or loss	21	177,219	32,797
Amounts due from associates	22	83	66
Taxation recoverable		1,251	1,251
Investments in debt instruments	16	67,257	-
Bank deposits	23	271,930	755,203
Bank balances and cash	23	245,425	462,290
		964,819	1,790,254
Current liabilities			
Creditors and accrued charges	24	209,357	172,398
Other payables	14, 15	201,000	201,000
Warranty provision	25	14,361	14,956
Contract liabilities	19	89,631	30,887
Lease liabilities	26	2,050	8,984
Taxation payable		8,176	4,418
		524,575	432,643
Net current assets		440,244	1,357,611
Total assets less current liabilities		1,294,817	1,452,257

	NOTES	2022 HK$'000	2021 HK$'000
Capital and reserves			
Share capital	27	21,118	21,118
Reserves		594,487	624,475
Equity attributable to owners of the Company		615,605	645,593
Non-controlling interests		577,085	682,499
Total equity		1,192,690	1,328,092
Non-current liabilities			
Accrued charges	24	3,501	41,352
Warranty provision	25	2,913	1,298
Lease liabilities	26	5,511	-
Deferred tax liabilities	28	90,202	81,515
		102,127	124,165
		1,294,817	1,452,257

The consolidated financial statements on pages 21 to 83 were approved and authorised for issue by the Board of Directors on 8 June 2023.

YUNG WAI CHING DIRECTOR	NAM KWOK LUN DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2022

	Attributable to owners of the Company												
	Share capital HK$'000	Share premium HK$'000	Property revaluation reserve HK$'000	Legal reserve HK$'000 (Note i)	Statutory reserve HK$'000 (Note i)	Shareholder's contribution HK$'000 (Note ii)	Currency translation reserve HK$'000	Capital contribution HK$'000	Other reserve HK$'000 (Note iii)	Retained profits HK$'000	Subtotal HK$'000	Attributable to non-controlling interests HK$'000	Total HK$'000
At 1 January 2021	21,118	45,654	3,477	-	6,791	1,244	51,512	571	-	888,041	1,018,408	1,100,419	2,118,827
Loss for the year	-	-	-	-	-	-	-	-	-	(395,497)	(395,497)	(441,380)	(836,877)
Exchange difference arising on translation of foreign operations	-	-	-	-	-	-	27,152	-	-	-	27,152	30,193	57,345
Total comprehensive income (expense) for the year	-	-	-	-	-	-	27,152	-	-	(395,497)	(368,345)	(411,187)	(779,532)
Dividends (note 10)	-	-	-	-	-	-	-	-	-	(4,470)	(4,470)	-	(4,470)
Dividends paid by subsidiaries to its non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(6,733)	(6,733)
At 31 December 2021	21,118	45,654	3,477	-	6,791	1,244	78,664	571	-	488,074	645,593	682,499	1,328,092
Loss for the year	-	-	-	-	-	-	-	-	-	(16,182)	(16,182)	(16,038)	(32,220)
Exchange difference arising on translation of foreign operations	-	-	-	-	-	-	(24,629)	-	-	-	(24,629)	(23,356)	(47,985)
Reversal of revaluation of a property, net of tax effect (notes 13 and 28)	-	-	(3,477)	-	-	-	-	-	-	-	(3,477)	(3,864)	(7,341)
Total comprehensive expense for the year	-	-	(3,477)	-	-	-	(24,629)	-	-	(16,182)	(44,288)	(43,258)	(87,546)
Repurchase of shares of non-controlling interests by a subsidiary	-	-	-	-	-	-	-	-	21,368	-	21,368	(55,434)	(34,066)
Dividends (note 10)	-	-	-	-	-	-	-	-	-	(7,068)	(7,068)	-	(7,068)
Dividends paid by subsidiaries to its non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(6,722)	(6,722)
At 31 December 2022	21,118	45,654	-	-	6,791	1,244	54,035	571	21,368	464,824	615,605	577,085	1,192,690

Notes:

(i) 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 2022) and the PRC statutory reserves (after 1 January 2022) until the statutory funds is accumulated up to 50% of their registered capital. No such transfer was required for the years ended 31 December 2022 and 2021 as the relevant subsidiaries had already transferred up to 50% of their registered capital to legal reserve.

(ii) The amount represented the waiver of the shareholder's loan by the shareholder of the Company.

(iii) Other reserve represents amounts arising from the acquisitions of additional equity interest in a subsidiary from non-controlling shareholders by a subsidiary repurchases of its shares. It represents the difference between the consideration paid and the adjustment to the non-controlling interests in a subsidiary.

KARFUN INVESTMENTS LIMITED
佳帆投資有限公司

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2022

	NOTES	2022 HK$'000	2021 HK$'000
OPERATING ACTIVITIES			
Loss before taxation		(3,599)	(1,078,511)
Adjustments for:			
Interest income on bank deposits		(11,333)	(19,945)
Interest income from investments in debt instruments		(14,018)	-
Finance costs		4,898	3,442
Dividend income		(11,940)	(1,852)
Depreciation of property, plant and equipment		3,484	4,885
Depreciation of right-of-use assets		4,877	8,487
(Reversals of allowance) allowance for slow moving inventories, net		(587)	1,062
(Reversals of impairment losses) impairment losses under expected credit loss model, net		(58,950)	1,320,614
Impairment loss of property, plant and equipment	13	12,982	-
Loss on disposal of property, plant and equipment		21	133
Net change in fair value of investments at fair value through profit or loss		(7,510)	(2,627)
Provision for warranty, net of reversal		12,178	3,080
Net exchange loss (gain)		54,025	(2,714)
Imputed interest on Deferred Consideration	14	(45,498)	(244,341)
Operating cash flows before movements in working capital		(60,970)	(8,287)
Decrease in inventories		10,306	3,604
Decrease (increase) in contract assets		12,207	(18,104)
Decrease in loans receivable		23,468	16,008
Decrease in debtors and prepayments		1,327	706
Decrease in creditors and accrued charges		(3,899)	(66,673)
Utilisation of warranty provision		(11,158)	(5,702)
Increase (decrease) in contract liabilities		58,744	(8,138)
Cash from (used in) operations		30,025	(86,586)
Income tax paid		(5,989)	(106,450)
NET CASH FROM (USED IN) OPERATING ACTIVITIES		24,036	(193,036)

	NOTES	2022 HK$'000	2021 HK$'000
INVESTING ACTIVITIES			
Receipts of Deferred Consideration and/or penalty interest	14	31,373	237,631
Investments in debt instruments		(560,250)	(20,843)
Proceeds from disposal of investments in debt instruments		6,195	-
Withdrawal of bank deposits		2,375,945	159
Placement of bank deposits		(1,911,084)	(755,203)
Interest received		14,359	19,945
Purchase of property, plant and equipment		(1,949)	(705)
Acquisition of property, plant and equipment through acquisition of a subsidiary	33	-	(35,500)
Additions of investments at fair value through profit or loss		(392,736)	-
Proceeds from disposals of investments at fair value through profit or loss		255,824	6,922
Account balances placed with the broker, net		(756)	-
Advance to an associate		(17)	(16)
Dividend received from investments at fair value through profit or loss		11,940	1,852
NET CASH USED IN INVESTING ACTIVITIES		(171,156)	(545,758)
FINANCING ACTIVITIES			
Receipts of cash securities for Deferred Consideration and loans receivable		-	201,000
Proceeds from bank borrowings		113,052	-
Repayment of bank borrowings		(113,052)	-
Interest paid		(570)	(237)
Repayment of lease liabilities		(8,454)	(8,265)
Repurchase of shares of non-controlling interests by a subsidiary		(34,066)	-
Dividend paid		(7,068)	(4,470)
Dividend paid to non-controlling shareholders of subsidiaries		(6,722)	(6,733)
NET CASH (USED IN) FROM FINANCING ACTIVITIES		(56,880)	181,295
NET DECREASE IN CASH AND CASH EQUIVALENTS		(204,000)	(557,499)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		462,290	992,995
EFFECT ON FOREIGN EXCHANGE RATE CHANGES		(12,865)	26,794
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		245,425	462,290
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS			
Bank balances and cash		245,425	462,290

1. GENERAL INFORMATION

The Company is a private limited company incorporated in Hong Kong. The directors of the Company consider J & A Investment Limited to be the immediate and ultimate holding company of the Company. J & A Investment Limited is a company incorporated in the British Virgin Islands. The address of registered office is c/o Trident Chambers, P.O. Box 146, Road Town, Tortola, British Virgin Islands. Its correspondence address is Units 607 - 10, 6/F., Tai Yau Building, 181 Johnston Road, Wanchai, Hong Kong.

The Company is an investment holding company holding 201,995,834 shares in Asia Tele-Net and Technology Corporation Limited ("ATNT"). The details of principal activities of its principal subsidiaries are set out in note 34.

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

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 Group has applied, the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), for the first time, which are mandatory effective for the Group's annual period beginning on or after 1 January 2022 for the preparation of the consolidated financial statements:

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

Except as described below, the application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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

Amendments to HKFRSs that are mandatorily effective for the current year - continued

Impacts on application of Amendments to HKAS 37 Onerous Contracts - Cost of Fulfilling a Contract

The Group has applied the amendments for the first time in the current year. The amendments specify that, when an entity assesses whether a contract is onerous in accordance with HKAS 37, the unavoidable costs under a contract should reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it. Costs of fulfilling the contract include incremental costs and an allocation of other costs that relate directly to fulfilling contracts (for example, an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

In accordance with the transitional provisions, the amendments are applicable to contracts for which the Group has not yet fulfilled all its obligations related to contract works in respect of design, manufacturing and sale of custom-built electroplating machinery and other industrial machinery as at the date of initial application, 1 January 2022. The application of the amendments in the current year has had no impact on the Group's financial positions and performance.

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance Contracts and the related Amendments[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[3]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[3]
Amendments to HKAS 1	Non-current Liabilities with Covenants[3]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to HKAS 8	Definition of Accounting Estimates[1]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities from a Single Transaction[1]

[1] Effective for annual periods beginning on or after 1 January 2023
[2] Effective for annual periods beginning on or after a date to be determined
[3] Effective for annual periods beginning on or after 1 January 2024

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

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

New and amendments to HKFRSs in issue but not yet effective - continued

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

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

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

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

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

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

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA and 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" ("HKFRS 16"), and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of Assets" ("HKAS 36").

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

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

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

Basis of consolidation

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

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

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

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

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.

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests. Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND 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.

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

Revenue from contracts with customers

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

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

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

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

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

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

Revenue from contracts with customers - continued

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

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

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

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, for example, sales commission to obtain a contract if these costs would otherwise have been fully amortised to profit or loss within one year.

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

Leases

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

The Group as a lessee

Allocation of consideration to components of a contract

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

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

Short-term leases and leases of low-value assets

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

Right-of-use assets

The cost of right-of-use assets includes:

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

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

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

Leases - continued

The Group as a lessee - continued

Lease liabilities

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

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

Lease modifications

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

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

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

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

Property, plant and equipment

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

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

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

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

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

Foreign currencies

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

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

Foreign currencies - continued

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

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

Borrowing costs

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

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 loss before taxation because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

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

Taxation - continued

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

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

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

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

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

Current and deferred tax are recognised in profit or loss.

Employee benefits

Retirement benefit costs

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

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

Employee benefits - continued

Short-term and long-term employee benefits

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

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

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

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

Termination benefits

A liability for termination benefit is recognised at the earlier of when the Group can no longer withdraw the offer of the termination benefit and when it recognises any related restructuring costs.

Cash and cash equivalents

Cash and cash equivalents presented on the consolidated statement of cash flows include:

(a) cash, which comprises of cash on hand and demand deposits, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash; and

(b) cash equivalents, which comprises of short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

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

Financial instruments

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

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

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

Financial assets

Classification and subsequent measurement of financial assets

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

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

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

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

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

Financial instruments - continued

Financial assets - continued

Classification and subsequent measurement of financial assets - continued

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

(i) Amortised cost and interest income

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

(ii) Financial assets at FVTPL

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

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

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

Financial instruments - continued

Financial assets - continued

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

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets which are subject to impairment (including trade debtors, Deferred Consideration, loans receivable, investments in debt instruments, other debtors, amounts due from associates, bank deposits and bank balances), and other items (contract assets and loan commitment) which are subject to impairment assessment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

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

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, for example, a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

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

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

For the loan commitment, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a loan commitment, the Group considers changes in the risk of a default occurring on the loan to which a loan commitment relates.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND 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

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

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

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

(iii) Credit-impaired financial assets

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

(a) significant financial difficulty of the issuer or the borrower;
(b) a breach of contract, such as a default or past due event;
(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or
(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND 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

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

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

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

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

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

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

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

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

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

Financial instruments - continued

Financial assets - continued

Derecognition or modification

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

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

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

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

Financial liabilities and equity

Classification as debt or equity

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

Equity instruments

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

Financial liabilities at amortised cost

Financial liabilities including creditors and accrued charges and other payables, are subsequently measured at amortised cost, using the effective interest method.

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

Financial instruments - continued

Financial liabilities and equity - continued

Derecognition

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

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

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

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

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

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

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.

4. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY - continued

Critical judgment in applying accounting policies

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

Revenue recognition on contract works over time

Control of the asset is transferred over time when the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date. Significant judgment is required in determining whether the terms of the Group's contracts with customers in relation to contract works with no alternative use to the Group will create an enforceable right to payment for performance completed to date for the Group. The Group has considered the terms of the relevant contracts, 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.

Key sources of estimation uncertainty

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

Impairment assessment of Deferred Consideration

As disclosed in notes 14 and 31 to the consolidated financial statements, the significant change in the PRC real estate market resulted in significant financial difficulty faced by the Counterparty (as defined in note 14) and delays in settlements. The Deferred Consideration is considered as credit-impaired and lifetime ECL is provided. The amount of ECL is determined based on expectation on cash flows to be recovered from the Counterparty taking into account quantitative and qualitative information specific to the Counterparty, including macroeconomic factors which are relevant to the Counterparty's operations that could significantly affect the Counterparty's ability to fulfill its repayment obligations, and forward-looking information that is reasonably and supportably available to the management of the Group without undue costs or effort, and are updated at the end of each reporting period date. The measurement of ECL is sensitive to changes in estimates. Further information about the ECL measurement of Deferred Consideration are disclosed in note 31.

4. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY - continued

Key sources of estimation uncertainty - continued

Revenue recognition on contract works over time

Revenue from contract works in respect of design, manufacturing and sales of custom-built electroplating machinery and other industrial machinery, which is individually built to customer order and unique specifications, is recognised using input method, which is to recognise revenue on the basis of the Group's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation. Accordingly, revenue recognition involves a significant degree of estimates, with estimates being made to the actual inputs and the total expected inputs to the satisfaction of that performance obligation. Any change to the total expected inputs to the satisfaction of that performance obligation may have material impact on the contract revenue recognised in each accounting period over the contract term. The revenue from contract works amounted to HK$243,643,000 (2021: HK$273,854,000) for the year ended 31 December 2022.

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 19, 20 and 31.

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

(i) Disaggregation of revenue from contracts with customers

	2022 HK$'000	2021 HK$'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	189,166	211,856
- Surface Finishing	54,477	61,998
	243,643	273,854
Sale of spare parts of electroplating machinery	9,166	8,521
Provision of services - repairs, maintenance and modification	66,864	82,259
Total	319,673	364,634

	2022 HK$'000	2021 HK$'000
Timing of revenue recognition		
A point in time	9,166	8,521
Over time	310,507	356,113
Total	319,673	364,634

Geographical information

	2022 HK$'000	2021 HK$'000
PRC	238,357	219,718
Mexico	15,928	5,916
The United States of America	15,496	41,680
Korea	13,852	1,584
Taiwan	12,867	45,087
Russia	11,597	-
Singapore	2,627	3,028
India	2,186	1,535
Canada	1,847	5,277
The United Kingdom	1,004	7,420
Slovakia	767	2,162
France	705	-
Macedonia	607	15,693
Germany	402	338
Vietnam	-	12,818
Others	1,431	2,378
	319,673	364,634

6. 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 achieved, the Group will send to the customer an invoice for the related milestone payment in accordance with the agreed milestone payments as specified in the purchase order or contract. Any amount previously recognised as a contract asset is reclassified to trade debtors at the point upon the achievement of the particular milestone. If the milestone payment exceeds the revenue recognised to date under the input method then the Group recognises a contract liability for the difference. Warranties associated with the custom-built electroplating machinery and other industrial machinery cannot be purchased separately and they serve as an assurance that the products will comply with agreed-upon specifications. Accordingly, the Group accounts for warranties in accordance with HKAS 37.

6. REVENUE - continued

(ii) Performance obligations for contracts with customers

(b) Sales of spare parts of electroplating machinery

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

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

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

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

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

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

All contracts with customers with unsatisfied performance obligations, including contracts relating to design, manufacturing and sales of custom-built electroplating machinery and other industrial machinery, contracts for provision of services in relation to repairs, maintenance and modification and sales of spare parts of electroplating machinery at 31 December 2022 and 2021 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.

7. OTHER GAINS AND LOSSES

	2022 HK$'000	2021 HK$'000
Net change in fair value of investments at fair value through profit or loss	7,510	2,627
Net exchange (loss) gain	(54,025)	2,714
Loss on disposal of property, plant and equipment	(21)	(133)
	(46,536)	5,208

8. TAXATION

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

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

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

	2022 HK$'000	2021 HK$'000
Loss before taxation	(3,599)	(1,078,511)
Taxation at the income tax rate of 16.5% (2021: 16.5%)	(594)	(177,954)
Tax effect of expenses not deductible for tax purpose	12,164	708
Tax effect of income not taxable for tax purpose	(3,173)	(717)
Tax effect of tax losses not recognised	16,722	6,008
Tax effect of utilisation of tax losses previously not recognised	(7,681)	(4,090)
Tax effect of deductible temporary difference not recognised	2,142	-
Withholding tax for income derived from a PRC subsidiary (note 28)	-	28,066
Effect of different tax rates of subsidiaries operating in other jurisdictions	8,120	(92,684)
Others	921	(971)
Taxation for the year	28,621	(241,634)

9. LOSS FOR THE YEAR

	2022 HK$'000	2021 HK$'000
Loss for the year has been arrived at after charging (crediting):		
Auditor's remuneration	1,551	1,451
Cost of inventories recognised as expenses (note i)	188,493	190,730
Depreciation of property, plant and equipment	3,484	4,885
Depreciation of right-of-use assets	4,877	8,487
Staff costs:		
Directors' fee	300	300
Directors' salaries and other benefits	13,200	13,200
Adjustments on provision for performance related incentive payment	-	(30,975)
Salaries and allowances	98,965	101,453
Contributions to retirement benefits schemes	1,607	1,655
Termination benefits	22,390	-
	136,462	85,633
(Reversals of impairment losses) impairment losses for financial assets and contract assets, net:		
- Trade debtors	1,381	(451)
- Contract assets	(209)	199
- Loans receivable	(1,222)	599
- Deferred Consideration	(58,900)	1,320,267
	(58,950)	1,320,614
Finance costs:		
Interest on lease liabilities	235	237
Imputed interest on non-current portion of provision for performance related incentive payments (note 24)	4,328	3,182
Interest on bank borrowings	335	-
Others	-	23
	4,898	3,442
Interest income from financial assets at amortised cost (included in other income):		
Interest income from loans receivable	(2,867)	(3,763)
Imputed interest income of Deferred Consideration (note 14)	(45,498)	(244,341)
Interest income from investments in debt instruments	(14,018)	-
Interest earned bank deposits	(11,333)	(19,945)
	(73,716)	(268,049)
Dividend income (included in other income)	(11,940)	(1,852)
Government grants (included in other income)	(2,746)	(1,790)

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

10. DIVIDENDS

During the year ended 31 December 2022, the directors of the Company have declared and the Company has paid an interim dividend of HK$7,068,000 (at HK$0.068 per share) (2021: HK$4,470,000 (at HK$0.043 per share)) to the shareholders of the Company. The directors of the Company do not recommend any final dividend.

11. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK$'000	Furniture and fixtures and leasehold improvements HK$'000	Plant, machinery and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
COST OR VALUATION					
At 1 January 2021	48,379	30,677	54,444	22,889	156,389
Currency realignment	-	53	348	142	543
Additions	-	-	705	-	705
Acquisition of a subsidiary (note 33)	35,462	-	-	-	35,462
Disposals	-	-	(2,233)	(393)	(2,626)
At 31 December 2021	83,841	30,730	53,264	22,638	190,473
Currency realignment	-	(102)	(1,177)	(413)	(1,692)
Additions	-	-	431	1,518	1,949
Disposals	-	-	(209)	-	(209)
At 31 December 2022	83,841	30,628	52,309	22,344	189,122
COMPRISING					
At cost	48,129	30,628	52,309	22,344	153,410
At valuation					
- 31 March 1992	35,712	-	-	-	35,712
	83,841	30,628	52,309	22,344	189,122
DEPRECIATION AND IMPAIRMENT					
At 1 January 2021	37,813	30,392	50,876	21,696	140,777
Currency realignment	-	48	296	117	461
Provided for the year	1,468	151	2,800	466	4,885
Eliminated on disposals	-	-	(2,139)	(354)	(2,493)
At 31 December 2021	39,281	30,591	51,833	21,925	143,630
Currency realignment	-	(95)	(945)	(356)	(1,396)
Provided for the year	1,541	74	1,181	688	3,484
Impairment recognised	13,852	58	328	432	14,670
Eliminated on disposals	-	-	(188)	-	(188)
At 31 December 2022	54,674	30,628	52,209	21,290	158,801
CARRYING AMOUNTS					
At 31 December 2022	29,167	-	100	1,054	30,321
At 31 December 2021	44,560	139	1,431	713	46,843

11. PROPERTY, PLANT AND EQUIPMENT - continued

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

Leasehold land and buildings	over the shorter of 20 - 50 years or the term of the lease
Furniture and fixtures and leasehold improvements	25% or over the shorter of 25% or the term of the lease
Plant, machinery and equipment	12½% to 33⅓%
Motor vehicles	33⅓%

At the end of the reporting period, certain property, plant and equipment are fully depreciated and still in use. As at 31 December 2022, 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 HK$nil (2021: HK$9,615,000).

Impairment assessment of property, plant and equipment are set out in note 13.

12. RIGHT-OF-USE ASSETS

	Leased properties	
	2022	2021
	HK$'000	HK$'000
At 31 December		
Carrying amount	-	5,261
For the year ended 31 December		
Additions	7,561	8,838
Depreciation	4,877	8,487
Impairment loss	7,561	-
Expenses relating to short-term leases	9,438	1,626
Expenses relating to leases of low-value assets	76	247
Total cash outflows for leases	18,203	10,375

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

12. RIGHT-OF-USE ASSETS - continued

Lease liabilities of HK$7,561,000 are recognised with related right-of-use assets of HK$nil (net of impairment of HK$7,561,000) as at 31 December 2022 (2021: lease liabilities of HK$8,984,000 are recognised with related right-of-use assets of HK$5,261,000 (net of impairment of HK$3,577,000)) attributable to new leases entered into or renewal of the existing leased properties during the year. The lease agreements do not impose any covenants other than security interests in the leased assets that are held by the lessor and the relevant leased assets may not be used as security for borrowing purposes.

Impairment assessment of right-of-use assets are set out in note 13.

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

During the year ended 31 December 2022, the management conducted an impairment review on the related assets of the CGU which is engaged in Electroplating Machinery Business in view of the negative impact on the Group's performance considering the current market condition. The recoverable amount of the CGU of the Electroplating Machinery Business has been determined on the basis of value in use calculation. The key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which included budgeted revenue and gross margin, such estimation was based on the CGU's past performance and management's expectations for the market development. Impairment loss amounting to HK$9,249,000 and HK$7,561,000 are recognised against the carrying amount of property, plant and equipment and rights-of-use assets are charged to other comprehensive income and profit or loss respectively.

With regards to the recent property market in Hong Kong, the Group has also performed an impairment assessment of the residential units in Hong Kong which are classified as property, plant and equipment and not allocated to operating segment. At 31 December 2022, the recoverable amount of the buildings amounted to HK$27,995,000 which is based on its fair value less costs of disposal. Accordingly, impairment loss amounting to HK$5,421,000 is recognised in profit or loss. The fair value of the properties are determined based on comparable market transactions that are categorized within level 3 of the fair value hierarchy.

14. DEFERRED CONSIDERATION

On 7 August 2011, a wholly-owned subsidiary of the Company entered into an agreement with an independent third party (the "Counterparty") in relation to a re-development plan of two parcels of industrial lands located in Bao An District, Shenzhen, the PRC from industrial land into residential properties for resale. The Group has undertaken a series of negotiations with the Counterparty on the settlement scheme. On 28 June 2019 and 9 September 2019, the negotiation was finalised and the Group is offered a guaranteed cash consideration of RMB2,750,000,000 (equivalent to approximately HK$3.1 billion) payable by six tranches which are due within on or before 6 January 2020 to on or before 5 January 2023. The Deferred Consideration is measured at amortised cost using the effective interest method, less any impairment. As at 31 December 2022 and 2021, the outstanding instalment payments amounted to RMB400,000,000, RMB400,000,000 and RMB750,000,000 which are repayable on or before 5 January 2022, 5 July 2022 and 5 January 2023 respectively.

14. DEFERRED CONSIDERATION - continued

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

Pursuant to supplemental agreements, the Counterparty has pledged certain of its properties to the Group as additional security of the outstanding amount of Deferred Consideration, of which the proceeds from realisation of those properties after deducting direct expenses is restricted for the use of settlement of the Deferred Consideration until the Counterparty had fulfilled its repayment obligations in full. As the Counterparty could not settle the Deferred Consideration before 30 November 2022, the Group's entitlement over the security deposit and the pledged properties is extended to no later than 30 November 2024. Except as described above, there are no other changes to the terms or settlement scheme on or before 31 December 2022.

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

Details of the impairment assessment of Deferred Consideration are set out in note 31.

As at 31 December 2022, the Deferred Consideration amounting to HK$328,616,000 (2021: HK$283,129,000) (net of impairment losses under expected credit model of HK$1,262,355,000 (2021: HK$1,440,662,000)) is expected to be recovered after more than one year (2021: within one year) and accordingly is classified as non-current assets (2021: current assets).

15. LOANS RECEIVABLE

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

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

Notes:

(a) The Group entered into loan facility agreements ("Loan Facility Agreement") with Karl Thomson Financial Group Limited ("KTFG"), which is a wholly-owned subsidiary of Wisdom Wealth Resources Investment Holding Group Limited ("Wisdom Wealth Resources"). Mr. Lam Kwok Hing, an executive director and the ultimate controlling shareholder of the Company, and Mr. Nam Kwok Lun, an executive director of the Company who has an indirect interest in the Company, are the directors of Wisdom Wealth Resources. Pursuant to the Loan Facility Agreement, the Group provides an unsecured revolving loan facility of HK$130,000,000 (revised to HK$80,000,000 upon renewal of the agreement during the current year) bearing interest at prime rate as announced from time to time by The Hongkong and Shanghai Banking Corporation Limited for lending Hong Kong Dollars ("HSBC Prime Rate") for a term of three years commencing from the loan effective date and ending on 20 October 2025 (2021: 20 October 2022). As at 31 December 2022, a loan of HK$19,500,000 (2021: HK$36,000,000) was drawn by KTFG according to the terms of the Loan Facility Agreement. The average effective interest rate, which is equal to contractual interest rate, is 5.14% (2021: 5.00%) per annum.

(b) A loan amounted HK$7,500,000 (2021: HK$14,500,000) as at 31 December 2022 was granted under a revolving loan facility agreement of HK$20,000,000 with an independent third party as entered in May 2021. The loan bears interest at HSBC Prime Rate plus 3% per annum for the first HK$3,500,000 and HSBC Prime Rate beyond HK$3,500,000 and secured by a first mortgage of a property as provided by the borrower. The loan was extended to 6 May 2024 during the current year.

15. LOANS RECEIVABLE - continued

Notes: - continued

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

As at 31 December 2022, impairment losses under ECL model of loans receivable of HK$5,433,000 (2021: HK$6,655,000) are recognised. Details of the impairment assessment of loans receivable are set out in note 31.

16. INVESTMENTS IN DEBT INSTRUMENTS

Amount represents investments in listed bonds quoted in over-the-counter market. The bond investments are unsecured, carry annual coupon at 2.80% to 6.15% (2021: 3.15% to 3.35%) and matures in September 2023 to March 2027 (2021: September 2023 to December 2024). The investments are held within a business model whose objective is to hold the debt instruments in order to collect contractual cash flows and the contractual terms give rise on specific dates to cash flows that are solely payments of principals and interest on the principal amount outstanding and therefore are subsequently measured at amortised cost.

17. INTERESTS IN ASSOCIATES

	2022 HK$'000	2021 HK$'000
Cost of investments in associates		
Unlisted	3,627	3,627
Share of post-acquisition results, net of dividend received	(1,918)	(1,918)
Less: Impairment provided	(1,709)	(1,709)
Share of net assets	-	-

Details of the Group's associates as at 31 December 2022 and 2021 are as follows:

Name of associate	Place of business structure	Country of incorporation	Proportion of nominal value of issued capital held by the Group indirectly 2022	2021	Principal activities
Asia Vigour (Holdings) Limited	Incorporated	British Virgin Islands	49%	49%	Investment holding
Process Automation (Sea) Pte Limited	Incorporated	Singapore	36%	36%	Sales of electroplating machines and spare parts

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

18. INVENTORIES

	2022 HK$'000	2021 HK$'000
Raw materials	27,009	33,074

19. CONTRACT ASSETS/LIABILITIES

	2022 HK$'000	2021 HK$'000
Contract assets - current		
Contract works in respect of design, manufacturing and sale of custom-built electroplating machinery and other industrial machinery	71,941	83,939
Contract liabilities - current		
Contract works in respect of design, manufacturing and sale of custom-built electroplating machinery and other industrial machinery	78,504	21,719
Provision of services – repairs, maintenance and modification	11,127	9,168
	89,631	30,887

At 1 January 2021, contract assets and contract liabilities amounted to HK$66,034,000 and HK$39,025,000 respectively.

Typical payment terms which impact on the amount of contract assets and contract liabilities recognised are as follows:

Contract works in respect of design, manufacturing and sale of custom-built electroplating machinery and other industrial machinery

The Group's contract works include payment schedules which require milestone payments over the construction period once certain specified milestones are reached. The Group requires customers to provide upfront deposits as part of its credit risk management policies. The Group typically transfers the milestone payments to trade debtors when it becomes unconditional. The Group is entitled to receive the final acceptance payment upon the final acceptance of the completion of contract works by customers. The Group classifies these contract assets as current because the Group expects to realise them in its normal operating cycle. Details of the impairment assessment of contract assets are set out in note 31.

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.

19. CONTRACT ASSETS/LIABILITIES - continued

Provision of services - repairs, maintenance and modification

The Group requires the deposit before the commencement of the relevant services for certain contracts, this will give rise to contract liabilities at the start of a contract, until the revenue recognised on the relevant contract exceeds the amount of the deposit.

The following table shows the amount of the revenue recognised during the year that was included in contract liabilities at the beginning of the year.

	2022 HK$'000	2021 HK$'000
Contract works	19,593	27,074
Provision of services	4,140	11,266

20. DEBTORS AND PREPAYMENTS

	2022 HK$'000	2021 HK$'000
Trade debtors from contracts with customers	42,054	63,174
Less: Allowance for credit losses	(1,897)	(516)
	40,157	62,658
Rental and utilities deposits	2,430	2,922
Deposits paid for purchases of raw materials	33,562	8,504
Deposits paid for subcontracting costs	4,549	7,653
Account balances placed with a broker	933	177
Interest receivable	11,858	1,480
Other tax receivables	3,839	1,223
Other debtors and prepayments	5,376	5,820
	102,704	90,437

As at 31 December 2022, the trade debtors balance include trade debts due from associates of HK$1,805,000 (2021: HK$1,102,000).

As at 1 January 2021, trade debtors from contracts with customers amounted to HK$70,459,000 (net of allowance for credit losses of HK$11,595,000).

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

As at 31 December 2022, excluding credit-impaired trade debtors balance, included in the Group's trade debtors balance are debtors with gross amount of HK$8,725,000 (2021: HK$3,641,000) with allowance for credit losses of HK$119,000 (2021: HK$212,000) in aggregate which are past due as at the reporting date. Out of the past due balances, HK$897,000 (2021: HK$772,000) with allowance for credit losses of HK$89,000 (2021: HK$76,000) 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 31.

21. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2022 HK$'000	2021 HK$'000
Equity securities listed in Hong Kong	177,219	32,797

Investments at fair value through profit or loss as at 31 December 2022 and 2021 represent equity securities listed in Hong Kong. The fair values of the investments are determined based on the quoted market bid prices available on the Stock Exchange. The fair value of investments is classified as Level 1 of fair value hierarchy. These investments are expected to be realised within next twelve months and therefore classified as current assets.

22. AMOUNTS DUE FROM ASSOCIATES

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

23. BANK DEPOSITS AND BANK BALANCES

Bank deposits represent time deposits denominated in HKD, RMB and USD, which are held with several banks in Hong Kong for investment purposes, carry fixed interest ranging from 0.72% to 4.76% (2021: 1.91% to 2.35%) per annum.

Bank balances represent savings accounts that carry interest at market rates ranging from 0.001% to 1.73% per annum (2021: 0.001% to 1.73% per annum).

24. CREDITORS AND ACCRUED CHARGES

	2022 HK$'000	2021 HK$'000
Trade creditors	93,341	89,930
Accrued staff costs	43,247	16,265
Commission payables to sales agents	15,185	18,794
Payment for acquisition of bond investments (note 35)	-	12,201
Provision for performance related incentive payments (note)	36,073	58,745
Other creditors and accrued charges for operating costs	25,012	17,815
	212,858	213,750
Less: Non-current portion of provision for performance related incentive payments (note)	(3,501)	(41,352)
	209,357	172,398

24. CREDITORS AND ACCRUED CHARGES - continued

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

As at 31 December 2022, apart from the above provision of performance bonus to the executive directors of the Company, the current and non-current portion of accrued charges of HK$5,000,000 and HK$3,501,000 respectively (2021: HK$5,000,000 and HK$8,096,000 respectively) represents the provision of special bonus to the certain management of the Group as detailed in note 10. An imputed interest expense of HK$405,000 (2021: HK$584,000) is charged to profit or loss during the current year.

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

25. WARRANTY PROVISION

	HK$'000
At 1 January 2022	16,254
Change in provision during the year	12,178
Utilisation of provision	(11,158)
At 31 December 2022	17,274
Analysed for reporting purposes as:	
Current	14,361
Non-current	2,913
	17,274

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.

26. LEASE LIABILITIES

	2022 HK$'000	2021 HK$'000
Lease liabilities payable:		
- within a period not exceeding one year	2,050	8,984
- more than one year but not exceeding two years	2,284	-
- more than two years bat not exceeding five years	3,227	-
	7,561	8,984
Less: Amount due for settlement within 12 months shown under current liabilities	(2,050)	(8,984)
Amount due for settlement after 12 months shown under non-current liabilities	5,511	-

27. SHARE CAPITAL

	Number of shares	Share capital HK$'000
Issued and fully paid:		
At 1 January 2021, 31 December 2021 and 31 December 2022	103,938,695	21,118

28. 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:

	2022 HK$'000	2021 HK$'000
Deferred tax assets	-	(729)
Deferred tax liabilities	90,202	81,515
	90,202	80,786

	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 2021	388,490	26,496	(1,286)	1,239	1,908	416,847
(Credit) charge to profit or loss (note 8)	(268,981)	28,066	165	(1,194)	-	(241,944)
Transfer to current tax	(59,408)	(45,390)	-	-	-	(104,798)
Currency realignment	10,681	-	-	-	-	10,681
At 31 December 2021	70,782	9,172	(1,121)	45	1,908	80,786
Charge to profit or loss (note 8)	26,100				-	26,100
Credit to property revaluation reserve	-	-	-	-	(1,908)	(1,908)
Transfer to current tax	(7,955)	-	729	-	-	(7,226)
Currency realignment	(6,773)	(777)	-	-	-	(7,550)
At 31 December 2022	82,154	8,395	(392)	45	-	90,202

At 31 December 2022, the Group had estimated unused tax losses and deductible temporary differences relating to asset impairment of HK$541,422,000 (2021: HK$486,628,000) and HK$14,012,000 (2021: HK$nil) respectively available for offset against future profits. No deferred tax asset has been recognised due to the uncertainty of future profits streams. The tax losses may be carried forward indefinitely.

Deferred tax on withholding tax is provided based on the expectation of distribution of earnings of the PRC subsidiary. Deferred tax has not been provided for in the consolidated financial statements in respect of the temporary differences attributable to the undistributed profits after 1 January 2008 amounting to HK$42,782,000 (2021: HK$16,787,000) 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.

29. PLEDGE OF ASSETS

As at 31 December 2022, the Group utilised HK$434,000 (2021: HK$4,605,000) 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.

30. SHARE OPTION SCHEME

ATNT'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 ATNT 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 ATNT or any of the subsidiaries for their contributions to ATNT or such subsidiaries.

The number of shares available for issue under the Scheme was 39,395,340 shares representing 10% of the issued share capital of ATNT at 31 December 2022. 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 ATNT. Any share options granted a substantial shareholder or an independent non-executive director of ATNT 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 ATNT.

The period during which an option may be exercised will be determined by the board of directors of ATNT 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 ATNT 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 ATNT 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 ATNT up to 31 December 2022.

31. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2022 HK$'000	2021 HK$'000
Financial assets at amortised cost	1,469,701	1,670,281
Financial assets at FVTPL	177,219	32,797
Financial liabilities		
Amortised cost	319,353	339,740

Financial risk management objectives and policies

The Group's major financial instruments include Deferred Consideration, loans receivable, trade debtors, other debtors, investments at fair value through profit or loss, investments in debt instruments, amounts due from associates, bank deposits, bank balances and cash, creditors and accrued charges, other payables 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.

Currency risk

During the current year, the Group has utilized the bank deposits (details set out in note 23) to invest in debt instruments which are denominated in RMB and over 95% of investments in debt instruments (note 16) as at 31 December 2022 are denominated in RMB.

On the other hand, certain subsidiaries of the Group have foreign currency sales and purchases. The Group is therefore exposed to foreign currency risk. In addition, certain debtors, bank deposits, bank balances, creditors and accrued charges are denominated in currencies other than the functional currency of the respective group entities. The Group currently does not have a foreign currency hedging policy. However, management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the group's 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	
	2022 HK$'000	2021 HK$'000	2022 HK$'000	2021 HK$'000
Sterling Pound ("GBP")	5,720	6,910	539	653
New Taiwan Dollars ("NTD")	1,263	1,402	20	64
United States Dollars ("USD")	60,348	41,776	9,257	16,396
Renminbi ("RMB")	730,183	803,777	22	22

31. FINANCIAL INSTRUMENTS - continued

Financial risk management objectives and policies - continued

Currency risk - continued

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

	Assets	
	2022	2021
	HK$'000	HK$'000
HKD against RMB	169,826	169,530

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.

Sensitivity analysis

The following table details the Group's sensitivity to a 10% (2021: 10%) increase and decrease in relevant foreign currencies against the functional currency of the relevant group entities. 10% (2021: 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% (2021: 10%) change in foreign currency rates. A positive number below indicates a decrease in post-tax loss for the year where relevant currencies strengthen 10% (2021: 10%) against the functional currency of the relevant group entities. For a 10% (2021: 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	
	2022	2021
	HK$'000	HK$'000
GBP against HKD	433	522
NTD against HKD	104	112
RMB against HKD	60,968	67,114
HKD against RMB	14,180	14,156

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.

31. FINANCIAL INSTRUMENTS - continued

Financial risk management objectives and policies - continued

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 2022 (see notes 15 and 23 for details). It is the Group's policy to keep its loans receivable at floating rate of interest so as to minimise the fair value interest rate risk.

The Group is exposed to fair value interest rate risk in relation to fixed-rate Deferred Consideration, loans receivables, investments in debt instruments, time deposits placed with banks and lease liabilities (see notes 14, 15, 16, 23 and 26 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.

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 200 basis points (2021: 100 basis points) increase or decrease represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 200 basis points (2021: 100 basis points) higher/lower and all other variables were held constant, the Group's post-tax loss for the year ended 31 December 2022 would decrease/increase by HK$800,000 (2021: HK$635,000). 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 investments at fair value through profit or loss. Management manages this exposure by closely monitoring the performance of the investments and market conditions. Management will consider diversifying the portfolio of investments as they consider appropriate. The Group's stock portfolio mainly comprise of blue chip companies which allows the Group to increase the return of the funds. At 31 December 2022, the largest equity investment within the Group's portfolio is a leading telecommunication service provider in the PRC which accounts for over 60% of the carrying amount of investments at fair value through profit or loss.

31. FINANCIAL INSTRUMENTS - continued

Financial risk management objectives and policies - continued

Equity price risk - continued

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to equity price risks for investments at fair value through profit or loss at the end of the reporting period.

If the prices of the respective equity instruments had been 20% (2021: 10%) higher/lower, the Group's post-tax loss for the year ended 31 December 2022 would decrease/increase by HK$35,444,000 (2021: HK$2,739,000) as a result of the changes in fair value of investments at fair value through profit or loss.

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

Credit risk and impairment assessment

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

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

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

31. 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 2022 HK$'000	Gross amount 2021 HK$'000
Financial assets at amortised cost						
Trade debtors from contracts with customers	20	N/A	(note i)	Lifetime ECL (assessed individually and collectively)		
			High risk		874	772
			Medium risk		7,851	13,497
			Low risk		30,952	47,344
					39,677	61,613
	20	N/A	Loss	Lifetime ECL (credit-impaired and assessed individually)	2,377	1,561
Deferred Consideration (note ii)	14	N/A	Loss	Lifetime ECL (credit-impaired and assessed individually)	1,590,971	1,723,791
Loans receivable	15	N/A	Low risk	12m ECL (assessed individually)	27,000	50,500
	15	N/A	High risk	Lifetime ECL (not credit-impaired and assessed individually)	13,024	12,992
Investments in debt instruments	16	A	N/A	12m ECL (assessed individually)	528,302	33,044
Other debtors	20	N/A	Low risk	12m ECL (assessed individually)	20,597	17,054
Amounts due from associates	22	N/A	Low risk	12m ECL (assessed individually)	83	66
Bank deposits and bank balances and cash	23	Aa2 to Baa3	N/A	12m ECL (assessed individually)	517,355	1,217,493
Other items						
Contract assets	19	N/A	(note i)	Lifetime ECL (assessed individually and collectively) - Low risk	72,656	84,863
Loan commitment	15	N/A	(note iii)	12m ECL (assessed individually)	73,000	99,500

31. 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 HK$1,735,194,000 (2021: HK$1,895,653,000) 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 15.

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.

Investments in debt instruments

The Group has utilized its idle cash to invest in fixed income instruments. The Group only invests in bonds with investment grade assigned by internationally recognised credit rating agencies and/or issued by reputable companies or issuers with stable industry outlook. These issuers of the bonds are largest property companies in Hong Kong, global leading financial institutions as well as an entity owned by the Hong Kong Government. As such, there has been no significant increase in credit risk since initial recognition and the ECL is considered to be negligible.

31. FINANCIAL INSTRUMENTS - continued

Financial risk management objectives and policies - continued

Credit risk and impairment assessment - continued

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

Deposits placed with banks

The Group only placed deposits in reputable banks with high credit ratings assigned by the international rating agencies. The Group's bank deposits and bank balances are mainly deposited with banks in Hong Kong and the PRC. The Group had concentration of credit risk as 62% and 37% (2021: 86% and 13%) of the total bank balances as at 31 December 2022 was placed in the banks in Hong Kong and the PRC respectively.

At the end of the reporting period, the Group performed impairment assessment on bank deposits and bank balances by reference to probability of default and loss given default by credit rating grades published by international credit-rating agencies and concluded that ECL is insignificant.

Deferred Consideration

The Counterparty is engaged in the provision of construction services to property developers and property development business in the PRC. Starting from the second half of the financial year 2021, defaults by certain leaders in the PRC real estate market has affected the market demand and market price of the properties held by many property developers and increased the difficulty in obtaining financing for daily operation by them, which has resulted in liquidity problems of many industry players in this market, and the Counterparty is of no exception. During the current year, such situation continues and the records of defaults by PRC property developer companies have been increasing. The Group has reduced the credit risk exposure of the credit-impaired Deferred Consideration amount through negotiation with the Counterparty for additional collaterals, with the objective to increase the possibility of recovery of the receivable amount. The additional collaterals negotiated from the Counterparty include cash security of HK$200,000,000 and certain properties, as described in note 14. On these bases, the management made the best estimate of the present value of the amount to be recovered by estimating amount and timing of cash flows expected to be recovered from foreclosures on the pledged properties. During such process, the management has also taken into account quantitative and qualitative information that are specific to the Counterparty, including macroeconomic factors which are relevant to the expected cash flows derived from the pledged properties that could have an impact to the Counterparty's ability to fulfill its repayment obligations, as well as forward-looking information (including inflation rate and unemployment rate in the PRC) that is reasonably and supportably available to the management of the Group without undue costs or effort, in order to determine the best estimation of the amounts that could be recovered. The reversal of expected credit loss of Deferred Consideration during the current year mainly arose from decrease in loss given default as a result of the expected recovery from the additional securities as described above (2021: additional provision due to increase in loss rate as a result of significant financial difficulty faced by the Counterparty).

31. 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 movement in the allowance for impairment in respect of the Deferred Consideration during the year was as follows:

	12m ECL HK$'000	Lifetime ECL (credit-impaired) HK$'000	Total HK$'000
At 1 January 2021	116,965	-	116,965
Changes due to financial instruments recognised as at 1 January 2021:			
- Impairment losses reversed	(16,599)	-	(16,599)
- Impairment losses recognised	-	1,336,866	1,336,866
Transfers	(100,366)	100,366	-
Currency realignment	-	3,430	3,430
At 31 December 2021	-	1,440,662	1,440,662
Changes due to financial instruments recognised as at 1 January 2022:			
- Impairment losses reversed	-	(58,900)	(58,900)
Currency realignment	-	(119,407)	(119,407)
At 31 December 2022	-	1,262,355	1,262,355

Trade debtors and contract assets

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. The management closely monitors the subsequent settlement of the debts and does not grant long credit period to customers. The Group applies simplified approach on trade debtors and contract assets to provide for ECL prescribed by HKFRS 9.

The Group had concentration of credit risk as 69% (2021: 63%) of the total trade debtors as at 31 December 2022 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.

31. 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 2021	240	11,355	11,595
Changes due to financial assets recognised as at 1 January 2021:			
- Transfer to lifetime ECL (credit-impaired)	(50)	50	-
- Amounts written off (note)	-	(10,628)	(10,628)
- Impairment losses reversed	(190)	(732)	(922)
- Impairment losses recognised	-	258	258
New financial assets originated	213	-	213
At 31 December 2021	213	303	516
Changes due to financial assets recognised as at 1 January 2022:			
- Transfer to lifetime ECL (credit-impaired)	(10)	10	-
- Impairment losses reversed	(202)	(61)	(263)
- Impairment losses recognised	-	904	904
New financial assets originated	119	621	740
At 31 December 2022	120	1,777	1,897

Note: During the year ended 31 December 2022, the Group reassessed the impaired receivables and considered that there is no realistic prospect of recovery, the relevant receivables of HK$nil (2021: HK$10,628,000) 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$209,000 (2021: impairment losses for contract assets of HK$199,000).

31. FINANCIAL INSTRUMENTS - continued

Financial risk management objectives and policies - continued

Credit risk and impairment assessment - continued

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

Loans receivable and loan commitment

The largest loans receivable and the related loan commitment as at 31 December 2022 was related to the same borrower. The remaining loans receivable was secured by assets provided by the borrowers. In order to minimise the credit risk, prior to advancing the loans or renegotiation of loan terms, the management of the Group closely evaluates the borrower's financial background and repayment abilities. The assessment is based on a close monitoring and evaluation of the collectability of each outstanding amount and the past collection history, to the extent available. The quality of the collateral has not deteriorated during the current year. The Group requested for additional security for the renegotiation of the loan receivables. The estimated realisable amount from the collaterals are considered in the loss given default for measurement of ECL and ECL amounting to HK$5,433,000 (2021: HK$6,655,000) has been provided.

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

	12m ECL HK$'000	Lifetime ECL (not credit-impaired) HK$'000	Total HK$'000
At 1 January 2021	2,290	3,766	6,056
Changes due to financial instruments recognised as at 1 January 2021:			
- Impairment losses reversed	(577)	-	(577)
- Impairment losses recognised	718	458	1,176
At 31 December 2021	2,431	4,224	6,655
Changes due to financial instruments recognised as at 1 January 2022:			
- Impairment losses reversed	(1,869)	(250)	(2,119)
- Impairment losses recognised	897	-	897
At 31 December 2022	1,459	3,974	5,433

31. FINANCIAL INSTRUMENTS - continued

Financial risk management objectives and policies - continued

Credit risk and impairment assessment - continued

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

Other debtors

The Group has taken into account the economic outlook of the industries in which the debtors operate, and concluded that there has been no significant increase in credit risk since initial recognition. The ECL on other debtors is considered to be insignificant.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities and lease liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities, lease liabilities and accrued charges including provision 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
2022							
Creditors and accrued charges	-	164,352	29,041	15,964	3,800	213,157	212,858
Other payables	-	201,000	-	-	-	201,000	201,000
Lease liabilities	4.30	50	413	1,857	5,825	8,145	7,561
		365,402	29,454	17,821	9,625	422,302	421,419
2021							
Creditors and accrued charges	-	110,786	36,339	25,273	47,179	219,577	213,750
Other payables	-	201,000	-	-	-	201,000	201,000
Lease liabilities	4.75	755	1,512	6,795	-	9,062	8,984
		312,541	37,851	32,068	47,179	429,639	423,734

31. FINANCIAL INSTRUMENTS - continued

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.

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

- the fair value of investments at fair value through profit or loss (listed in Hong Kong) are determined with reference to the quoted market bid prices available on the 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 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 of financial assets and other financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their fair values.

32. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Bank borrowings HK$'000	Other payables HK$'000	Lease liabilities HK$'000	Dividend payables HK$'000
At 1 January 2021	-	-	8,393	-
Financing cash flows	-	201,000	(8,502)	(11,203)
Recognition of lease liabilities	-	-	8,838	-
Currency realignment	-	-	18	-
Dividends declared	-	-	-	11,203
Interest expenses	-	-	237	-
At 31 December 2021	-	201,000	8,984	-
Financing cash flows	(335)	-	(8,689)	(13,790)
Recognition of lease liabilities	-	-	7,561	-
Currency realignment	-	-	(530)	-
Dividends declared	-	-	-	13,790
Interest expenses	335	-	235	-
At 31 December 2022	-	201,000	7,561	-

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

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

Assets recognised at date of acquisition:

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

34. PRINCIPAL SUBSIDIARIES

Details of the principal subsidiaries as at 31 December 2022 and 2021 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 2022 %	2021 %	Principal activities
ATNT	Bermuda	HK$3,940,000 (2021: HK$4,265,000)	51.27#	47.37#	Investment holding
ATNT Global Investments Company Limited	Hong Kong	HK$2	51.27	47.37	Securities trading
ATNT Group Management Limited	Hong Kong	HK$2	51.27	47.37	Management services
Billion Chart Limited	Hong Kong	HK$1	51.27	47.37	Property holding
台灣亞洲自動化設備股份有限公司	Taiwan	TWD10,000,000	51.27	47.37	Installation of electroplating machines and after sale services
Palcon International Limited	British Virgin Islands*	US$100	30.76	28.42	Investment holding
PAL Control Sdn. Bhd.	Malaysia	MYR2	30.76	28.42	Software development
PAL Finance Limited	Hong Kong	HK$2	51.27	47.37	Money lending
PAL Surface Treatment Systems Limited	Hong Kong	HK$10,000	51.27	47.37	Sale of electroplating machines and spare parts
Process Automation (BVI) Limited	British Virgin Islands*	HK$110,000	51.27	47.37	Investment holding

34. PRINCIPAL SUBSIDIARIES - continued

Name of subsidiary	Place of incorporation/ registration	Issued and fully paid up ordinary share capital/ registered capital	Proportion of ownership interest attributable to the Company 2022 %	2021 %	Principal activities
Process Automation (China) Limited 賓盈科技(深圳)有限公司 (Wholly foreign-owned enterprise ("WFOE"))	PRC	HK$8,500,000	51.27	47.37	Design, manufacture and sale of electroplating machines
Process Automation International Limited ("PAIL")	Hong Kong	HK$2 (note)	51.27	47.37	Design, manufacture and sale of electroplating machines
Process Automation (Shenzhen) Limited 賓龍自動機械(深圳)有限公司 (WFOE)	PRC	HK$18,000,000	51.27	47.37	Design, manufacture and sale of electroplating machines
Rich Town Properties Limited	British Virgin Islands*	US$2	51.27	47.37	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 (directly or indirectly held by ATNT) are indirectly attributable to the Company.

Note: At 31 December 2022, 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.

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.

Included in loss for the year attributable to non-controlling interests for the year ended 31 December 2022 is loss of HK$15,948,000 (2021: HK$441,327,000) attributable to ATNT, whereas included in the carrying amount of non-controlling interests at 31 December 2022 is HK$607,159,000 (2021: HK$682,467,000) attributable to ATNT. The consolidated financial information of ATNT is available on the website of the Stock Exchange or ATNT.

35. NON-CASH TRANSACTIONS

(a) Right-of-use assets and lease liabilities are recognised upon entering into of new leases and renewal of lease agreement as disclosed in note 12.

(b) During the year ended 31 December 2022, the Group has acquired certain debt instruments with a consideration of HK$12,201,000 of which the settlement is not yet due at the end of the reporting period, and is recorded as liabilities under creditors and accrued charges at 31 December 2021 by applying trade date accounting for financial instruments.

36. RELATED PARTY TRANSACTIONS

Details of outstanding balances with associates are set out in notes 20 and 22.

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

	2022 HK$'000	2021 HK$'000
Associates		
Trade sales and services rendered	2,627	2,991
Trade purchases	5	-
KTFG and its subsidiaries (note i)		
Commission expense and other securities dealing expenses	1,715	24
Interest income	1,390	2,445
Handling fee income	240	-
BioEm Air Sanitizing Technology Company Limited (note ii)		
Management fee income	316	496
Other expenses	74	69
Asia Oasis Limited (note ii)		
Management fee income	252	230
Other expenses	-	4
Aegis Intelligent Photocatalyst Technology Limited (note ii)		
Management fee income	140	92
Other expenses	2	-

Note i: The Group has appointed KTFG as a broker for dealing with the securities investments. The Group has placed deposits with the broker with the year end balance amounting to HK$933,000 (2021: HK$177,000) (note 20).

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

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

	2022 HK$'000	2021 HK$'000
Payments for salaries and other short-term employee benefits	45,712	33,712
Retirement benefits costs	126	126
	45,838	33,838

The remuneration of directors and key executives is determined 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

Statement of financial position

	2022 HK$'000	2021 HK$'000
Non-current asset		
Interest in a subsidiary	53,398	53,398
Current assets		
Investments at fair value through profit or loss	6,756	6,032
Other debtors	-	95
Bank balances	1,801	2,843
	8,557	8,970
Current liabilities		
Accrued expenses and other payable	112	112
Net current assets	8,445	8,858
Total assets less current liabilities	61,843	62,256
Capital and reserves		
Share capital	21,118	21,118
Reserves	40,725	41,138
Total equity	61,843	62,256

The Company's statement of financial position was approved and authorised for issue by the Board of Directors on 8 June 2023.

YUNG WAI CHING
DIRECTOR

NAM KWOK LUN
DIRECTOR

37. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY - continued

Movement of the Company's reserves

	Share premium HK$'000	Shareholder's contribution HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2021	45,654	1,244	(9,074)	37,824
Profit and total comprehensive income for the year	-	-	7,784	7,784
Dividend	-	-	(4,470)	(4,470)
At 31 December 2021	45,654	1,244	(5,760)	41,138
Profit and total comprehensive income for the year	-	-	6,655	6,655
Dividend	-	-	(7,068)	(7,068)
At 31 December 2022	45,654	1,244	(6,173)	40,725

38. EVENTS AFTER THE REPORTING PERIOD

Subsequent to 31 December 2022, the Group has acquired bond investments with investment grade and/or issued by largest property companies in Hong Kong, global financial institutions and Hong Kong government entities at an aggregate consideration of HK$253,083,000 and disposed certain bond investments at an aggregate consideration of HK$78,937,000.

In June 2023, the Group has also renegotiated with the Counterparty and the HK$200,000,000 security deposit (as detailed in note 14) will be refunded and the Group has in exchange will obtain the first mortgage charge and legal charge over certain properties owned by the Counterparty situated in Hong Kong and the People's Republic of China. Such credit enhancement arrangement will impact the measurement of expected credit loss of the Deferred Consideration in the future years.