KARFUN INVESTMENTS LIMITED
佳帆投資有限公司

Reports and Consolidated Financial Statements
For the year ended 31 December 2023

KARFUN INVESTMENTS LIMITED
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REPORTS AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

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KARFUN INVESTMENTS LIMITED
佳帆投資有限公司

DIRECTORS' REPORT

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

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 2023 ("the Period Under Review"), the Group recorded profit attributable to owners of the Company of approximately HK$151,492,000 compared to the loss attributable to owners of the Company of approximately HK$16,182,000 for the year ended 31 December 2022 ("the Previous Period"). The significant increase in the Group's profit attributable to owners of the Company was mainly due to the off-setting effect of (i) increase in the reversals of impairment losses under expected credit loss model; (ii) increase in tax provision; (iii) decrease in other gains or losses; (iv) decrease in administrative expenses and (v) rise in profit margin as compared to the Previous Period.

Financial Review

Revenue

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

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

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

BUSINESS REVIEWS - continued

Financial Review - continued

Gross Profit

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

Other gains and losses of approximately HK$32,102,000

This mainly represented (a) net change in realized and unrealized fair value gain of investments at FVTPL of approximately HK$7,746,000 (the Previous Period: gain of HK$7,510,000) (b) net exchange loss of approximately HK$12,329,000 (the Previous Period: loss of HK$54,025,000) and (c) change in fair value of investment properties of approximately HK$28,459,000 (the Previous Period: nil).

(a) Net change in realised and unrealised fair value gain of investments at fair value through profit or loss of approximately HK$7,746,000 (the Previous Period: loss of HK$7,510,000)

All investments at fair value through profit or loss were recorded at fair value as at 31 December 2023 and represented listed securities in Hong Kong. The gain of approximately HK$7,746,000 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 2023.

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

The net exchange loss was mainly due to the exchange loss arising from year end revaluation of bank deposits and investments in debt instruments which was denominated in RMB. During the Period Under Review, RMB was depreciated by approximately 1.4%.

Other income of approximately HK$93,919,000

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

BUSINESS REVIEWS - continued

Financial Review - continued

Other income of approximately HK$93,919,000 - continued

(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 KTFG. Pursuant to 2022 Loan Facility Agreement, the Group provides an unsecured revolving loan facility of HK$80,000,000 bearing interest at prime rate as announced from time to time by The Hong Kong and Shanghai Banking Corporation Limited for lending Hong Kong Dollars ("Prime Rate") for a term of three years commencing from the loan effective date and ending on 20 October 2025.

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

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

(b) Interest received from bank deposits

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

(c) Interest income from investments in debt instruments

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

(d) Imputed interest income 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$45,764,000 (the Previous Period: HK$45,498,000).

(e) Dividend income

Dividend income from investments at fair value through profit or loss was approximately HK$11,608,000 (the Previous Period: HK$11,940,000).

BUSINESS REVIEWS - continued

Financial Review - continued

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

The selling and distribution costs represented exhibition and marketing expenses, product and public liability insurance cost and the respective personnel cost on the sales team. The costs for the Period Under Review was 27.9% higher than the Previous Period. It was primarily due to more sales activities in the post-pandemic recovery.

Administrative expenses of approximately HK$94,882,000

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

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

Provision for performance related incentive payments is calculated by applying the pre-agreed percentage on the overall financial performance of the Group for a financial year. Overall financial performance of the Group refers to the profit after taxes attributable to the owners of the company.

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

In the Previous Period, the Group has made a provision of redundancy cost of approximately HK$22,390,000. No such provision was made in the Period Under Review.

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

After taking out the effect of provision for performance related incentive payments in the Period Under Review and the provision of redundancy cost in the Previous Period, the day-to-day administrative expenses for the Period Under Review was approximately HK$78,801,000 which is lower than the Previous Period (the Previous Period: HK$85,923,000). It was mainly due to reduction in headcount during the Period Under Review and our continuous effort in controlling our operating costs in order to drive an improved performance.

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

BUSINESS REVIEWS - continued

Financial Review - continued

Reversals of impairment losses under expected credit loss model, net

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

	Year ended 31 December	
	2023	2022
	HK$'000	HK$'000
Trade debtors	212	(1,381)
Contract assets	(5,233)	209
Loans receivable	(4,175)	1,222
Investments in debt instruments	(1,927)	-
Deferred Consideration	395,911	58,900
	384,788	58,950

The Group recognized a reversal of impairment losses of approximately HK$395,911,000 (the Previous Period: HK$58,900,000) for Deferred Consideration.

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

The Group assesses impairment at the end of each reporting period by evaluating conditions that may lead to impairment of property, plant and equipment as well as right-of-use. Given that the property market prices have dropped in general for the 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$3,923,000

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

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

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

BUSINESS REVIEWS - continued

Financial Review - continued

Taxation of approximately HK$111,026,000

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

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

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

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

Deferred Consideration

Please refer to note 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 KTFG. Pursuant to 2022 Loan Facility Agreement, the Group provides an unsecured revolving loan facility of HK$80,000,000 bearing interest at Prime Rate for a term of three years commencing from the loan effective date and ending on 20 October 2025.

As at 31 December 2023, a loan of approximately HK$37,000,000 (31 December 2022: approximately HK$19,500,000) was drawn by KTFG in accordance with the terms of the 2022 Loan Facility Agreement. The average effective interest rate, which is equal to contractual interest rate, is 5.77% (the Previous Period: 5.14%) per annum.

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

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

BUSINESS REVIEWS - continued

Financial Review - continued

Loans receivable - continued

The carrying amount for each respective period is shown below:

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

Investments in debt instruments

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

No	Issuer	Bond Currency	Coupon rate	Maturity date	Carrying amount as at 31.12.2023 (HK$'000)	Bond Credit rating S&P's	Bond Credit rating Moody's	% to Group's total assets
1	Bank of Comm Co Ltd	RMB	3.15%	2024/12/13	18,798	A–	NR	0.9%
2	Henderson Land MTN Ltd	RMB	3.30%	2024/2/7	99,270	NR	NR	4.6%
3	Wharf REIC Finance BVI Ltd	RMB	2.95%	2024/1/19	23,094	NR	A2	1.1%
4	Wharf Finance BVI Ltd	RMB	3.25%	2024/1/14	54,907	NR	NR	2.6%
5	Sun Hung Kai Properties Capital Market Ltd	RMB	2.80%	2024/6/24	15,272	A+	NR	0.7%
6	Barclays Bank PLC	RMB	4.00%	2024/3/24	16,586	A–	NR	0.8%
7	Wharf REIC Finance BVI Ltd	RMB	3.85%	2024/4/6	55,132	NR	A2	2.6%
8	China Construction Bank Corp of London	RMB	3.40%	2024/5/17	22,115	NR	A1	1.0%
9	Standard Chartered Bank	RMB	3.58%	2025/8/25	55,150	NR	NR	2.6%
10	Sun Hung Kai Properties Capital Market Ltd	RMB	3.20%	2027/8/14	5,261	NR	NR	0.2%
11	NWD MTD Ltd	USD	5.88%	2027/6/16	3,877	NR	NR	0.2%
12	NWD Finance BVI Ltd	USD	6.15%	Perpetual	7,754	NR	NR	0.4%
13	HKSAR Gov't of PRC	RMB	3.00%	2025/1/11	11,052	A++	AA–	0.5%
14	Link Finance Cayman 2009 Ltd	RMB	3.55%	2025/11/14	88,454	A	A2	4.1%
15	Bank of China Ltd, HK Branch	RMB	2.93%	2025/3/27	71,803	A	NR	3.4%
16	China Education Group	RMB	4.00%	2026/4/19	2,194	AA	NR	0.1%
17	Shanghai Commercial Bank Ltd	RMB	6.38%	2033/2/28	1,929	NR	A1	0.1%
18	HSBC Holdings PLC	USD	8.00%	Perpetual	1,552	NR	NR	0.1%
19	Bank of East Asia Ltd	USD	6.75%	2027/3/15	19,366	A	A3	0.9%
20	Swire Properties MTN Financing Ltd	RMB	3.20%	2025/1/18	16,525	NR	A2	0.8%
21	HK Mortgage Corp Ltd	USD	5.05%	2024/2/23	30,928	AA+	NR	1.4%
22	Bank of East Asia Ltd	USD	6.75%	2027/3/15	5,810	A	A3	0.3%
	Total investment cost				626,829			
	Less: impairment losses under ECL model				(1,927)			
	Net carrying amount				624,902			

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

BUSINESS REVIEWS - continued

Financial Review - continued

Investments in debt instruments - continued

The carrying amount for each respective period is shown below:

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

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

Investments at FVTPL

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

As at 31 December 2023, the Group held 21 listed equity securities in Hong Kong with the fair value of HK$178.1 million.

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BUSINESS REVIEWS - continued

Financial Review - continued

Investments at FVTPL - continued

Company Name/Stock Code	Notes	Investment Cost HK$'000	Fair value as at 31 December 2023 HK$'000	% as compared to the Group's total assets as at 31 December 2023	Dividend received HK$'000	Fair value change HK$'000	Fair value as at 31 December 2022 HK$'000
China Mobile Ltd. (941)	(a)	102,739	129,600	6.06%	8,352	26,100	103,500
Others	(b)	111,975	48,536	2.28%	3,256	(18,354)	73,719
Total		214,714	178,136	8.34%	11,608	7,746	177,219

Notes:

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

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

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 2023 was HK$188,264,000 which was approximately HK$21,093,000 lower than the Previous Period. Please refer to note 24 of the financial information of this annual report for more details. The decrease was mainly due to the off-setting effect of (a) increase in trade creditors by approximately HK$10,820,000 (b) provision of approximately HK$22,390,000 of redundancy cost in late 2022 and (c) decrease in current portion of provision for performance related incentive payments payable to executive directors by approximately HK$5,500,000.

Contract liabilities

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

Accrued charges of approximately HK$3,501,000 under non-current liability in the Previous Period

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

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

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

The balance of approximately HK$2,405,000 represented deferred tax liabilities recognized for accelerated tax depreciation of approximately HK$45,000, credit of approximately HK$392,000 for impairment losses on assets, and withholding tax provision for dividend payable by a PRC subsidiary of approximately HK$2,752,000.

BUSINESS 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 increased from HK$189,166,000 in Previous Period to HK$197,697,000, representing 4.5% rise. Out of this total revenue, from the perspective of installation location, nearly 35.3% were shipments made to PRC (91.0% in Previous Period), 26.7% were shipments made to Korea (0.9% in Previous Period) and 17.1% were shipments made to the USA (0.6% in Previous Period).

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

According to a preliminary report released by IDC, worldwide smartphone shipments increased by 8.5% year over year in the fourth quarter of 2023 at shipment volume of approximately 326.1 million units. However, on an annual basis, worldwide shipments still recorded a drop of 3.2%.

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

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

Due to rounding, some figures may not add up precisely to the totals shown
Source: IDC Worldwide Quarterly Mobile Phone Tracker, January 15, 2024

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

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

BUSINESS REVIEWS - continued

Financial Review - continued

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

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

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

Electroplating Equipment-Surface Finishing ("SF") Sector

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

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

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

After experiencing a flat sales in year 2022, annual global car sales increased to 75.3 million units in 2023[1], up 11.9% on year-to-year basis. According to reports issued by VDA, top 5 countries for car sales were:

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

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

[1] Figure was extracted from a report issued by Scotiabank dated 8 February 2024

BUSINESS REVIEWS - continued

Financial Review - continued

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

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

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

Outlook

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

RESULTS

The results of the Group for the year ended 31 December 2023 are set out in the consolidated statement of profit or loss and other comprehensive income on page 20.

During the year ended 31 December 2023, the directors have declared and the Company has paid an interim dividend of approximately HK$6,028,000 (at HK$0.058 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 28 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

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 2023 or during the period from 1 January 2023 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 2023, 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 2023, 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
31 May 2024

Deloitte. 德勤

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 20 to 79, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the 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
31 May 2024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2023

	NOTES	2023 HK$'000	2022 HK$'000
Revenue - contracts with customers	6	393,328	319,673
Cost of sales		(317,834)	(290,010)
Gross profit		75,494	29,663
Other gains and losses	7	(32,102)	(46,536)
Other income		93,919	90,369
Selling and distribution costs		(12,597)	(9,852)
Administrative expenses		(94,882)	(108,313)
Reversals of impairment losses under expected credit loss model, net		384,788	58,950
Impairment of property, plant and equipment and right-of-use assets	11, 12	-	(12,982)
Finance costs	9	(3,923)	(4,898)
Profit (loss) before taxation		410,697	(3,599)
Taxation	8	(111,026)	(28,621)
Profit (loss) for the year	9	299,671	(32,220)
Other comprehensive expense			
Item that will not be reclassified subsequently to profit or loss:			
Reversal of revaluation of a property, net of tax effect	11, 29	-	(7,341)
Item that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operations		(7,495)	(47,985)
Other comprehensive expense for the year		(7,495)	(55,326)
Total comprehensive income (expense) for the year		292,176	(87,546)
Profit (loss) for the year attributable to:			
Owners of the Company		151,492	(16,182)
Non-controlling interests		148,179	(16,038)
		299,671	(32,220)
Total comprehensive income (expense) for the year attributable to:			
Owners of the Company		147,595	(44,288)
Non-controlling interests		144,581	(43,258)
		292,176	(87,546)

KARFUN INVESTMENTS LIMITED
佳帆投資有限公司

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2023

	NOTES	2023 HK$'000	2022 HK$'000
Non-current assets			
Property, plant and equipment	11	75,869	30,321
Right-of-use assets	12	95	-
Investment properties	13	779,718	-
Deferred Consideration	14	88,402	328,616
Loans receivable	15	41,096	34,591
Investments in debt instruments	16	288,799	461,045
Interests in associates	17	-	-
		1,273,979	854,573
Current assets			
Inventories	18	20,671	27,009
Loans receivable	15	6,949	-
Contract assets	19	64,148	71,941
Debtors and prepayments	20	118,439	102,704
Investments at fair value through profit or loss ("FVTPL")	21	178,136	177,219
Amounts due from associates	22	104	83
Taxation recoverable		1,764	1,251
Investments in debt instruments	16	336,103	67,257
Bank deposits	23	-	271,930
Bank balances and cash	23	139,845	245,425
		866,159	964,819
Current liabilities			
Creditors and accrued charges	24	188,264	209,357
Other payables	14, 15	142,689	201,000
Warranty provision	25	19,918	14,361
Contract liabilities	19	83,113	89,631
Lease liabilities	26	2,304	2,050
Bank borrowing	27	31,628	-
Taxation payable		167,241	8,176
		635,157	524,575
Net current assets		231,002	440,244
Total assets less current liabilities		1,504,981	1,294,817

	NOTES	2023 HK$'000	2022 HK$'000
Capital and reserves			
Share capital	28	21,118	21,118
Reserves		736,087	594,487
Equity attributable to owners of the Company		757,205	615,605
Non-controlling interests		715,874	577,085
Total equity		1,473,079	1,192,690
Non-current liabilities			
Accrued charges	24	-	3,501
Warranty provision	25	4,190	2,913
Lease liabilities	26	3,206	5,511
Deferred tax liabilities	29	24,506	90,202
		31,902	102,127
		1,504,981	1,294,817

The consolidated financial statements on pages 20 to 79 were approved and authorised for issue by the Board of Directors on 31 May 2024.

LAM KWOK HING
DIRECTOR

NAM KWOK LUN
DIRECTOR

KARFUN INVESTMENTS LIMITED
佳帆投資有限公司

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2023

	Attributable to owners of the Company											
	Share capital HK$'000	Share premium HK$'000	Property revaluation reserve HK$'000 (Note i)	Statutory reserve HK$'000 (Note ii)	Shareholder's contribution HK$'000	translation reserve HK$'000	Currency Capital contribution HK$'000 (Note iii)	Other reserve HK$'000	Retained profits HK$'000	Subtotal HK$'000	Attributable to non-controlling interests HK$'000	Total HK$'000
At 1 January 2022	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
Profit for the year	-	-	-	-	-	-	-	-	151,492	151,492	148,179	299,671
Exchange difference arising on translation of foreign operations	-	-	-	-	-	(3,864)	-	-	-	(3,864)	(3,631)	(7,495)
Total comprehensive income for the year	-	-	-	-	-	(3,864)	-	-	151,492	147,628	144,548	292,176
Dividends (note 10)	-	-	-	-	-	-	-	-	(6,028)	(6,028)	-	(6,028)
Dividends paid by subsidiaries to its non-controlling interests	-	-	-	-	-	-	-	-	-	-	(5,759)	(5,759)
At 31 December 2023	21,118	45,654	-	6,791	1,244	50,171	571	21,368	610,288	757,205	715,874	1,473,079

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 2023

	NOTES	2023 HK$'000	2022 HK$'000
OPERATING ACTIVITIES			
Profit (loss) before taxation		410,697	(3,599)
Adjustments for:			
Interest income on bank deposits		(2,635)	(11,333)
Interest income from investments in debt instruments		(25,175)	(14,018)
Finance costs		3,923	4,898
Dividend income		(11,608)	(11,940)
Depreciation of property, plant and equipment		2,132	3,484
Depreciation of right-of-use assets		874	4,877
Allowance for (reversals of) slow moving inventories, net		265	(587)
Reversals of impairment losses under expected credit loss model, net		(384,788)	(58,950)
Impairment loss of property, plant and equipment	11	-	12,982
(Gain) loss on disposal of property, plant and equipment		(299)	21
Gain arising from early termination of a lease contract		(548)	-
Net change in fair value of investments at FVTPL		(7,746)	(7,510)
Change in fair value of investment properties		28,459	-
Provision for warranty, net of reversal		12,966	12,178
Net exchange loss		8,723	54,025
Interest income on Deferred Consideration	14	(45,764)	(45,498)
Operating cash flows before movements in working capital		(10,524)	(60,970)
Decrease in inventories		6,876	10,306
Decrease in contract assets		2,560	12,207
(Increase) decrease in loans receivable		(17,629)	23,468
(Increase) decrease in debtors and prepayments		(10,687)	1,327
Decrease in creditors and accrued charges		(31,707)	(3,899)
Utilisation of warranty provision		(6,132)	(11,158)
(Decrease) increase in contract liabilities		(6,518)	58,744
Cash (used in) from operations		(73,761)	30,025
Income tax paid		(16,049)	(5,989)
NET CASH (USED IN) FROM OPERATING ACTIVITIES		(89,810)	24,036

	NOTES	2023 HK$'000	2022 HK$'000
INVESTING ACTIVITIES			
Return of security money in respect of Deferred Consideration		(200,000)	-
Receipts of penalty interest in respect of Deferred Consideration	14	23,838	31,373
Net cash inflows from acquisitions of subsidiaries	37	1,301	-
Transaction costs paid associated with Deferred Consideration		(21,799)	-
Investments in debt instruments		(318,401)	(560,250)
Proceeds from disposal or redemption of investments in debt instruments		211,118	6,195
Withdrawal of bank deposits		554,348	2,375,945
Placement of bank deposits		(282,418)	(1,911,084)
Interest received		28,571	14,359
Purchase of property, plant and equipment		(7,544)	(1,949)
Proceeds from disposal of property, plant and equipment		299	-
Additions of investments at FVTPL		(1,309)	(392,736)
Proceeds from disposals of investments at FVTPL		8,138	255,824
Account balances placed with the broker, net		(4,397)	(756)
Advance to an associate		(21)	(17)
Dividend received from investments at FVTPL		11,608	11,940
NET CASH FROM (USED IN) INVESTING ACTIVITIES		3,332	(171,156)
FINANCING ACTIVITIES			
Proceeds from bank borrowings		114,750	113,052
Repayment of bank borrowings		(114,963)	(113,052)
Interest paid		(2,005)	(570)
Repayment of lease liabilities		(2,371)	(8,454)
Repurchase of shares of non-controlling interests by a subsidiary		-	(34,066)
Dividend paid		(6,028)	(7,068)
Dividend paid to non-controlling shareholders of subsidiaries		(5,759)	(6,722)
NET CASH USED IN FINANCING ACTIVITIES		(16,376)	(56,880)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(102,854)	(204,000)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		245,425	462,290
EFFECT ON FOREIGN EXCHANGE RATE CHANGES		(2,726)	(12,865)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		139,845	245,425
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS			
Bank balances and cash		139,845	245,425

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 35.

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 NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

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

In the current year, the Group has applied, the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), for the first time, which are mandatory effective for the Group's annual period beginning on 1 January 2023 for the preparation of the consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform - Pillar Two Model Rules
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies

The application of the new and amendments to HKFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years.

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

Amendments to HKFRSs in issue but not yet effective

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

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

[1] Effective for annual periods beginning on or after a date to be determined.
[2] Effective for annual periods beginning on or after 1 January 2024.
[2] Effective for annual periods beginning on or after 1 January 2025.

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

3. MATERIAL ACCOUNTING POLICY INFORMATION

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA 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.

3. MATERIAL ACCOUNTING POLICY INFORMATION - continued

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

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

Basis of consolidation

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

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

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

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

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

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

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

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

3. MATERIAL ACCOUNTING POLICY INFORMATION - continued

Acquisition of a subsidiary not constituting a business

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

Revenue from contracts with customers

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

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

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

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

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

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

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

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

3. MATERIAL ACCOUNTING POLICY INFORMATION - continued

Revenue from contracts with customers - continued

Warranties

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

Incremental costs of obtaining a contract

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

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

Inventories

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

Investment properties

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

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

Property, plant and equipment

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

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

3. MATERIAL ACCOUNTING POLICY INFORMATION - continued

Property, plant and equipment - continued

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

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

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

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

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

Borrowing costs

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

Taxation

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

3. MATERIAL ACCOUNTING POLICY INFORMATION - continued

Taxation - continued

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

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

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

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

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

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

Current and deferred tax are recognised in profit or loss.

Employee benefits

Retirement benefit costs

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

3. MATERIAL ACCOUNTING POLICY INFORMATION - continued

Employee benefits - continued

Short-term and long-term employee benefits

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

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

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

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

Termination benefits

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

Financial instruments

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

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

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

3. MATERIAL ACCOUNTING POLICY INFORMATION - continued

Financial instruments - continued

Financial assets

Classification and subsequent measurement of financial assets

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

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

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period.

(ii) Financial assets at FVTPL

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

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

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

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

3. MATERIAL ACCOUNTING POLICY INFORMATION - continued

Financial instruments - continued

Financial assets - continued

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

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade debtors and contract assets. The ECL on these assets are assessed individually by reference to past default experience and current past due exposure of the debtor, and an analysis of the debtor's current financial position and also collectively for which debtors are grouped based on shared credit risk characteristics for assessment of potential increase in credit risk on a collective basis taking into consideration of forward-looking information that is available without undue costs or effort.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

3. MATERIAL ACCOUNTING POLICY INFORMATION - continued

Financial instruments - continued

Financial assets - continued

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

(i) Significant increase in credit risk - continued

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

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

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

(ii) Definition of default

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

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.

3. MATERIAL ACCOUNTING POLICY INFORMATION - continued

Financial instruments - continued

Financial assets - continued

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

(iii) Credit-impaired financial assets

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

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

(iv) Write-off policy

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

(v) Measurement and recognition of ECL

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

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

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.

3. MATERIAL ACCOUNTING POLICY INFORMATION - continued

Financial instruments - continued

Financial assets - continued

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

(v) Measurement and recognition of ECL - continued

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

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

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

Derecognition

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

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

Financial liabilities and equity

Classification as debt or equity

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

Equity instruments

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

3. MATERIAL ACCOUNTING POLICY INFORMATION - continued

Financial instruments - continued

Financial liabilities and equity - continued

Financial liabilities at amortised cost

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

Derecognition

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

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

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

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

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or a CGU) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under that standard.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation. Provisions for the expected cost of assurance-type warranty obligations under the relevant contracts with customers for sales of custom-built electroplating machinery and other industrial machinery are recognised at the date of sale of the relevant products, at the directors' best estimate of the expenditure required to settle the Group's obligation.

3. MATERIAL ACCOUNTING POLICY INFORMATION - continued

Provisions - continued

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

4. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Critical judgment in applying accounting policies

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

Revenue recognition on contract works over time

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

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

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 33 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 and are updated at the end of each reporting period date. The measurement of ECL is sensitive to changes in estimates. Further information about the ECL measurement of Deferred Consideration are disclosed in note 33.

Fair value of investment properties

Investment properties are stated at fair value based on the valuation performed by independent professional valuers. Fair value of investment properties is derived by direct comparison approach. The determination of the fair value involves certain inputs and estimates of market conditions which are set out in note 13. Changes to these assumptions would result in changes in the fair values of the Group's investment properties and the corresponding adjustments to profit or loss. As at 31 December 2023, the carrying amount of the Group's investment properties is HK$779,718,000.

Revenue recognition on contract works over time

Revenue from contract works in respect of design, manufacturing and sales of custom-built electroplating machinery and other industrial machinery, which is individually built to customer order and unique specifications, is recognised using input method, which is to recognise revenue on the basis of the Group's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation. Accordingly, revenue recognition involves a significant degree of estimates, with estimates being made to the actual inputs and the total expected inputs to the satisfaction of that performance obligation. Any change to the total expected inputs to the satisfaction of that performance obligation may have material impact on the contract revenue recognised in each accounting period over the contract term. The revenue from contract works amounted to HK$319,373,000 (2022: HK$243,643,000) for the year ended 31 December 2023.

5. 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

	2023 HK$'000	2022 HK$'000
Types of goods or services		
Contract works in respect of design, manufacturing and sales of custom-built electroplating machinery and other industrial machinery		
- Printed Circuit Boards	197,697	189,166
- Surface Finishing	121,676	54,477
	319,373	243,643
Sales of spare parts of electroplating machinery	11,212	9,166
Provision of services - repairs, maintenance and modification	62,743	66,864
Total	393,328	319,673

6. REVENUE - continued

(i) Disaggregation of revenue from contracts with customers - continued

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

Geographical information

	2023 HK$'000	2022 HK$'000
PRC	166,281	238,357
Korea	56,826	13,852
Mexico	53,408	15,928
The United States of America	39,214	15,496
Philippines	23,137	-
The United Kingdom	11,146	1,004
India	10,361	2,186
Taiwan	9,867	12,867
Russia	8,030	11,597
Australia	4,246	-
Singapore	3,905	2,627
Canada	3,553	1,847
Turkiye	1,185	-
Germany	257	402
Slovakia	240	767
Macedonia	45	607
France	6	705
Others	1,621	1,431
	393,328	319,673

6. REVENUE - continued

(ii) Performance obligations for contracts with customers

The Group recognises revenue from the following sources:

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

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

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 - continued

(b) Sales of spare parts of electroplating machinery

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

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

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

The Group 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 2023 and 2022 have original expected duration of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied performance obligations is not disclosed.

7. OTHER GAINS AND LOSSES

	2023 HK$'000	2022 HK$'000
Net change in fair value of investments at FVTPL	7,746	7,510
Net exchange loss	(12,329)	(54,025)
Gain (loss) on disposal of property, plant and equipment	299	(21)
Change in fair value of investment properties	(28,459)	-
Others	641	-
	(32,102)	(46,536)

8. TAXATION

	2023 HK$'000	2022 HK$'000
Hong Kong Profits Tax	1,400	-
PRC Enterprise Income Tax	167,558	9,747
PRC withholding tax	5,643	-
	174,601	9,747
Deferred tax (credit) charge (note 29)	(63,575)	18,874
	111,026	28,621

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

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

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

	2023 HK$'000	2022 HK$'000
Profit (loss) before taxation	410,697	(3,599)
Taxation at the income tax rate of 16.5% (2022: 16.5%)	67,765	(594)
Tax effect of expenses not deductible for tax purpose	3,557	12,164
Tax effect of income not taxable for tax purpose	(1,369)	(3,173)
Tax effect of tax losses not recognised	16,069	16,722
Tax effect of utilisation of tax losses previously not recognised	(5,185)	(7,681)
Tax effect of deductible temporary difference not recognised	6,993	2,142
Withholding tax for income derived from a PRC subsidiary (note 29)	(5,643)	-
Effect of different tax rates of subsidiaries operating in other jurisdictions	28,839	8,120
Others	-	921
Taxation for the year	111,026	28,621

9. PROFIT (LOSS) FOR THE YEAR

	2023 HK$'000	2022 HK$'000
Profit (loss) for the year has been arrived at after charging (crediting):		
Auditor's remuneration	1,581	1,551
Cost of inventories recognised as expenses (note i)	217,713	188,493
Gross rental income from investment properties	(1,177)	-
Less: direct operating expense from investment properties that generated rental income during the year	2,884	-
	1,707	-
Depreciation of property, plant and equipment	2,132	3,484
Depreciation of right-of-use assets	874	4,877
Staff costs:		
Directors' fee	300	300
Directors' salaries and other benefits	13,200	13,200
Provision for performance related incentive payments	16,081	-
Salaries and allowances	89,217	98,965
Contributions to retirement benefits schemes	1,642	1,607
Termination benefits	-	22,390
	120,440	136,462
(Reversals of impairment losses) impairment losses for financial assets and contract assets, net:		
- Trade debtors	(212)	1,381
- Contract assets	5,233	(209)
- Loans receivable	4,175	(1,222)
- Investments in debt instruments	1,927	-
- Deferred Consideration	(395,911)	(58,900)
	(384,788)	(58,950)
Finance costs:		
Interest on lease liabilities	465	235
Imputed interest on non-current portion of provision for performance related incentive payments (note 24)	1,918	4,328
Interest on bank borrowings	1,540	335
	3,923	4,898
Interest income from financial assets at amortised cost (included in other income):		
loans receivable	(2,106)	(2,867)
Deferred Consideration (note 14)	(45,764)	(45,498)
Investments in debt instruments	(25,175)	(14,018)
Bank deposits	(2,635)	(11,333)
	(75,680)	(73,716)
Dividend income (included in other income)	(11,608)	(11,940)
Government grants (included in other income)	(17)	(2,746)

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

10. DIVIDENDS

During the year ended 31 December 2023, the directors of the Company have declared and the Company has paid an interim dividend of HK$6,028,000 (at HK$0.058 per share) (2022: HK$7,068,000 (at HK$0.068 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 2022	83,841	30,730	53,264	21,239	189,074
Currency realignment	-	(102)	(1,177)	(413)	(1,692)
Additions	-	-	431	1,518	1,949
Disposals	-	-	(209)	-	(209)
At 31 December 2022	83,841	30,628	52,309	22,344	189,122
Currency realignment	-	(161)	(212)	(75)	(448)
Additions	-	5,514	1,347	683	7,544
Additions associated with Deferred Consideration (note 14)	40,174	-	-	-	40,174
Disposals	-	(20)	(5,192)	(694)	(5,906)
At 31 December 2023	124,015	35,961	48,252	22,258	230,486
COMPRISING					
At cost	88,303	35,961	48,252	22,258	194,774
At valuation - 31 March 1992	35,712	-	-	-	35,712
	124,015	35,961	48,252	22,258	230,486
DEPRECIATION AND IMPAIRMENT					
At 1 January 2022	39,281	30,591	51,833	20,526	142,231
Currency realignment	-	(95)	(945)	(356)	(1,396)
Provided for the year	1,541	74	1,181	688	3,484
Impairment recognised	13,852	58	328	432	14,670
Eliminated on disposals	-	-	(188)	-	(188)
At 31 December 2022	54,674	30,628	52,209	21,290	158,801
Currency realignment	-	(123)	(212)	(75)	(410)
Provided for the year	1,168	225	183	556	2,132
Eliminated on disposals	-	(20)	(5,192)	(694)	(5,906)
At 31 December 2023	55,842	30,710	46,988	21,077	154,617
CARRYING AMOUNTS					
At 31 December 2023	68,173	5,251	1,264	1,181	75,869
At 31 December 2022	29,167	-	100	1,054	30,321

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%

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

During the year ended 31 December 2022, the management conducted an impairment review on the related assets of the CGU which is engaged in Electroplating Machinery Business in view of the negative impact on the Group's performance considering the current market condition. The recoverable amount of the CGU of the Electroplating Machinery Business has been determined on the basis of value in use calculation. The key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which included budgeted revenue and gross margin, such estimation was based on the CGU's past performance and management's expectations for the market development. Impairment loss amounting to HK$9,249,000 and HK$7,561,000 are recognised against the carrying amount of property, plant and equipment and rights-of-use assets are charged to other comprehensive income and profit or loss respectively. The directors of the Company consider there is no indicator for additional impairment or reversal of previously provided impairment at 31 December 2023.

With regards to the condition of the property market in Hong Kong, the Group has also performed an impairment assessment of the residential units in Hong Kong which are classified as property, plant and equipment and not allocated to operating segment. At 31 December 2023, the recoverable amount of the buildings amounted to HK$27,193,000 (2022: HK$27,995,000) which is based on its fair value less costs of disposal. Accordingly, impairment loss amounting to nil (2022: HK$5,421,000) is recognised in profit or loss. The fair value of the properties are determined based on comparable market transactions that are categorised within level 3 of the fair value hierarchy.

12. RIGHT-OF-USE ASSETS

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

12. RIGHT-OF-USE ASSETS - continued

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

Lease liabilities of HK$5,510,000 are recognised with related right-of-use assets of HK$95,000 (net of impairment of HK$5,605,000) as at 31 December 2023 (2022: lease liabilities of HK$7,561,000 are recognised with related right-of-use assets of HK$nil (net of impairment of HK$7,561,000)) attributable to new leases entered into or renewal of the existing leased properties during the year. This constitute the Group's major non-cash transaction during the year. The lease agreements do not impose any covenants other than security interests in the leased assets that are held by the lessor and the relevant leased assets may not be used as security for borrowing purposes.

Impairment assessment of right-of-use assets are set out in note 12.

13. INVESTMENT PROPERTIES

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

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

	HK$'000
FAIR VALUE	
At 1 January 2023	-
Additions associated with Deferred Consideration (note 14) and related transaction costs	629,720
Additions through acquisitions of subsidiaries (notes 14 and 37) and related transaction costs	175,440
Currency realignment	3,017
Net decrease in fair value recognised in profit or loss	(28,459)
At 31 December 2023	779,718

13. INVESTMENT PROPERTIES - continued

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

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

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

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

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

14. DEFERRED CONSIDERATION

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

On 7 August 2011, a wholly-owned subsidiary of the Company entered into an agreement with an independent third party (together with its associates, defined as the "Counterparty") in relation to a re-development plan of two parcels of industrial lands located in Bao An District, Shenzhen, the PRC from industrial land into residential properties for resale. The Group has undertaken a series of negotiations with the Counterparty on the settlement scheme. On 28 June 2019 and 9 September 2019, the negotiation was finalised and the Group is offered a guaranteed cash consideration of RMB2,750,000,000 (equivalent to approximately HK$3.1 billion) payable by six tranches which are due within on or before 6 January 2020 to on or before 5 January 2023. The Deferred Consideration is measured at amortised cost using the effective interest method, less any impairment. As at 31 December 2023 and 2022, the aggregate outstanding instalment payments amounted to RMB1,550,000,000 has been defaulted.

During the years ended 31 December 2023 and 2022, the Group has negotiated with the Counterparty to obtain collaterals in order to reduce its loss exposure. There are no other changes to the terms of the agreement or settlement scheme including the repayment terms and the late payment penalty terms since the default of the Counterparty, in which the Group is entitled to charge RMB50,000 per day for the first six months from the date of default and RMB100,000 per day from the seventh month from the date of default. Interest income of HK$45,764,000 (2022: HK$45,498,000) is recognised by applying the effective interest rate to the amortised cost of the Deferred Consideration. During the years ended 31 December 2023 and 2022, the Group has not received any cash settlement from the Counterparty apart from the penalty interest. In addition, the Group has obtained titles of properties situated in the PRC (comprising of investment properties and leasehold land and buildings) with an aggregate amount of RMB588,857,000 (approximately HK$647,032,000 at respective dates of transaction) which resulted in a corresponding reduction in gross amount.

14. DEFERRED CONSIDERATION - continued

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

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

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

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

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

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

15. LOANS RECEIVABLE

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

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

15. LOANS RECEIVABLE - continued

Notes:

(a) The Group entered into loan facility agreements ("Loan Facility Agreement") with Karl Thomson Financial Group Limited ("KTFG"), which is a wholly-owned subsidiary of Wisdom Wealth Resources Investment Holding Group Limited ("Wisdom Wealth Resources"). Mr. Lam Kwok Hing, an executive director and the ultimate controlling shareholder of the Company, was the directors of KTFG and Wisdom Wealth Resources during the current year. Pursuant to the Loan Facility Agreement, the Group provides an unsecured revolving loan facility of HK$80,000,000 bearing interest at prime rate as announced from time to time by The Hongkong and Shanghai Banking Corporation Limited for lending Hong Kong Dollars ("HSBC Prime Rate") for a term of three years commencing from the loan effective date and ending on 20 October 2025. As at 31 December 2023, a loan of HK$37,000,000 (2022: HK$19,500,000) was drawn by KTFG according to the terms of the Loan Facility Agreement. The average effective interest rate, which is equal to contractual interest rate, is 5.77% (2022: 5.14%) per annum.

(b) A loan amounted HK$7,500,000 (2022: HK$7,500,000) as at 31 December 2023 was granted under a revolving loan facility agreement of HK$20,000,000 with an independent third party as entered in May 2022. The loan bears interest at HSBC Prime Rate plus 3% per annum for the first HK$3,500,000 and HSBC Prime Rate beyond HK$3,500,000 and secured by a first mortgage of a property as provided by the borrower and matures on 6 May 2024.

(c) A loan amounted HK$13,000,000 was granted under a loan agreement with an independent third party with outstanding principal amount of HK$12,982,000 (2022: HK$12,982,000) at 31 December 2023, which is repayable in full in December 2025. The loan bears interest at HSBC Prime Rate for a portion of HK$6,500,000 and 2.2% per annum for the remaining portion and secured by a second mortgage of a property owned by the spouse of the borrower. At 31 December 2023 and 2022, the borrower also provided an additional cash security of HK$1,000,000 and such amount is included as "other payable" on the consolidated statement of financial position.

As at 31 December 2023, impairment losses under ECL model of loans receivable of HK$9,608,000 (2022: HK$5,433,000) are recognised. Details of the impairment assessment of loans receivable are set out in note 33.

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 8.00% (2022: 2.80% to 6.15%) and matures in January 2024 to February 2033 (2022: September 2023 to March 2027). The investments are held within a business model whose objective is to hold the debt instruments in order to collect contractual cash flows and the contractual terms give rise on specific dates to cash flows that are solely payments of principals and interest on the principal amount outstanding and therefore are subsequently measured at amortised cost.

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

17. INTERESTS IN ASSOCIATES

	2023 HK$'000	2022 HK$'000
Cost of investments in associates		
Unlisted	3,627	3,627
Share of post-acquisition results, net of dividend received	(1,918)	(1,918)
Less: Impairment provided	(1,709)	(1,709)
Share of net assets	-	-

Details of the Group's associates as at 31 December 2023 and 2022 are as follows:

Name of associates	Place of business structure	Country of incorporation	Proportion of nominal value of issued capital held by the Group indirectly 2023	2022	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

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

19. CONTRACT ASSETS/LIABILITIES

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

19. CONTRACT ASSETS/LIABILITIES - continued

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

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

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

The Group's contract works include payment schedules which require milestone payments over the construction period once certain specified milestones are reached. The Group requires customers to provide upfront deposits as part of its credit risk management policies. The Group typically transfers the milestone payments to trade debtors when it becomes unconditional. The Group is entitled to receive the final acceptance payment upon the final acceptance of the completion of contract works by customers. The Group classifies these contract assets as current because the Group expects to realise them in its normal operating cycle. Details of the impairment assessment of contract assets are set out in note 33.

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

Provision of services - repairs, maintenance and modification

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

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

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

20. DEBTORS AND PREPAYMENTS

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

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

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

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

As at 31 December 2023, excluding credit-impaired trade debtors balance, included in the Group's trade debtors balance are debtors with gross amount of HK$26,483,000 (2022: HK$8,725,000) with allowance for credit losses of HK$206,000 (2022: HK$119,000) in aggregate which are past due as at the reporting date. Out of the past due balances, HK$1,321,000 (2022: HK$897,000) with allowance for credit losses of HK$145,000 (2022: HK$89,000) has been past due 90 days or more and is not considered as in default as these customers have a good business relationship with the Group with satisfactory settlement history of recurring overdue records and, no history of default of these relevant customers. The Group does not hold any collateral over these balances.

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

21. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

Investments at FVTPL as at 31 December 2023 and 2022 represent equity securities listed in Hong Kong. The fair values of the investments are determined based on the quoted market bid prices available on the Stock Exchange. The fair value of investments is classified as Level 1 of fair value hierarchy.

22. AMOUNTS DUE FROM ASSOCIATES

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

23. BANK DEPOSITS AND BANK BALANCES

As at 31 December 2022, bank deposits represent time deposits denominated in HKD, RMB and USD, which are held with several banks in Hong Kong for investment purposes, carry fixed interest ranging from 0.72% to 4.76% (2023: Nil) per annum.

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

24. CREDITORS AND ACCRUED CHARGES

	2023 HK$'000	2022 HK$'000
Trade creditors	104,161	93,341
Accrued staff costs	17,941	43,247
Accrued transaction costs associated with Deferred Consideration	2,988	-
Commission payables to sales agents	9,403	15,185
Provision for performance related incentive payments	27,072	36,073
Rental deposits received	1,373	-
Other creditors and accrued charges for operating costs	25,326	25,012
	188,264	212,858
Less: Non-current portion of provision for performance related incentive payments	-	(3,501)
	188,264	209,357

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

25. WARRANTY PROVISION

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

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

26. LEASE LIABILITIES

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

27. BANK BORROWING

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

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

28. SHARE CAPITAL

	Number of shares	Share capital HK$'000
Issued and fully paid:		
At 1 January 2022, 31 December 2022 and 31 December 2023	103,938,695	21,118

29. DEFERRED TAXATION

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

	Deferred Consideration HK$'000	Withholding taxes HK$'000	Impairment losses on assets HK$'000	Accelerated tax depreciation HK$'000	Revaluation of of properties HK$'000	Total HK$'000
At 1 January 2022	70,782	9,172	(1,121)	45	1,908	80,786
Charge to profit or loss (note 8)	26,100	-	-	-	-	26,100
Credit to property revaluation reserve	-	-	-	-	(1,908)	(1,908)
Transfer to current tax	(7,955)	-	729	-	-	(7,226)
Currency realignment	(6,773)	(777)	-	-	-	(7,550)
At 31 December 2022	82,154	8,395	(392)	45	-	90,202
Charge to profit or loss (note 8)	110,419	-	-	-	-	110,419
Transfer to current tax	(168,351)	(5,643)	-	-	-	(173,994)
Currency realignment	(2,121)	-	-	-	-	(2,121)
At 31 December 2023	22,101	2,752	(392)	45	-	24,506

At 31 December 2023, the Group had estimated unused tax losses and deductible temporary differences relating to asset impairment of HK$574,438,000 (2022: HK$534,547,000) and HK$14,012,000 (2022: HK$14,012,000) respectively available for offset against future profits. No deferred tax asset has been recognised due to the uncertainty of future profits streams. The tax losses may be carried forward indefinitely.

Deferred tax on withholding tax is provided based on the expectation of distribution of earnings of the PRC subsidiary. Deferred tax has not been provided for in the consolidated financial statements in respect of the temporary differences attributable to the undistributed profits after 1 January 2008 amounting to HK$3,706,000 (2022: HK$42,782,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

30. OPERATING LEASE ARRANGEMENTS

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

Undiscounted lease payment receivables on leases are as follows:

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

31. PLEDGE OF ASSETS

As at 31 December 2022, the Group utilised HK$434,000 (2023: Nil) of the banking facilities for the issuance of shipping guarantee by banks to the customers of the Group and import letters of credits by banks to the suppliers of the Group.

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

32. 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 2023. The maximum number of shares issuable under the Scheme to each participant in any 12-month period up to the date of grant shall not exceed 1% of the shares unless it is approved by shareholders in a general meeting of 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 2023.

33. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2023 HK$'000	2022 HK$'000
Financial assets		
Amortised cost	976,408	1,469,701
FVTPL	179,632	177,219
Financial liabilities		
Amortised cost	308,165	319,353

Financial risk management objectives and policies

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

Currency risk

During the current year, the Group has utilised the bank deposits (details set out in note 23) to invest in debt instruments which are denominated in RMB and over 80% of investments in debt instruments (note 16) as at 31 December 2023 are denominated in RMB.

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

The carrying amounts of the group's 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	
	2023 HK$'000	2022 HK$'000	2023 HK$'000	2022 HK$'000
Sterling Pound ("GBP")	7,410	5,720	563	539
New Taiwan Dollars ("NTD")	1,263	1,263	41	20
United States Dollars ("USD")	102,531	60,348	11,107	9,257
Renminbi ("RMB")	605,844	730,183	22	22

33. 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	
	2023	2022
	HK$'000	HK$'000
HKD against RMB	125,294	169,826

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% (2022: 10%) increase and decrease in relevant foreign currencies against the functional currency of the relevant group entities. 10% (2022: 10%) is the sensitivity rate used that represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 10% (2022: 10%) change in foreign currency rates. A positive number below indicates an increase in post-tax profit (2022: a decrease in post-tax loss) for the year where relevant currencies strengthen 10% (2022: 10%) against the functional currency of the relevant group entities. For a 10% (2022: 10%) weakening of relevant currencies against the functional currency of the relevant group entities, there would be an equal and opposite impact on the result.

	Profit or loss	
	2023	2022
	HK$'000	HK$'000
GBP against HKD	572	433
NTD against HKD	102	104
RMB against HKD	50,586	60,968
HKD against RMB	10,462	14,180

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

33. 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 2023 (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 and bank borrowing outstanding at the end of the reporting period were outstanding for the whole year. A 200 basis points (2022: 200 basis points) increase or decrease represents management's assessment of the reasonably possible change in interest rates.

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

Equity price risk

The Group is exposed to potential loss in market value resulting from an adverse change in prices through its investments at FVTPL. Management manages this exposure by closely monitoring the performance of the investments and market conditions. Management will consider diversifying the portfolio of investments as they consider appropriate. The Group's stock portfolio mainly comprise of blue chip companies which allows the Group to increase the return of the funds. At 31 December 2023, the largest equity investment within the Group's portfolio is a leading telecommunication service provider in the PRC which accounts for over 70% (2022: 60%) of the carrying amount of investments at FVTPL.

33. 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 FVTPL at the end of the reporting period.

If the prices of the respective equity instruments had been 20% (2022: 20%) higher/lower, the Group's post-tax profit for the year ended 31 December 2023 would increase/decrease by HK$35,627,000 (2022: post-tax loss for the year would decrease/increase by HK$35,444,000) as a result of the changes in fair value of investments at FVTPL.

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

33. FINANCIAL INSTRUMENTS - continued

Financial risk management objectives and policies - continued

Credit risk and impairment assessment - continued

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

The tables below details the credit risk exposures of the Group's financial assets and other items which are subject to ECL assessment:

	Notes	External credit rating	Internal credit rating	12m or lifetime ECL	Gross amount 2023 HK$'000	Gross amount 2022 HK$'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		1,321	874
			Medium risk		25,162	7,851
			Low risk		24,022	30,952
					50,505	39,677
	20	N/A	Loss	Lifetime ECL (credit-impaired and assessed individually)	1,497	2,377
Deferred Consideration (note ii)	14	N/A	Loss	Lifetime ECL (credit-impaired and assessed individually)	940,396	1,590,971
Loans receivable	15	N/A	Low risk	12m ECL (assessed individually)	44,500	27,000
	15	N/A	High risk	Lifetime ECL (not credit-impaired and assessed individually)	-	13,024
	15	N/A	Loss	Lifetime ECL (credit-impaired and assessed individually)	13,153	-
Investments in debt instruments	16	A	N/A	12m ECL (assessed individually)	626,829	528,302
Other debtors	20	N/A	Low risk	12m ECL (assessed individually)	24,793	20,597
Amounts due from associates	22	N/A	Low risk	12m ECL (assessed individually)	104	83
Bank deposits and bank balances and cash	23	Aa2 to Baa3	N/A	12m ECL (assessed individually)	139,845	517,355
Other items						
Contract assets	19	N/A	(note i)	Lifetime ECL (assessed individually and collectively)		
				- Low risk	48,246	72,656
				- High risk	21,850	-
Loan commitment	15	N/A	(note iii)	12m ECL (assessed individually)	55,500	73,000

33. FINANCIAL INSTRUMENTS - continued

Financial risk management objectives and policies - continued

Credit risk and impairment assessment - continued

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

Notes:

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

(ii) For the loan commitment, the gross carrying amount represents the maximum undrawn amount the Group has committed under the relevant loan facility agreements as set out in note 17.

The estimated loss rates are estimated based on historical credit loss experience of the debtors and forward-looking information (for example, the economic growth rates which reflect the general economic conditions of the industry in which the debtors operate) that is available without undue cost or effort or proxy to loss rates published by international credit-rating agencies. Such forward-looking information is used by the management of the Group to assess both the current as well as the forecast direction of conditions at the reporting date. The internal credit rating categories are regularly reviewed by the management of the Group to ensure relevant information about specific debtors is updated.

Investments in debt instruments

The Group has utilised its idle cash to invest in fixed income instruments. The Group only invests in bonds with investment grade assigned by internationally recognised credit rating agencies and/or issued by reputable companies or issuers with stable industry outlook. These issuers of the bonds are mainly largest property companies in Hong Kong, global leading financial institutions as well as the Hong Kong Government entities. As such, there has been no significant increase in credit risk since initial recognition and the 12m ECL amounted to HK$1,927,000 (2022: nil) at 31 December 2023.

33. FINANCIAL INSTRUMENTS - continued

Financial risk management objectives and policies - continued

Credit risk and impairment assessment - continued

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

Deposits placed with banks

The Group only placed deposits in reputable banks with high credit ratings assigned by the international rating agencies. The Group's bank deposits and bank balances are mainly deposited with banks in Hong Kong and the PRC. The Group had concentration of credit risk as 65% and 34% (2022: 62% and 37%) of the total bank balances as at 31 December 2023 was placed in the banks in Hong Kong and the PRC respectively.

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

Deferred Consideration

The Counterparty is engaged in the provision of construction services to property developers and property development business in the PRC. Starting from the second half of the financial year 2021, defaults by certain leaders in the PRC real estate market has affected the market demand and market price of the properties held by many property developers and increased the difficulty in obtaining financing for daily operation by them, which has resulted in liquidity problems of many industry players in this market, and the Counterparty is of no exception. The Group has reduced the credit risk exposure of the credit-impaired Deferred Consideration amount through negotiation with the Counterparty for additional collaterals as detailed in note 14, with the objective to increase the possibility of recovery of the receivable amount. The management of the Group has carefully assessed the value of the collaterals at each negotiation.

In determining the expected credit loss of Deferred Consideration, the management made the best estimate of the present value of the amount to be recovered by estimating amount and timing of cash flows expected to be recovered from foreclosures on the collaterals including pledged properties. During such process, the management has also taken into account quantitative and qualitative information that are specific to the Counterparty in order to determine the best estimation of the amounts that could be recovered. The reversal of expected credit loss of Deferred Consideration during the current year mainly arose from decrease in loss given default as a result of the expected recovery from the additional securities and transfers of the properties titles from the Counterparty to the Group of which details are set out in note 14.

33. FINANCIAL INSTRUMENTS - continued

Financial risk management objectives and policies - continued

Credit risk and impairment assessment - continued

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

Deferred Consideration - continued

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

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

Trade debtors and contract assets

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

The Group had concentration of credit risk as 62% (2022: 69%) of the total trade debtors as at 31 December 2023 was due from the Group's five largest trade debtors. The Group's five largest trade debtors are multi-national companies or well-established corporations. In order to minimise the credit risk of those receivables, the management closely monitored the recoverability of the amounts due. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

33. FINANCIAL INSTRUMENTS - continued

Financial risk management objectives and policies - continued

Credit risk and impairment assessment - continued

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

Trade debtors and contract assets - continued

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

	Lifetime ECL (not credit-impaired) HK$'000	Lifetime ECL (credit-impaired) HK$'000	Total HK$'000
At 1 January 2022	213	303	516
Changes due to financial assets recognised as at 1 January 2022:			
- Transfer to lifetime ECL (credit-impaired)	(10)	10	-
- Impairment losses reversed	(202)	(61)	(263)
- Impairment losses recognised	-	904	904
New financial assets originated	119	621	740
At 31 December 2022	120	1,777	1,897
Changes due to financial assets recognised as at 1 January 2023:			
- Transfer to lifetime ECL (credit-impaired)	(2)	2	-
- Impairment losses reversed	(117)	(640)	(757)
- Impairment losses recognised	-	322	322
New financial assets originated	205	18	223
At 31 December 2023	206	1,479	1,685

The changes in lifetime ECL recognised for contract assets (not credit-impaired) during the current year is explained by impairment recognised for contract assets newly originated during the year net with the reversal of impairment for contract assets recognised at the beginning of the year of HK$5,233,000 (2022: impairment losses for contract assets of HK$209,000).

33. FINANCIAL INSTRUMENTS - continued

Financial risk management objectives and policies - continued

Credit risk and impairment assessment - continued

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

Loans receivable and loan commitment

The largest loans receivable and the related loan commitment as at 31 December 2023 was related to the same borrower. The remaining loans receivable was secured by assets provided by the borrowers. In order to minimise the credit risk, prior to advancing the loans or renegotiation of loan terms, the management of the Group closely evaluates the borrower's financial background and repayment abilities. The assessment is based on a close monitoring and evaluation of the collectability of each outstanding amount and the past collection history, to the extent available. The quality of the collateral has not deteriorated during the current year. The Group requested for additional security for the renegotiation of the loan receivables. The estimated realisable amount from the collaterals are considered in the loss given default for measurement of ECL and ECL amounting to HK$9,608,000 (2022: HK$5,433,000) has been provided.

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

	12m ECL HK$'000	Lifetime ECL (not credit-impaired) HK$'000	Total HK$'000
At 1 January 2022	2,431	4,224	6,655
Changes due to financial instruments recognised as at 1 January 2022:			
- Impairment losses reversed	(1,869)	(250)	(2,119)
- Impairment losses recognised	897	-	897
At 31 December 2022	1,459	3,974	5,433
Changes due to financial instruments recognised as at 1 January 2023:			
- Impairment losses reversed	(11)	-	(11)
- Impairment losses recognised	1,287	2,899	4,186
At 31 December 2023	2,735	6,873	9,608

33. FINANCIAL INSTRUMENTS - continued

Financial risk management objectives and policies - continued

Credit risk and impairment assessment - continued

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

Other debtors

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

Liquidity risk

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

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities and lease liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities, lease liabilities and accrued charges including provision for performance related incentive payments based on the earliest date on which the Group can be required to settle. The table includes both interest and principal cash flows.

Liquidity risk tables

	Weighted average effective interest rate	On demand and less than 1 month	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
2023							
Creditors and accrued charges	-	161,192	-	27,072	-	188,264	188,264
Other payables	-	142,689	-	-	-	142,689	142,689
Bank borrowing	3.93	31,628	-	-	-	31,628	31,628
Lease liabilities	4.30	203	421	1,872	3,326	5,822	5,510
		335,712	421	28,944	3,326	368,403	368,091
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

33. FINANCIAL INSTRUMENTS - continued

Financial risk management objectives and policies - continued

Liquidity risk - continued

Liquidity risk tables - continued

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

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

Fair value measurements of financial instruments

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined. In particular, the valuation technique and inputs used, as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

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.

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

- the fair value of investments at FVTPL (listed in Hong Kong) are determined with reference to the quoted market bid prices available on the Stock Exchange; and

- the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

Fair value of the Group's financial assets and liabilities that are not measured at fair value on a recurring basis

The directors of the Company consider that the carrying amounts of the gross carrying amounts of financial assets and other financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their fair values.

34. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Bank borrowings HK$'000	Lease liabilities HK$'000	Dividend payables HK$'000
At 1 January 2022	-	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	-	7,561	-
Financing cash flows	(1,753)	(2,836)	(11,787)
Acquisition of subsidiaries (note 37)	31,841	-	-
Recognition of lease liabilities	-	8,669	-
Early termination of lease liability	-	(8,144)	-
Currency realignment	-	(205)	-
Dividends declared	-	-	11,787
Interest expenses	1,540	465	-
At 31 December 2023	31,628	5,510	-

35. PRINCIPAL SUBSIDIARIES

Details of the principal subsidiaries as at 31 December 2023 and 2022 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 2023 %	2022 %	Principal activities
ATNT	Bermuda	HK$3,940,000	51.27#	51.27#	Investment holding
ATNT Global Investments Company Limited	Hong Kong	HK$2	51.27	51.27	Securities trading
ATNT Group Management Limited	Hong Kong	HK$2	51.27	51.27	Management services
Billion Chart Limited	Hong Kong	HK$1	51.27	51.27	Property holding
台灣亞洲自動化設備股份有限公司	Taiwan	TWD10,000,000	51.27	51.27	Installation of electroplating machines and after sale services
Palcon International Limited	British Virgin Islands*	US$100	30.76	30.76	Investment holding
PAL Control Sdn. Bhd.	Malaysia	MYR2	30.76	30.76	Software development
PAL Finance Limited	Hong Kong	HK$2	51.27	51.27	Money lending
PAL Surface Treatment Systems Limited	Hong Kong	HK$10,000	51.27	51.27	Sales of electroplating machines and spare parts
Process Automation (BVI) Limited	British Virgin Islands*	HK$110,000	51.27	51.27	Investment holding
Process Automation (China) Limited 寶盈科技(深圳)有限公司 (Wholly foreign-owned enterprise ("WFOE"))	PRC	HK$8,500,000	51.27	51.27	Design, manufacture and sales of electroplating machines
Process Automation International Limited ("PAIL")	Hong Kong	HK$2 (note)	51.27	51.27	Design, manufacture and sales of electroplating machines
Process Automation (Shenzhen) Limited 寶龍自動機械(深圳)有限公司 (WFOE)	PRC	HK$18,000,000	51.27	51.27	Design, manufacture and sale of electroplating machines
Rich Town Properties Limited	British Virgin Islands*	US$2	51.27	51.27	Property investment
Singkei Real Estate Investment Co. Limited	Hong Kong	HK$10,000	100	-	Property holding
Treasure Chance Properties Limited	Hong Kong	HK$100	100	-	Property holding

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

The proportion of ownership interest is directly attributable to the Company. The proportion of ownership interest attributable to remaining subsidiaries (directly or indirectly held by ATNT) are indirectly attributable to the Company.

35. PRINCIPAL SUBSIDIARIES - continued

Note: At 31 December 2023, PAIL had outstanding 11,000,000 non-voting deferred shares of HK$1 each which were held by Process Automation (BVI) Limited. The deferred shares carry no rights to dividends or to receive notice of or to attend or vote at any general meeting of PAIL and practically carry no rights to participate in any distribution on winding up.

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 profit for the year attributable to non-controlling interests for the year ended 31 December 2023 (2022: loss for the year attributable to non-controlling interests) is profit of HK$148,226,000 (2022: loss of HK$15,948,000) attributable to ATNT, whereas included in the carrying amount of non-controlling interests at 31 December 2023 is HK$715,913,000 (2022: HK$607,159,000) attributable to ATNT. The consolidated financial information of ATNT is available on the website of the Stock Exchange or ATNT.

36. 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) The Group obtained legal titles of the investment properties or properties holding companies as collaterals of Deferred Consideration or reduction in gross amount of Deferred Consideration as disclosed in note 14.

37. ACQUISITIONS OF SUBSIDIARIES

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

Assets and liabilities acquired:

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

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

38. RELATED PARTY TRANSACTIONS

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

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

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

Note i: The Group has appointed KTFG as a broker for dealing with the securities investments. The Group has placed deposits with the broker with the year end balance amounting to HK$5,330,000 (2022: HK$933,000) (note 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:

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

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.

39. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

Statement of financial position

	2023 HK$'000	2022 HK$'000
Non-current asset		
Interest in a subsidiary	53,398	53,398
Current assets		
Investments at FVTPL	2,413	6,756
Bank balances	1,712	1,801
	4,125	8,557
Current liabilities		
Accrued expenses and other payable	112	112
Net current assets	4,013	8,445
Total assets less current liabilities	57,411	61,843
Capital and reserves		
Share capital	21,118	21,118
Reserves	36,293	40,725
Total equity	57,411	61,843

The Company's statement of financial position was approved and authorised for issue by the Board of Directors on 31 May 2024.

LAM KWOK HING
DIRECTOR

NAM KWOK LUN
DIRECTOR

39. 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 2022	45,654	1,244	(5,760)	41,138
Profit and total comprehensive income for the year	-	-	6,655	6,655
Dividend (note 10)	-	-	(7,068)	(7,068)
At 31 December 2022	45,654	1,244	(6,173)	40,725
Profit and total comprehensive income for the year	-	-	1,596	1,596
Dividend (note 10)	-	-	(6,028)	(6,028)
At 31 December 2023	45,654	1,244	(10,605)	36,293

40. SUBSEQUENT EVENTS

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

(b) Subsequent to 31 December 2023, the Group has acquired certain shares investments and deposit products issued by banks in Hong Kong at an aggregate consideration of HK$240,583,000.