

KARFUN INVESTMENTS LIMITED
佳帆投資有限公司

Report and Consolidated Financial Statements
For the year ended 31 December 2024

KARFUN INVESTMENTS LIMITED

佳帆投資有限公司

REPORT AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

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DIRECTORS' REPORT

The directors present their annual report and the audited consolidated financial statements for the year ended 31 December 2024.

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 52.79% 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 2024 ("the Period Under Review"), the Group recorded loss of approximately HK\$14,614,000 compared to the profit of approximately HK\$299,671,000 for the year ended 31 December 2023 ("the Previous Period"). The significant decrease in the Group's profit was mainly due to the off-setting effect of (i) decrease in the reversals of impairment losses under expected credit loss model; (ii) decrease in tax provision; (iii) increase in loss on change in fair value of investment properties; and (iv) decrease in other income as compared to the Previous Period.

FINANCIAL REVIEW

Revenue

(a) Contract with customers

The revenue of contract with customers for the Period Under Review was approximately HK\$375,960,000 or 4.4% less than the Previous Period. Lower revenue reported during the Period Under Review was mainly due to stagnant global car production and regained demand for high-end communication device.

In terms of business segment, approximately 70.5% of the revenue was generated from PCB sector (the Previous Period: approximately 61.9%), and approximately 29.5% came from surface finishing sector (the Previous Period: approximately 38.1%).

In terms of the machines geographical installation base, the revenue composition during the Period Under Review was 28.7% machine values were installed in PRC (the Previous Period: 42.3%), 18.4% in South Korea (the Previous Period: 14.4%), 12.9% in the UK (the Previous Period: 2.8%), 12.0% in the USA (the Previous Period: 10.0%), 11.7% in the Philippines (the Previous Period: 5.9%), 7.2% in Mexico (the Previous Period: 13.6%), 2.8% in Taiwan (the Previous Period: 2.5%), and 6.3% in rest of the world (the Previous Period: 8.5%).

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BUSINESS REVIEWS - continued

FINANCIAL REVIEW - continued

Revenue - continued

(b) Rental income

Rental income generated by the properties held by the Group during the Period Under Review was approximately HK\$13,174,000 (the Previous Period: HK\$1,177,000). The Group had obtained the legal titles and was entitled to rental income of certain investment properties in Hong Kong and the PRC starting from the fourth quarter of 2023.

(c) Interest income

Interest income from investments in debt instruments was approximately HK\$17,961,000 (the Previous Period: HK\$25,175,000).

(d) Dividend income

Dividend income received from investments in Hong Kong listed securities was approximately HK\$12,017,000 (the Previous Period: HK\$11,608,000).

Other gain or losses

This mainly represented (a) net change in realized and unrealized fair value gain of investments at FVTPL of approximately HK\$22,620,000 (the Previous Period: gain of HK\$7,746,000), (b) net exchange loss of approximately HK\$11,471,000 (the Previous Period: loss of HK\$12,329,000) and (c) impairment of property, plant and equipment of approximately HK\$6,222,000 (the Previous Period: nil).

(a) Net change in realized and unrealized fair value gain of investments at FVTPL of approximately HK\$22,620,000 (the Previous Period: gain of HK\$7,746,000)

All investments at FVTPL were recorded at fair value as at 31 December 2024 and represented listed securities in Hong Kong. The gain of approximately HK\$22,620,000 represents fair value gain of investments at FVTPL, as a result of mark to market valuations as at the balance sheet date.

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BUSINESS REVIEWS - continued

FINANCIAL REVIEW - continued

Other gain or losses - continued

(a) - continued

Below are information of the Group's investments at FVTPL as at 31 December 2024:

<u>Company Name/Stock Code</u>	% of Shareholding as at 31 December 2024	Fair value change HK\$'000	Fair value as at 31 December 2024 HK\$'000	Fair value as at 31 December 2023 HK\$'000
Shanghai Industrial Urban Development Group Ltd. (563)	0.40%	(370)	7,112	4,720
Q P Group Holdings Ltd. (1412)	3.19%	(881)	19,011	10,508
Hysan Development Company Ltd. (14)	0.07%	(2,782)	8,998	11,780
SenseTime Group Inc. (20)	0.01%	1,267	5,722	4,455
China Mobile Ltd. (941)	0.01%	23,600	153,200	129,600
China Construction Bank Corporation (939)	0.00%	1,830	6,480	4,650
Agricultural Bank of China Ltd. (1288)	0.00%	1,420	4,430	3,010
Others		(1,464)	6,590	9,413
Total		<u>22,620</u>	<u>211,543</u>	<u>178,136</u>

(b) Net exchange loss of approximately HK\$11,471,000 (the Previous Period: loss of HK\$12,329,000)

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 2.1%.

(c) Impairment of property, plant and equipment of approximately HK\$6,222,000 (the Previous Period: nil)

The Group assesses impairment at the end of each reporting period by evaluating conditions that may lead to impairment of property, plant and equipment. Given that the property market prices have dropped in general for the Previous Period, the Group has engaged an independent valuer to assess the fair value over certain property. Based on such valuation, an impairment of approximately HK\$6,222,000 was made.

Other income

This mainly represented (a) interest income from loans receivable and deposit placed with a broker of approximately HK\$2,391,000 (the Previous Period: HK\$2,106,000), (b) imputed interest income on Deferred Consideration of approximately HK\$14,783,000 (the Previous Period: HK\$45,764,000) and (c) interest income from bank deposits was approximately HK\$3,974,000 (the Previous Period: HK\$2,635,000).

BUSINESS REVIEWS - continued

FINANCIAL REVIEW - continued

Other income - continued

(a) Interest income from loans receivable and deposit placed with a broker

This represented (i) interest income arising from loans receivable of approximately HK\$2,360,000 (the Previous Period: HK\$2,056,000) and (ii) interest received from deposit placed with a broker of approximately HK\$31,000 (the Previous Period: HK\$50,000).

i) Interest arising from loans receivable

On 7 September 2022, the Group entered into a loan facility agreement ("2022 Loan Facility Agreement") with Karl Thomson Financial Group Limited ("KTFG"), which is a wholly owned subsidiary of Wisdom Wealth Resources Investment Holding Group Limited ("Wisdom Wealth Resources"). Mr. Lam Kwok Hing, an executive director and the ultimate controlling shareholder of the Company, and Mr. Nam Kwok Lun, an executive director of the Company who has an indirect interest in the Company, are the directors of 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\$768,000 (the Previous Period: HK\$1,266,000) from KTFG.

Besides the revolving loan facility with KTFG, the Group has also received interest income of approximately HK\$1,592,000 from other loans with independent third parties (the Previous Period: HK\$790,000).

ii) Interest received from deposit placed with a broker

Interest income from deposit placed with KTFG as a broker was approximately HK\$31,000 (the Previous Period: HK\$50,000).

(b) Imputed interest income on Deferred Consideration

Please refer to note 14 to the consolidated financial statements for more detailed explanation on the imputed interest income of approximately HK\$14,783,000 (the Previous Period: HK\$45,764,000).

(c) Interest income from bank deposits

Interest income from bank deposits was approximately HK\$3,974,000 (the Previous Period: HK\$2,635,000).

The balance was various miscellaneous income and fees received.

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BUSINESS REVIEWS - continued

FINANCIAL REVIEW - continued

Selling and Distribution Costs

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 for the electroplating equipment business segment. The costs for the Period Under Review was 0.9% less than the Previous Period.

Administrative expenses

The administrative expenses for the Period Under Review was 17.7% 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 Previous Period and (b) decrease in day-to-day administrative expenses.

(a) Provision for performance related incentive

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 as reported in the annual report.

In the Previous Period, the Group has made a provision for performance related incentive of approximately HK\$16,081,000.

No such provision was made in the Period Under Review.

(b) Administrative expenses

After taking out the effect of provision for performance related incentive payments in the Previous Period, the day-to-day administrative expenses for the Period Under Review was approximately HK\$75,742,000 which is lower than the Previous Period (the Previous Period: HK\$75,917,000).

As a benchmark, the average inflation rates in China and Hong Kong for 2024 were 0.2%¹ and 1.7%² respectively.

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

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

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BUSINESS REVIEWS - continued

FINANCIAL REVIEW - continued

Impairment losses under expected credit loss model, net of reversal

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

	<u>2024</u> HK\$'000	<u>2023</u> HK\$'000
Trade debtors	(1,059)	212
Contract assets	3,976	(5,233)
Loans receivable	(258)	(4,175)
Investments in debt instruments	(2,253)	(1,927)
Deferred Consideration	1,277	395,911
	<u>1,683</u>	<u>384,788</u>

The Group recognized a reversal of impairment losses of approximately HK\$1,277,000 (the Previous Period: reversal of HK\$395,911,000) for Deferred Consideration. Please refer to note 14 of the consolidated financial statements for more details.

Loss on change in fair value of investment properties

As at 31 December 2024, the Group held titles of (i) certain retail shops and offices located at Longhua PRC, (ii) certain office units located in Hong Kong and (iii) certain car parks located in Hong Kong.

During the Period Under Review, the Group incurred loss on change in fair value of investment properties of approximately HK\$78,054,000 (the Previous Period: HK\$28,459,000). This amount represented the difference between the fair value of investment properties as at 31 December 2023 and 31 December 2024 as calculated by an independent valuer.

Finance cost

This represented mainly (a) the imputed interest expenses on non-current portion of provision of performance related incentive payments of nil (the Previous Period: HK\$1,918,000), (b) the interest expenses on lease liabilities of approximately HK\$191,000 (the Previous Period: HK\$465,000) and (c) interest on bank borrowings of approximately HK\$1,279,000 (the Previous Period: HK\$1,540,000).

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

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BUSINESS REVIEWS - continued

FINANCIAL REVIEW - continued

Taxation

During the Period Under Review, the Group recorded an estimated tax charge of approximately HK\$4,015,000 (the Previous Period: HK\$109,458,000) associated with Deferred Consideration and reversed tax overprovision in prior years of approximately HK\$3,910,000 (the Previous Period: nil).

The balance of approximately HK\$1,329,000 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

This represented mainly the exchange difference arising on translation of operations in the PRC due to the depreciation in RMB (of approximately HK\$17,897,000) and revaluation of Deferred Consideration and corresponding deferred tax liability (of approximately HK\$1,621,000). The currency translation reserve was increased at the same amount.

Investment properties

Investment properties held as at 31 December 2024 are as follows:

<u>City</u>	<u>Property type</u>	<u>GFA</u> (sq.m)
Shenzhen	Retail shops	3,493
Shenzhen	Office	12,720
Hong Kong	Office and industrial	1,788
Hong Kong	Car parks	NA

The fair value of the underlying investment properties held as of 31 December 2024 was approximately HK\$689,387,000 (31 December 2023: HK\$779,718,000).

Deferred Consideration

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

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BUSINESS REVIEWS - continued

FINANCIAL REVIEW - continued

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 2024, KTFG has fully repaid the loan (31 December 2023: approximately HK\$37,000,000 was drawn by KTFG in accordance with the terms of the 2022 Loan Facility Agreement). The average effective interest rate, which is equal to contractual interest rate, is 5.875% (the Previous Period: 5.77%) per annum.

As reported in above, the total interest earned in relation to above loan was approximately HK\$768,000 (the Previous Period: HK\$1,266,000).

Besides the revolving loan facility with KTFG, the Group has granted loans to independent third parties bearing interest between 5.25% to 8.875% per annum and the Group has received interest income of approximately HK\$1,592,000 from these loans during the Period Under Review (the Previous Period: HK\$790,000).

The Group seeks to maintain a low risk appetite and a balance between risk and return in a rational, stable and prudent manner. The grant of loans were all satisfied by the internal resources of the Group.

The carrying amount for each respective period is shown below:

	2024 HK\$'000	2023 HK\$'000
Principal outstanding repayable within one year	9,982	7,500
Principal outstanding repayable after one year	31,672	50,153
Less impairment loss allowance	(9,866)	(9,608)
Net carrying amount	<u>31,788</u>	<u>48,045</u>
Analysed for reporting purpose as:		
Current	-	6,949
Non-current	<u>31,788</u>	<u>41,096</u>
	<u>31,788</u>	<u>48,045</u>

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BUSINESS REVIEWS - continued

FINANCIAL REVIEW - continued

Investments in debt instruments

Investments in debt instruments made by the Group as of 31 December 2024 are set out below:

No	Issuer	Bond currency	Coupon rate	Maturity date	Investment cost as at 31/12/2024 HKD'000	Bond credit rating S&P's	Bond credit rating Moody's	% to Group's total assets (note)
1	Sun Hung Kai Properties Capital Market Ltd	RMB	3.20%	14/8/2027	5,151	NR	NR	0.3%
2	NWD MTD Ltd	USD	5.88%	16/6/2027	3,877	NR	NR	0.2%
3	NWD Finance BVI Ltd	USD	6.15%	Perpetual	7,754	NR	NR	0.4%
4	HKSAR Gov't of PRC	RMB	3.00%	11/1/2025	10,822	A++	AA-	0.5%
5	Link Finance Cayman 2009 Ltd	RMB	3.55%	14/11/2025	86,610	A	A2	4.3%
6	Bank of China Ltd, HK Branch	RMB	2.93%	27/3/2025	70,305	A	NR	3.5%
7	China Education Group	RMB	4.00%	19/4/2026	2,148	AA	NR	0.1%
8	Shanghai Commercial Bank Ltd	RMB	6.38%	28/2/2033	1,928	NR	A1	0.1%
9	HSBC Holdings PLC	USD	8.00%	Perpetual	1,552	NR	NR	0.1%
10	Bank of East Asia Ltd	USD	6.75%	15/3/2027	19,366	A	A3	1.0%
11	Swire Properties MTN Financing Ltd	RMB	3.20%	18/1/2025	16,181	NR	A2	0.8%
12	Bank of East Asia Ltd	USD	6.75%	15/3/2027	5,810	A	A3	0.3%
13	CCB, Lux	USD	0.00%	30/4/2025	21,495	A	A1	1.1%
14	HSBC Holdings PLC	USD	5.89%	14/8/2027	78,667	NR	A3	3.9%
15	BEA Ltd	USD	6.63%	13/3/2027	31,375	BBB	Baa2	1.6%
16	CLP Power HK Financing Ltd	USD	2.13%	30/6/2030	20,840	NR	A1	1.0%
17	ICBC, Doha	USD	0.00%	26/3/2025	11,376	A	A1	0.6%
18	HK Mortgage Corp Ltd	USD	4.13%	18/10/2027	1,549	AA+	Aa3	0.1%
19	Swire Properties MTN Fin Ltd	USD	3.50%	10/1/2028	7,510	NR	A2	0.4%
20	CK Hutchison Int'l (24) Ltd	USD	4.38%	13/3/2030	15,306	A	A2	0.8%
Total investment cost					419,622			
Less: impairment losses under ECL model					(4,180)			
Net carrying amount					415,442			

Note: None of these investments represented more than 5% of the Group's total assets as at 31 December 2024.

The carrying amount for each respective period is shown below:

	2024 HK\$'000	2023 HK\$'000
Investment cost	419,622	626,829
Less impairment loss allowance	(4,180)	(1,927)
Net carrying amount	415,442	642,902
Analysed for reporting purpose as:		
Current	216,789	336,103
Non-current	198,653	288,799
	415,442	642,902

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BUSINESS REVIEWS - continued

FINANCIAL REVIEW - continued

Investments in debt instruments - continued

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 2024, the Group held 21 listed equity securities in Hong Kong with the fair value of approximately HK\$211.5 million.

<u>Company Name/Stock Code</u>	<u>Notes</u>	Fair value as at 31 December <u>2024</u>	<u>Dividend received</u>	Fair value <u>change</u>	Fair value as at 31 December <u>2023</u>
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
China Mobile Ltd. (941)	(a)	153,200	9,000	23,600	129,600
Others	(b)	58,343	3,017	(980)	48,536
Total		<u>211,543</u>	<u>12,017</u>	<u>22,620</u>	<u>178,136</u>

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 2024, 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 7.63% of the Group's total assets. During the year, the fair value change of approximately HK\$23,600,000 represented unrealised fair value gain of approximately HK\$23,600,000. The Group received a dividend of approximately HK\$9,000,000 during year 2024. China Mobile's revenue has grown steadily from approximately RMB768 billion in year 2020 to RMB1,041 billion in year 2024. 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 73% in year 2024. 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 2024.

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

The amount payable to creditors and accrued charges as at 31 December 2024 was approximately HK\$124,198,000 which was approximately HK\$64,066,000 lower than the Previous Period. Please refer to note 24 to the consolidated financial statements for more details. The decrease was mainly due to (a) decrease in trade creditors by approximately HK\$41,069,000 and (b) decrease in provision for performance related incentive payments payable by approximately HK\$17,000,000.

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.

Deferred tax under non-current liabilities

The Group has recorded a deferred taxation of approximately HK\$25,576,000 as estimated taxation expenses in relation to the estimated recoverable amount from the Counterparty.

The balance of approximately HK\$2,605,000 represented deferred tax liabilities recognized for accelerated tax depreciation of approximately HK\$245,000, 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 REVIEW ON ELECTROPLATING EQUIPMENT

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\$197,697,000 in Previous Period to HK\$211,209,000, representing 6.8% rise. Out of this total revenue, from the perspective of installation location, nearly 22.7% were shipments made to PRC (35.3% in Previous Period), 32.6% were shipments made to South Korea (26.7% in Previous Period) and 20.9 % were shipments made to the Philippines (11.7% in Previous Period).

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BUSINESS REVIEWS - continued

BUSINESS REVIEW ON ELECTROPLATING EQUIPMENT - continued

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

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 2.4% year over year in the fourth quarter of 2024 at shipment volume of approximately 331.7 million units. On an annual basis, worldwide shipments recorded a growth of 6.4%, marking a recovery after two challenging years of decline.

Top 5 Smartphone Companies, Worldwide Shipments, Market Share, and Year-Over-Year Growth, Q4 2024 and full year (shipments in millions of units)

<u>Company</u>	<u>4Q 2024 Shipment Volumes</u>	<u>4Q 2024 Market Share</u>	<u>2024 Shipment Volumes</u>	<u>2023 Shipment Volumes</u>	<u>Year-Over- Year Change</u>
Apple	76.9	23.2%	232.1	234.6	-0.9%
Samsung	51.7	15.6%	223.4	226.6	-1.4%
Xiaomi	42.7	12.9%	168.5	145.9	15.4%
Transsion	27.2	8.2%	106.9	103.1	12.7%
Vivo	27.1	8.2%	104.8	94.9	1.4%
Others	106.1	32.0%	402.9	361.8	12.3%
Total	<u>331.7</u>	<u>100.0%</u>	<u>1,238.8</u>	<u>1166.9</u>	<u>6.4%</u>

Due to rounding, some figures may not add up precisely to the totals shown
Source: IDC Worldwide Quarterly Mobile Phone Tracker, January 13, 2025

Based on publicly available information, most of PCB (Printed Circuit Board) manufacturers recorded profits in 2024. For example, based on 40 PCB manufacturers listed in Hong Kong and China, the total revenue marked a 16.59% year-over-year increase in the first half of 2024. Among these companies, 22 reported positive net profit growth, while 18 faced declines. The overall net profit growth rate was 7.23%.

The industry's recovery was fueled by advancements in AI, automotive electronics, and high-speed communication technologies.

Electroplating Equipment-Surface Finishing ("SF") Sector

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

BUSINESS REVIEWS - continued

BUSINESS REVIEW ON ELECTROPLATING EQUIPMENT - continued

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

The revenue of the SF sector has decreased by 27.4% from approximately HK\$121,676,000 in the Previous Period to approximately HK\$88,300,000 for the Period Under Review. Out of this total revenue, from the perspective of installation location, nearly 12.8% were shipments made to PRC (42.7% in Previous Period), 43.0% were shipments made to the United Kingdom (nil in Previous Period) and 27.9% were shipments made to Mexico (43.5% in Previous Period).

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

According to a report released by ACEA, global new car registrations has slightly increased by 2.5% from 72.8 million to 74.6 million in 2024. Global car manufacturing totalled 75.5 million units, a slight 0.5% decline from the previous year. Among the main regions, Europe, North America, and Japan experienced the most considerable downturns.

Global Car Production

<u>Region</u>	<u>2024¹</u>	<u>2023</u>	<u>% Change (2024/2023)</u>	<u>% share in 2024</u>
Europe	14,394,326	15,086,144	- 4.6%	19.1%
North America	11,351,650	11,721,653	- 3.2%	15.0%
South America	2,166,940	2,131,763	+ 1.7%	2.9%
Asia	45,744,807	45,075,872	+ 1.5%	60.6%
Middle East/Africa	1,844,434	1,837,721	+ 0.4%	2.4%
WORLD	<u>75,502,157</u>	<u>75,853,153</u>	- 0.5%	100.0%

¹ Provisional figures included
Source: S&P Global Mobility

Year 2024 was an uneven year as far as the SF sector is concerned. We noticed that our customers have taken longer time in their decision process and have delayed certain major investment plans given the high input cost and ever increasing geopolitical risks.

Outlook

The pace of interest rate cut was and seems to be slower than what people have speculated at the beginning of year 2024. The chairman of Federal Reserve Mr. Powell said on few occasions that the committee did not need to be "in a hurry" to make further adjustments to policy rates. High interest rates have placed a heavy burden on the economy and will weaken consumers' confidence. Dealerships and manufacturers face higher costs for financing inventory and when offering low-interest loans as incentives.

The tariff war started by the Trump office is an added deterrent to capital investment plan. We expect year 2025 will be a very challenging year for our electroplating equipment business.

BUSINESS REVIEWS - continued

BUSINESS REVIEW ON PROPERTY INVESTMENT SEGMENT

Investment properties held as at 31 December 2024:

<u>City</u>	<u>Property type</u>	<u>GFA</u> (sq.m)	Occupancy rate at 31 December <u>2024</u> %
Shenzhen	Retail shops	3,493	70.7%
Shenzhen	Office	12,720	49.8%
Hong Kong	Office and industrial	1,788	84.2%
Hong Kong	Car parks	NA	83.3%

The occupancy rate is calculated based on lease agreements entered and are still subsisting on or before 31 December 2024.

During the Period Under Review, the Group has recorded rental income of approximately HK\$13,174,000 (the Previous Period: HK\$1,177,000). The fair value of the underlying investment properties held as of 31 December 2024 was approximately HK\$689,387,000.

Year 2024 was a challenging year for Hong Kong's commercial real estate market across different sectors. The slow economic recovery in mainland China, coupled with looming new office supply, high interest rates, and weak retail sales, hindered property market recovery. Investors and corporate occupiers remained largely cautious. Hong Kong's office vacancy rate would rise by 1.9 percentage points in year 2024 to 18.9 percent, and the rents will drop by up to 10 percent year-on-year, as estimated by real estate services and investment firm CBRE.

In China, one of the most pressing challenges facing the commercial real estate investors was the persistent issue of oversupply. Without the backdrop of strong economic growth, property owners have widely adopted the 'price-for-volume' approach which inevitably has exerted pressure on asking rent.

As a general outlook, Mainland China and Hong Kong commercial property investment companies will continue to face challenges in 2025.

TREASURY MANAGEMENT

Treasury management refers to investments in listed shares, debt instruments, short time certificate of deposits or time deposits.

Investments in listed shares

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.

KARFUN INVESTMENTS LIMITED
佳帆投資有限公司

BUSINESS REVIEWS - continued

TREASURY MANAGEMENT - continued

Investments in listed shares - continued

As at 31 December 2024, the fair value of the investments in listed shares was approximately HK\$211,543,000. During the Period Under Review, the Group has received dividend income of approximately HK\$12,017,000 from such investments.

The Group is holding a diversified portfolio which mainly composes of investees who would offer steady dividend payout. Shareholders are advised to refer to the table listed above under the heading "Other gain or loss" for details.

Investments in debt instruments

As at 31 December 2024, the carrying value of the investments in debt instruments was approximately HK\$415,442,000. During the Period Under Review, the Group has received interest income of approximately HK\$17,961,000 from such investments.

The Group is holding a diversified bond portfolio and most of them are investment grade bonds with a relatively low default risk. 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.

Shareholders are advised to refer to the table listed above under the heading "Investment in debt instrument" for details.

Deposits

For spare fund which we have not yet identified suitable investments, the Group will place it under time deposit or certificate of deposits.

RESULTS

The results of the Group for the year ended 31 December 2024 are set out in the consolidated statement of profit or loss and other comprehensive income on page 22.

During the year ended 31 December 2024, the directors have declared and the Company has paid an interim dividend of approximately HK\$6,080,000 (at HK\$0.0585 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.

KARFUN INVESTMENTS LIMITED
佳帆投資有限公司

SHARE CAPITAL

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

EMPLOYEE, SUPPLIERS AND CUSTOMERS

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

ENVIRONMENTAL POLICY

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

- Minimise waste by evaluating operations and ensuring they are as efficient as possible
- Implement a training program for its staff to raise awareness of environmental issues and enlist their support in improving the Company's performance
- Meet or exceed all the environmental legislation that relates to the Company and its subsidiaries
- Measure its impact on the environment and set targets for ongoing improvement
- Will encourage the adoption of similar principles by its key suppliers

PERMITTED INDEMNITY PROVISION

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

DIRECTORS

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

Mr. Lam Kwok Hing
Mr. Nam Kwok Lun

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 2024 or during the period from 1 January 2024 to the date of this report are available at the registered office of the Company.

KARFUN INVESTMENTS LIMITED
佳帆投資有限公司

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 2024, 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

<u>Name</u>	<u>Capacity</u>	<u>Number of Shares held</u>	<u>Percentage of the issued share capital of the Company</u>
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

<u>Name</u>	<u>Number of ATNT Shares held</u>			<u>Percentage of the issued share capital of ATNT</u>
	<u>Personal interest</u>	<u>Interest in controlled corporation</u>	<u>Total</u>	
Mr. Lam Kwok Hing	3,474,667	275,766,500 (Note ¹)	279,241,167	72.98%
Mr. Nam Kwok Lun	-	275,766,500 (Note ²)	275,766,500	72.07%

Note¹: The amount composed of 48,520,666, 201,995,834 and 25,250,000 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.

Note²: The amount composed of 201,995,834 and 25,250,000 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.

KARFUN INVESTMENTS LIMITED

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DIRECTORS' RIGHT TO ACQUIRE SHARES AND DEBENTURES

As at 31 December 2024, the Company has no share option scheme in place.

Other than as disclosed above and note 33 to the consolidated financial statements about the share option scheme of ATNT, 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.

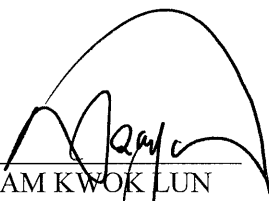
DIRECTORS' INTEREST IN CONTRACT OF SIGNIFICANCE

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
23 May 2025

INDEPENDENT AUDITOR'S REPORTTO 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 22 to 72 which comprise the consolidated statement of financial position as at 31 December 2024, 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 2024, 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 ("HSAs") 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.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF KARFUN INVESTMENTS LIMITED - continued

佳帆投資有限公司

(incorporated in Hong Kong with limited liability)

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.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF KARFUN INVESTMENTS LIMITED - continued

佳帆投資有限公司

(incorporated in Hong Kong with limited liability)

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.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes 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
Certified Public Accountants
Hong Kong
23 May 2025

KARFUN INVESTMENTS LIMITED

佳帆投資有限公司

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2024

	NOTES	2024 HK\$'000	2023 HK\$'000
Revenue	5		
- Contracts with customers		375,960	393,328
- Rental income		13,174	1,177
- Interest income		17,961	25,175
- Dividend income		12,017	11,608
		<u>419,112</u>	<u>431,288</u>
Cost of revenue		<u>(298,305)</u>	<u>(320,718)</u>
		120,807	110,570
Other gains and losses	6	4,819	(3,643)
Other income	9	27,266	55,959
Selling and distribution costs		(12,489)	(12,597)
Administrative expenses		(75,742)	(91,998)
Impairment losses under expected credit loss model, net of reversal	9	1,683	384,788
Loss on change in fair value of investment properties	13	(78,054)	(28,459)
Finance costs	7	<u>(1,470)</u>	<u>(3,923)</u>
(Loss) profit before taxation		(13,180)	410,697
Taxation	8	<u>(1,434)</u>	<u>(111,026)</u>
(Loss) profit for the year	9	<u>(14,614)</u>	<u>299,671</u>
Other comprehensive expense			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange difference arising on translation of foreign operations		<u>(19,518)</u>	<u>(7,495)</u>
Total comprehensive (expense) income for the year		<u><u>(34,132)</u></u>	<u><u>292,176</u></u>
(Loss) profit for the year attributable to:			
Owners of the Company		(8,403)	151,492
Non-controlling interests		<u>(6,211)</u>	<u>148,179</u>
		<u><u>(14,614)</u></u>	<u><u>299,671</u></u>
Total comprehensive (expense) income for the year attributable to:			
Owners of the Company		(18,693)	147,595
Non-controlling interests		<u>(15,439)</u>	<u>144,581</u>
		<u><u>(34,132)</u></u>	<u><u>292,176</u></u>

KARFUN INVESTMENTS LIMITED

佳帆投資有限公司

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2024

	<u>NOTES</u>	<u>2024</u> <u>HK\$'000</u>	<u>2023</u> <u>HK\$'000</u>
Non-current assets			
Property, plant and equipment	11	68,514	75,869
Right-of-use assets	12	194	95
Investment properties	13	689,387	779,718
Deferred Consideration	14	102,300	88,402
Loans receivable	15	31,788	41,096
Investments in debt instruments	16	198,653	288,799
Interests in associates	17	-	-
		<u>1,090,836</u>	<u>1,273,979</u>
Current assets			
Inventories	18	17,502	20,671
Loans receivable	15	-	6,949
Contract assets	19	33,448	64,148
Debtors and prepayments	20	86,242	118,439
Investments at fair value through profit or loss ("FVTPL")	21	211,543	178,136
Amounts due from associates	22	154	104
Taxation recoverable		1,247	1,764
Investments in debt instruments	16	216,789	336,103
Pledged bank deposit	23	7,038	-
Bank deposits	23	97,818	-
Bank balances and cash	23	248,291	139,845
		<u>920,072</u>	<u>866,159</u>
Current liabilities			
Creditors and accrued charges	24	124,198	188,264
Other payables	14, 15	142,689	142,689
Contract liabilities	19	66,609	83,113
Warranty provision	25	28,278	19,918
Lease liabilities		2,442	2,304
Bank borrowings	26	36,640	31,628
Taxation payable		163,745	167,241
		<u>564,601</u>	<u>635,157</u>
Net current assets		<u>355,471</u>	<u>231,002</u>
Total assets less current liabilities		<u><u>1,446,307</u></u>	<u><u>1,504,981</u></u>


KARFUN INVESTMENTS LIMITED
佳帆投資有限公司

	<u>NOTES</u>	<u>2024</u> HK\$'000	<u>2023</u> HK\$'000
Capital and reserves			
Share capital	27	21,118	21,118
Reserves		728,102	736,087
Equity attributable to owners of the Company		749,220	757,205
Non-controlling interests		666,918	715,874
Total equity		1,416,138	1,473,079
Non-current liabilities			
Warranty provision	25	1,121	4,190
Lease liabilities		867	3,206
Deferred tax liabilities	28	28,181	24,506
		30,169	31,902
		1,446,307	1,504,981

The consolidated financial statements on pages 22 to 72 were approved and authorised for issue by the Board of Directors on 23 May 2025.



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 2024

	Attributable to owners of the Company								Attributable to non-controlling		
	Share capital HK\$'000	Share premium HK\$'000	Statutory reserve HK\$'000 (Note i)	Shareholder's contribution HK\$'000	Currency translation reserve HK\$'000	Capital contribution HK\$'000 (Note ii)	Other reserve HK\$'000 (Note iii)	Retained profits HK\$'000	Subtotal HK\$'000	interests HK\$'000	Total HK\$'000
At 1 January 2023	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
Loss for the year	-	-	-	-	-	-	-	(8,403)	(8,403)	(6,211)	(14,614)
Exchange difference arising on translation of foreign operations	-	-	-	-	(10,290)	-	-	-	(10,290)	(9,228)	(19,518)
Total comprehensive expenses for the year	-	-	-	-	(10,290)	-	-	(8,403)	(18,693)	(15,439)	(34,132)
Repurchase of shares of non-controlling interests by a subsidiary	-	-	-	-	-	-	16,788	-	16,788	(28,098)	(11,310)
Dividends (note 10)	-	-	-	-	-	-	-	(6,080)	(6,080)	-	(6,080)
Dividends paid by subsidiaries to its non-controlling interests	-	-	-	-	-	-	-	-	-	(5,419)	(5,419)
At 31 December 2024	21,118	45,654	6,791	1,244	39,881	571	38,156	595,805	749,220	666,918	1,416,138

Notes:

- (i) In accordance with statutory requirements in the People's Republic of China (the "PRC"), certain subsidiaries registered in the PRC are required to transferred a certain percentage of their annual net income from retained profits to the PRC statutory reserve until the statutory funds is accumulated up to 50% of their registered capital. No such transfer was required for the years ended 31 December 2024 and 2023 as the relevant subsidiaries had already transferred up to 50% of their registered capital to statutory 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 repurchases of the own shares by a subsidiary of the Group, resulting in a decrease in non-controlling interests. It represents the difference between the consideration paid for repurchase and the carrying amount of the net assets attributable to the non-controlling interests in a subsidiary at the respective dates of repurchase.

KARFUN INVESTMENTS LIMITED
佳帆投資有限公司

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2024

	<u>NOTES</u>	<u>2024</u> HK\$'000	<u>2023</u> HK\$'000
OPERATING ACTIVITIES			
(Loss) profit before taxation		(13,180)	410,697
Adjustments for:			
Interest income on bank deposits		(3,974)	(2,635)
Interest income from investments in debt instruments		(17,961)	(25,175)
Dividend income		(12,017)	(11,608)
Finance costs		1,470	3,923
Depreciation of property, plant and equipment		6,186	2,132
Depreciation of right-of-use assets		71	874
Allowance for slow moving inventories, net		1,716	265
Reversals of impairment losses under expected credit loss model, net		(1,683)	(384,788)
Impairment loss of property, plant and equipment	11	6,222	-
Loss (gain) on disposal of property, plant and equipment		104	(299)
Gain arising from early termination of a lease contract		-	(548)
Net change in fair value of investments at FVTPL		(22,620)	(7,746)
Loss on change in fair value of investment properties		78,054	28,459
Provision for warranty, net of reversal		12,516	12,966
Net exchange loss		4,073	8,723
Interest income on Deferred Consideration	14	(14,783)	(45,764)
Operating cash flows before movements in working capital		24,149	(10,524)
Decrease in inventories		1,795	6,876
Decrease in contract assets		34,676	2,560
Decrease (increase) in loans receivable		15,999	(17,629)
Decrease (increase) in debtors and prepayments		24,156	(10,687)
Decrease in creditors and accrued charges		(59,270)	(31,707)
Utilisation of warranty provision		(7,225)	(6,132)
Decrease in contract liabilities		(16,504)	(6,518)
Cash from (used in) operations		17,776	(73,761)
Income tax paid		(715)	(16,049)
Interest income received from investments in debt instruments		23,370	26,802
Dividend income received		12,017	11,608
NET CASH FROM (USED IN) OPERATING ACTIVITIES		<u>52,448</u>	<u>(51,400)</u>

KARFUN INVESTMENTS LIMITED
佳帆投資有限公司

	<u>NOTE</u>	<u>2024</u> HK\$'000	<u>2023</u> HK\$'000
INVESTING ACTIVITIES			
Return of security money in respect of Deferred Consideration		-	(200,000)
Receipts of penalty interest in respect of Deferred Consideration		-	23,838
Net cash inflows from acquisitions of subsidiaries	37	-	1,301
Transaction costs paid associated with Deferred Consideration		(2,988)	(21,799)
Investments in debt instruments		(546,301)	(318,401)
Proceeds from redemption of investments in debt instruments		749,435	211,118
Withdrawal of bank deposits		-	554,348
Placement of bank deposits		(97,818)	(282,418)
Interest received		3,974	1,769
Purchase of property, plant and equipment		(6,060)	(7,544)
Proceeds from disposal of property, plant and equipment		39	299
Additions of investments at FVTPL		(12,759)	(1,309)
Proceeds from disposals of investments at FVTPL		1,971	8,138
Placement of pledged bank deposit		(7,038)	-
Account balances placed with the broker, net		2,495	(4,397)
Advance to an associate		(50)	(21)
NET CASH FROM (USED IN) INVESTING ACTIVITIES		<u>84,900</u>	<u>(35,078)</u>
FINANCING ACTIVITIES			
Proceeds from bank borrowings		21,080	114,750
Repayment of bank borrowings		(16,068)	(114,963)
Interest paid		(1,470)	(2,005)
Repayment of lease liabilities		(2,311)	(2,371)
Repurchase of shares by a subsidiary		(11,310)	-
Dividends paid to owners of the Company		(6,080)	(6,028)
Dividends paid to non-controlling shareholders of subsidiaries		(5,419)	(5,759)
NET CASH USED IN FINANCING ACTIVITIES		<u>(21,578)</u>	<u>(16,376)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		115,770	(102,854)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		139,845	245,425
EFFECT ON FOREIGN EXCHANGE RATE CHANGES		<u>(7,324)</u>	<u>(2,726)</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, represented by bank balances and cash		<u>248,291</u>	<u>139,845</u>

KARFUN INVESTMENTS LIMITED

佳帆投資有限公司

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

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

The Company is an investment holding company holding 201,995,834 shares in Asia Tele-Net and Technology Corporation Limited ("ATNT"), an exempted company with limited liability incorporated in Bermuda and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The details of principal activities of its principal subsidiaries are set out in note 35.

Certain comparative figures of the consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows have been re-presented to conform with the current year presentation relating to revenue.

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

Amendments to HKFRSs that are effective for the current year

In the current year, the Group has applied, the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2024 for the preparation of the consolidated financial statements:

Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

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

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

New and amendments to HKFRSs in issue but not yet effective

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

Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments ³
Amendments to HKFRS 9 and HKFRS 7	Contracts Referencing Nature-dependent Electricity ³
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 Accounting Standards	Annual Improvements to HKFRS Accounting Standards - Volume 11 ³
Amendments to HKAS 21	Lack of Exchangeability ²
HKFRS 18	Presentation and Disclosure in Financial Statements ⁴

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 2025.

³ Effective for annual periods beginning on or after 1 January 2026.

⁴ Effective for annual periods beginning on or after 1 January 2027.

HKFRS 18 introduces new requirements to present specified categories and defined subtotals in the consolidated statement of profit or loss, provide disclosures on management-defined performance measures (MPMs) in the notes to the consolidated financial statements, and improve aggregation and disaggregation. The application of HKFRS 18, and amendments to other standards, is expected to affect the presentation of the consolidated statement of profit or loss and other comprehensive income and disclosures in the future financial statements. The Group is in the process of assessing the detailed impact of HKFRS 18 on the Group's consolidated financial statements.

Other than the above, the directors of the Company anticipate that the application of the other 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.

3. MATERIAL ACCOUNTING POLICY INFORMATION - continued

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.

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.

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.

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Revenue from contracts with customers

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

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same. Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

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

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

3. MATERIAL ACCOUNTING POLICY INFORMATION - continued

Revenue from contracts with customers - continued

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

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.

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.

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. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

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

3. MATERIAL ACCOUNTING POLICY INFORMATION - continued

Property, plant and equipment - continued

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).

Impairment losses of property, plant and equipment

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, 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. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset 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.

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.

3. MATERIAL ACCOUNTING POLICY INFORMATION - continued

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from (loss) profit 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.

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.

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

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

Current and deferred tax are recognised in profit or loss.

3. MATERIAL ACCOUNTING POLICY INFORMATION - continued

Employee benefits

Retirement benefit costs

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

Short-term 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.

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 *Revenue from Contracts with Customers* ("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 to the net carrying amount on initial recognition.

Interest and dividend income which are derived from the Group's ordinary business are presented as revenue.

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.

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.

All other financial assets are subsequently 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 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.

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.

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

The Group always recognises lifetime ECL for trade debtors and contract assets. 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 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.

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. 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. In making this assessment, the Group considers reasonable and supportable information that is available without undue cost or effort, for example an actual or expected significant change in the external credit rating or the operating results of the borrower or other market information related to the borrower such as changes in the price of a borrower's debt instruments.

Despite the foregoing, 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 external credit rating of "investment grade" as per globally understood definitions.

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

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.

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.

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 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.

The measurement of ECL is a function of probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and 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.

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 and loans receivables where the corresponding adjustment is recognised through a loss allowance account.

Derecognition of financial assets

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.

3. MATERIAL ACCOUNTING POLICY INFORMATION - continued

Financial instruments - continued

Financial liabilities and equity

Classification as debt or equity

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

Equity instruments

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

Financial liabilities at amortised cost

Financial liabilities including creditors and accrued charges, other payables and bank borrowings, 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.

Provisions

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

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

4. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Critical judgment in applying accounting policies

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

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 by the Group's management, there is an enforceable right to payment in respect of the contracts for design, manufacturing and sales of custom-built electroplating machinery and other industrial machinery entered into by the Group. Accordingly, such revenue is recognised over time.

Key sources of estimation uncertainty

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

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 2024, the carrying amount of the Group's investment properties is HK\$689,387,000 (2023: HK\$779,718,000).

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4. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION
UNCERTAINTY - continued**Key sources of estimation uncertainty - continued**Revenue recognition on contract works over time

Revenue from contract works in respect of design, manufacturing and sales of custom-built electroplating machinery and other industrial machinery, which is individually built based on customer's order and unique specifications, is recognised using input method, which is to recognise revenue on the basis of the Group's actual efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation. Accordingly, revenue recognition involves estimates being made to the actual inputs and the total expected inputs to the satisfaction of that performance obligation. 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\$299,509,000 (2023: HK\$319,373,000) for the year ended 31 December 2024.

5. REVENUE FROM CONTRACTS WITH CUSTOMERS

Disaggregation of revenue from contracts with customers

	<u>2024</u> HK\$'000	<u>2023</u> HK\$'000
Types of goods or services		
Contract works in respect of design, manufacturing and sales of custom-built electroplating machinery and other industrial machinery		
- Printed Circuit Boards	211,209	197,697
- Surface Finishing	88,300	121,676
	299,509	319,373
Sales of spare parts of electroplating machinery	13,437	11,212
Provision of services - repairs, maintenance and modification	63,014	62,743
Total	<u>375,960</u>	<u>393,328</u>
Geographical location of external customers		
PRC	108,017	166,281
Korea	69,339	56,826
Mexico	27,168	53,408
The United States of America	45,126	39,214
Philippines	44,167	23,137
The United Kingdom	48,511	11,146
Taiwan	10,477	9,867
Others	23,155	33,449
Total	<u>375,960</u>	<u>393,328</u>

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5. REVENUE FROM CONTRACTS WITH CUSTOMERS - continued

Disaggregation of revenue from contracts with customers - continued

	<u>2024</u> HK\$'000	<u>2023</u> HK\$'000
Timing of revenue recognition		
A point in time	13,437	11,212
Over time	<u>362,523</u>	<u>382,116</u>
Total	<u><u>375,960</u></u>	<u><u>393,328</u></u>

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 machinery 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, 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 as provisions.

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5. REVENUE FROM CONTRACTS WITH CUSTOMERS - continued

Performance obligations for contracts with customers - continued

(b) Sales of spare parts of electroplating machinery

Revenue from sales of spare parts of electroplating machinery to the customers 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.

Transaction price allocated to the remaining performance obligations 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 2024 and 2023 have original expected duration of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied performance obligations is not disclosed.

6. OTHER GAINS AND LOSSES

	<u>2024</u> HK\$'000	<u>2023</u> HK\$'000
Net change in fair value of investments at FVTPL	22,620	7,746
Net exchange loss	(11,471)	(12,329)
(Loss) gain on disposal of property, plant and equipment	(104)	299
Impairment of property, plant and equipment	(6,222)	-
Others	(4)	641
	<u>4,819</u>	<u>(3,643)</u>

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7. FINANCE COSTS

	<u>2024</u> HK\$'000	<u>2023</u> HK\$'000
Interest on lease liabilities	191	465
Imputed interest on non-current portion of provision for performance related incentive payments	-	1,918
Interest on bank borrowings	1,279	1,540
	<u>1,470</u>	<u>3,923</u>

8. TAXATION

	<u>2024</u> HK\$'000	<u>2023</u> HK\$'000
Hong Kong Profits Tax	105	1,400
Taxation outside Hong Kong	1,024	167,558
PRC withholding tax	-	5,643
Overprovision in prior years	(3,910)	-
	<u>(2,781)</u>	<u>174,601</u>
Deferred tax charge (credit) (note 28)	4,215	(63,575)
	<u>1,434</u>	<u>111,026</u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both years.

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

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

	<u>2024</u> HK\$'000	<u>2023</u> HK\$'000
(Loss) profit before taxation	<u>(13,180)</u>	<u>410,697</u>
Taxation at tax rate of 16.5% (2023: 16.5%)	(2,175)	67,765
Tax effect of expenses not deductible for tax purpose	2,703	2,826
Tax effect of income not taxable for tax purpose	(2,531)	(1,369)
Tax effect of tax losses not recognised	3,873	16,800
Tax effect of utilisation of tax losses previously not recognised	(13,704)	(5,185)
Tax effect of deductible temporary differences not recognised	18,350	6,993
Withholding tax for income derived from a PRC subsidiary	-	(5,643)
Overprovision in prior years	(3,910)	-
Effect of different tax rates of subsidiaries operating in other jurisdictions	<u>(1,172)</u>	<u>28,839</u>
Taxation for the year	<u>1,434</u>	<u>111,026</u>

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9. (LOSS) PROFIT FOR THE YEAR

	<u>2024</u> HK\$'000	<u>2023</u> HK\$'000
(Loss) profit for the year has been arrived at after charging (crediting):		
Auditor's remuneration	1,580	1,581
Cost of inventories recognised as expenses (note i)	210,503	217,713
Direct outgoings for investment properties	2,503	2,884
Depreciation of property, plant and equipment	6,186	2,132
Depreciation of right-of-use assets	71	874
Staff costs:		
Directors' fee	-	-
Directors' salaries and other benefits	13,200	13,200
Provision for performance related incentive payments	-	16,081
Salaries and allowances	91,907	89,517
Contributions to retirement benefits schemes (note ii)	1,469	1,642
	<u>106,576</u>	<u>120,440</u>
Impairment losses (reversals of impairment losses) for financial assets and contract assets, net:		
- trade debtors	1,059	(212)
- contract assets	(3,976)	5,233
- loans receivable	258	4,175
- investments in debt instruments	2,253	1,927
- Deferred Consideration	(1,277)	(395,911)
	<u>(1,683)</u>	<u>(384,788)</u>
Interest income from financial assets at amortised cost (included in other income):		
- loans receivable	(2,391)	(2,106)
- Deferred Consideration (note 14)	(14,783)	(45,764)
- bank deposits	(3,974)	(2,635)
	<u>(21,148)</u>	<u>(50,505)</u>
Government grants (included in other income)	<u>(16)</u>	<u>(17)</u>

Note i: Amount includes allowance for slow moving inventories of HK\$1,716,000 (2023: HK\$265,000).

Note ii: Amount includes the contributions to directors of the Company of HK\$35,000 (2023: HK\$36,000).

10. DIVIDENDS

During the year ended 31 December 2024, the directors of the Company have declared and the Company has paid an interim dividend of HK\$6,080,000 (at HK\$0.0585 per share) (2023: HK\$6,028,000 (at HK\$0.058 per share)) to the shareholders of the Company. The directors of the Company do not recommend any final dividend.

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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 2023	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
Currency realignment	(860)	(159)	(110)	(79)	(1,208)
Additions	-	1,168	2,676	2,216	6,060
Disposals	-	-	(544)	(191)	(735)
At 31 December 2024	123,155	36,970	50,274	24,204	234,603
COMPRISING					
At cost	87,443	36,970	50,274	24,204	198,891
At valuation - 31 March 1992	35,712	-	-	-	35,712
	123,155	36,970	50,274	24,204	234,603
DEPRECIATION AND IMPAIRMENT					
At 1 January 2023	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
Currency realignment	(29)	(49)	(187)	(79)	(344)
Provided for the year	2,884	1,319	562	1,421	6,186
Impairment	6,222	-	-	-	6,222
Eliminated on disposals	-	-	(544)	(48)	(592)
At 31 December 2024	64,919	31,980	46,819	22,371	166,089
CARRYING AMOUNTS					
At 31 December 2024	58,236	4,990	3,455	1,833	68,514
At 31 December 2023	68,173	5,251	1,264	1,181	75,869

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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%

With regards to the prevailing condition of the property market in the PRC, the Group has performed an impairment assessment of the office premises in the PRC which are classified as property, plant and equipment. At 31 December 2024, the recoverable amount of the buildings amounted to HK\$31,405,000 which is based on its fair value less costs of disposal. Accordingly, impairment loss amounting to HK\$6,222,000 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

	<u>Leased properties</u>	
	<u>2024</u>	<u>2023</u>
	HK\$'000	HK\$'000
<u>At 31 December</u>		
Carrying amount	194	95
<u>For the year ended 31 December</u>		
Additions	168	8,669
Depreciation	71	874
Expenses relating to short-term leases	119	5,861
Expenses relating to leases of low-value assets	-	76
Total cash outflows for leases	2,621	8,773

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. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

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.

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13. INVESTMENT PROPERTIES

	<u>2024</u> HK\$'000	<u>2023</u> HK\$'000
FAIR VALUE		
At 1 January	779,718	-
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	(12,277)	3,017
Net decrease in fair value recognised in profit or loss	<u>(78,054)</u>	<u>(28,459)</u>
At 31 December	<u>689,387</u>	<u>779,718</u>

The fair value of the Group's investment properties as at 31 December 2024 and 2023 have been arrived at on the basis of valuations carried out on that date by Avista Valuation Advisory Limited, an independent qualified valuer not connected with the Group, were arrived at by adopting the direct comparison approach as data 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 Group's finance department reviews the valuations performed by the independent valuers for financial reporting purposes through holding discussion with the independent qualified valuer and assessing the property valuations movements when compared to the prior year valuation report. The results of the valuation are reported directly to the management of the Group.

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13. INVESTMENT PROPERTIES - continued

Investment properties held by the Group	Fair value at 31 December		Valuation technique	Significant unobservable inputs	Relationship
	2024 HK\$'000	2023 HK\$'000			
Office properties in Hong Kong	138,550	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 approximately HK\$6,700 to HK\$16,200 (2023: HK\$8,000 to HK\$21,700) 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	205,326	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 approximately RMB70,000 to RMB85,000 (2023: 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	345,511	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 approximately RMB24,000 to RMB27,000 (2023: 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.
	<u>689,387</u>	<u>779,718</u>			

The fair value measurement is categorised into Level 3 fair value hierarchy and there were no transfers into or out of Level 3 during the year.

As at 31 December 2024, the Group's investment properties amounted to HK\$70,950,000 (2023: HK\$91,115,000) have been pledged to secure banking facilities granted to the Group.

14. DEFERRED CONSIDERATION

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 was 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 1 January 2023, the aggregate outstanding instalment payments amounted to RMB1,550,000,000 has been defaulted.

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14. DEFERRED CONSIDERATION - continued

During the prior year, the outstanding instalment payments had been reduced to RMB963,143,000 after the collateralised properties situated in the PRC were foreclosed by the Group. In addition, 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, 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 (the "Payment Obligations"), and therefore presented as "other payables" on the consolidated statement of financial position as at 31 December 2024 and 2023. The Group has also obtained the first charge over certain residential properties in Hong Kong. In return, the Group has refunded the pledged cash deposits amounting HK\$200,000,000 to the Counterparty.

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\$14,783,000 (2023: HK\$45,764,000) is recognised by applying the effective interest rate to the amortised cost of the Deferred Consideration.

Considering the credit quality and industry in which the Counterparty operates, the measurement of ECL considers the amount and timing of cash flows that are expected from the foreclosure on the collaterals. As at 31 December 2024 and 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. The reversal for ECL of HK\$1,277,000 (2023: HK\$395,911,000) recognised for the year ended 31 December 2024 is mainly explained by the changes in the expected cash flows from the foreclosure of the collaterals (2023: the combined effect of settlement by way of properties and the changes in the collaterals from the Counterparty obtained by the Group).

As at 31 December 2024 and 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

	2024 HK\$'000	2023 HK\$'000
Repayable within one year	9,982	7,500
Repayable after one year	31,672	50,153
Less: Impairment losses under ECL model	(9,866)	(9,608)
	<u>31,788</u>	<u>48,045</u>
Analysed for reporting purposes as:		
Current	-	6,949
Non-current	<u>31,788</u>	<u>41,096</u>
	<u>31,788</u>	<u>48,045</u>

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15. LOANS RECEIVABLE - continued

As at 31 December 2024, the loan receivables carry annual interest ranging from 2.2% to Prime Rate in Hong Kong and contractually mature by December 2025 to March 2029. The loan receivables were secured by mortgages of properties owned by the borrower or the spouse of the borrower, and cash security of HK\$1,000,000 (which is included in "other payables" as at 31 December 2024 and 2023). The amounts contractually mature on December 2025 are not expected to be settled within twelve months and therefore the amounts are presented as non-current assets.

Included in the loan receivables balances at 31 December 2023 was an amount of HK\$37,000,000 drawdown by Karl Thomson Financial Group Limited ("KTFG"), of which Mr. Lam Kwok Hing, an executive director and the ultimate controlling shareholder of the Company, was the director of KTFG. The amount has been fully settled during the current year.

As at 31 December 2024, impairment losses under ECL model of loans receivable of HK\$9,866,000 (2023: HK\$9,608,000) are recognised. Details of the impairment assessment of loans receivable are set out in note 32.

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 0% to 8% (2023: 2.8% to 8%) and mature in January 2025 to February 2033 (2023: January 2024 to February 2033). 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 principal 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\$131,620,000 has been matured and settled in full.

17. INTERESTS IN ASSOCIATES

	<u>2024 & 2023</u> HK\$'000
Cost of investments in associates	
Unlisted	3,627
Share of post-acquisition results, net of dividend received	(1,918)
Less: Impairment provided	(1,709)
Share of net assets	<u><u>-</u></u>

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17. INTERESTS IN ASSOCIATES - continued

Details of the Group's associates as at 31 December 2024 and 2023 are as follows:

<u>Name of associates</u>	<u>Form of business structure</u>	<u>Place of incorporation</u>	<u>Proportion of nominal value of issued capital held by the Group indirectly</u>		<u>Principal activities</u>
			<u>2024</u>	<u>2023</u>	
Asia Vigour (Holdings) Limited	Incorporated	British Virgin Islands	49%	49%	Investment holding
Process Automation (Sea) Pte Limited	Incorporated	Singapore	36%	36%	Sale of electroplating machines and spare parts

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

18. INVENTORIES

	<u>2024</u> HK\$'000	<u>2023</u> HK\$'000
Raw materials	<u>17,502</u>	<u>20,671</u>

19. CONTRACT ASSETS/LIABILITIES

	<u>2024</u> HK\$'000	<u>2023</u> HK\$'000
Contract assets - current		
Contract works in respect of design, manufacturing and sale of custom-built electroplating machinery and other industrial machinery	<u>33,448</u>	<u>64,148</u>
Contract liabilities - current		
Contract works in respect of design, manufacturing and sale of custom-built electroplating machinery and other industrial machinery	<u>57,195</u>	<u>70,067</u>
Provision of services - repairs, maintenance and modification	<u>9,414</u>	<u>13,046</u>
	<u>66,609</u>	<u>83,113</u>

At 1 January 2023, contract assets and contract liabilities amounted to HK\$71,941,000 and HK\$89,631,000 respectively. The decrease in contract assets and contract liabilities during the current year is due to the decrease in number of ongoing projects during the current year.

19. CONTRACT ASSETS/LIABILITIES - continued

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

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

The Group's contract works include payment schedules which require milestone payments over the construction period once certain specified milestones are reached. The Group requires customers to provide upfront deposits as part of its credit risk management policies. The Group typically 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 32.

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 customers to provide upfront deposit before the commencement of the relevant services for certain contracts, this gives 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.

	2024 HK\$'000	2023 HK\$'000
Contract works	63,441	68,881
Provision of services	12,730	5,284

20. DEBTORS AND PREPAYMENTS

	2024 HK\$'000	2023 HK\$'000
Trade debtors from contracts with customers	52,840	52,002
Less: Allowance for credit losses	(2,744)	(1,685)
	50,096	50,317
Rental and management fee receivable	5,193	842
Rental and utilities deposits	1,527	1,748
Deposits paid for purchases of raw materials	13,650	36,818
Deposits paid for subcontracting costs	1,487	2,705
Account balance placed with a broker	2,835	5,330
Interest receivable	4,822	10,231
Other tax receivables	345	3,806
Other debtors and prepayments	6,287	6,642
	86,242	118,439

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20. DEBTORS AND PREPAYMENTS - continued

As at 31 December 2024, the trade debtors balance include trade debts due from associates of HK\$2,377,000 (2023: HK\$5,438,000).

As at 1 January 2023, trade debtors from contracts with customers amounted to HK\$40,157,000 (net of allowance for credit losses of HK\$1,897,000).

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

As at 31 December 2024, excluding credit-impaired trade debtors balance, included in the Group's trade debtors balance are debtors with gross amount of HK\$13,573,000 (2023: HK\$26,483,000) with allowance for credit losses of HK\$70,000 (2023: HK\$206,000) in aggregate which are past due as at the reporting date. Out of the past due balances, HK\$508,000 (2023: HK\$1,321,000) with allowance for credit losses of HK\$9,000 (2023: HK\$145,000) 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 32.

21. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

Investments at FVTPL as at 31 December 2024 and 2023 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.

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. PLEDGED BANK DEPOSIT, BANK DEPOSITS AND BANK BALANCES

As at 31 December 2024, bank deposits represent time deposits denominated in RMB, USD and GBP, which are held for investment purposes, carry fixed interest ranging from 1.3% to 4.8% (2023: nil) per annum.

Pledged bank deposit and bank balances carry interest at market rates ranging from 0.001% to 1.73% per annum (2023: 0.001% to 1.73% per annum).

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24. CREDITORS AND ACCRUED CHARGES

	<u>2024</u> HK\$'000	<u>2023</u> HK\$'000
Trade creditors	63,092	104,161
Accrued staff costs	18,178	17,941
Accrued transaction costs associated with Deferred Consideration	-	2,988
Commission payables to sales agents	7,368	9,403
Provision for performance related incentive payments	10,072	27,072
Rental deposits received	1,757	1,373
Other creditors and accrued charges for operating costs	23,731	25,326
	<u>124,198</u>	<u>188,264</u>

The average credit period on purchase of goods is 60 - 180 days.

25. WARRANTY PROVISION

	HK\$'000
At 1 January 2024	24,108
Change in provision during the year	12,516
Utilisation of provision	<u>(7,225)</u>
At 31 December 2024	<u>29,399</u>
Analysed for reporting purposes as:	
Current	28,278
Non-current	<u>1,121</u>
	<u>29,399</u>

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. BANK BORROWINGS

At 31 December 2024 and 2023, bank borrowing amounting to HK\$30,312,000 (2023: HK\$31,628,000) carries annual interest at the lower of Hong Kong Interbank Offered Rate plus 1.8% or Hong Kong Dollar Prime Rate minus 2.2%, secured by the Group's investment properties in Hong Kong, and is repayable in instalments to more than five years but contain a repayment on demand clause. The remaining bank borrowing of HK\$6,328,000 (2023: nil) is denominated in RMB, carries fixed interest rate at 3.6% per annum, unsecured and is repayable within one year. All bank borrowings were presented as current.

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27. SHARE CAPITAL

	<u>Number of shares</u>	<u>Amount HK\$'000</u>
Issued and fully paid:		
At 1 January 2023, 31 December 2023 and 31 December 2024	<u>103,938,695</u>	<u>21,118</u>

28. DEFERRED TAXATION

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

	<u>Deferred Consideration HK\$'000</u>	<u>Withholding taxes HK\$'000</u>	<u>Impairment losses on assets HK\$'000</u>	<u>Accelerated tax depreciation HK\$'000</u>	<u>Total HK\$'000</u>
At 1 January 2023	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
Charge to profit or loss (note 8)	4,015	-	-	200	4,215
Currency realignment	(540)	-	-	-	(540)
At 31 December 2024	<u>25,576</u>	<u>2,752</u>	<u>(392)</u>	<u>245</u>	<u>28,181</u>

In measuring the deferred tax arising from changes in fair value of investment properties, the directors of the Company have determined the presumption that the carrying amounts of investment properties measured at fair value are recovered entirely through sale is rebutted.

At 31 December 2024, the Group had estimated unused tax losses and deductible temporary differences relating to asset impairment and loss in fair value of investment properties of HK\$513,893,000 (2023: HK\$574,438,000) and HK\$126,747,000 (2023: HK\$42,471,000) 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\$10,436,000 (2023: HK\$3,706,000) 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.

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29. OPERATING LEASE ARRANGEMENTS

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 6 months to 15 years (2023: 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. During the current year, revenue from operating leases amounted to HK\$13,174,000 (2023: HK\$1,177,000) is recognized. Included in the amount is HK\$410,000 (2023: nil) that relates to the variable lease payments determined based on the revenue generated by the lessees for certain retail units.

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.

Undiscounted lease payment receivables on leases are as follows:

	2024 HK\$'000	2023 HK\$'000
Within one year	12,120	10,378
In the second year	9,921	7,539
In the third year	6,633	6,558
In the fourth year	5,988	5,148
In the fifth year	4,977	3,111
Over five years	41,362	11,672
	<u>81,001</u>	<u>44,406</u>

30. PLEDGE OF ASSETS

As at 31 December 2024, the Group's bank deposits and investment properties amounting to HK\$7,038,000 (2023: nil) and HK\$70,950,000 (2023: HK\$91,115,000), respectively, were pledged to the bank for securing banking facilities to the Group.

31. 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.

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31. CAPITAL RISK MANAGEMENT - continued

The capital structure of the Group consists of debt comprising bank borrowings 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 associated 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 or addition or repayment of borrowings.

32. FINANCIAL INSTRUMENTS

Categories of financial instruments

	<u>2024</u> HK\$'000	<u>2023</u> HK\$'000
Financial assets		
Amortised cost	973,497	976,408
FVTPL	<u>211,543</u>	<u>178,136</u>
Financial liabilities		
Amortised cost	<u>275,373</u>	<u>317,568</u>

Financial risk management objectives and policies

The Group's major financial instruments include bank balances and cash, bank deposits, pledged bank deposits, Deferred Consideration, loans receivable, trade debtors, other debtors, investments at FVTPL, investments in debt instruments, amounts due from associates, creditors and accrued charges, other payables, lease liabilities and bank borrowings. 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 40% (2023: 80%) of investments in debt instruments (note 16) as at 31 December 2024 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.

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32. FINANCIAL INSTRUMENTS - continued

Financial risk management objectives and policies - continued**Currency risk - continued**

The carrying amounts of the Group's major foreign currency denominated monetary assets and monetary liabilities against their functional currency at the end of the reporting period are as follows:

	<u>Assets</u>		<u>Liabilities</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Renminbi ("RMB")	346,246	605,844	21	22
United States Dollars ("USD")	319,743	102,531	1,896	11,107
Sterling Pound ("GBP")	48,144	7,410	1,152	563
New Taiwan Dollars ("NTD")	1,263	1,263	25	41

At 31 December 2024, the carrying amounts of inter-company balances (assets) of certain group entities which were denominated in HKD (against RMB) is HK\$164,641,000 (2023: HK\$125,294,000).

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.

Sensitivity analysis

The following table details the Group's sensitivity to a 10% (2023: 10%) increase and decrease in relevant foreign currencies against the functional currency of the relevant group entities. 10% (2023: 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% (2023: 10%) change in foreign currency rates. A positive number below indicates a decrease in post-tax loss (2023: increase in post-tax profit) for the year where relevant currencies strengthen 10% (2023: 10%) against the functional currency of the relevant group entities. For a 10% (2023: 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.

	<u>2024</u>	<u>2023</u>
	HK\$'000	HK\$'000
RMB against HKD	28,910	50,586
NTD against HKD	103	102
GBP against HKD	3,924	572
HKD against RMB	13,748	10,462

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32. FINANCIAL INSTRUMENTS - continued

Financial risk management objectives and policies - continued

Currency risk - continued

Sensitivity analysis - continued

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

Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate loans receivable, bank balances and bank borrowings as at 31 December 2024. 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 receivable, investments in debt instruments, deposits placed with banks, lease liabilities and bank borrowings. 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 borrowings outstanding at the end of the reporting period were outstanding for the whole year. A 200 basis points (2023: 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 (2023: 200 basis points) higher/lower and all other variables were held constant, the Group's post-tax loss for the year ended 31 December 2024 would decrease/increase by HK\$128,000 (2023: post-tax profit increase/decrease HK\$274,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate loans receivable and bank borrowings.

Equity price risk

The Group is exposed to potential loss in market value resulting from an adverse change in prices through its investments at fair value through profit or loss. Management manages this exposure by closely monitoring the performance of the investments and market conditions. Management will consider diversifying the portfolio of investments as they consider appropriate. The Group's stock portfolio mainly comprise of blue chip companies which allows the Group to increase the return of the funds. At 31 December 2024, the largest equity investment within the Group's portfolio is a leading telecommunication service provider in the PRC which accounts for over 70% (2023: 70%) of the carrying amount of investments at fair value through profit or loss.

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32. FINANCIAL INSTRUMENTS - continued

Financial risk management objectives and policies - continued

Equity price risk - continued

Sensitivity analysis

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

If the prices of the respective equity instruments had been 20% (2023: 20%) higher/lower, the Group's post-tax loss for the year ended 31 December 2024 would decrease/increase by HK\$35,328,000 (2023: post-tax profit increase/decrease HK\$35,627,000) as a result of the changes in fair value of investments at fair value through profit or loss.

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

Credit risk and impairment assessment

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

<u>Internal credit rating</u>	<u>Description</u>	<u>Trade debtors/ contract assets</u>	<u>Other financial assets/ other items</u>
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

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32. 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 following tables details the credit risk exposure of the Group's financial assets and other items which are subject to ECL assessment:

	Notes	External credit rating	Internal credit rating	12m or lifetime ECL	Gross amount	
					2024	2023
					HK\$'000	HK\$'000
Financial assets at amortised cost						
Trade debtors from contracts with customers	20	N/A	(note i)	Lifetime ECL (not credit-impaired and assessed individually)		
			High risk		419	1,321
			Medium risk		13,154	25,162
			Low risk		35,179	24,022
					48,752	50,505
	20	N/A	Loss	Lifetime ECL (credit-impaired and assessed individually)	4,088	1,497
Deferred Consideration	14	N/A	Loss	Lifetime ECL (credit-impaired and assessed individually)	953,192	940,396
Loans receivable	15	N/A	Low risk	12m ECL (assessed individually)	31,500	44,500
	15	N/A	Loss	Lifetime ECL (credit-impaired and assessed individually)	10,154	13,153
Investments in debt instruments	16	Aa3 - A2	N/A	12m ECL (assessed individually)	407,991	626,829
	16	N/A	High risk	Lifetime ECL (not credit-impaired and assessed individually)	11,631	-
Other debtors	20	N/A	Low risk	12m ECL (assessed individually)	20,570	24,793
Amounts due from associates	22	N/A	Low risk	12m ECL (assessed individually)	154	104
Bank deposits, pledged bank deposits and bank balances and cash	23	Aa2 to Baa3	N/A	12m ECL (assessed individually)	353,147	139,845
Other items						
Contract assets	19	N/A	(note i)	Lifetime ECL (not credit-impaired and assessed individually)		
				- Low risk	28,383	48,246
				- High risk	7,037	21,850
Loan commitment	15	N/A	(note ii)	12m ECL (assessed individually)	80,000	55,500

32. 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.
- (ii) For the loan commitment, the gross carrying amount represents the maximum undrawn amount the Group has committed under the relevant loan facility agreements.

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. ECL has been provided for the debt instruments recognised at the beginning of the respective years to reflect the changes in the credit rating of the a property company during the current year.

The following table shows the movement in ECL that has been recognised for investments in debt instruments.

	<u>12m ECL</u> HK\$'000	Lifetime ECL (not credit- impaired) HK\$'000	<u>Total</u> HK\$'000
At 1 January 2023	-	-	-
Impairment loss recognised	1,927	-	1,927
At 31 December 2023	1,927	-	1,927
Impairment loss recognised	-	2,253	2,253
Transfers	(1,927)	1,927	-
At 31 December 2024	-	4,180	4,180

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32. 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 86% and 14% (2023: 65% and 34%) of the total bank balances as at 31 December 2024 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. In the past years, the Group has reduced the credit risk exposure of the credit-impaired Deferred Consideration amount through negotiation with the Counterparty for additional collaterals, with the objective to increase the possibility of recovery of the receivable amount. The management of the Group has carefully assessed the value of the collaterals at each negotiation.

The following table shows the movement in lifetime ECL (credit-impaired) that has been recognised for Deferred Consideration.

	<u>2024</u> HK\$'000	<u>2023</u> HK\$'000
At 1 January	851,994	1,262,355
Changes due to financial instruments recognised as at 1 January:		
- Impairment losses reversed due to decrease in loss given default	(1,277)	(395,911)
Currency realignment	175	(14,450)
At 31 December	<u>850,892</u>	<u>851,994</u>

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32. 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

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 68% (2023: 62%) of the total trade debtors as at 31 December 2024 was due from the Group's five largest trade debtors. The Group's five largest trade debtors are multi-national companies or well-established corporations. In order to minimise the credit risk of those receivables, the management closely monitored the recoverability of the amounts due. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

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

	Lifetime ECL (not credit- impaired) HK\$'000	Lifetime ECL (credit- impaired) HK\$'000	Total HK\$'000
At 1 January 2023	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
Changes due to financial assets recognised as at 1 January 2024:			
- Impairment losses reversed	(206)	-	(206)
- Impairment losses recognised	-	993	993
New financial assets originated	272	-	272
At 31 December 2024	272	2,472	2,744

The changes in lifetime ECL reversed 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 impairment loss for contract assets recognised at the beginning of the year of HK\$3,976,000 (2023: ECL recognised of HK\$5,233,000).

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32. 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 loans receivable were 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 significantly deteriorated during the current year. The Group requested for additional securities when the loan are matured and terms are renegotiated. The estimated realisable amount from the collaterals are considered in the loss given default for measurement of ECL and ECL amounting to HK\$9,866,000 (2023: HK\$9,608,000) has been provided.

The following table shows the movement in ECL that has been recognised for loans receivable and loan commitment.

	<u>12m ECL</u> HK\$'000	Lifetime ECL (credit- impaired) HK\$'000	<u>Total</u> HK\$'000
At 1 January 2023	1,459	3,974	5,433
Changes due to financial assets 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
Changes due to financial assets recognised as at 1 January 2024:			
- Impairment losses reversed	(2,735)	-	(2,735)
New financial assets originated	2,993	-	2,993
At 31 December 2024	2,993	6,873	9,866

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.

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32. FINANCIAL INSTRUMENTS - continued

Financial risk management objectives and policies - continued

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 other non-financial liabilities comprising accrued charges and 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.

	Weighted average effective interest rate %	On demand and less than 1 month HK\$'000	1 - 3 months HK\$'000	3 months to 1 year HK\$'000	1 year to 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount HK\$'000
<u>At 31 December 2024</u>							
Creditors and accrued charges	-	114,126	-	10,072	-	124,198	124,198
Other payables	-	142,689	-	-	-	142,689	142,689
Bank borrowings	3.35	36,640	-	-	-	36,640	36,640
Lease liabilities	4.30	202	440	1,894	896	3,432	3,309
		<u>293,657</u>	<u>440</u>	<u>11,966</u>	<u>896</u>	<u>306,959</u>	<u>306,836</u>
<u>At 31 December 2023</u>							
Creditors and accrued charges	-	161,192	-	27,072	-	188,264	188,264
Other payables	-	142,689	-	-	-	142,689	142,689
Bank borrowings	3.93	31,628	-	-	-	31,628	31,628
Lease liabilities	4.30	203	421	1,872	3,326	5,822	5,510
		<u>335,712</u>	<u>421</u>	<u>28,944</u>	<u>3,326</u>	<u>368,403</u>	<u>368,091</u>

Certain of 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. 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 HK\$'000	1 - 3 months HK\$'000	3 months to 1 year HK\$'000	1 year to 5 years HK\$'000	Over 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount HK\$'000
At 31 December 2024	3.30	201	402	1,810	9,651	27,143	39,207	30,312
At 31 December 2023	3.93	211	421	1,895	10,108	30,957	43,592	31,628

32. FINANCIAL INSTRUMENTS - continued

Fair value measurements of financial instruments

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following 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.

The fair value of investments at FVTPL (listed in Hong Kong) are determined based on the quoted market bid prices available on the Stock Exchange and classified as Level 1 of the fair value hierarchy (unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date).

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

33. 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 38,263,340 (2023: 39,395,340) shares representing 10% of the issued share capital at 31 December 2024. 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 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.

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33. SHARE OPTION SCHEME - continued

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 2024.

34. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Bank <u>borrowing</u> HK\$'000	Lease <u>liabilities</u> HK\$'000	Dividend <u>payables</u> HK\$'000
At 1 January 2023	-	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	-
Financing cash flows	3,733	(2,502)	(11,499)
Recognition of lease liabilities	-	168	-
Currency realignment	-	(58)	-
Dividends declared	-	-	11,499
Interest expenses	1,279	191	-
At 31 December 2024	<u>36,640</u>	<u>3,309</u>	<u>-</u>

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35. PRINCIPAL SUBSIDIARIES

Details of the principal subsidiaries as at 31 December 2024 and 2023 are as follows:

<u>Name of subsidiary</u>	<u>Place of incorporation/ registration</u>	<u>Issued and fully paid up ordinary share capital/ registered capital</u>	<u>Proportion of ownership interest attributable to the Company</u>		<u>Principal activities</u>
			<u>2024</u> %	<u>2023</u> %	
ATNT	Bermuda	HK\$3,826,334	52.79 [#]	51.27 [#]	Investment holding
ATNT Global Investments Company Limited	Hong Kong	HK\$2	52.79	51.27	Securities trading
ATNT Group Management Limited	Hong Kong	HK\$2	52.79	51.27	Management services and treasury management
Billion Chart Limited	Hong Kong	HK\$1	52.79	51.27	Property holding
台灣亞洲自動化設備股份 有限公司	Taiwan	TWD10,000,000	52.79	51.27	Installation of electroplating machines and after sale services
Palcon International Limited	British Virgin Islands	US\$100	31.67	30.76	Investment holding
PAL Control Sdn. Bhd.	Malaysia	MYR2	31.67	30.76	Software development
PAL Finance Limited	Hong Kong	HK\$2	52.79	51.27	Money lending
PAL Surface Treatment Systems Limited	Hong Kong	HK\$10,000	52.79	51.27	Sales of electroplating machines and spare parts
Process Automation (BVI) Limited	British Virgin Islands	HK\$110,000	52.79	51.27	Investment holding
Process Automation (China) Limited 寶盈科技(深圳)有限公司	PRC	HK\$8,500,000	52.79	51.27	Design, manufacture and sales of electroplating machines
Process Automation International Limited ("PAIL")	Hong Kong	HK\$2 (note)	52.79	51.27	Design, manufacture and sales of electroplating machines and treasury management
Process Automation (Shenzhen) Limited 寶龍自動機械(深圳) 有限公司	PRC	HK\$18,000,000	52.79	51.27	Property holding
Rich Town Properties Limited	British Virgin Islands	US\$2	52.79	51.27	Property investment
Singkei Real Estate Investment Co. Limited	Hong Kong	HK\$10,000	52.79	51.27	Property holding
Treasure Chance Properties Limited	Hong Kong	HK\$100	52.79	51.27	Property holding

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

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35. PRINCIPAL SUBSIDIARIES - continued

Note: At 31 December 2024, PAIL had outstanding 11,000,000 non-voting deferred shares of HK\$1 each which were held by Process Automation (BVI) Limited. The deferred shares carry no rights to dividends or to receive notice of or to attend or vote at any general meeting of PAIL and practically carry no rights to participate in any distribution on winding up.

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

Included in loss for the year attributable to non-controlling interests for the year ended 31 December 2024 (2023: profit for the year attributable to non-controlling interests) is loss of HK\$6,657,000 (2023: profit of HK\$148,226,000) attributable to ATNT, whereas included in the carrying amount of non-controlling interests at 31 December 2024 is HK\$666,918,000 (2023: HK\$715,874,000) attributable to ATNT. The consolidated financial information of ATNT is available on the website of the Stock Exchange or ATNT.

36. NON-CASH TRANSACTIONS

During the prior year, the Group obtained legal titles of the investment properties resulting in a reduction in gross amount of Deferred Consideration, as disclosed in note 14.

37. ACQUISITIONS OF SUBSIDIARIES

During the prior 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 14). The aggregate consideration of HK\$141,689,000 is payable immediately when the outstanding principal amount of Deferred Consideration has been fully settled. The Group has not made any payment in the current and prior year.

Assets and liabilities acquired:

	HK\$'000
Investment properties	173,515
Other debtors	286
Cash and cash equivalents	1,301
Other creditors	(1,572)
Bank borrowing	(31,841)
	<u>141,689</u>

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

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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:

	<u>2024</u> HK\$'000	<u>2023</u> HK\$'000
Associates		
Trade sales and services rendered	1,957	3,622
Installation expenses	1,805	-
	<u> </u>	<u> </u>
KTFG and its subsidiaries (Note i)		
Commission expense and other securities dealing expenses	130	82
Interest income	799	1,316
	<u> </u>	<u> </u>
BioEm Air Sanitizing Technology Company Limited (Note ii)		
Other expenses	29	38
	<u> </u>	<u> </u>

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\$2,835,000 (2023: HK\$5,330,000) (note 20).

Note ii: Mr. Lam Kwok Hing, director and the ultimate controlling shareholder of the Company, indirectly holds 68.75% interest in this company and acts as its directors.

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

	<u>2024</u> HK\$'000	<u>2023</u> HK\$'000
Payments for salaries and other short-term employee benefits	36,078	45,580
Retirement benefits costs	89	126
	<u> </u>	<u> </u>
	36,167	45,706
	<u> </u>	<u> </u>

39. SUBSEQUENT EVENTS

(a) The Group has acquired deposit products at an aggregate consideration of approximately HK\$75,000,000.

(b) ATNT has repurchased 700,000 of its own shares.

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40. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	<u>2024</u> HK\$'000	<u>2023</u> HK\$'000
Non-current assets		
Interest in a subsidiary	53,398	53,398
Current assets		
Other receivable	95	-
Investment at FVTPL	1,568	2,413
Pledged bank deposits	1,200	-
Bank balances	313	1,712
	<u>3,176</u>	<u>4,125</u>
Current liabilities		
Creditors and accrued charges	111	112
Net current assets	<u>3,065</u>	<u>4,013</u>
Total assets less current liabilities	<u>56,463</u>	<u>57,411</u>
Capital and reserves		
Share capital	21,118	21,118
Reserves	35,345	36,293
Total equity	<u>56,463</u>	<u>57,411</u>

The statement of financial position of the Company was approved and authorised for issue by the Board of Directors on 23 May 2025.


 LAM KWOK HING
 DIRECTOR


 NAM KWOK LUN
 DIRECTOR

	<u>Share premium</u> HK\$'000	<u>Shareholder's contribution</u> HK\$'000	<u>Accumulated losses</u> HK\$'000	<u>Total</u> HK\$'000
At 1 January 2023	45,654	1,244	(6,173)	40,725
Profit and total comprehensive income for the year	-	-	1,596	1,596
Dividends (note 10)	-	-	(6,028)	(6,028)
At 31 December 2023	45,654	1,244	(10,605)	36,293
Profit and total comprehensive income for the year	-	-	5,132	5,132
Dividends (note 10)	-	-	(6,080)	(6,080)
At 31 December 2024	<u>45,654</u>	<u>1,244</u>	<u>(11,553)</u>	<u>35,345</u>