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**ASIA TELE-NET AND TECHNOLOGY CORPORATION LIMITED**

**亞洲聯網科技有限公司\***

*(Incorporated in Bermuda with limited liability)*

(Stock Code: 679)

**ANNOUNCEMENT OF INTERIM RESULTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2021**

The Board of Directors (the “Board”) of Asia Tele-Net and Technology Corporation Limited (the “Company”) is pleased to announce the unaudited results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2021 with comparative figures as follows:

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME**

*For the six months ended 30 June 2021*

	<u>NOTES</u>	<u>Six months ended 30 June</u>	
		<u>2021</u> HK\$'000 (unaudited)	<u>2020</u> HK\$'000 (unaudited)
Revenue - contracts with customers	3A	173,095	109,946
Cost of sales		<u>(146,205)</u>	<u>(86,641)</u>
Gross profit		26,890	23,305
Other gains or losses		1,811	(1,857)
Other income		131,565	165,667
Selling and distribution costs		(5,079)	(5,446)
Administrative expenses		(48,388)	(47,715)
Impairment losses under expected credit loss model, net of reversal		9,569	(3,241)
Impairment of assets		-	(3,512)
Share of results of associates		-	(603)
Finance costs		<u>(2,027)</u>	<u>(1,579)</u>
Profit before taxation		114,341	125,019
Taxation	4	<u>(30,144)</u>	<u>(39,483)</u>
Profit for the period	5	<u>84,197</u>	<u>85,536</u>

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER  
 COMPREHENSIVE INCOME - continued  
*For the six months ended 30 June 2021*

	<u>NOTE</u>	<u>Six months ended 30 June</u>	
		<u>2021</u> HK\$'000 (unaudited)	<u>2020</u> HK\$'000 (unaudited)
<b>Other comprehensive income (expense)</b>			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operations			
- subsidiaries		25,364	(37,644)
- associate		-	(162)
Other comprehensive income (expense) for the period		<u>25,364</u>	<u>(37,806)</u>
Total comprehensive income for the period		<u>109,561</u>	<u>47,730</u>
Profit (loss) for the period attributable to:			
Owners of the Company		84,223	84,060
Non-controlling interests		(26)	1,476
		<u>84,197</u>	<u>85,536</u>
Total comprehensive income attributable to:			
Owners of the Company		109,560	46,211
Non-controlling interests		1	1,519
		<u>109,561</u>	<u>47,730</u>
Earnings per share			
Basic	7	<u>HK19.75 cents</u>	<u>HK19.71 cents</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2021

	<u>NOTES</u>	<u>30.6.2021</u> HK\$'000 (unaudited)	<u>31.12.2020</u> HK\$'000 (audited)
Non-current assets			
Property, plant and equipment		13,835	15,612
Right-of-use assets		606	4,806
Deferred Consideration	8	1,044,192	1,333,432
Loans receivable		49,504	64,210
Interests in associates		-	-
Deposit paid for acquisition of a property		3,550	-
Deferred tax assets		894	894
		<u>1,112,581</u>	<u>1,418,954</u>
Current assets			
Inventories		39,434	38,595
Deferred Consideration	8	412,530	220,528
Loans receivable		13,646	9,234
Contract assets		49,159	66,034
Debtors and prepayments	9	78,349	91,567
Held-for-trading investments		30,386	32,870
Amounts due from associates		67	50
Taxation recoverable		10	3
Pledged bank deposits		159	159
Bank balances and cash		1,154,647	991,563
		<u>1,778,387</u>	<u>1,450,603</u>
Current liabilities			
Creditors and accrued charges	10	170,125	200,555
Warranty provision		14,002	16,621
Contract liabilities		27,989	39,025
Lease liabilities		4,236	8,393
Taxation payable		22,480	4,539
		<u>238,832</u>	<u>269,133</u>
Net current assets		<u>1,539,555</u>	<u>1,181,470</u>
Total assets less current liabilities		<u>2,652,136</u>	<u>2,600,424</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION - continued  
At 30 June 2021

	<u>NOTE</u>	<u>30.6.2021</u> HK\$'000 (unaudited)	<u>31.12.2020</u> HK\$'000 (audited)
Capital and reserves			
Share capital		4,265	4,265
Reserves		<u>2,209,992</u>	<u>2,108,961</u>
Equity attributable to owners of the Company		2,214,257	2,113,226
Non-controlling interests		<u>58</u>	<u>57</u>
Total equity		<u>2,214,315</u>	<u>2,113,283</u>
Non-current liabilities			
Accrued charges	10	60,465	67,145
Warranty provision		1,747	2,255
Deferred taxation		<u>375,609</u>	<u>417,741</u>
		<u>437,821</u>	<u>487,141</u>
		<u>2,652,136</u>	<u>2,600,424</u>

## NOTES

### 1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

### 2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis, except for certain buildings and financial instruments, which are measured at revalued amounts or fair values, as appropriate.

Other than additional accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standard ("HKFRSs"), and the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2021 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2020.

#### Application of amendments to HKFRSs

In the current interim period, the Group has applied, the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2021 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKFRS 16  
Amendments to HKFRS 9,  
HKAS 39, HKFRS 7,  
HKFRS 4 and HKFRS 16

Covid-19-Related Rent Concessions  
Interest Rate Benchmark Reform - Phase 2

The application of the amendments to HKFRSs in the current period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

### 3A. REVENUE FROM CONTRACTS WITH CUSTOMERS

#### Disaggregation of revenue from contracts with customers

	<u>Six months ended 30 June</u>	
	<u>2021</u> HK\$'000	<u>2020</u> HK\$'000
<b>Types of goods or service</b>		
Contract works in respect of design, manufacturing and sale of custom-built electroplating machinery and other industrial machinery		
- Printed circuit boards	105,284	64,308
- Surface Finishing	<u>32,136</u>	<u>25,208</u>
	137,420	89,516
Sale of spare parts of electroplating machinery	3,542	3,684
Provision of services - repairs, maintenance and modification	<u>32,133</u>	<u>16,746</u>
<b>Total</b>	<u><u>173,095</u></u>	<u><u>109,946</u></u>

### 3B. SEGMENT INFORMATION

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

Reconciliation of the operating segment result to profit before taxation is as follows:

	<u>Electroplating equipment Six months ended 30 June</u>	
	<u>2021</u> HK\$'000	<u>2020</u> HK\$'000
Segment revenue	<u>173,095</u>	<u>109,946</u>
Segment loss	(10,239)	(12,314)
Intra-group management fee charged to operating segment	2,262	2,413
Certain other income	129,700	164,274
Central corporate expenses	(18,815)	(19,874)
Impairment losses under expected credit loss model for loans receivable and deferred consideration, net of reversal	8,842	(3,294)
Imputed interest on non-current portion of provision for performance related incentive payments (note 10)	(1,858)	(1,444)
Certain other gains or losses	<u>4,449</u>	<u>(4,742)</u>
Profit before taxation	<u><u>114,341</u></u>	<u><u>125,019</u></u>

#### 4. TAXATION

	Six months ended 30 June	
	<u>2021</u>	<u>2020</u>
	HK\$'000	HK\$'000
Taxation comprises:		
Taxation outside Hong Kong		
Charge for the period	76,162	112,364
Overprovision in prior years	<u>-</u>	<u>(17)</u>
	76,162	112,347
Deferred tax credit	<u>(46,018)</u>	<u>(72,864)</u>
	<u>30,144</u>	<u>39,483</u>

No provision for Hong Kong Profits Tax has been made in the condensed consolidated financial statements as the group entities are subjected to Hong Kong Profits Tax have no assessable profit for both periods or the assessable profit is wholly absorbed by tax losses brought forward.

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

#### 5. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	<u>2021</u>	<u>2020</u>
	HK\$'000	HK\$'000
Profit for the period has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	2,068	3,126
Depreciation of right-of-use assets	4,282	4,334
Imputed interest expense on non-current portion of provision for performance related incentive payments (note 10)	1,858	1,444
Included in other income		
Interest income from loans receivable	(2,069)	(1,996)
Imputed interest income of Deferred Consideration	(116,212)	(157,654)
Interest income from bank deposits	(9,797)	(3,028)
Included in other gains or losses		
Net exchange loss (gain)	2,594	(2,879)
Net change in fair value of held-for-trading investments	<u>(4,449)</u>	<u>4,742</u>

## 6. DIVIDEND

During the six months ended 30 June 2021, a final dividend of HK\$0.02 per share with aggregate amount of approximately HK\$8,529,000 in respect of the year ended 31 December 2020 was declared and included in dividend payable as disclosed in note 10. The amount subsequently paid to owners of the Company on 20 July 2021.

During the six months ended 30 June 2020, a final dividend of HK\$0.02 per share with aggregate amount of approximately HK\$8,529,000 in respect of the year ended 31 December 2019 was declared and paid to owners of the Company.

Subsequent to the end of the current interim period, the directors of the Company have determined that an interim dividend of HK\$0.01 (six months ended 30 June 2020: HK\$0.01) per share amounting to approximately HK\$4,265,000 (six months ended 30 June 2020: HK\$4,265,000) will be paid to owners of the Company.

## 7. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the Group's profit for the period attributable to owners of the Company of approximately HK\$84,223,000 (six months ended 30 June 2020: HK\$84,060,000) and the number of ordinary shares of 426,463,400 (six months ended 30 June 2020: 426,463,400) in issue.

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

## 8. DEFERRED CONSIDERATION

On 7 August 2011, a wholly-owned subsidiary of the Company entered into an agreement with an independent third party (the "Counter Party") in relation to a re-development plan of two parcels of industrial land located in 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. In 2019, the negotiation was finalised and the Group is offered a guaranteed cash consideration of RMB2.75 billion (equivalent to approximately HK\$3.1 billion) payable by six tranches which will be due within on or before 6 January 2020 to on or before 5 January 2023. The Deferred Consideration is measured at amortised cost using the effective interest method, less any impairment.

During the six months ended 30 June 2021, impairment losses under expected credit loss model (net of reversal) of approximately HK\$8,634,000 (net reversal) (six months ended 30 June 2020: HK\$2,570,000 (net impairment)) is recognised in the profit or loss. Imputed interest income of approximately HK\$116,212,000 (six months ended 30 June 2020: HK\$157,654,000) is recognised as other income in the profit or loss during the six months ended 30 June 2021.

As at 30 June 2021, the Deferred Consideration amounting to approximately HK\$1,456,722,000 (31 December 2020: HK\$1,553,960,000) (net of impairment losses under expected credit model of approximately HK\$109,646,000 (31 December 2020: HK\$116,965,000)) is expected to be received in accordance with the agreed timeline.



## 9. DEBTORS AND PREPAYMENTS

	<u>30.6.2021</u> HK\$'000	<u>31.12.2020</u> HK\$'000
Trade debtors from contracts with customers	63,613	82,054
Less: Allowance for credit losses	<u>(10,834)</u>	<u>(11,595)</u>
	52,779	70,459
Rental and utility deposits	3,111	3,061
Deposits paid for purchase of raw materials	14,182	6,868
Other tax receivables	1,450	3,393
Other debtors and prepayments	<u>6,827</u>	<u>7,786</u>
	<u>78,349</u>	<u>91,567</u>

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

The following is an ageing analysis of trade debtors net of allowance for credit losses presented based on the invoice date at the end of the reporting period, which is approximately the respective recognition dates for sales of goods or respective dates of the achievement of the relevant milestone as stipulated in the relevant service contracts as appropriate:

	<u>30.6.2021</u> HK\$'000	<u>31.12.2020</u> HK\$'000
1 - 60 days	45,665	67,284
61 - 120 days	5,761	1,757
121 - 180 days	-	875
Over 180 days	<u>1,353</u>	<u>543</u>
	<u>52,779</u>	<u>70,459</u>

## 10. CREDITORS AND ACCRUED CHARGES

	<u>30.6.2021</u> HK\$'000	<u>31.12.2020</u> HK\$'000
Trade creditors	74,342	116,061
Accrued staff costs	14,436	12,307
Commission payables to sales agents	15,157	12,300
Dividend payable (note 6)	8,529	-
Other creditors and accrued charges (note)	<u>118,126</u>	<u>127,032</u>
	230,590	267,700
Less: Non-current portion of accrued charges (note)	<u>(60,465)</u>	<u>(67,145)</u>
	<u>170,125</u>	<u>200,555</u>

## 10. CREDITORS AND ACCRUED CHARGES - continued

Note: As at 30 June 2020, the current and non-current portion of accrued charges of approximately HK\$28,443,000 and HK\$51,297,000 respectively (31 December 2020: HK\$30,639,000 and HK\$53,387,000 respectively) represents the provision of performance bonus to the executive directors of the Company. An imputed interest expense of approximately HK\$1,858,000 (six months ended 30 June 2020: HK\$1,444,000) is charged to profit or loss during the current period.

As at 30 June 2021, apart from the above provision of performance bonus to the executive directors of the Company, the current and non-current portion of accrued charges of approximately HK\$3,684,000 and HK\$9,168,000 respectively (31 December 2020: HK\$3,754,000 and HK\$13,758,000 respectively) represents the provision of special bonus to the certain management of the Group.

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

	<u>30.6.2021</u> HK\$'000	<u>31.12.2020</u> HK\$'000
0 - 60 days	20,708	48,243
61 - 120 days	34,440	30,833
121 - 180 days	14,102	31,649
Over 180 days	5,092	5,336
	<u>74,342</u>	<u>116,061</u>

## MANAGEMENT DISCUSSION AND ANALYSIS

### RESULTS

During the period ended 30 June 2021 (“Period Under Review”), the Group recorded profit attributable to owners of the Company of approximately HK\$84,223,000 compared to the profit attributable to owners of the Company of approximately HK\$84,060,000 for the period ended 30 June 2020 (“Previous Period”). Although the Group’s profit attributable to owners of the Company during the Period Under Review was fairly the same as last year, it was due to the off-setting effect of (i) decrease in imputed interest income in relation to the Longhua project of approximately HK\$41,442,000; (ii) reversal of the impairment losses under expected credit loss model bringing in a positive change of approximately HK\$12,810,000; (iii) net change in fair value of held-for-trading investments was changed from loss of approximately HK\$4,742,000 in the Previous Period to gain of approximately HK\$4,449,000 in the Period Under Review; (iv) increase of approximately HK\$6,769,000 in interest received from bank deposit and (v) a decrease in tax provision of approximately HK\$9,339,000.

The basic earnings per share for the Period Under Review was HK19.75 cents compared to the basic earnings per share of HK19.71 cents for the Previous Period.

### FINANCIAL REVIEW

#### Revenue

The revenue for the Period Under Review was approximately HK\$173,095,000 or 57.4% more than the Previous Period. Higher revenue reported during the Period Under Review was mainly due to low comparative figure in Previous Period.

In terms of business segment, approximately 76.6% of the revenue was generated from PCB sector (the Previous Period: approximately 71.8%) and approximately 23.4% came from surface finishing sector (the Previous Period: approximately 28.2%). In terms of the machines geographical installation base, the revenue composition during the Period Under Review was 47.5% machines in PRC, 17.3% in Taiwan, 15.3% in the USA, 8.0% in Macedonia, 4.2% in the United Kingdom, 2.6% in Mexico, and 5.1% in rest of the world.

#### Gross Profit

Due to price pressure from customer, gross profit was 15.5% which was lower than the Previous Period (approximately 21.2%).

## Other gain or losses

This mainly represented (a) Net change in realized and unrealized fair value gain of held-for-trading investments was approximately HK\$4,449,000 (the Previous Period: loss of HK\$4,742,000) and (b) net exchange loss of approximately HK\$2,594,000 (the Previous Period: gain of HK\$2,879,000).

(a) Net change in realized and unrealized fair value gain of held-for-trading investments was approximately HK\$4,449,000 (the Previous Period: loss of HK\$4,742,000)

All held-for-trading investments were recorded at fair value as at 30 June 2021 and represented listed securities in Hong Kong. The gain of approximately HK\$4,449,000 represents fair value gain of investments held for trading, as a result of mark to market valuations as at the balance sheet date.

Below are information of the Group's held-for-trading investments as at 30 June 2021:

Company Name / Stock Code	% of shareholding as at 30 June 2021	Net fair value change HK\$'000	Fair value as at 30 June 2021 HK\$'000	% of Total Assets of the Group as at 30 June 2021	Fair value as at 31 December 2020 HK\$'000	% of Total Assets of the Group as at 31 December 2020
Shanghai Industrial Urban Development Group Ltd. (563)	0.26%	(1,133)	9,189	0.32%	10,322	0.36%
Q P Group Holdings Limited (1412)	1.59%	3,305	11,016	0.38%	7,711	0.27%
South China Holdings Company Ltd (413)	0.20%	(1,079)	2,966	0.10%	4,045	0.14%
Orient Victory Travel Group Company Ltd. (265)	0.38%	631	3,688	0.13%	3,057	0.11%
South China Financial Holdings Ltd. (619)	0.91%	730	1,432	0.05%	702	0.02%
Bonjour Holdings Ltd (653)	-	1,746	-	-	5,176	0.18%
Others ( <i>Note</i> )		249	2,095	0.07%	1,857	0.06%
<b>Total</b>		<u>4,449</u>	<u>30,386</u>	<u>1.05%</u>	<u>32,870</u>	<u>1.14%</u>

Note: None of these investments represented more than 2% of the total shareholding for that respective stock as at 30 June 2021.

(b) Net exchange loss of approximately HK\$2,594,000 (the Previous Period: gain of HK\$2,879,000)

The net exchange gain was mainly due to the exchange gain arising from intercompany transactions. The production arm of the Group is based in China and normally bills the sales arm of the Group in Hong Kong Dollars. During the Period Under Review, RMB was depreciated by approximately 1.9% and hence the production arm of the Group recorded an exchange gain arising from the receivable which was denominated in Hong Kong dollars.

### **Other income**

This represented (a) interest income arising from loans receivable of approximately HK\$2,069,000 (the Previous Period: HK\$1,996,000) (b) interest received from bank deposits of approximately HK\$9,797,000 (the Previous Period: HK\$3,028,000) (c) imputed interest income of approximately HK\$116,212,000 (the Previous Period: HK\$157,654,000).

(a) Interest arising from loans receivable

On 21 October 2019, the Group entered into a loan facility agreement ("2019 Loan Facility Agreement") with Karl Thomson Financial Group Limited ("KTFG"), which is a wholly owned subsidiary of Hong Kong Finance Investment Holding Group Limited ("Hong Kong Finance Investment"). Mr. Lam Kwok Hing, an executive director and the ultimate controlling shareholder of the Company, and Mr. Nam Kwok Lun, an executive director of the Company who has an indirect interest in the Company, are the directors of Hong Kong Finance Investment. Pursuant to 2019 Loan Facility Agreement, the Group provides an unsecured revolving loan facility of HK\$130,000,000 bearing interest at prime rate as announced from time to time by The Hong Kong and Shanghai Banking Corporation Limited for lending Hong Kong Dollars ("Prime Rate") for a term of three years commencing from the loan effective date and ending on 20 October 2022.

Pursuant to the 2019 Loan Facility Agreement, the Group has received interest income of approximately HK\$1,405,000 (the Previous Period: HK\$1,620,000) from KTFG.

Besides the revolving loan facility with KTFG, the Group has also received interest income of approximately HK\$664,000 from other loans (the Previous Period: HK\$376,000).

(b) Interest received from bank deposits

Interest income from bank deposits was approximately HK\$9,797,000 (the Previous Period: HK\$3,028,000).

(c) Imputed interest income

Please refer to note 8 of the financial information of this result announcement for more detailed explanation on the imputed interest income of approximately HK\$116,212,000 (the Previous Period: HK\$157,654,000)

### **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. The costs for the Period Under Review was 6.7% lower than the Previous Period. It was primarily due to reduced staff cost.

## Administrative expenses

The administrative expenses for the Period Under Review was 1.4% higher than the Previous Period.

### (a) Provision for performance related incentive payments

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

For the Period Under Review, provision for performance related incentive payments was approximately HK\$4,196,000 (the Previous Period: HK\$4,104,000). Such provision was calculated based on the assumptions that the Company shall receive the revised guaranteed cash consideration of RMB2.75 billion in accordance with the agreed timetable in accordance with the Revised Supplemental Agreements.

### (b) Increase in general expenses

After taking out the provision for performance related incentive payments as disclosed above, the remaining administrative expenses was approximately HK\$44,192,000 was 1.3% higher than the Previous Period (the Previous Period: HK\$43,611,000).

As a benchmark, the average inflation rates in China and Hong Kong for first half 2021 were 0.5%<sup>1</sup> and 1.0%<sup>2</sup> respectively.

## Impairment losses under expected credit loss model, net of reversal

This represented impairment losses under expected credit loss model for trade debtors, contract assets, loans receivable and RGCC / GCC, net of reversal as below:-

	Six months ended 30 June	
	2021 HK\$'000	2020 HK\$'000
Trade debtors	(761)	(271)
Contract assets	34	218
Loans receivable	(208)	724
Deferred Consideration	(8,634)	2,570
	(9,569)	3,241

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

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

## **Impairment of assets in the Previous Period**

For the Previous Period, the management conducted an impairment review on the related assets of the CGU which is engaged in Electroplating Machinery Business in view of the negative impact on the Group's performance due to the outbreak of the novel coronavirus and the pro-longed US-sino trade war.

The recoverable amount of the CGU of the Electroplating Machinery Business has been determined on the basis of value in use calculation (i.e. discounted cash flow projection). The recoverable amount is based on certain key assumptions which was based on the CGU's past performance and management's expectations for the market development.

Impairment losses of approximately HK\$2,881,000 and approximately HK\$631,000 had been recognised on the Group's property, plant and equipment and right-of-use assets respectively in the Previous Period.

No impairment was made for the Period Under Review.

## **Finance cost**

This represented mainly the imputed interest expenses regarding the provision of performance related incentive payments and special management bonus of approximately HK\$1,858,000 (the Previous Period: HK\$1,444,000) and the interest expenses on lease liabilities of approximately HK\$169,000 (the Previous Period: HK\$135,000).

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

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

## **Taxation**

Taxation of approximately HK\$30,144,000 (the Previous Period: HK\$39,483,000) represented mainly taxes paid or payable by our wholly-owned subsidiaries in China.

As the Group recorded a gain in relation to the Longhua Project before tax approximately HK\$127,874,000 (the Previous Period: HK\$152,361,000), the Group recorded a corresponding estimated taxes of approximately HK\$31,212,000 (the Previous Period: HK\$38,771,000).

## Net gain in relation to the Longhua Project

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

	Six months ended 30 June	
	2021 HK\$'000	2020 HK\$'000
Under "Other Income" – Imputed interest income on Guaranteed Cash Consideration ("GCC") and Revised Guaranteed Cash Consideration ("RGCC")	116,212	157,654
Under "Administrative expenses" – Provision for directors' bonus	(4,196)	(4,104)
Under "Finance cost" – Imputed interest on non-current portion of provision for performance related incentive payments and special management bonus	(1,858)	(1,444)
Under "Impairment loss under expected credit loss model, net of reversal" - Impairment loss for Deferred Consideration, net of reversal	8,634	(2,570)
Under "Taxation"	(31,212)	(38,771)
Net gain in relation to the Longhua Project	87,580	110,765

## Deferred Consideration

Please refer to note 8 of the financial information of this result announcement for more detailed explanation.

## Loans receivable

On 21 October 2019, the Group entered into 2019 Loan Facility Agreement with KTFG, which is a wholly owned subsidiary of Hong Kong Finance Investment. Mr. Lam Kwok Hing, an executive director and the ultimate controlling shareholder of the Company, and Mr. Nam Kwok Lun, an executive director of the Company who has an indirect interest in the Company, are the directors of Hong Kong Finance Investment. Pursuant to 2019 Loan Facility Agreement, the Group provides an unsecured revolving loan facility of HK\$130,000,000 bearing interest at Prime Rate for a term of three years commencing from the loan effective date and ending on 20 October 2022.

As at 30 June 2021, a loan of approximately HK\$41,500,000 (31 December 2020: approximately HK\$55,500,000) was drawn by KTFG in accordance with the terms of the 2019 Loan Facility Agreement. The average effective interest rate, which is equal to contractual interest rate, is 5% (The Previous Period: 5 %) per annum.

As reported in above, the total interest income earned in relation to above loans was approximately HK\$1,405,000 (the Previous Period: HK\$1,620,000).

As at 30 June 2021, besides the revolving loan facility with KTFG, the Group has granted two loans with independent third parties bearing interest between 2.2% to 8.0% per annum and the Group has received interest income of approximately HK\$664,000 from these loans. (the Previous Period: HK\$376,000)



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

	As at 30/06/2021 HK\$'000	As at 31/12/2020 HK\$'000
Principal outstanding repayable within one year	14,500	13,000
Principal outstanding repayable after one year	54,498	66,500
Less impairment loss allowance	(5,848)	(6,056)
Net carrying amount	63,150	73,444
Analysed for reporting purpose as:		
Current	13,646	9,234
Non-current	49,504	64,210
	63,150	73,444

### **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 debtors.

### **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 taxation under non-current liability**

The Group has recorded a deferred taxation of approximately HK\$364,180,000 as estimated taxation expenses in relation to the expected gain arising from the arrangement in relation to a site located at Longhua.

The balance of approximately HK\$11,429,000 represented deferred tax liabilities recognized for accelerated tax depreciation of approximately HK\$1,239,000, revaluation of properties of approximately HK\$1,516,000, and withholding tax provision for dividend payable by a PRC subsidiary of approximately HK\$8,674,000.

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

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

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

During the Period Under Review, the revenue in this business area increased to HK\$105,284,000 from HK\$64,308,000 in Previous Period, representing a rise of 63.7%. Out of this total revenue, from the perspective of installation location, nearly 70.2% were shipment made to PRC (51.3% in the Previous Period) and 25.5% were shipment made to Taiwan (34.2% in the Previous Period).

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

According to the quarterly report released by IDC, Xiaomi has surpassed Apple as the number two worldwide smartphone vendor. Huawei reported its biggest ever revenue drop in the first half of 2021 after a long period of U.S. sanctions. With Huawei shipments continuing to decline and the recent announcement that LG is exiting the smartphone business, market share is up for grabs. "Huawei had significant share in the high-end segment in China, and with its massive decline, Apple remained the best option for consumers in this segment. In the previous quarter (first quarter of 2021), Apple had already captured 72% share of the >\$800 segment in China." said Nabila Popal, research director with IDC's Mobile and Consumer Device Trackers.

Top 5 Smartphone Companies, Worldwide Shipments, Market Share, and Year-Over-Year Growth, Q2 2021 (shipments in millions of units)					
Company	2Q 2021 Shipment Volumes	2Q 2021 Market Share	2Q 2020 Shipment Volumes	2Q 2020 Market Share	Year-Over-Year Change
Samsung	59.0	18.8%	54.0	19.5%	9.3%
Xiaomi	53.1	16.9%	28.5	10.3%	86.6%
Apple	44.2	14.1%	37.6	13.6%	17.8%
OPPO	32.8	10.5%	24.0	8.7%	37.0%
vivo	31.6	10.1%	23.7	8.6%	33.7%
Others	92.4	29.5%	109.0	39.4%	-15.2%
<b>Total</b>	<b>313.2</b>	<b>100.0%</b>	<b>276.6</b>	<b>100.0%</b>	<b>13.2%</b>

Source: IDC Quarterly Mobile Phone Tracker, July 28, 2021

As can be seen from the report, worldwide smartphone shipment has grown 13.2% year by year. This is the key reason why the demand of high density interconnect (“HDI”) board has risen significantly since late 2020. HDI board is simply a PCB with more number of interconnections but occupying minimal space. This results in the miniaturization of the circuit board. The components are placed closer and the board space is significantly reduced but the functionality isn’t compromised. HDI board plays an important role in allowing electronic products become faster and more capable while remained slim in size. During the Period Under Review, the Group has sold a number of equipment to customers who build HDI board.

Although the Group has regained momentum in sales, our gross profit margin has dropped due to the appreciation of RMB against USD and increased cost in key raw material.

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

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

The revenue of SF sector has increased by 27.5% from approximately HK\$25,208,000 in the Previous Period to approximately HK\$32,136,000 for the Period Under Review. Out of this total revenue, from the perspective of installation location, nearly 32.2% were shipment made to the USA (44.8% in the Previous Period) and 43.0% were shipment made to Macedonia (27.5% in the Previous Period).

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

Global car sales showed a recovery in the first half of this year against a weak demand in last year. Specifically, according to the European Automobile Manufacturers’ Association (ACEA), in January-June 2021, EU demand for new passenger cars increased by 25.2% year-on-year (YoY) to reach 5.4mn units in total. China’s car sales rose 27% in the first half of 2021 from a year earlier but still were below pre-pandemic levels. U.S. has reported significant improvement in sales of car as well.

In terms of global picture, ING Bank expects a 7 to 9% growth in light vehicle sales in 2021. S&P holds a more optimistic outlook and forecasts a growth of 8-10% for year 2021. S&P now expects global auto sales to amount to 83-85 million units this year, relative to 77 million in 2020. With the global shortages of processor chips, we are more inclined to believe a moderate recovery in car sales will be seen in year 2021 rather than a sharp up turn.

Given the recovery of car sales, the Group also received active enquiries from automotive part manufacturers. Nevertheless, given the surge of shipping cost and the continuation of punitive tariff imposed by the American government for Chinese made products, the Group has strategically placed more of its sales effort in Mainland China. Orders on hands are mainly automotive parts or electronic component manufacturers in China.

## **Outlook**

There are numerous significant rescue plans happening in the globe – the US\$10 trillion rescue plan proposed by the Biden government, the Euro 2 trillion long term budget set out by EU and a package of 4 trillion yuan (US\$559 billion) worth of cost cuts for the companies operating in China. Given the power of these policies, the Group expects the second half is going to be at least what the first half was. However, on the other hand, we are mindful of various deterrence to the global economic growth, including the surge in shipping cost, the shortage of chips and the non-stop US-China tension.

Manufacturing, which first picked up in China, is now accelerating elsewhere, and countries are stepping up commodity purchases to rebuild stockpiles after running them down during lockdowns. Rising demand for every products within a short period of time has driven the commodities prices up. Various studies are suggesting that the rally isn’t over, the commodities prices are expected to remain high this year and possibly into 2022. All these forces suggest that inflation may be on the way. The expected increase in operating cost may affect the financial performance of the Group.

The Group will remain cautious in setting out its plans in coupling with the current much fluctuated demands.

## **PROPERTY DEVELOPMENT**

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

Reference is made to the Company's announcements issued (i) on 22 August 2011 with respect to the agreement ("Agreement") entered into by a wholly-owned subsidiary of the Company with an independent third party ("Counter Party") in relation to a re-development plan ("Re-development") of two parcels of industrial land located in Bao An District, Shenzhen, the PRC, of the Group ("Longhua Land") from industrial land into residential properties for resale; (ii) on 25 October 2013 with respect to the supplemental agreement signed, (iii) on 16 October 2014 with respect to the preliminary approval granted, (iv) on 26 October 2015 with respect to the second supplemental agreement signed, (v) on 30 November 2015 with respect to the final approval obtained for the construction plan, (vi) on 4 January 2017 with respect to the supplemental agreements ("Supplemental Agreements") which outlined the way to receive the expected consideration and (vii) on 28 June 2019 with respect to the revised supplemental agreements ("Revised Supplemental Agreements") and on 9 September 2019 with respect to the Second Revised Supplemental Agreement A which outlined further changes in respect of the way to receive the expected consideration.

The Re-development was completed in 2019 and pre-sales was launched in the same year. As of the date of this announcement, all residential units were almost sold out leaving mainly the office building and commercial units. The sales process is still going on.

In accordance with the terms agreed in the Second Revised Supplemental Agreement A, the Group will receive a total of RMB 2.75 billion. As of the date of this announcement, the Group has already received RMB 1.2 billion and will further receive RMB 0.8 billion in year 2022 and RMB 0.75 billion in year 2023.

## **MATERIAL ACQUISITION AND DISPOSAL**

On 7 May 2021, Fast Richmate Limited, an indirect wholly-owned subsidiary of the Company (the "Purchaser"), Arvanicia Limited (the "Vendor") and Ms Chan Ying Hung entered into an agreement, pursuant to which the Purchaser agreed to acquire and the Vendor agreed to sell the entire issued share capital and director loan of Billion Chart Limited, at a total consideration of HK\$35,500,000 (the "Acquisition").

The completion of the Acquisition took place in August 2021. Upon completion, Billion Chart Limited became an indirect wholly-owned subsidiary of the Company. Further details of the Acquisition are set out in the announcements of the Company dated 7 May 2021 and 14 May 2021.

Save as disclosed above, there were no other material acquisitions or disposals during the Period Under Review.

## **FINANCIAL REVIEW**

### **Capital Structure, Liquidity and Financial Resources**

As at 30 June 2021, the Group had equity attributable to owners of the Company of approximately HK\$2,214,257,000 (31 December 2020: HK\$2,113,226,000). The gearing ratio was nil (31 December 2020: nil). The gearing ratio is calculated by dividing the aggregate amount of bank borrowings and other interest-bearing loans over the amount of equity attributable to the equity holders of the Company.

As at 30 June 2021, the Group had approximately HK\$1,154,806,000 of cash on hand (31 December 2020: HK\$991,722,000).

As at 30 June 2021, the Group pledged deposits of HK\$159,000 (31 December 2020: HK\$159,000) to banks to secure the issuance of bank guarantee of the same amount. Total bank facilities available to the Group is approximately HK\$102,300,000 (31 December 2020: HK\$102,300,000). Out of the facilities available, the Group has utilized (i) approximately HK\$709,000 as the issuance of bank's guarantee under which customers retain right to claim refund of purchase deposits received by the Group as at 30 June 2021 (31 December 2020: HK\$159,000), (ii) approximately HK\$907,000 for the issuance of import letters of credit to suppliers (31 December 2020: HK\$9,226,000).

### **Foreign Currency Risk**

Most of the assets and liabilities in the Group were mainly denominated in US dollars, HK dollars, Euro and Renminbi.

### **Contingent Liabilities**

As at 30 June 2021, the Company had guarantees of approximately HK\$137,500,000 (31 December 2020: HK\$137,500,000) to banks in respect of banking facilities granted to subsidiaries of the Company. The amount utilized by the subsidiaries was approximately HK\$1,616,000 (31 December 2020: HK\$9,385,000).

### **Capital Commitment**

Reference is made to the announcements of the Company dated 7 May 2021 and 14 May 2021. On 7 May 2021, Fast Richmate Limited, an indirect wholly-owned subsidiary of the Company, Arvanicia Limited and Ms Chan Ying Hung entered into an agreement to acquire the entire issued share capital and director loan of Billion Chart Limited at a total consideration of HK\$35,500,000 (the "Agreement").

Prior to 30 June 2021, the Group has paid a deposit of HK\$3,550,000 in accordance with the terms of the Agreement. The Group's capital commitment as at 30 June 2021 amounted to HK\$31,950,000 (31 December 2020: nil).

### **Employee and Remuneration Policies**

As at 30 June 2021, the Group employs a total of 437 employees. Employees are remunerated based on performance, experience and industry practice. Performance related bonuses are granted on discretionary basis. Other employee benefits included fund, insurance and medical cover.

## **INTERIM DIVIDEND**

The Board has declared an interim dividend of HK\$0.01 per Share (2020: HK\$0.01 per Share) for the six months ended 30 June 2021. The interim dividend will be paid on or before 29 October 2021 to Shareholders whose names appear on the Register of Members of the Company at the close of business on 6 October 2021.

## **CLOSURE OF REGISTER OF MEMBERS**

The Register of Members of the Company will be closed from Monday, 4 October 2021 to Wednesday, 6 October 2021, both days inclusive. In order to qualify for the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's Share Registrars & Transfer Office, Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Thursday, 30 September 2021 (Hong Kong time), being the last share registration date. The payment of interim dividend will be scheduled on or before Friday, 29 October 2021.

## **CORPORATE GOVERNANCE AND OTHER INFORMATION**

The Company has complied with the Corporate Governance Code and Corporate Governance Report (the "GC Code") as set out in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2021, with deviations from code provisions A.2.1 and A.4.2 of the GC Code in respect of the separate roles of chairman and chief executive officer, and rotation of directors.

### **Code Provision A.2.1**

Under the code A.2.1, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

The Company does not at present have any officer with the title of Chief Executive Officer ("CEO"), but instead the duties of a CEO are performed by the Managing Director ("MD"). The Company does not have a separate Chairman and MD and Mr. Lam Kwok Hing currently holds both positions. The Board believes that vesting the roles of both Chairman and MD in the same person provides the Group with strong and consistent leadership and allows for more effective planning and execution of long-term business strategies. In addition, through the supervision of the Board which comprised of three independent non-executive directors, representing more than half of the Board, the interests of the shareholders are adequately and fairly represented.

### **Code Provision A.4.2**

Under the code A.4.2, every Director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

According to Bye-laws of the Company, the Chairman or MD is not subject to retirement by rotation or taken into account on determining the number of directors to retire. This constitutes a deviation from code provision A.4.2 of the GC Code. As continuation is a key factor to the successful implementation of any long term business plans, the Board believes, together with the reasons for deviation from code provision A.2.1, that the present arrangement is most beneficial to the Company and the shareholders as a whole.

## **AUDIT COMMITTEE**

The Audit Committee comprises three independent non-executive directors, Mr. Cheung Kin Wai, Mr. Kwan Wang Wai, Alan and Mr. Ng Chi Kin, David. The Audit Committee has reviewed with the management of the Company the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters.

The international auditor of the Company, Messrs. Deloitte Touche Tohmatsu have reviewed the financial statements for the period under review and have issued a report on review of interim financial information. In accordance with the requirements of paragraph 39 of Appendix 16 of the Listing Rules, the Audit Committee has reviewed together with management the accounting principles and practices adopted by the Company and discussed auditing, internal control and financial report matters including the review of the unaudited interim financial statements for the six months ended 30 June 2021.

## **REMUNERATION COMMITTEE**

The remuneration committee of the Company (the “Remuneration Committee”) is composed of three Directors, namely Messrs. Nam Kwok Lun, Kwan Wang Wai Alan and Ng Chi Kin David. The principal functions of the Remuneration Committee include determining the policy for the remuneration of executive directors, assessing performance of executive directors and approving the terms of executive directors’ service contracts; making recommendations to the Board on the Company’s policy and structure for all remuneration of directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration and to place recommendations before the Board concerning the total remuneration and/or benefits granted to the Directors from time to time.

## **NOMINATION COMMITTEE**

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

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

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies (the “Model Code”) set out in Appendix 10 to the Listing Rules. Upon enquiry by the Company, all directors of the Company have confirmed that they have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2021.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the six months ended 30 June 2021.

## **PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT**

This interim results announcement is published on the websites of the Stock Exchange (<http://www.hkex.com.hk>) and the Company (<http://www.atnt.biz>). The interim report of the Company for the six months ended 30 June 2021 containing all the information required by the Listing Rules will be despatched to shareholders of the Company and made available for review on the same websites in due course.

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

Hong Kong, 31 August 2021

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

*\* For identification purpose only*