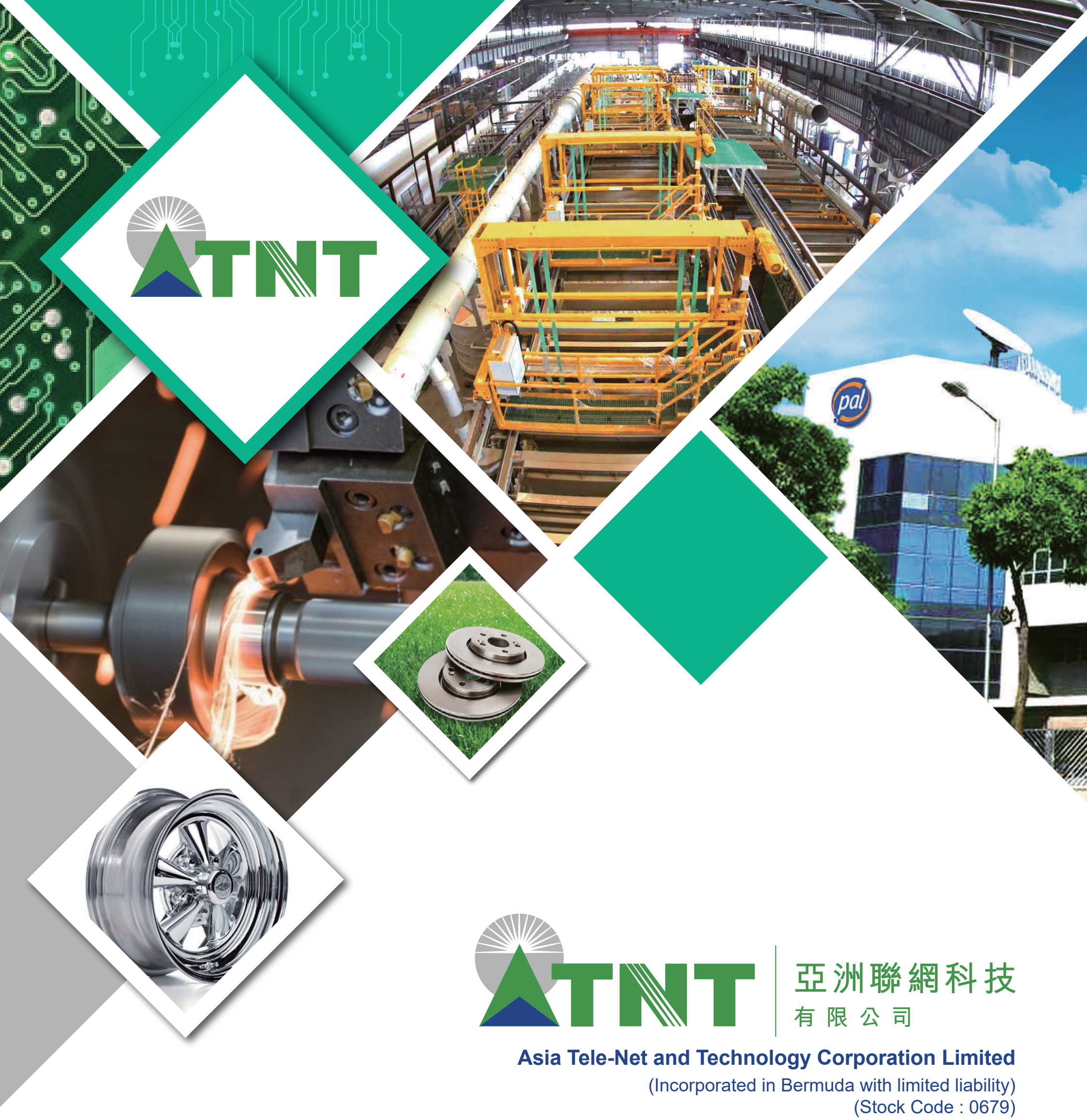

ATNT 亞洲聯網科技有限公司

Asia Tele-Net and Technology Corporation Limited

(Incorporated in Bermuda with limited liability)

(Stock Code : 0679)

INTERIM REPORT 2019

CONTENTS

CORPORATE INFORMATION	2
MANAGEMENT DISCUSSION AND ANALYSIS	3
OTHER INFORMATION	23
REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS	29
CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	31
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION	33
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	35
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS	36
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS	37

CORPORATE INFORMATION

BOARD OF DIRECTORS

LAM Kwok Hing *M.H., J.P.*
(Chairman & Managing Director)
NAM Kwok Lun
(Deputy Chairman)
KWAN Wang Wai Alan
(Independent Non-executive Director)
NG Chi Kin David
(Independent Non-executive Director)
CHEUNG Kin Wai
(Independent Non-executive Director)

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

LAM Kwok Hing *M.H. J.P.*
(Committee Chairman)
NG Chi Kin David
CHEUNG Kin Wai

COMPANY SECRETARY

YUNG Wai Ching

AUTHORISED REPRESENTATIVES

LAM Kwok Hing *M.H., J.P.*
NAM Kwok Lun

AUDITOR

Deloitte Touche Tohmatsu

LEGAL ADVISOR

Sidley Austin

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
DBS Bank (Hong Kong) Limited

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

11 Dai Hei Street
Tai Po Industrial Estate
Tai Po, New Territories
Hong Kong
Tel: (852) 2666 2288
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SHARE REGISTRARS AND TRANSFER OFFICES

PRINCIPAL REGISTRAR AND TRANSFER OFFICE:

MUFG Fund Services (Bermuda) Limited
4th Floor North, Cedar House
41 Cedar Avenue
Hamilton HM 12
Bermuda

HONG KONG BRANCH REGISTRAR AND TRANSFER OFFICE:

Tricor Secretaries Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

CORPORATE WEBSITE

www.atnt.biz

LISTING INFORMATION

Listing on the Hong Kong Stock Exchange (Main Board)
Stock Short Name: Asia Tele-Net
Stock Code: 679
Board Lot Size: 10,000 shares

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

During the period ended 30 June 2019 (“Period Under Review”), the Group recorded profit attributable to owners of the Company of approximately HK$112,607,000 compared to the profit attributable to owners of the Company of approximately HK$71,872,000 for the period ended 30 June 2018 (“Previous Period”). The increase in Group’s profit attributable to owners of the Company during the Period Under Review was primarily due to (i) increased profit margin from 20.4% in the Previous Period to 24.1% in the Period Under Review, (ii) the increase in fair value of Deferred Consideration, and (iii) drop in net loss in fair value of investments held for trading arising from the Period Under Review.

The basic earnings per share for the Period Under Review was HK26.40 cents compared to the basic earnings per share of HK16.85 cents for the Previous Period.

FINANCIAL REVIEW

Revenue

The revenue for the Period Under Review was approximately HK$209,171,000 or 8.3% more than the Previous Period. Higher revenue reported during the Period Under Review was mainly due to increased sales in high-end communication device and automobile.

In terms of business segment, approximately 66.8% of the revenue was generated from PCB sector (Previous Period: approximately 85.6%) and approximately 33.2% came from surface finishing sector (Previous Period: approximately 14.4%). In terms of the machines geographical installation base, the revenue composition during the Period Under Review was 49.6% machines in PRC, 17.8% in Mexico, 15.0% in Taiwan, 5.5% in Thailand, 3.3% in Germany, and 8.8% in rest of the world.

Gross Profit

Tremendous effort was put in (i) to improve production efficiency, (ii) to ask for competitive material cost and (iii) to exercise tight control over post-sales activities including installation and warranty services. The average gross profit margin recorded an improvement from 20.4% from Previous Period to 24.1% for the Period Under Review.

Other income

(a) Interest arising from a loan facility agreement

Reference is made to the announcement of the Company dated 31 October 2016 and the circular dated 20 December 2016 in relation to the provision of revolving loan. On 31 October 2016 (after trading hours), PAL Finance Limited, an indirect wholly owned subsidiary of the Company (the "Lender"), entered into a loan facility agreement with Karl Thomson Financial Group Limited (the "Borrower"), pursuant to which the Lender has agreed to provide a revolving loan facility of HK$130,000,000 bearing interest at Prime Rate for a term from 6 January 2017 to 30 October 2019 (the "Loan Facility Agreement").

Pursuant to the Loan Facility Agreement, the Group has received interest income of approximately HK$1,686,000 (the Previous Period: HK$1,853,000) from the Borrower.

(b) Interest received from bank deposits

Interest income from bank deposits was approximately HK$711,000 (the Previous Period: HK$762,000).

(c) Imputed interest income

Please refer to note 9 of the unaudited financial statements for more detailed explanation on the imputed interest income of approximately HK$85,997,000 (the Previous Period: HK$79,398,000)

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. Cost in the Period Under Review was 15.5% lower than in the Previous Period. It was mainly due to decrease in personnel related cost and marketing expense.

Administrative expenses

(a) Provision for performance related incentive payments

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

For the Period Under Review, provision for performance related incentive payments was approximately HK$5,703,000 (the Previous Period: HK$4,659,000). Such provision was based on the assumptions that the Company shall receive the guaranteed cash consideration of RMB1.23 billion and additional cash consideration in accordance with the agreed timetable and terms under the Supplemental Agreements (as defined below).

(b) Decrease in general expenses

After taking out the provision for performance related incentive payments as disclosed above, the remaining administrative expenses was approximately HK$47,558,000 was 6.8% lower than the Previous Period (the Previous Period: HK$51,027,000). As a benchmark, the average inflation rates in China and Hong Kong for first half 2019 were 2.2%[1] and 2.6%[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.

Finance cost

This represented mainly the imputed interest expenses regarding the provision of performance related incentive payments of approximately HK$943,000 (the Previous Period: HK$833,000) and the interest expenses on lease liabilities of approximately HK$359,000 (the Previous Period: nil).

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

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

Taxation

Taxation of approximately HK$41,528,000 (the Previous Period: HK$34,400,000) represented mainly taxes paid or payable by our wholly-owned subsidiaries in China and Taiwan.

As the Group recorded a gain in relation to the Longhua Project before tax approximately HK$156,756,000 (the Previous Period: HK$128,401,000), the Group recorded a corresponding estimated taxes of approximately HK$40,850,000 (the Previous Period: HK$33,473,000).

If the Group decides to arrange its PRC subsidiary to declare dividend, the Group will be subject to 5% dividend tax which is not yet included in the Group's financial statements.

Other gain or losses

This mainly represented (a) Net change in unrealized fair value loss of held-for-trading investments was approximately HK$2,384,000 (the Previous Period: HK$7,285,000) (b) net exchange gain of approximately HK$2,278,000 (the Previous Period: HK$1,864,000) and (c) gain on change in fair value of Additional Cash Consideration of approximately HK$82,575,000 (the Previous Period: HK$59,268,000).

(a) *Net change in unrealized fair value loss of held-for-trading investments was approximately HK$2,384,000*

All held-for-trading investments were recorded at fair value as at 30 June 2019 and represented listed securities in Hong Kong. The increase in unrealized fair value loss was primarily attributable to the unexpectedly volatile stock market in Hong Kong in the first half year of 2019. During the Period Under Review, Hang Seng Index increased from 25,846 as at 31 December 2018 to 28,543 as at 30 June 2019.

Below are information of the Group's financial assets at fair value through profit and loss amounted to approximately HK$2,384,000 as at 30 June 2019:

Company Name/ Stock Code	% of shareholding as at 30 June 2019	Fair value change *HK$'000*	Fair value as at 30 June 2019 *HK$'000*	% of Total Assets of the Group as at 30 June 2019	Fair value as at 31 December 2018 *HK$'000*	% of Total Assets of the Group as at 31 December 2018
Shanghai Industrial Urban Development Group Ltd. (563)	0.13%	1,403	9,150	0.45%	7,747	0.41%
South China Financial Holdings Ltd. (619)	0.91%	(441)	1,349	0.07%	1,790	0.09%
South China Holdings Company Ltd. (413)	0.20%	(323)	4,854	0.24%	5,177	0.27%
Orient Victory Travel Group Company Ltd. (265)	0.38%	(1,843)	7,081	0.35%	8,924	0.47%
South China Assets Holdings Ltd. (8155)	0.45%	(555)	857	0.04%	1,412	0.07%

Company Name/ Stock Code	% of shareholding as at 30 June 2019	Fair value change	Fair value as at 30 June 2019	% of Total Assets of the Group as at 30 June 2019	Fair value as at 31 December 2018	% of Total Assets of the Group as at 31 December 2018
		HK$'000	*HK$'000*		*HK$'000*	
Bonjour Holdings Ltd. (653)	0.50%	(338)	3,180	0.15%	2,938	0.15%
Others *(Note)*		(287)	856	0.04%	1,143	0.07%
Total		(2,384)	27,327	1.34%	29,131	1.53%

Note: None of these investment represented more than 1% of the total shareholding for that respective stock as at 30 June 2019.

(b) Net exchange gain was approximately HK$2,278,000

The net exchange gain was mainly due to (i) the exchange gain arisen from intercompany transactions and (ii) exchange gain arisen from transactions of Euro-based payables.

During the Period Under Review, Euro was depreciated by approximately 2.6%.

(c) Gain on change in fair value of Additional Cash Consideration of approximately HK$82,575,000

The Company has appointed an independent valuation company to determine the fair value for the Additional Cash Consideration under the Supplemental Agreements. Based on the valuation received, the Group has recorded a gain of approximately HK$82,575,000 (the Previous Period: HK$59,268,000).

Impairment loss allowance for financial assets of approximately HK$4,717,000

Trade debtors and contract assets

As part of the Group's credit risk management, the Group applies internal credit rating for its customers and internal project risks in relation to its electroplating equipment operation. Assessment are done (without undue cost or effort) based on the Group's historical credit loss experience, adjusted for factors that are specific to the projects, debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions. An impairment allowance is provided for the estimated loss over the expected life of trade debtors and contract assets.

During the Period Under Review, the Group reversed approximately HK$453,000 (the Previous Period: HK$548,000) impairment allowance based on the provision matrix on trade debtors and contract assets. The groupings of customer and project are regularly reviewed by management to ensure relevant information about specific debtors and projects is updated.

Loan receivable

At the end of the reporting period, the directors of the Company have assessed the financial position of the Borrower as well as the economic outlook of the industries in which the Borrower operates, and concluded that there has been no significant increase in credit risk since initial recognition of the loan receivable. Hence, no adjustment for the impairment allowance in the Period Under Review (the Previous Period: reversal of HK$690,000).

Impairment loss allowance for Guaranteed Cash Consideration

The Guaranteed Cash Consideration is a financial asset which should also be subjected to impairment review under HKFRS9. The directors of the Company have assessed the potential credit risks. Although from the directors' point of view, there is no material change to the general financial position of the debtors and the project itself, as the expected credit loss was discounted to present value, when the expected payment timetable for the Guaranteed Cash Consideration comes closer, the present value of such loss allowance will be revised upwards. As a result of this change in time value, the Group has recognised a further impairment loss allowance of approximately HK$5,170,000 (the Previous Period: HK$4,773,000).

Net gain in relation to the Longhua Project

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

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
Under "Other Income" – Imputed interest income on Guaranteed Cash Consideration	**85,997,000**	79,398,000
Under "Administrative expenses" – Provision for directors' bonus	**(5,703,000)**	(4,659,000)
Under "Finance cost" – Imputed interest on non-current portion of provision for performance related incentive payments	**(943,000)**	(833,000)
Under "Other gains or losses" – Gain on change in fair value of Additional Cash Consideration	**82,575,000**	59,268,000
Under "Impairment loss allowance for financial assets, net" – Impairment loss allowance for Guaranteed Cash Consideration"	**(5,170,000)**	(4,773,000)
Under "Taxation"	**(40,850,000)**	(33,473,000)
Net gain in relation to the Longhua Project	**115,906,000**	94,928,000

Deferred Consideration

This represents the estimated amount to be collected from the Property Re-development Plan in Longhua which was based on the valuation report prepared by an independent valuer but after discounting into present value and after netting off impairment allowance as required under HKFRS9.

Loans receivable

On 31 October 2016, the Group entered into a loan facility agreement with Karl Thomson Financial Group Limited ("KTFG"), which is a wholly owned subsidiary of Hoifu Energy Group Limited ("Hoifu"). Mr. Lam Kwok Hing, an executive director and a substantial 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 Hoifu. The Group provides an unsecured revolving loan facility of HK$130,000,000 bearing interest at prime rate as announced from time to time by The Hongkong and Shanghai Banking Corporation Limited for lending Hong Kong Dollars for a term of three years commencing from the loan effective date and ending on 30 October 2019. As at 30 June 2019, a loan of HK$66,000,000 (31 December 2018: HK$66,000,000) net of impairment loss allowance of HK$990,000 (31 December 2018: HK$990,000) was drawn by KTFG in according to the terms of the loan facility agreement.

As reported in above, the total interest earned in relation to this loan was approximately HK$1,686,000 (the Previous Period: HK$1,853,000). The average effective interest rate adopted during the Period Under Review is 5.125% (the Previous Period: 5%) per annum.

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

	As at 30/6/2019 *HK$'000*	As at 31/12/2018 *HK$'000*
Principal outstanding	**66,000**	66,000
Less impairment loss allowance	**990**	990
Net carrying amount	**65,010**	65,010

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.

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$394,801,000 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$4,315,000 represented deferred tax liabilities recognized for accelerated tax depreciation of approximately HK$1,239,000 and revaluation of properties of approximately HK$3,076,000.

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$114,842,000 from HK$108,975,000 in Previous Period, representing a rise of 5.4%. Out of this total revenue, from the perspective of installation location, nearly 56.2% were shipment made to PRC (52.8% in the Previous Period) and 24.2% were shipment made to Taiwan (31.7% 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. As far as global smartphone shipment is concerned, it is a widespread news that shipment volume of smartphone is on downward trend for more than seven quarters by now. According to a report released by IDC, it was down by 2.3% in second quarter 2019.

World Smartphone Market, Top 5 Company Shipments, Market Share, and Year-over-Year Growth, Q2 2019 (shipments in millions)

Vendor		2Q19 Shipments	2Q19 Market Share	2Q18 Shipments	2Q18 Market Share	Year-Over-Year Change
1.	Samsung	**75.5**	22.7%	71.5	21.0%	5.5%
2.	Huawei	**58.7**	17.6%	54.2	15.9%	8.3%
3.	Apple	**33.8**	10.1%	41.3	12.1%	-18.2%
4.	Xiaomi	**32.3**	9.7%	32.4	9.5%	-0.2%
5.	OPPO	**29.5**	8.9%	29.4	8.6%	0.3%
6.	Others	**103.4**	31.0%	112.4	32.9%	-8.0%
Total		**333.2**	100.0%	341.2	100.0%	-2.3%

Source: IDC Worldwide Quarterly Mobile Phone Tracker, July 31, 2019

We have said in 2018 annual report that the slowing incremental innovation at the high end smartphone, coupled with price increases, has deterred replacement decisions for high-end smartphones. This stand remains true for the current smartphone market. The key driver in the second quarter of 2019 was the availability of vastly improved mid-tier devices that offer premium designs and features while significantly undercutting the ultra-high-end in price.

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 significantly by 210.6% from approximately HK$18,337,000 in the Previous Period to approximately HK$56,953,000 for the Period Under Review. Out of this total revenue, from the perspective of installation location, nearly 23.9% were shipment made to PRC (68.4% in the Previous Period) and 65.3% were shipment made to Mexico (6.2% in the Previous Period).

The revenue of SF sector, for past few years, was mainly streamed from multinational companies selling automotive parts. Unfortunately, during the first half year of 2019, car sales were lower in all major car markets in the world with the exception of Brazil where sales increased by 11%. The Japanese car market was flat while the US and Russian markets contracted by around 2%. In the European Union new passenger vehicle registrations were down by 3% but remained at relatively high levels. In India, new car sales during the first six months of 2019 were down by a tenth while China remained the world's largest new car market despite a 14% contraction.

New light and passenger vehicle registrations in various major markets in the world

Region	June 2019	% Change	1-6/2019	% Change
Europe (EU+EFTA)	**1,491,300**	-7.9	8,426,200	-3.1
Russia*	**151,200**	-3.3	828,800	-2.4
USA*	**1,514,900**	-1.9	8,412,900	-1.9
Japan	**367,000**	-2.2	2,285,700	-0.3
Brazil*	**214,000**	9.5	1,251,800	10.9
India	**225,700**	-17.5	1,556,800	-10.3
China	**1,700,000**	-7.1	9,932,900	-14.0

Source: VDA

* light Vehicle only

Global automobile producers are facing a range of challenges: (i) drop in demand due to the weak economies worldwide, (ii) stricter emission controls and (iii) shift towards electrified vehicles and autonomous.

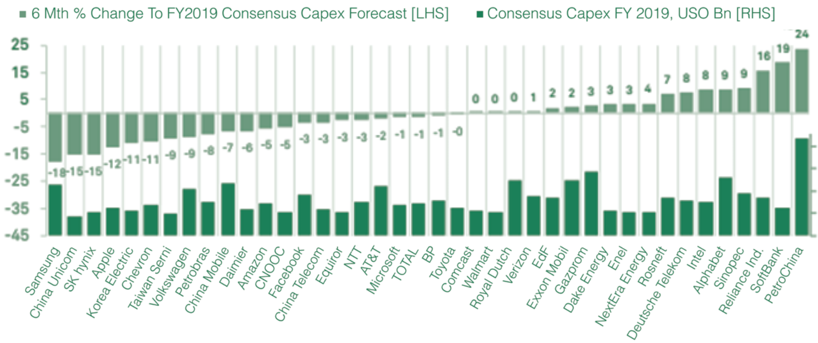
As far as emission controls is concerned, the developments are heating up. In Europe, from 2021 onwards, manufacturers will face big fines in the EU if their fleets break the agreed emissions limits. "Carmakers have to add on average €1,000 of content to cars to make them comply with the new rules," says Arndt Ellinghorst, an automotive industry analyst at Evercore ISI. "It means consumers will be less inclined to buy, which only adds to the general slowdown in consumer confidence." In China, encouraged by a central government eager to combat smog, 15 cities and provinces decided to implement new stage-6 standards ahead of the original July 1, 2020 deadline. India too has set a deadline in early 2020.

Apart from investment in ensuring their new cars will meet the new emission standards, automobile makers are putting huge research and development investment in autonomous and electrified vehicles as well. It is said that automobile makers globally will see annual investments in self-driving vehicles grow to $85 billion by 2025 while the industry is expected to invest a collective $225 billion in battery-car technology between 2019 and 2023. Given the weak car sales, it is expected that some automobile makers may meet with cash crunch or are ready to raise fund from the market.

Outlook

On year-over-year basis, we expect the revenue for the whole year will be very similar to the 2018's. The current capital investment sentiment amongst our customers is very weak, for both the PCB and SF sectors. Incidentally, S&P Global issued a reported named "Global Corporate Capex Survey 2019 - Curbed Enthusiasm" in June 2019. In its report, it said "One thing that is clear is that capex spending surveys have shown a very marked deterioration in the past few quarters, both in terms of current spending and forward intentions. This has happened across all regions, with the exception – as also seen in our growth forecasts - of Latin America. No doubt this downturn was influenced by market volatility late last year (ie 2018) and concerns for the fragility and durability of the current cycle." These remarks have said it all the current situation our Group is facing. Also quoted from this report is a chart showing capex forecasts by major spenders.

Revisions To 2019 Consensus Capex Forecasts In Last Six Months For Major Capex Spenders



Source: S&P Global Market intelligence. S&P Global Ratings. Universe is Global Capex 2000.
Only includes companies for which an S&P Capital IQ consensus estimate is available. Shows top 40 based on USD values of initial forecast.

It is interesting to note from the chart that the expected major spending will come from oil and gas sector and telecommunication sector but a clear deterioration is seen in mobile device sector.

The Group will continue to exert sales effort in expanding the customer base, exercising cost control and improving production efficiency to minimise the impact on the Group due to the poor market conditions.

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") which outlined a further change in respect of the way to receive the expected consideration.

Progress made on the Re-development Plan in chronological order is updated below:–

(1) The project company was established by the Counter Party in August 2011 ("Project Company").

(2) The Group has entered into a re-development contract ("Re-development Contract") and relocation compensation agreement ("Relocation Compensation Agreement") with the Project Company in September 2011.

(3) On 16 October 2014, a notice was published by Urban Planning Land and Resources Commission of Shenzhen Municipality to confirm the Land having been listed under "2014 Lot 4 Town re-development formulated plan of Shenzhen – Draft Plan" for re-development. The first task associated with the Agreement, being the Completion of Registration, has been completed.

(4) On 27 November 2015, the Project Company received an approval letter dated 25 November 2015 confirming that the Construction and Environment Review Committee had approved the planning proposal submitted by the Project Company. Based on the approved planning, the Land shall be re-developed into a comprehensive development site which can build up to a maximum floor area of 196,800 sq.m., out of which the Group will receive titles and benefits of 41,000 sq.m. upon completion.

(5) The Project Company has received an investment registration certificate dated 1 February 2016 and a letter regarding the energy saving assessment dated 10 March 2016 from Shenzhen Long Hua New District Development and Finance Bureau (深圳市龍華新區發展及財政局).

(6) The Project Company has received a letter dated 9 May 2016 regarding environmental assessement from Shenzhen Bao'an District Environmental Protection and Water Bureau.

(7) The Project Company has received a land planning permit dated 10 August 2016 from the Urban Planning Land and Resources Commission of Shenzhen Municipality confirming that the Land shall be re-developed into a comprehensive development site comprising an office building, shops, public facilities required by local government and four to six blocks of residential buildings. Maximum floor area to be built is 196,800 sq.m. under which 172,627 sq.m. are marketable residential or commercial properties and 24,173 sq.m. are public facilities and subsidised residential units built on behalf of the local government.

(8) In March 2017, the Project Company has signed a sales of land use rights contract dated 21 March 2017 with the local government. The Project Company has paid the required land premium in 2017 and 2018.

(9) In second half of 2017, the Project Company has obtained all required permits and construction was started.

(10) On 25 May 2018, Project Company has obtained the land certificate.

(11) On 22 August 2019, the Project Company has obtained the Pre-Sales Certificate.

As of the date of this interim report, the construction of the buildings is completed but the construction of the gardens, swimming pools and all interior fitting is still going on.

The approval of Revised Supplement Agreements is pending the issue of circular and approval of the shareholders.

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

The Group has relocated its production base to a ready-built factory in Datianyan Industrial Zone, Songgan Street Committee, Baoan District (the "Songgan Factory") under a short term lease, which will expire in December 2020.

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

MATERIAL ACQUISITION AND DISPOSAL

Apart from the entering of Supplemental Agreements as elaborated above, the Group has not entered any material transaction during the Period Under Review.

FINANCIAL REVIEW

Capital Structure, Liquidity and Financial Resources

As at 30 June 2019, the Group had equity attributable to owners of the Company of approximately HK$1,383,509,000 (31 December 2018: HK$1,278,693,000). The gearing ratio was nil (31 December 2018: 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 2019, the Group had approximately HK$140,197,000 of cash on hand (31 December 2018: HK$144,792,000).

As at 30 June 2019, the Group pledged deposits of HK$3,631,000 (31 December 2018: HK$3,315,000) 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 2018: HK$102,300,000). Out of the facilities available, the Group has utilized (i) approximately HK$7,739,000 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 2019 (31 December 2018: HK$3,315,000), (ii) approximately HK$3,468,000 for the issuance of import letters of credit to suppliers (31 December 2018: HK$4,624,000).

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 2019, the Company had guarantees of approximately HK$137,500,000 (31 December 2018: 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$11,207,000 (31 December 2018: HK$7,939,000).

Capital Commitment

The Group does not have any material capital commitment as at date of this report.

Employee and Remuneration Policies

As at 30 June 2019, the Group employs a total of 620 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

As the Company is still in the process of searching for a suitable production site for the long-term development and benefits of PAL and the improved financial performance for the Group for the Period Under Review was mainly due to the gain on the change in fair value of Deferred Consideration which is an unrealized gain by nature, after due and careful consideration, the Board does not recommend payment of any interim dividend for the six months ended 30 June 2019 (2018: Nil).

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, 28 August 2019

OTHER INFORMATION

Directors' and Chief Executives' Interests and Short Positions in Shares and Underlying Shares of the Company and its Associated Corporations

At 30 June 2019, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which are required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange were as follows:

Long position

Ordinary shares of HK$0.01 each of the Company

Name of director	Number of issued ordinary shares held: Personal interest	Number of issued ordinary shares held: Corporate interest	Total	Percentage of the issued share capital of the Company
Mr. Lam Kwok Hing	3,474,667	269,916,500 *(Note)*	273,391,167	64.11%

Note: The amount composed of 48,520,666, 201,995,834 and 19,400,000 shares of the Company that were held by Medusa Group Limited ("Medusa"), Karfun Investments Limited ("Karfun") and J & A Investment Limited ("J & A") respectively. Medusa is a company wholly-owned by Mr. Lam Kwok Hing. Karfun is owned by J & A for approximately 93.70%. Mr. Lam Kwok Hing who is the Chairman and Managing Director of the Company owns 80% shareholding in J & A.

Save as disclosed above, except for nominee shares in certain subsidiaries held in trust for the Company by certain Directors, none of the Directors, the chief executives or their associates had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and chief executives were deemed or taken to have under provisions of the SFO), or which were required to be and are recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code as at 30 June 2019.

Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares of the Company

As at 30 June 2019, the following persons (other than the Directors of the Company) had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

Long positions in the ordinary shares of HK$0.01 each of the Company

Name of shareholders	Capacity	Number of shares held	Percentage of Company's issued share capital
Medusa	Beneficial owner	48,520,666	11.38%
Karfun	Beneficial owner	201,995,834	47.37%
J & A	Beneficial owner	19,400,000	4.55%

Please refer to the note under the section heading "Directors' and Chief Executives' Interests and Short Positions in Shares and Underlying Shares of the Company and its Associated Corporation" above.

Save as disclosed above, as at 30 June 2019, no person (other than the Director of the Company whose interests are set out under the heading "Directors' and Chief Executives' Interests and Short Positions in Shares and Underlying Shares of the Company and its Associated Corporation" above) had an interest or a short position in the shares and underlying shares of the Company that was required to be recorded under Section 336 of SFO.

Share Option Scheme

At the annual general meeting of the Company held on 12 June 2015, the shareholders of the Company approved the adoption of a new share option scheme (the "New Scheme") and the termination of the old share option scheme (the "Old Scheme"). The Old Scheme was adopted by the Company and remained in force for a period of ten years from the date of its adoption. Pursuant to the Old Scheme, the Company had never grant options under the Old Scheme and no option was outstanding under the Old Scheme.

The New Scheme is in line with the prevailing requirements of Chapter 17 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") in relation to share option schemes. The Company had no share options in issue under the New Scheme during the period and up to date of this report.

Corporate Governance

The Company has complied with the Corporate Governance Code and Corporate Governance Report (the "CG Code") as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2019, with deviations from code provisions A.2.1 and A.4.2 of the CG 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 provision 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 provision 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 are 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 CG 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 2019.

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.

Review of Accounts

The Audit Committee has reviewed with the Company's management and external auditor the accounting principles and practices adopted by the Group and discussed auditing, internal controls, and financial reporting matters including the review of the unaudited interim financial statements for the period under review. The external auditor has reviewed the interim financial information for the six months ended 30 June 2019 in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

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 2019.

Directors' rights to acquire shares or debentures

Apart from as disclosed under the heading "Directors' and Chief Executives' Interests and Short Positions in Shares and Underlying Shares of the Company and its Associated Corporations" above, at no time during the period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

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 six months ended 30 June 2019.

Events after the reporting period

On 28 June 2019, Process Automation (Shenzhen) Limited, Shenzhen Warmsun Zhi-di Group Company Limited and the Project Company have entered into the Revised Supplemental Agreements to amend certain terms of the Supplemental Agreements. The approval of Revised Supplemental Agreements is pending the issue of circular and approval of the shareholders.

Publication of Results on the Websites of the Stock Exchange and the Company

The Interim Report 2019, containing the relevant information required by the Rules Governing the Listing of Securities on the Stock Exchange, has been published on the websites of the Stock Exchange and the Company.

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Deloitte. 德勤

TO THE BOARD OF DIRECTORS OF
ASIA TELE-NET AND TECHNOLOGY CORPORATION LIMITED
(incorporated in Bermuda with limited liability)

Introduction

We have reviewed the condensed consolidated financial statements of Asia Tele-Net and Technology Corporation Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 31 to 62, which comprise the condensed consolidated statement of financial position as of 30 June 2019 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six months then ended and certain explanatory notes. The Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
28 August 2019

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2019

	NOTES	**Six months ended 30 June** **2019** ***HK$'000*** **(unaudited)**	2018 *HK$'000* (unaudited)
Revenue — contracts with customers	3A	**209,171**	193,165
Cost of sales		**(158,703)**	(153,756)
Gross profit		**50,468**	39,409
Other income		**89,117**	82,750
Selling and distribution costs		**(7,958)**	(9,413)
Administrative expenses		**(53,261)**	(55,686)
Other gains or losses		**82,468**	53,839
Impairment loss allowance for financial assets and contract assets, net		**(4,717)**	(3,535)
Share of results of associates		**(547)**	(302)
Finance costs		**(1,302)**	(833)
Profit before taxation		**154,268**	106,229
Taxation	4	**(41,528)**	(34,400)
Profit for the period	5	**112,740**	71,829

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

FOR THE SIX MONTHS ENDED 30 JUNE 2019

	NOTE	**Six months ended 30 June**	
		2019	2018
		HK$'000	*HK$'000*
		(unaudited)	(unaudited)
Other comprehensive (expense) income			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operations			
— subsidiaries		**(7,307)**	(13,984)
— associate		**(485)**	685
Other comprehensive expense for the period		**(7,792)**	(13,299)
Total comprehensive income for the period		**104,948**	58,530
Profit (loss) for the period attributable to:			
Owners of the Company		**112,607**	71,872
Non-controlling interests		**133**	(43)
		112,740	71,829
Total comprehensive income (expense) attributable to:			
Owners of the Company		**104,816**	58,571
Non-controlling interests		**132**	(41)
		104,948	58,530
Earnings per share	7		
Basic		**HK26.40 cents**	HK16.85 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2019

	NOTES	**30.6.2019**	31.12.2018
		HK$'000	*HK$'000*
		(unaudited)	(audited)
Non-current assets			
Property, plant and equipment	8	**33,621**	36,623
Right-of-use assets		**12,715**	—
Deferred Consideration	9	**717,649**	1,069,873
Interests in associates		**1,316**	2,348
Rental deposits		**2,073**	—
		767,374	1,108,844
Current assets			
Inventories		**46,402**	50,125
Deferred Consideration	9	**861,554**	354,655
Loan receivable	10	**65,010**	65,010
Debtors and prepayments	11	**76,464**	92,633
Contract assets	12	**53,483**	59,260
Held-for-trading investments	14	**27,327**	29,131
Amounts due from associates		**42**	42
Taxation recoverable		**2,451**	982
Pledged bank deposits	15	**3,631**	3,315
Bank balances and cash		**136,566**	141,477
		1,272,930	796,630

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(CONTINUED)*

AT 30 JUNE 2019

	NOTES	**30.6.2019** ***HK$'000*** **(unaudited)**	31.12.2018 *HK$'000* (audited)
Current liabilities			
Creditors and accrued charges	16	**133,173**	150,786
Warranty provision		**39,742**	35,784
Contract liabilities		**11,277**	25,169
Lease liabilities		**8,500**	—
Taxation payable		**3,958**	5,143
		196,650	216,882
Net current assets		**1,076,280**	579,748
Total assets less current liabilities		**1,843,654**	1,688,592
Capital and reserves			
Share capital	17	**4,265**	4,265
Reserves		**1,379,244**	1,274,428
Equity attributable to owners of the Company		**1,383,509**	1,278,693
Non-controlling interests		**638**	506
Total equity		**1,384,147**	1,279,199
Non-current liabilities			
Accrued charges	16	**54,738**	48,092
Lease liabilities		**3,288**	—
Warranty provision		**2,365**	854
Deferred taxation		**399,116**	360,447
		459,507	409,393
		1,843,654	1,688,592

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2019

	Attributable to owners of the Company										
	Share capital *HK$'000*	Share premium *HK$'000*	Property revaluation reserve *HK$'000*	Legal reserve *HK$'000*	Currency translation reserve *HK$'000*	Contributed surplus *HK$'000*	Capital contribution *HK$'000*	Retained profits *HK$'000*	Subtotal *HK$'000*	Attributable to non-controlling interests *HK$'000*	Total *HK$'000*
Balance at 1 January 2018	4,265	28,500	13,253	14,336	62,857	48,937	1,206	1,081,449	1,254,803	553	1,255,356
Profit (loss) for the period	—	—	—	—	—	—	—	71,872	71,872	(43)	71,829
Exchange difference arising on translation of foreign operation											
— subsidiaries	—	—	—	—	(13,986)	—	—	—	(13,986)	2	(13,984)
— associate	—	—	—	—	685	—	—	—	685	—	685
Total comprehensive (expense) income for the period	—	—	—	—	(13,301)	—	—	71,872	58,571	(41)	58,530
Balance at 30 June 2018 (unaudited)	4,265	28,500	13,253	14,336	49,556	48,937	1,206	1,153,321	1,313,374	512	1,313,886
Balance at 1 January 2019 (audited)	4,265	28,500	13,253	14,336	2,234	48,937	1,206	1,165,962	1,278,693	506	1,279,199
Profit for the period	—	—	—	—	—	—	—	112,607	112,607	133	112,740
Exchange difference arising on translation of foreign operation											
— subsidiaries	—	—	—	—	(7,306)	—	—	—	(7,306)	(1)	(7,307)
— associate	—	—	—	—	(485)	—	—	—	(485)	—	(485)
Total comprehensive (expense) income for the period	—	—	—	—	(7,791)	—	—	112,607	104,816	132	104,948
Balance at 30 June 2019 (unaudited)	4,265	28,500	13,253	14,336	(5,557)	48,937	1,206	1,278,569	1,383,509	638	1,384,147

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Net cash (used in) from operating activities	**(4,596)**	13,469
Net cash used in investing activities:		
Purchase of property, plant and equipment	**(710)**	(2,957)
Placement of pledged bank deposits	**(3,472)**	(6,284)
Withdrawal of pledged bank deposits	**3,156**	3,236
Other investing cash flows	**711**	762
	(315)	(5,243)
Net (decrease) increase in cash and cash equivalents	**(4,911)**	8,226
Cash and cash equivalents at the beginning of the period	**141,477**	165,880
Cash and cash equivalents at the end of the period	**136,566**	174,106
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	**136,566**	174,106

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

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.

During the current interim period, the Group applied certain new Hong Kong Financial Reporting Standard ("HKFRSs"). The impact of the application is set out in note 2.

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 fair values.

Other than change in accounting policies resulting from application of new and amendments and interpretation to Hong Kong Financial Reporting Standards ("HKFRSs"), the accounting policies and methods of computation used in the preparation of condensed consolidated financial statements for the six months ended 30 June 2019 are the same as those presented in the preparation of the Group's annual financial statements for the year ended 31 December 2018.

2. PRINCIPAL ACCOUNTING POLICIES *(CONTINUED)*

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2019 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 16	Leases
HK(IFRIC) — Int 23	Uncertainty over Income Tax Treatments
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle

Except as described below, the application of the new and 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.

2.1 Impacts and changes in accounting policies of application on HKFRS 16 "Leases"

The Group has applied HKFRS 16 for the first time in the current interim period. HKFRS 16 superseded HKAS 17 "Leases" ("HKAS 17"), and the related interpretations.

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of HKFRS 16.

Definition of a lease

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

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

2. PRINCIPAL ACCOUNTING POLICIES *(CONTINUED)*

2.1 Impacts and changes in accounting policies of application on HKFRS 16 "Leases" *(Continued)*

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16 *(Continued)*

As a lessee

Allocation of consideration to components of a contract

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

Short-term leases

The Group applies the short-term lease recognition exemption to leases of certain properties that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

Right-of-use assets

Except for short-term leases, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

2. PRINCIPAL ACCOUNTING POLICIES *(CONTINUED)*

2.1 Impacts and changes in accounting policies of application on HKFRS 16 "Leases" *(Continued)*

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16 (Continued)

As a lessee (Continued)

Right-of-use assets (Continued)

The cost of right-of-use asset includes:

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

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Right-of-use assets are presented as separate line item

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

Leasehold land and building

For payments of a property interest which includes both leasehold land and building elements, the entire property is presented as property, plant and equipment of the Group when the payments cannot be allocated reliably between the leasehold land and building elements.

2. PRINCIPAL ACCOUNTING POLICIES *(CONTINUED)*

2.1 Impacts and changes in accounting policies of application on HKFRS 16 "Leases" *(Continued)*

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16 *(Continued)*

As a lessee (Continued)

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 "Financial Instruments" ("HKFRS 9") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

2. PRINCIPAL ACCOUNTING POLICIES *(CONTINUED)*

2.1 Impacts and changes in accounting policies of application on HKFRS 16 "Leases" *(Continued)*

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16 (Continued)

As a lessee (Continued)

Lease liabilities *(Continued)*

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

Lease modifications

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

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

2. PRINCIPAL ACCOUNTING POLICIES *(CONTINUED)*

2.1 Impacts and changes in accounting policies of application on HKFRS 16 "Leases" *(Continued)*

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16 (Continued)

As a lessee (Continued)

Taxation

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

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 "Income Taxes" requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

2.1.2 Transition and summary of effects arising from initial application of HKFRS 16

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC) — Int 4 "Determining whether an Arrangement contains a Lease" and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

2. PRINCIPAL ACCOUNTING POLICIES *(CONTINUED)*

2.1 Impacts and changes in accounting policies of application on HKFRS 16 "Leases" *(Continued)*

2.1.2 Transition and summary of effects arising from initial application of HKFRS 16 *(Continued)*

As a lessee (Continued)

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

(i) relied on the assessment of whether leases are onerous by applying HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets" as an alternative of impairment review;

(ii) elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;

(iii) excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and

(iv) used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

On transition, the Group has made the following adjustments upon application of HKFRS 16:

As at 1 January 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related liabilities by applying HKFRS 16.C8(b)(ii) transition.

2. PRINCIPAL ACCOUNTING POLICIES *(CONTINUED)*

2.1 Impacts and changes in accounting policies of application on HKFRS 16 "Leases" *(Continued)*

2.1.2 Transition and summary of effects arising from initial application of HKFRS 16 (Continued)

As a lessee (Continued)

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average lessee's incremental borrowing rate applied is 4.75%.

	At 1 January 2019
	HK$'000
Operating lease commitments disclosed as at 31 December 2018	**12,482**
Lease liabilities discounted at relevant incremental borrowing rates	**11,750**
Add: Lease liabilities resulting from lease modifications of existing leases #	**6,223**
Less: Recognition exemption — short-term leases	**(952)**
Lease liabilities relating to operating leases recognised upon application of HKFRS 16 as at 1 January 2019	**17,021**
Analysed as	
Current	**10,496**
Non-current	**6,525**
	17,021

The Group renewed the leases of several existing factory premises by entering into new lease contracts which commence after date of initial application, these new contracts are accounted as lease modifications of the existing contracts upon application of HKFRS 16.

2. PRINCIPAL ACCOUNTING POLICIES *(CONTINUED)*

2.1 Impacts and changes in accounting policies of application on HKFRS 16 "Leases" *(Continued)*

2.1.2 Transition and summary of effects arising from initial application of HKFRS 16 (Continued)

As a lessee (Continued)

The carrying amount of right-of-use assets as at 1 January 2019 comprises the following:

	At Right-of-use assets *HK$'000*
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	17,021
By class:	
Land and buildings	17,021

Based on the assessment by the directors of the Company, there is no material impact of transition to HKFRS 16 on retained profits at 1 January 2019.

2. PRINCIPAL ACCOUNTING POLICIES *(CONTINUED)*

2.1 Impacts and changes in accounting policies of application on HKFRS 16 "Leases" *(Continued)*

2.1.2 Transition and summary of effects arising from initial application of HKFRS 16 (Continued)

As a lessee (Continued)

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2018	Adjustments	Carrying amounts under HKFRS 16 at 1 January 2019
	HK$'000	*HK$'000*	*HK$'000*
Non-current Assets			
Right-of-use assets	—	17,021	17,021
Current Liabilities			
Lease liabilities	—	10,496	10,496
Non-current liabilities			
Lease liabilities	—	6,525	6,525

Note: For the purpose of reporting cash flows from operating activities under indirect method for the six months ended 30 June 2019, movements in working capital have been computed based on opening statement of financial position as at 1 January 2019 as disclosed above.

3A. REVENUE FROM GOODS AND SERVICES

Disaggregation of revenue

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
Types of goods or service		
Construction contracts in respect of design, manufacturing and sale of custom-built electroplating machinery and other industrial machinery		
— Printed Circuit Boards	**114,842**	108,975
— Surface Finishing	**56,953**	18,337
	171,795	127,312
Sale of spare parts of electroplating machinery	**4,246**	6,266
Provision of services — repairs, maintenance and modification	**33,130**	59,587
Total	**209,171**	193,165
Geographical analysis of revenue by location of external customers		
The People's Republic of China (excluding Hong Kong) (the "PRC")	**103,709**	113,968
Mexico	**37,188**	1,180
Taiwan	**31,413**	47,452
Thailand	**11,532**	3,392
Germany	**6,836**	1,730
India	**6,026**	4,020
Russia	**3,412**	—
United Arab Emirates	**3,366**	—
The United States of America	**2,237**	9,305
Singapore	**1,455**	1,552
Macedonia	**792**	—
Hong Kong	**600**	3,468
Others	**605**	7,098
Total	**209,171**	193,165
Timing of revenue recognition		
A point in time	**4,246**	6,266
Overtime	**204,925**	186,899
Total	**209,171**	193,165

3B. SEGMENT INFORMATION

Revenue

The Group's revenue from electroplating machinery business for the six months ended 30 June 2019 and 2018 analysed by principal activity is as follows:

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
Construction contracts in respect of design, manufacturing and sale of custom-built electroplating machinery and other industrial machinery	**171,795**	127,312
Sale of spare parts of electroplating machinery	**4,246**	6,266
Provision of services — repairs, maintenance and modification	**33,130**	59,587
	209,171	193,165

Segment information

Information reported to the executive directors, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided.

3B. SEGMENT INFORMATION *(CONTINUED)*

Segment information *(Continued)*

The Group has one operating segment being the electroplating equipment segment which contributes the entire revenue of the Group. Reconciliation of the operating segment profit (loss) to profit before taxation is as follows:

	Electroplating equipment Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
Segment revenue	**209,171**	193,165
Segment profit (loss)	**6,322**	(8,479)
Intra-group management fee charged to operating segment	**3,016**	3,117
Other income	**88,149**	82,008
Central corporate expenses	**(17,300)**	(17,476)
Impairment loss allowance for loan receivable and GCC, net	**(5,170)**	(4,083)
Imputed interest on non-current portion of provision for performance related incentive payments (note 16)	**(943)**	(833)
Other gains or losses	**80,194**	51,975
Profit before taxation	**154,268**	106,229

Segment profit (loss) represents the gross profit of the electroplating equipment segment, other income and expenses directly attributable to the segment activity (including intra-group management fee) and share of results of associates but excluding other income (including interest income from loan receivable, imputed interest income of GCC (as defined in note 9), unallocated interest income, dividend income and sundry income), central corporate expenses including auditor's remuneration and directors' emoluments, impairment loss allowance for loan receivable and GCC (net), imputed interest on non-current portion of provision for performance related incentive payments, and other gains or losses (including net change in fair value of held-for-trading investments, gain (loss) on disposal of property, plant and equipment and gain on change in fair value of ACC (as defined in note 9)). This is the measure reported to the chief operating decision maker in order to assess segment performance.

There has been no material change in the total segment assets and total segment liabilities from the amounts disclosed in the last annual financial statements of the electroplating equipment segment. Accordingly, no such information has been disclosed.

4. TAXATION

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
Taxation comprises:		
Current tax — overseas taxation charge for the period	**678**	927
Deferred tax charge	**40,850**	33,473
	41,528	34,400

No provision for Hong Kong Profits Tax has been made of the six months ended 30 June 2019 and 2018 as there is no assessable profit for both periods.

Taxation arising in other jurisdictions (including the PRC enterprise income tax) is calculated at the rates prevailing in the relevant jurisdictions.

5. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
Profit for the period has been arrived at after charging (crediting):		
Allowance for (reversal of) slow moving inventories (included in cost of sales)	**533**	(364)
Depreciation of property, plant and equipment	**3,586**	3,694
Depreciation of right-of-use assets	**4,321**	—
Imputed interest expense on non-current portion of provision for performance related incentive payments (note 16)	**943**	833
Interest income from financial assets at amortised cost (included in other income)		
Interest income from loan receivable	**(1,686)**	(1,853)
Imputed interest income of GCC	**(85,997)**	(79,398)
Interest income from bank deposits	**(711)**	(762)
Included in other gains or losses		
(Gain) loss on disposal of property, plant and equipment	**(3)**	8
Net exchange gain	**(2,278)**	(1,864)
Net change in fair value of held-for-trading investments	**2,384**	7,285
Impairment loss allowance for financial assets, net (note 13)	**4,717**	3,535
Gain on change in fair value of ACC	**(82,575)**	(59,268)

6. DIVIDEND

No dividends were paid, declared or proposed during either period. The directors do not recommend the payment of an interim dividend.

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 HK$112,607,000 (six months ended 30 June 2018: HK$71,872,000) and the number of ordinary shares of 426,463,400 (six months ended 30 June 2018: 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. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2019, the Group spent approximately HK$710,000 (six months ended 30 June 2018: approximately HK$2,957,000) on acquisition of property, plant and equipment.

9. DEFERRED CONSIDERATION

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

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

9. DEFERRED CONSIDERATION *(CONTINUED)*

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

With the effective of the Supplemental Agreements, the Group surrendered its right to receive the Relevant Properties in exchange for the right to receive GCC and ACC. The fair values of GCC and ACC were approximately HK$910,602,000 and HK$193,657,000 respectively at the initial recognition. The fair values of GCC and ACC had been arrived at using discounted cash flow method by discounting future cash flows at an interest rate of 14.9% per annum based on a valuation performed by Avista. Pursuant to the Supplemental Agreements, the deadline for the Project Company to obtain the pre-sales certificate is on or before 30 June 2019. In the estimation of the fair values of GCC and ACC, the directors of the Company expect the pre-sales certificate to be issued on 30 June 2019. The Group recognised a gain on remeasurement of Deferred Consideration of HK$136,557,000 upon the initial recognition of GCC and ACC. Subsequent to the initial recognition, GCC is measured at amortised cost using the effective interest method, less any impairment while ACC is measured at fair value with changes in fair value through profit or loss.

9. DEFERRED CONSIDERATION *(CONTINUED)*

On 28 June 2019, the Group entered into revised supplemental agreements ("Revised Supplemental Agreements") to amend certain terms of the Supplemental Agreements which was previously approved by the shareholders of the Company on 2 March 2017. Pursuant to the Revised Supplemental Agreements, instead of receiving GCC and ACC, the Group is offered a revised guaranteed cash consideration of RMB2.75 billion (equivalent to approximately HK$3.1 billion) payable by six tranches which will be due within on or before 31 December 2019 to on or before 31 December 2022. The details of the amendment are set out in the Company's announcement dated 28 June 2019. The effective date of the Revised Supplemental Agreements is conditional upon obtaining approval from shareholders of the Company approving the transactions contemplated under the Revised Supplemental Agreements in the extraordinary general meeting of the Company to be convened and held for the shareholders of the Company. As at 30 June 2019, the Revised Supplemental Agreements are not yet effective. The terms of GCC and ACC remain effective at 30 June 2019.

As at 30 June 2019, the undiscounted gross amount of ACC is approximately HK$616,568,000 (31 December 2018: HK$534,146,000). The Group recognised a gain on change in fair value of ACC of approximately HK$82,575,000 (six months ended 30 June 2018: HK$59,268,000) included in other gains or losses in profit or loss during the six months ended 30 June 2019. The increase of fair value for the six months ended 30 June 2019 is mainly due to the increase in average unit rate of the properties.

As GCC is carried at amortised cost, imputed interest of approximately HK$85,997,000 (six months ended 30 June 2018: HK$79,398,000) is recognised as other income in the profit or loss during the six months ended 30 June 2019.

Impairment loss allowance of GCC of approximately HK$5,170,000 (six months ended 30 June 2018: HK$4,773,000) is recognised as other gains or losses in the profit or loss during the six months ended 30 June 2019.

The progress of the Re-development Plan up to 31 December 2018 is set out in the Company's 2018 annual report.

Details of the impairment assessment of GCC are set out in note 13.

As at 30 June 2019, the Deferred Consideration is made up of GCC of approximately HK$1,190,939,000 (net of impairment loss allowance of HK$76,195,000) and ACC of approximately HK$388,264,000 (31 December 2018: GCC of approximately HK$1,116,047,000 (net of impairment loss allowance of approximately HK$71,404,000) and ACC of approximately HK$308,481,000).

With the expected receipt of first three tranches of GCC within one year from 30 June 2019, the carrying amount of GCC of approximately HK$861,554,000 as at 30 June 2019 is classified as current assets (31 December 2018: HK$354,655,000).

10. LOAN RECEIVABLE

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

	30.6.2019	31.12.2018
	HK$'000	*HK$'000*
Repayable after one year	**66,000**	66,000
Less: impairment loss allowance	**(990)**	(990)
	65,010	65,010

On 31 October 2016, the Group entered into a 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. 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 for a term of three years commencing from the loan effective date and ending on 30 October 2019. As at 30 June 2019 a loan of HK$66,000,000 was drawn by KTFG in according to the terms of the loan facility agreement. The average effective interest rate, which is equal to contractual interest rate, is 5.125% (31 December 2018: 5.125%) per annum. As at 30 June 2019, impairment loss allowance of loan receivable of HK$990,000 (31 December 2018: HK$990,000) is recognised. Details of the impairment assessment of loan receivable are set out in note 13.

11. DEBTORS AND PREPAYMENTS

	30.6.2019	31.12.2018
	HK$'000	*HK$'000*
Trade debtors	**65,545**	84,795
Less: Allowance for bad and doubtful debts	**(11,890)**	(12,457)
	53,655	72,338
Other debtors and prepayments	**22,809**	20,295
	76,464	92,633

11. DEBTORS AND PREPAYMENTS *(CONTINUED)*

The Group allows a general credit period of one to two months to its trade customers except construction contracts where the Group allows milestone payments. Each construction contract 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 following is an aged analysis of trade debtors net of allowance for bad and doubtful debts presented based on the invoice date at the end of the reporting period:

	30.6.2019 ***HK$'000***	31.12.2018 *HK$'000*
1–60 days	**44,390**	34,600
61–120 days	**949**	18,720
121–180 days	**2,020**	2,381
Over 180 days	**6,296**	16,637
	53,655	72,338

12. CONTRACT ASSETS

The contract assets primarily relate to the Group's right to consideration for work completed and not billed because the rights are conditioned on the Group's future performance in achieving specified milestones at the reporting date on contract work. The contract assets are transferred to trade receivables when the rights become unconditional. The Group is typically entitled to receive the final acceptance payment upon the final acceptance of the completion of contract work by customers.

Details of the impairment assessment are set out in note 13.

13. IMPAIRMENT ASSESSMENT ON FINANCIAL ASSETS AND OTHER ITEMS SUBJECT TO ECL MODEL

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
Impairment loss recognised in respect of		
trade debtors	**(567)**	(517)
contract assets	**114**	(31)
GCC	**5,170**	4,773
loan receivable	**—**	(690)
	4,717	3,535

The basis of determining the inputs and assumptions and the estimation techniques used in the condensed consolidated financial statements for the six months ended 30 June 2019 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2018.

During the current interim period, the Group provided HK$4,717,000 impairment allowance, in particular, a specific loss allowance of HK$5,170,000 has been made on GCC due to the increase of the balance.

14. HELD-FOR-TRADING INVESTMENTS

Held-for-trading investments, financial assets at FVTPL, as at 30 June 2019 and 31 December 2018 represent equity securities listed in Hong Kong. The fair values of the investments are determined based on the quoted market bid prices available on the Stock Exchange. The fair value of held-for-trading investments is classified as Level 1 of the fair value hierarchy.

15. PLEDGED BANK DEPOSITS

The pledged bank deposits represent deposits pledged to banks for the issuance of shipping guarantee by banks to customers, and will be released upon expiry of such bank guarantee(s). During the current interim period, the Group made a placement of pledged bank deposits of approximately HK$3,472,000 (six months ended 30 June 2018: HK$6,284,000). During the current interim period, the Group made withdrawal of pledged bank deposits of approximately HK$3,156,000 (six months ended 30 June 2018: approximately HK$3,236,000).

16. CREDITORS AND ACCRUED CHARGES

	30.6.2019 *HK$'000*	31.12.2018 *HK$'000*
Trade creditors	**65,475**	87,133
Accrued staff costs	**16,175**	17,675
Commission payables to sales agents	**17,929**	14,650
Other creditor and accrued charges (note)	**88,332**	79,420
	187,911	198,878
Less: Non-current portion of accrued charges (note)	**(54,738)**	(48,092)
	133,173	150,786

Note: As at 30 June 2019, the non-current payable portion of provision of approximately HK$54,738,000 (31 December 2018: HK$48,092,000) represents the provision of performance bonus to the executive directors of the Company. An imputed interest expense of approximately HK$943,000 (six months ended 30 June 2018: HK$833,000) is charged to profit or loss during the current period.

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

	30.6.2019 *HK$'000*	31.12.2018 *HK$'000*
0–60 days	**19,332**	30,773
61–120 days	**19,554**	16,870
121–180 days	**12,490**	13,185
Over 180 days	**14,099**	26,305
	65,475	87,133

17. SHARE CAPITAL

	Number of shares	Amount
	'000	*HK$'000*
Shares of HK$0.01 each		
Authorised		
At 1 January 2018, 31 December 2018, 1 January 2019 and 30 June 2019	**20,000,000**	200,000
Issued and fully paid:		
At 1 January 2018, 31 December 2018, 1 January 2019 and 30 June 2019	**426,463**	4,265

18. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

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

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

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

In estimating the fair value of an asset or a liability, where Level 1 inputs are not available, the management of the Group work closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. Information about the valuation techniques and inputs used in determining the fair value of various assets are disclosed below.

18. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS *(CONTINUED)*

Financial assets	Fair value as at 30 June 2019	Fair value as at 31 December 2018	Fair value hierarchy	Valuation technique and key inputs	Significant unobservable inputs
(1) ACC as included in Deferred Consideration classified as derivative financial instruments	**Assets- HK$388,264,000**	Assets- HK$308,481,000	Level 3	Discount cash flow method The key inputs are average unit rate of the properties, discount rate and timing of cash flow of ACC	The average unit rate of the properties of RMB36,232 to RMB58,333 (2017: RMB33,329 to RMB56,607) per square meter and the discount rate of 14.62% (2017: 15.82%)
(2) Investments in equity securities listed in Hong Kong classified as held-for-trading investments	**Assets- HK$27,327,000**	Assets- HK$29,131,000	Level 1	Quoted bid prices in active market	Not applicable

Reconciliation of Level 3 fair value measurements of financial assets

	ACC as included in Deferred Consideration (note 9) *HK$'000*
At 1 January 2018	265,686
Change in fair value	57,258
Currency realignment	(14,463)
At 31 December 2018	308,481
Change in fair value	82,575
Currency realignment	(2,792)
At 30 June 2019	388,264

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

19. RELATED PARTY TRANSACTION

During the current interim period, the Group entered into the following transactions with associates:

Trade sales and service rendered		Trade purchase		Warranty expense		Installation expense	
2019	2018	**2019**	2018	**2019**	2018	**2019**	2018
HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
1,455	1,698	**49**	46	**—**	233	**818**	930

During the current interim period, the Group paid commission and other securities dealing expense from securities dealing of approximately HK$2,000 (six months ended 30 June 2018: approximately HK$1,000) to KTFG.

During the current interim period, the Group received interest income of approximately HK$1,686,000 (six months ended 30 June 2018: HK$1,853,000) from KTFG. Details of the loan receivable due from KTFG are set out in the condensed consolidated statement of financial position and note 10.

During the current interim period, the Group received rental income of approximately HK$81,000 (six months ended 30 June 2018: HK$81,000) and management income of approximately HK$124,000 (six months ended 30 June 2018: HK$154,000) from BioEm Air Sanitizing Technology Company Limited ("BioEm"). During the current interim period, the Group also paid to BioEm for their products at a value of approximately HK$104,000 (six months ended 30 June 2018: HK$14,000) which was recorded as administrative expense. Mr. Lam Kwok Hing, an executive director and the ultimate controlling shareholder of the Company, through his private investment vehicle, Excel Dragon Investment Company Limited, holds 40% indirect interest in BioEm and acts as a corporate director of BioEm.

The remuneration of key management during the period was approximately HK$12,107,000 (six months ended 30 June 2018: approximately HK$11,449,000). The amount included approximately HK$63,000 (six months ended 30 June 2018: approximately HK$72,000) as mandatory provident fund.