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 2020

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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
Certified Public Accountants
Registered Public
Interest Entity Auditors

LEGAL ADVISOR
Sidley Austin

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

REGISTERED OFFICE
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SHARE REGISTRARS AND TRANSFER OFFICES
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41 Cedar Avenue
Hamilton HM 12
Bermuda

HONG KONG BRANCH REGISTRAR AND TRANSFER OFFICE:
Tricor Secretaries Limited
Level 54, Hopewell Centre
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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 2020 ("Period Under Review"), the Group recorded profit attributable to owners of the Company of approximately HK$84,060,000 compared to the profit attributable to owners of the Company of approximately HK$112,607,000 for the period ended 30 June 2019 ("Previous Period"). The decrease in Group's profit attributable to owners of the Company during the Period Under Review was primarily due to (i) decrease in revenue of approximately HK$99,225,000 from approximately HK$209,171,000 in the Previous Period to approximately HK$109,946,000 in the Period Under Review; (ii) drop in net gain arising from the arrangement in relation to a site located at Longhua (see the paragraph below with heading "Net gain in relation to the Longhua Project" on page 10) and (iii) Impairment losses of approximately HK$3,512,000 (the Previous Period: nil) had been recognised on property, plant and equipment and right-of-use assets of the cash generating unit ("CGU") which is engaged in electroplating machinery business ("Electroplating Machinery Business") in view of the negative impact on the Group's performance due to the outbreak of the novel coronavirus in the Period Under Review and the pro-longed US-sino trade war.

The basic earnings per share for the Period Under Review was HK19.71 cents compared to the basic earnings per share of HK26.40 cents for the Previous Period.

FINANCIAL REVIEW

Revenue

The revenue for the Period Under Review was approximately HK$109,946,000 or 47.4% less than the Previous Period. Lower revenue reported during the Period Under Review was mainly due to weaken demand in high-end communication device and automobile.

In terms of business segment, approximately 71.8% of the revenue was generated from PCB sector (the Previous Period: approximately 66.8%) and approximately 28.2% came from surface finishing sector (the Previous Period: approximately 33.2%). In terms of the machines geographical installation base, the revenue composition during the Period Under Review was 41.3% machines in PRC, 23.4% in Taiwan, 11.8% in the USA, 7.4% in Europe, 6.3% in Macedonia, 3.1% in Mexico, and 6.7% in rest of the world.

Gross Profit

Due to price pressure from customer, gross profit was 21.2% which was lower than the Previous Period (approximately 24.1%).

Gain on change in fair value of ACC in the Previous Period

The Company had appointed an independent valuation company to determine the fair value for the Additional Cash Consideration ("ACC") under the supplemental agreements signed on 4 January 2017. Based on the valuation received, the Group has recorded a gain of approximately HK$82,575,000 in the Previous Period.

Other gain or losses

This mainly represented (a) Net change in realized and unrealized fair value loss of held-for-trading investments was approximately HK$4,742,000 (the Previous Period: HK$2,384,000) and (b) net exchange gain of approximately HK$2,879,000 (the Previous Period: HK$2,278,000).

(a) Net change in realized and unrealized fair value loss of held-for-trading investments was approximately HK$4,742,000 (the Previous Period: HK$2,384,000)

All held-for-trading investments were recorded at fair value as at 30 June 2020 and represented listed securities in Hong Kong. The loss of approximately HK$4.7 million represents fair value loss of investments held for trading, as a result of mark to market valuations as at the balance sheet date.

Below are information of the Group's financial assets at fair value through profit and loss amounted to approximately HK$4,742,000 as at 30 June 2020:

Company Name / Stock Code	% of shareholding as at 30 June 2020	Net fair value change	Fair value as at 30 June 2020	% of Total Assets of the Group as at 30 June 2020	Fair value as at 31 December 2019	% of Total Assets of the Group as at 31 December 2019
		HK$'000	*HK$'000*		*HK$'000*	
Shanghai Industrial Urban Development Group Ltd. (563)	0.15%	(562)	6,319	0.24%	5,978	0.22%
South China Financial Holdings Ltd. (619)	0.91%	110	1,157	0.04%	1,046	0.04%
South China Holdings Company Ltd (413)	0.20%	(1,483)	3,478	0.13%	4,961	0.19%
Orient Victory Travel Group Company Ltd. (265)	0.38%	(1,649)	2,958	0.11%	4,608	0.17%
South China Assets Holdings Ltd. (8155)	0.55%	391	1,365	0.05%	857	0.03%
Bonjour Holdings Ltd (653)	1.01%	1,000	3,933	0.15%	2,933	0.11%
Q P Group Holdings Limited (1412)	1.59%	(2,219)	7,881	0.30%	—	—
Others *(Note)*		(330)	510	0.02%	524	0.02%
Total		(4,742)	27,601	1.04%	20,907	0.78%

Note: None of these investments represented more than 2% of the total shareholding for that respective stock as at 30 June 2020.

(b) Net exchange gain of approximately HK$2,879,000 (the Previous Period: HK$2,278,000)

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

Other income

This represented (a) interest income arising from loans receivable of approximately HK$1,996,000 (the Previous Period: HK$1,686,000) (b) interest received from bank deposits of approximately HK$3,028,000 (the Previous Period: HK$711,000) (c) imputed interest income of approximately HK$157,654,000 (the Previous Period: HK$85,997,000).

(a) Interest arising from loans receivable

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

Pursuant to the 2019 Loan Facility Agreement, the Group has received interest income of approximately HK$1,620,000 (the Previous Period: HK$1,686,000) from KTFG.

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

(b) Interest received from bank deposits

Interest income from bank deposits was approximately HK$3,028,000 (the Previous Period: HK$711,000).

(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$157,654,000 (the Previous Period: HK$85,997,000)

Selling and Distribution Costs

The selling and distribution costs represented exhibition and marketing expenses, product and public liability insurance cost and the respective personnel cost on the sales team. The costs for the Period Under Review was 31.6% lower than the Previous Period. It was primarily due to decrease of revenue and reduced sales activities due to the lockdown.

Administrative expenses

The administrative expenses for the Period Under Review was 10.4% lower than the Previous Period. It was mainly due to (a) decrease in provision for performance related incentive payments payable to executive directors of the Company, and (b) decrease in general 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$4,104,000 (the Previous Period: HK$5,703,000). Such provision was calculated based on the assumptions that the Company shall receive the revised guaranteed cash consideration of RMB2.75 billion in accordance with the agreed timetable in accordance with the Revised Supplemental Agreements.

(b) Decrease in general expenses

After taking out the provision for performance related incentive payments as disclosed above, the remaining administrative expenses was approximately HK$43,611,000 was 8.3% lower than the Previous Period (the Previous Period: HK$47,558,000). It was mainly due to reduction in headcount in late 2019 and our continuous effort in controlling our operating costs in order to drive an improved performance.

As a benchmark, the average inflation rates in China and Hong Kong for first half 2020 were 3.8%[1] and 1.6%[2] respectively.

Impairment losses under expected credit loss model, net of reversal

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

	Six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
Trade debtors	**(271)**	(567)
Contract assets	**218**	114
Loans receivable	**724**	—
RGCC/GCC	**2,570**	5,170
	3,241	4,717

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.

Impairment of assets

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

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

Impairment losses of approximately HK$2,881,000 and approximately HK$631,000 for the Period Under Review (the Previous Period: nil) had been recognised on the Group's property, plant and equipment and right-of-use assets respectively.

Finance cost

This represented mainly the imputed interest expenses regarding the provision of performance related incentive payments of approximately HK$1,444,000 (the Previous Period: HK$943,000) and the interest expenses on lease liabilities of approximately HK$135,000 (the Previous Period: HK$359,000).

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

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

Taxation

Taxation of approximately HK$39,483,000 (the Previous Period: HK$41,528,000) represented mainly taxes paid or payable by our wholly-owned subsidiaries in China.

As the Group recorded a gain in relation to the Longhua Project before tax approximately HK$149,536,000 (the Previous Period: HK$156,756,000), the Group recorded a corresponding estimated taxes of approximately HK$38,771,000 (the Previous Period: HK$40,850,000).

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.

Net gain in relation to the Longhua Project

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

	Six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
Under "Other Income" – Imputed interest income on Guaranteed Cash Consideration ("GCC") and Revised Guaranteed Cash Consideration ("RGCC")	**157,654**	85,997
Under "Administrative expenses" – Provision for directors' bonus	**(4,104)**	(5,703)
Under "Finance cost" – Imputed interest on non-current portion of provision for performance related incentive payments	**(1,444)**	(943)
Under "Gain on change in fair value of Additional Cash Consideration"	**—**	82,575
Under "Impairment loss under expected credit loss model, net of reversal" – Impairment loss for Guaranteed Cash Consideration and Revised Guaranteed Cash Consideration	**(2,570)**	(5,170)
Under "Taxation"	**(38,771)**	(40,850)
Net gain in relation to the Longhua Project	**110,765**	115,906

Deferred Consideration

Please refer to note 9 of the unaduited financial statements for more detailed explanation.

Loans receivable

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

As at 30 June 2020, a loan of approximately HK$63,500,000 (31 December 2019: approximately HK$49,000,000) was drawn by KTFG in accordance with the terms of the 2019 Loan Facility Agreement. The average effective interest rate, which is equal to contractual interest rate, is 5% (the Previous Period: 5%) per annum.

As reported in above, the total interest income earned in relation to above loans was approximately HK$1,620,000 (the Previous Period: HK$1,686,000).

As at 30 June 2020, besides the revolving loan facility with KTFG, the Group has granted a few loans with independent third parties bearing interest between 6% to 10% per annum and the Group has received interest income of approximately HK$376,000 from these loans. (the Previous Period: nil)

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

	As at 30/06/2020 HK$'000	As at 31/12/2019 HK$'000
Principal outstanding repayable within one year	**4,000**	22,000
Principal outstanding repayable after one year	**74,500**	49,000
Less impairment loss allowance	**(2,527)**	(1,803)
Net carrying amount	**75,973**	69,197
Analysed for reporting purpose as:		
Current	**4,000**	21,647
Non-current	**71,973**	47,550
	75,973	69,197

Contract assets

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

Contract liabilities

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

Deferred taxation under non-current liability

The Group has recorded a deferred taxation of approximately HK$486,481,000 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 decreased to HK$64,308,000 from HK$114,842,000 in Previous Period, representing a drop of 44.0%. Out of this total revenue, from the perspective of installation location, nearly 51.3% were shipment made to PRC (56.2% in the Previous Period) and 34.2% were shipment made to Taiwan (24.2% in the Previous Period).

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

Due to the massive lockdown caused by Covid-19, global smartphone shipment was down by 11.7%[3] in quarter 1 and also down by 16% in quarter 2 according to a report issued by IDC. Apple is the only vendor who recorded a growth. iPhone 11 remains a strong best-seller for Apple. The introduction of SE also helped Apple to increase its total number of units sold. Although Huawei experienced a drop in sales on year-on-year basis, it emerged as the number one smartphone vendor.

3 According to the report “Quarterly Mobile Phone Tracker”, 29 April 2020, issued by IDC.

Top 5 Smartphone Companies, Worldwide Shipments, Market Share, and Year-Over-Year Growth, Q2 2020 (shipments in millions of units)

Company	2Q 2020 Shipment Volumes	2Q 2020 Market Share	2Q 2019 Shipment Volumes	2Q 2019 Market Share	Year-Over-Year Change
Huawei	**55.8**	**20.0%**	58.7	17.7%	-5.1%
Samsung	**54.2**	**19.5%**	76.2	23.0%	-28.9%
Apple	**37.6**	**13.5%**	33.8	10.2%	11.2%
Xiaomi	**28.5**	**10.2%**	32.3	9.7%	-11.8%
OPPO	**24.0**	**8.6%**	29.5	8.9%	-8.8%
Others	**78.4**	**28.2%**	101.0	30.5%	-22.3%
Total	**278.4**	**100.0%**	331.5	100.0%	-16.0%

Source: IDC Quarterly Mobile Phone Tracker, July 30, 2020

Given the overall decline in demand, there is no major expansion plan as most of our customers were able to fulfil their orders by using their existing equipment on hands. For this reason, we reported a drop in our revenue.

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 decreased by 55.7% from approximately HK$56,953,000 in the Previous Period to approximately HK$25,208,000 for the Period Under Review. Out of this total revenue, from the perspective of installation location, nearly 44.8% were shipment made to the USA (nil in the Previous Period) and 27.5% were shipment made to Macedonia (1.4% in the Previous Period).

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

During the first half of 2020, new passenger vehicle registration in Japan contracted by a fifth (was flat during the first half year of 2019). In China, Russia and the USA, new light vehicle sales were down by nearly a quarter while sales in Brazil and Europe were down by nearly 40%. Last year, Brazil recorded a sales increase of 11%, Europe recorded a modest decrease of 3% while US and Russian markets recorded a contraction by 2%. VDA[4] predicted a slight recovery in car sales during the second half of 2020 with a forecast of a 17% contraction to 66 million cars sold worldwide in global markets for the full calendar year 2020. Worldwide car sales in 2020 (half year) reported by VDA was as follows:-

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

Region	**June 2020**	**June 2019**	**% Change**	**1-6/2020**	**1-6/2019**	**% Change**
Europe (EU+EFTA+UK)	1,131,800	1,491,300	-24.1	5,101,700	8,426,200	-39.5
Russia	—	—	—	636,000	828,800	-23.3
USA (light vehicles)	1,103,800	1,514,900	-26.9	6,429,000	8,412,900	-23.5
Japan	283,900	367,000	-22.6	1,826,000	2,285,700	-20.1
Brazil (light vehicles)	122,800	214,000	-42.6	765,200	1,251,800	-38.9
China	1,728,000	1,700,000	1.4	7,717,000	9,932,900	-22.5

Source: VDA

A growing consensus is taking shape that the U.S. auto industry and the economy will take years to recover. But China, the first epicenter of the virus, may be signaling some positive news. Sales there in May rose 14.5% year-over-year, the second straight month of growth, according to the China Association of Automobile Manufacturers.

4 VDA stands for the Verband der Automobilindustrie — a major automotive industry body in Germany.

According to an analysis done by Statista[5], projected worldwide light vehicle sales will drop by 23% in 2020 but will return to a moderate growth of 10% in 2021. Led by Testa, we believe the growth in 2021 will come from sales of electric vehicles. We see that a lot of governments are committed to lower their carbon dioxide emissions and, amongst which, Europe and China are working the hardest. Countries like France has rolled out new incentives to convince residents to buy electric cars. Germany even lay down its the long-term low greenhouse gas emission development strategy in its "Climate Action Plan 2050". Starting from 2030, Germany will stop the use of any diesel-fuelled cars. China is already the world's largest market for electric vehicles, with one million battery powered models built in that country last year. Early this year, China announced to extend subsidy and tax breaks for the purchase of new-energy vehicle by two years. We believe we will be benefited when the worldwide car sales are back to growing trend.

Outlook

It is a challenge to craft an outlook in the middle of a global pandemic. With the sharp uptick in infections across various countries since July, we believe the long expected gradual return to normal will only be witnessed in next year.

With a global decline in demand, companies are being forced to reprioritize spending and focus on their cash position. To increase cash flow, many have turned to reducing their capital expenditures. Global growth was projected at –3 percent in April 2020 and was projected further downward to -4.9 percent in June 2020. Sadly, the global unemployment rate is on the climb. More than one in six young people have stopped working since the onset of the coronavirus pandemic while those who remain employed have seen their working hours cut by 23 percent, according to a report issued by International Labour Organization in April 2020. In terms of sectors, accommodation and food services, manufacturing, retail, and business and administrative activities are particularly vulnerable. Given these macro data, current investment sentiment is very low and it hits hard on our industry. The number of enquiries as well as our orders on hands are both low. Regrettably, we are expecting to record segment loss for the year 2020 as far as electroplating equipment business is concerned.

[5] Statista is a provider of market and consumer data.

For months prior to the COVID-19 crisis, trade tensions had been mounting due to the escalating tariff war between USA and China. This rise in protectionism together with the massive disruption in global supply chain caused by the lockdown in China early this year has led to shifting of manufacturing base. Leaders in some countries has decided to bring some manufacturing activities home or at least within their region so that their supply chains are less dependent on a single country. Global supply chain is changing from globalization to regionalization. The Chinese government is well aware of this shift and she tackles this issue from three prospective. Firstly, China has unveiled a series of measures to try to boost consumer spending and to encourage exporters to sell their products to domestic market. Secondly, China is looking to reduce its reliance on overseas markets and technology for its economic development. In order to encourage domestic maker to put more focus on its own technology development, semi-conductor in particular, China has recently released a set of tax relief for manufacturer of semi-conductor. It is not just the actual manufacturing side of the industry getting tax relief. Other players working in areas from chip design and software, areas where the U.S. and Europe have been traditionally very strong, also received tax incentives. This is to encourage them to stay in China. Thirdly, China encourages its people to buy local brands. By introducing these measures, China is trying to build a self-served economic circle. In response to these developments, we have put in additional marketing resources in seeking new domestic customers in China. We also believe that with our engineering capabilities, we should be able to apply our electroplating technology in the semi-conductor field. Plans are made to participate in semi-conductor exhibitions and to get in contact with industrial players. Given the large amounts of uncertainty today, we can only keep our ears on the ground and do whatever we can to prepare ourselves for a post-COVID world!

PROPERTY DEVELOPMENT

Property Re-development Plan in Longhua

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

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) The Project Company has applied for re-development of the Longhua Land in September 2011. In view of the fact that the application was not completed within the agreed timeframe due to force majeure for the reason of the policy changes more particularly described in the Company's announcement dated 25 October 2013, the Group has entered into a supplemental agreement with the Counter Party on 25 October 2013 to extend the completion of tasks associated with the Agreement for another 12 months.

(4) On 16 October 2014, a notice was published by Urban Planning Land and Resources Commission of Shenzhen Municipality to confirm the re-development of the Longhua Land having been listed under "2014 Lot 4 Town re-development formulated plan of Shenzhen – Draft Plan".

(5) In view of the launch of the new requirements over calculation of land premium and that the fact that construction time is expected to take longer than it was originally contemplated in 2011, the Group and the Counter Party entered into second supplemental agreement on 26 October 2015 to extend the deadlines for various outstanding tasks.

(6) In order to speed up the rest of the approval procedure and on the basis that all terms of the Agreement remain unchanged, the Counter Party has requested the Group to rent a factory and then vacate earlier from the Lung Hua Land. In exchange for such request, the Counter Party will compensate the Group on dollar-to-dollar basis for cost incurred for such relocation (including but not limited to rent and management fees for the new factory). The relocation was completed in 2015. The Group has passed the risk and management of the bare land to the Counter Party in late August 2015. As at 31 December 2015, the Group received in full the agreed relocation compensation of RMB50 million (approximately HK$59,960,000) and has recorded it as other income in year 2015.

(7) 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 square metres, out of which the Group will receive titles and benefits of 41,000 square meters upon completion.

(8) 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.

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

(10) 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.

(11) The Group returned the Longhua Land to the local government in August 2016 by entering an agreement with the local government and the Project Company.

(12) On 4 January 2017, the Group has entered the Supplemental Agreements with the Counter Party and the Project Company. Pursuant to the terms of the Supplemental Agreements, amongst others, the Group will receive a guaranteed consideration of RMB1,230,000,000 (net of value-added taxes) and the possibility to receive additional consideration if actual average selling price exceeds RMB30,000 sq.m. (net of value-added taxes) at the time of pre-sales.

(13) In March 2017, the Project Company has signed a sales of land use rights contract dated 21 March 2017 with the local government.

(14) On 23 November 2017, the Project Company received a construction works planning permit. On 13 December 2017, the Project Company further received a construction works commencement permit. As the Project Company has obtained all required permits, the construction was started.

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

(16) On 28 June 2019 and 9 September 2019, the Group entered into the 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 Guaranteed Cash Consideration and Additional Cash Consideration, 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 6 January 2020 to on or before 5 January 2023 ("RGCC"). The details of the amendment are set out in the Company's announcement dated 28 June 2019. The transactions contemplated under the Revised Supplemental Agreements was approved by the shareholders of the Company on 24 October 2019.

(17) On 22 August 2019, Project Company has obtained the Pre-Sales Certificate. Show rooms were opened and various marketing campaigns were launched.

(18) On 26 April 2020, Project Company has obtained construction planning acceptance certificate.

As at the date of this announcement, the sales process is still going on. As at the date of this report, the Group has received from the Project Company total of RMB 1 billion of which RMB 400 million was included in the Period Under Review.

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

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 2020, the Group had equity attributable to owners of the Company of approximately HK$1,900,373,000 (31 December 2019: HK$1,862,691,000). The gearing ratio was nil (31 December 2019: 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 2020, the Group had approximately HK$422,225,000 of cash on hand (31 December 2019: HK$125,160,000).

As at 30 June 2020, the Group pledged deposits of HK$159,000 (31 December 2019: HK$159,000) to banks to secure the issuance of bank guarantee of the same amount. Total bank facilities available to the Group is approximately HK$102,300,000 (31 December 2019: HK$102,300,000). Out of the facilities available, the Group has utilized (i) approximately HK$159,000 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 2020 (31 December 2019: HK$1,180,000), (ii) approximately HK$1,673,000 for the issuance of import letters of credit to suppliers (31 December 2019: HK$5,199,000).

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 2020, the Company had guarantees of approximately HK$137,500,000 (31 December 2019: HK$137,500,000) to banks in respect of banking facilities granted to subsidiaries of the Company. The amount utilized by the subsidiaries was approximately HK$1,832,000 (31 December 2019: HK$6,379,000).

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 2020, the Group employs a total of 495 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.

Since the outbreak of Covid-19, we have adopted following measures to preserve a safe working environment for our staff:

- Meetings will be conducted electronically
- Physical assess to our premises will be conditional on satisfying current health criteria
- All non-essential business travel has ceased
- Allow most of the staff to work-from-home
- Staff who work in office are exercising social distancing

- Staff who lives in the same block of confirmed case will be asked to work from home for at least 7 days to see if there is any indication of health deterioration

- Strengthen the cleansing and disinfection works in offices and factory

- Monitor the evolving landscape and conditions as they unfold

- Analyse the facts before us and implement policies and actions appropriate to the conditions in the best interest of our clients, staff and the group.

INTERIM DIVIDEND

The Board has declared an interim dividend of HK$0.01 per Share (2019: nil per Share) for the six months ended 30 June 2020. The interim dividend will be paid on or before 28 September 2020 to Shareholders whose names appear on the Register of Members of the Company at the close of business on 16 September 2020.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Monday, 14 September 2020 to Wednesday, 16 September 2020, both days inclusive. In order to qualify for the interim dividend, all transfer documents accompanies by the relevant share certificates must be lodged for registration with the Company's Share Registrars & Transfer Office, Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Friday, 11 September 2020 (Hong Kong time), being the last share registration date. The payment of interim dividend will be scheduled on or before Monday, 28 September 2020.

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 2020

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 2020, 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 98.63%. 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 2020.

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

As at 30 June 2020, 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 2020, 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 2020, 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 2020.

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 2020 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 2020.

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 2020.

Events after the reporting period

There is no material subsequent event undertaken by the Company or by the Group after 30 June 2020 and up to the date of this interim report.

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

The Interim Report 2020, 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 set out on pages 34 to 62, which comprise the condensed consolidated statement of financial position as of 30 June 2020 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 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 2020

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2020

	NOTES	Six months ended 30 June **2020** ***HK$'000*** **(unaudited)**	 2019 *HK$'000* (unaudited)
Revenue — contracts with customers	3A	**109,946**	209,171
Cost of sales		**(86,641)**	(158,703)
Gross profit		**23,305**	50,468
Gain on change in fair value of ACC	9	**—**	82,575
Other gains or losses	5	**(1,857)**	(107)
Other income	5	**165,667**	89,117
Selling and distribution costs		**(5,446)**	(7,958)
Administrative expenses		**(47,715)**	(53,261)
Impairment losses under expected credit loss model, net of reversal	13	**(3,241)**	(4,717)
Impairment of assets	8	**(3,512)**	—
Share of results of associates		**(603)**	(547)
Finance costs		**(1,579)**	(1,302)
Profit before taxation		**125,019**	154,268
Taxation	4	**(39,483)**	(41,528)
Profit for the period	5	**85,536**	112,740
Other comprehensive expense			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operations			
— subsidiaries		**(37,644)**	(7,307)
— associate		**(162)**	(485)

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

FOR THE SIX MONTHS ENDED 30 JUNE 2020

	NOTES	**Six months ended 30 June**	
		2020	2019
		HK$'000	*HK$'000*
		(unaudited)	(unaudited)
Other comprehensive expense for the period		**(37,806)**	(7,792)
Total comprehensive income for the period		**47,730**	104,948
Profit for the period attributable to:			
Owners of the Company		**84,060**	112,607
Non-controlling interests		**1,476**	133
		85,536	112,740
Total comprehensive income attributable to:			
Owners of the Company		**46,211**	104,816
Non-controlling interests		**1,519**	132
		47,730	104,948
Earnings per share	7		
Basic		**HK19.71 cents**	HK26.40 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2020

	NOTES	**30.6.2020**	31.12.2019
		HK$'000	*HK$'000*
		(unaudited)	(audited)
Non-current assets			
Property, plant and equipment	8	**24,064**	30,303
Right-of-use assets	8	**3,970**	9,066
Deferred Consideration	9	**1,143,514**	1,269,354
Loans receivable	10	**71,973**	47,550
Interests in associates		**94**	517
		1,243,615	1,356,790
Current assets			
Inventories		**38,299**	32,366
Deferred Consideration	9	**802,411**	1,004,976
Loans receivable	10	**4,000**	21,647
Contract assets	12	**50,945**	58,331
Debtors and prepayments	11	**48,331**	53,414
Held-for-trading investments	14	**27,601**	20,907
Amounts due from associates		**50**	46
Taxation recoverable		**857**	2,019
Pledged bank deposits	15	**159**	159
Bank balances and cash		**422,066**	125,001
		1,394,719	1,318,866

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

AT 30 JUNE 2020

	NOTES	**30.6.2020**	31.12.2019
		HK$'000	*HK$'000*
		(unaudited)	(audited)
Current liabilities			
Creditors and accrued charges	16	**100,521**	103,956
Warranty provision		**21,014**	30,043
Contract liabilities		**36,250**	20,591
Lease liabilities		**3,587**	6,801
Taxation payable		**3,910**	3,910
		165,282	165,301
Net current assets		**1,229,437**	1,153,565
Total assets less current liabilities		**2,473,052**	2,510,355
Capital and reserves			
Share capital	17	**4,265**	4,265
Reserves		**1,896,108**	1,858,426
Equity attributable to owners of the Company		**1,900,373**	1,862,691
Non-controlling interests		**368**	(1,151)
Total equity		**1,900,741**	1,861,540
Non-current liabilities			
Accrued charges	16	**80,009**	74,462
Lease liabilities		**108**	327
Warranty provision		**1,398**	1,128
Deferred taxation	18	**490,796**	572,898
		572,311	648,815
		2,473,052	2,510,355

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2020

	Attributable to owners of the Company									Attributable to non-controlling interests	Total
	Share capital	Share premium	Property revaluation reserve	Legal reserve	Currency translation reserve	Contributed surplus	Capital contribution	Retained profits	Subtotal		
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
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
Balance at 1 January 2020 (audited)	4,265	28,500	13,253	14,336	(27,824)	48,937	1,206	1,780,018	1,862,691	(1,151)	1,861,540
Profit for the period	—	—	—	—	—	—	—	84,060	84,060	1,476	85,536
Exchange difference arising on translation of foreign operation											
— subsidiaries	—	—	—	—	(37,687)	—	—	—	(37,687)	43	(37,644)
— associate	—	—	—	—	(162)	—	—	—	(162)	—	(162)
Total comprehensive (expense) income for the period	—	—	—	—	(37,849)	—	—	84,060	46,211	1,519	47,730
Dividend paid (note 6)	—	—	—	—	—	—	—	(8,529)	(8,529)	—	(8,529)
Balance at 30 June 2020 (unaudited)	4,265	28,500	13,253	14,336	(65,673)	48,937	1,206	1,855,549	1,900,373	368	1,900,741

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

	NOTE	Six months ended 30 June **2020** *HK$'000* (unaudited)	2019 *HK$'000* (unaudited)
Operating activities			
Profit before taxation		**125,019**	154,268
Adjustments for:			
Gain on change in fair value of ACC		**—**	(82,575)
Imputed interest income of GCC and RGCC		**(157,654)**	(85,997)
Interest income from bank deposits		**(3,028)**	(711)
Net change in fair value of held-for-trading investments		**4,742**	2,384
Impairment losses under expected credit loss model, net of reversal		**3,241**	4,717
Impairment of assets		**3,512**	—
Other adjustments		**4,917**	9,243
Operating cash flows before movements in working capital		**(19,251)**	1,329
Net change in working capital		**(9,780)**	3,036
Cash (used in) from operations		**(29,031)**	4,365
Overseas income tax refunded		**901**	—
Overseas income tax paid		**(112,150)**	(3,336)
Net cash (used in) from operating activities		**(140,280)**	1,029

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2020

	NOTE	Six months ended 30 June **2020** ***HK$'000*** **(unaudited)**	2019 *HK$'000* (unaudited)
Net cash from (used in) investing activities:			
Receipt of Deferred Consideration	9	**446,538**	—
Purchase of property, plant and equipment		**(42)**	(710)
Placement of pledged bank deposits		**—**	(3,472)
Withdrawal of pledged bank deposits		**—**	3,156
Capital injection to an associate		**(342)**	—
Other investing cash flows		**4,086**	711
		450,240	(315)
Cash used in financing activities:			
Interest paid		**(135)**	(359)
Repayment of lease liabilities		**(3,330)**	(5,266)
Dividend paid		**(8,529)**	—
Dividend paid to its non-controlling interests		**(901)**	—
		(12,895)	(5,625)
Net increase (decrease) in cash and cash equivalents		**297,065**	(4,911)
Cash and cash equivalents at the beginning of the period		**125,001**	141,477
Cash and cash equivalents at the end of the period		**422,066**	136,566
Analysis of the balances of cash and cash equivalents			
Bank balances and cash		**422,066**	136,566

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

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 (the "Stock Exchange").

1A. SIGNIFICANT EVENT IN THE CURRENT PERIOD

The outbreak of Covid-19 and the subsequent quarantine measures as well as the travel restrictions imposed by many countries have had negative impacts to the global economy, business environment and the operations of the Group. Weaken demand in high-end communication device and automobile by the customers of the Group is resulted. The Group stopped its production during February 2020 due to the disruption in supply chain and large-scale quarantine measures implemented by the local government. On the other hand, the Hong Kong government has announced some financial measures and supports for the corporates to overcome the negative impact arising from the pandemic. As such, the financial position and performance of the Group were affected in different aspects, including the reduction in revenue, increase in the cost of sales due to the fixed production overheads during the closed-down period and increase of the probability of default in the measurement of expected credit loss of the financial assets.

2. PRINCIPAL ACCOUNTING POLICIES

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

Other than additional accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standard ("HKFRSs") and application of an accounting policy which became relevant to the Group, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2020 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2019.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

Except as described below, the application of the Amendments to References to the Conceptual Framework in HKFRS Standards and the amendments to HKFRSs in the current period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

Impacts of application on Amendments to HKAS 1 and HKAS 8 "Definition of Material"

The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity". The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current period had no impact on the condensed consolidated financial statements. Changes in presentation and disclosures on the application of the amendments, if any, will be reflected on the consolidated financial statements for the year ending 31 December 2020.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Accounting policies newly applied by the Group

In addition, the Group has applied the following accounting policy which became relevant to the Group in the current period:

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Government grants related to compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under "other income".

Significant changes in key sources of estimation uncertainly

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

The estimates and underlying assumptions are reviewed on an ongoing basis. The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Significant changes in key sources of estimation uncertainly *(Continued)*

Estimated impairment of property, plant and equipment and right-of-use assets

Determining whether an impairment loss is required requires an estimate of the recoverable amount of relevant assets or the cash generating unit ("CGU") to which the asset belongs. In determining the amount of an impairment loss of property, plant and equipment and right-of-use assets of the CGU which is engaged in electroplating machinery business ("Electroplating Machinery Business") for the six months ended 30 June 2020, the recoverable amount is measured by reference to the value in use. In determining the value in use, the Group estimated the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 30 June 2020, the carrying amounts of property, plant and equipment and right-of-use assets were approximately HK$24,064,000 (31 December 2019: approximately HK$30,303,000) and approximately HK$3,970,000 (31 December 2019: approximately HK$9,066,000) respectively. Details of the recoverable amount calculation for the CGU are set out in note 8. During the six months ended 30 June 2020, impairment losses of approximately HK$2,881,000 (six months ended 30 June 2019: nil) and approximately HK$631,000 (six months ended 30 June 2019: nil) were recognised in relation to property, plant and equipment and right-of-use assets respectively.

3A. REVENUE FROM CONTRACTS WITH CUSTOMERS

Disaggregation of revenue from contracts with customers

	Six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
Types of goods or service		
Contract works in respect of design, manufacturing and sale of custom-built electroplating machinery and other industrial machinery		
— Printed Circuit Boards	**64,308**	114,842
— Surface Finishing	**25,208**	56,953
	89,516	171,795
Sale of spare parts of electroplating machinery	**3,684**	4,246
Provision of services — repairs, maintenance and modification	**16,746**	33,130
Total	**109,946**	209,171

3A. REVENUE FROM CONTRACTS WITH CUSTOMERS *(Continued)*

Disaggregation of revenue from contracts with customers *(Continued)*

	Six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
Geographical analysis of revenue by location of external customers		
The People's Republic of China (excluding Hong Kong) (the "PRC")	**45,387**	103,709
Taiwan	**25,766**	31,413
The United States of America	**12,948**	2,237
Europe	**8,154**	6,842
Macedonia	**6,941**	792
Mexico	**3,366**	37,188
India	**2,966**	6,026
Thailand	**1,152**	11,532
Korea	**1,128**	—
Hong Kong	**521**	600
Singapore	**463**	1,455
The United Kingdom	**453**	437
Others	**701**	6,940
Total	**109,946**	209,171
Timing of revenue recognition		
A point in time	**3,684**	4,246
Overtime	**106,262**	204,925
Total	**109,946**	209,171

3B. SEGMENT INFORMATION

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

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

	Electroplating equipment Six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
Segment revenue	**109,946**	209,171
Segment (loss) profit	**(12,314)**	6,322
Intra-group management fee charged to operating segment	**2,413**	3,016
Certain other income	**164,274**	88,149
Central corporate expenses	**(19,874)**	(17,300)
Gain on change in fair value of ACC (note 9)	**—**	82,575
Impairment losses under expected credit loss model for loans receivable, GCC and RGCC, net of reversal	**(3,294)**	(5,170)
Imputed interest on non-current portion of provision for performance related incentive payments (note 16)	**(1,444)**	(943)
Certain other gains or losses	**(4,742)**	(2,381)
Profit before taxation	**125,019**	154,268

Segment (loss) profit represents the loss/profit earned from the electroplating equipment segment without allocation of intra-group management fee, certain other income, central corporate expenses, gain on change in fair value of ACC (as defined in note 9), impairment losses under expected credit loss model for loans receivable, GCC and RGCC (as defined in note 9) (net), imputed interest on non-current portion of provision for performance related incentive payments and certain other gains or losses. This is the measure reported to the chief operating decision maker in order to assess segment performance.

Amounts of segment asset and liabilities of the Group are not reviewed by the chief operating decision makers or otherwise regularly provided to the chief operating decision makers, accordingly, segment assets and liabilities are not presented.

4. TAXATION

	Six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
Taxation comprises:		
Overseas taxation		
Charge for the period	**112,364**	678
Overprovision in prior years	**(17)**	—
	112,347	678
Deferred tax (credit) charge (note 18)	**(72,864)**	40,850
	39,483	41,528

No tax was payable on the profit arising in Hong Kong for certain group entities for both periods since the assessable profit is wholly absorbed by tax losses brought forward.

No provision for Hong Kong Profits Tax has been made in the condensed consolidated financial statements as the remaining group entities subjected to Hong Kong Profit Tax have no assessable profit for both periods.

Overseas taxation (including PRC enterprise income tax) is calculated at the rates prevailing in the relevant jurisdictions.

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

5. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
Profit for the period has been arrived at after charging (crediting):		
Allowance for slow moving inventories (included in cost of sales)	**146**	533
Depreciation of property, plant and equipment	**3,126**	3,586
Depreciation of right-of-use assets	**4,334**	4,321
Imputed interest expense on non-current portion of provision for performance related incentive payments (note 16)	**1,444**	943
Included in other income		
Interest income from loans receivable	**(1,996)**	(1,686)
Imputed interest income of GCC and RGCC	**(157,654)**	(85,997)
Interest income from bank deposits	**(3,028)**	(711)
Included in other gains or losses		
Gain on disposal of property, plant and equipment	**(6)**	(3)
Net exchange gain	**(2,879)**	(2,278)
Net change in fair value of held-for-trading investments	**4,742**	2,384

6. DIVIDEND

During the current interim period, a final dividend of HK$0.02 per share in respect of the year ended 31 December 2019 (six months ended 30 June 2019: nil) was declared and paid to owners of the Company. The aggregate amount of the final dividend declared and paid in the interim period amounted to approximately HK$8,529,000 (six months ended 30 June 2019: nil).

Subsequent to the end of the current interim period, the directors of the Company have determined that an interim dividend of HK$0.01 per share amounting to approximately HK$4,265,000 (six months ended 31 June 2019: nil) will be paid to owners of the Company.

7. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the Group's profit for the period attributable to owners of the Company of HK$84,060,000 (six months ended 30 June 2019: HK$112,607,000) and the number of ordinary shares of 426,463,400 (six months ended 30 June 2019: 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 AND RIGHT-OF-USE ASSETS

During the six months ended 30 June 2020, the Group spent approximately HK$42,000 (six months ended 30 June 2019: approximately HK$710,000) on acquisition of property, plant and equipment.

During the six months ended 30 June 2020, the management conducted an impairment review on the related assets of the CGU which is engaged in Electroplating Machinery Business in view of the negative impact on the Group's performance due to the outbreak of the novel coronavirus in current period and the pro-longed US-sino trade war.

The recoverable amount of the CGU of the Electroplating Machinery Business has been determined on the basis of value in use calculation. The recoverable amount is based on certain key assumptions. The calculations used cash flow projections based on financial budgets approved by management covering a 5-year period, and at a pre-tax discount rate of 15% as at 30 June 2020 that was with reference to the historical performance of the Electroplating Machinery Business and the relevant industry growth forecasts that did not exceed the average long-term growth rate for the relevant industry. The CGU's cash flows beyond the 5-year period were extrapolated using a growth rate of 0%. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which included budgeted revenue and gross margin, such estimation was based on the CGU's past performance and management's expectations for the market development.

Impairment losses of approximately HK$2,881,000 and approximately HK$631,000 for the six months ended 30 June 2020 had been recognised on the Group's property, plant and equipment and right-of-use assets respectively.

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.

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.

9. DEFERRED CONSIDERATION *(Continued)*

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 at initial recognition, the directors of the Company expect the pre-sales certificate to be issued on 30 June 2019. 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.

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

As at 30 June 2019, the undiscounted gross amount of ACC was approximately HK$616,568,000. The Group recognised a gain on change in fair value of ACC of approximately HK$82,575,000 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 was mainly due to the increase in average unit rate of the properties.

On 28 June 2019 and 9 September 2019, the Group entered into revised supplemental agreements ("Revised Supplemental Agreements") to amend certain terms of the Supplemental Agreements which were 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 6 January 2020 to on or before 5 January 2023 ("RGCC"). The details of the amendment are set out in the Company's announcement dated 27 September 2019. The transactions contemplated under the Revised Supplemental Agreements was approved by the shareholders of the Company on 24 October 2019.

With the effective of Revised Supplemental Agreements, the Group surrendered its right to receive the GCC and ACC in exchange for the right to receive RGCC. The fair value of RGCC was approximately HK$2,182,605,000 at the initial recognition. The fair value of RGCC had been arrived at using discounted cash flow method by discounting future cash flows at an interest rate of 16.8% per annum based on a valuation performed by Avista. Subsequent to the initial recognition, RGCC is measured at amortised cost using the effective interest method, less any impairment.

During the six months ended 30 June 2020, the first tranche of RGCC of RMB400 million (approximately HK$446,538,000) was received by the Group in cash.

9. DEFERRED CONSIDERATION *(Continued)*

As GCC and RGCC were carried at amortised cost, imputed interest of approximately HK$157,654,000 (six months ended 30 June 2019: approximately HK$85,997,000) is recognised as other income in the profit or loss during the six months ended 30 June 2020.

An impairment loss under expected credit loss model of RGCC of approximately HK$2,570,000 (net of reversal) is recognised (six months ended 30 June 2019: GCC of approximately HK$5,170,000) in the profit or loss during the six months ended 30 June 2020.

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

As at 30 June 2020, the Deferred Consideration is made up of RGCC of approximately HK$1,945,925,000 (net of impairment losses under expected credit loss model of approximately HK$132,913,000) (31 December 2019: RGCC of approximately HK$2,274,330,000 (net of impairment losses under expected credit loss model of approximately HK$132,939,000).

With the expected receipt of the second and the third tranches of RGCC within one year from 30 June 2020, the carrying amount of RGCC of approximately HK$802,411,000 as at 30 June 2020 is classified as current assets (31 December 2019: approximately HK$1,004,976,000).

Subsequent to 30 June 2020, the second tranche of RGCC of RMB600 million was received by the Group in cash.

10. LOANS RECEIVABLE

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

	30.6.2020	31.12.2019
	HK$'000	*HK$'000*
Repayable after one year (notes 1 and 2)	**74,500**	49,000
Repayable within one year (note 2)	**4,000**	22,000
Less: impairment losses under expected credit loss model	**(2,527)**	(1,803)
	75,973	69,197
Analysed for reporting purposes as:		
Current	**4,000**	21,647
Non-current	**71,973**	47,550
	75,973	69,197

Notes:

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

As at 30 June 2020, a loan of approximately HK$63,500,000 (31 December 2019: approximately HK$49,000,000) was drawn by KTFG according to the terms of the 2019 Loan Facility Agreement. The average effective interest rate, which is equal to contractual interest rate, is 5% (31 December 2019: 5%) per annum.

10. LOANS RECEIVABLE *(Continued)*

Notes: *(Continued)*

(2) A short term loan amounted approximately HK$4,000,000 as at 30 June 2020 (31 December 2019: approximately HK$6,000,000) was granted under a loan agreement with an independent third party as entered on 21 October 2019. The loan is bearing interest of 10% per annum and received several post-dated cheques as provided by the borrower for the repayment of the loan.

Another short term loan amounted approximately HK$16,000,000 as at 31 December 2019 was granted under a loan agreement with an independent third party as entered on 23 October 2019. The loan is bearing interest of 6% per annum and secured by a second mortgage of a property as provided by the borrower. The loan was fully repaid during the current period.

A long term loan amounted approximately HK$11,000,000 as at 30 June 2020 was granted under a loan agreement with an independent third party as entered on 6 May 2020. The loan is bearing interest of 8% per annum for the first HK$3,500,000 and 5% per annum beyond HK$3,500,000 and secured by a first mortgage of a property as provided by the borrower.

As at 30 June 2020, impairment losses under expected credit loss model of loans receivable of approximately HK$2,527,000 (31 December 2019: approximately HK$1,803,000) are recognised.

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

11. DEBTORS AND PREPAYMENTS

	30.6.2020	31.12.2019
	HK$'000	*HK$'000*
Trade debtors	**34,206**	45,748
Less: Allowance for bad and doubtful debts	**(11,534)**	(11,805)
	22,672	33,943
Other debtors and prepayments	**25,659**	19,471
	48,331	53,414

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

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

	30.6.2020	31.12.2019
	HK$'000	*HK$'000*
1–60 days	**21,957**	30,445
61–120 days	**297**	2,514
121–180 days	**283**	222
Over 180 days	**135**	762
	22,672	33,943

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 debtors 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	
	2020	2019
	HK$'000	*HK$'000*
Impairment loss recognised in respect of		
trade debtors	**(271)**	(567)
contract assets	**218**	114
RGCC/GCC	**2,570**	5,170
loans receivable	**724**	—
	3,241	4,717

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 2020 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2019.

During the current interim period, the Group recognised impairment allowance of approximately HK$3,241,000, in particular, a specific net loss allowance of approximately HK$2,570,000 has been made on RGCC due to the combined effect of the partial repayment of the balance and the increase in the probability of default.

14. HELD-FOR-TRADING INVESTMENTS

Held-for-trading investments as at 30 June 2020 and 31 December 2019 represent equity securities listed in Hong Kong which are measured at fair value through profit or loss. 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 six months ended 30 June 2020, the Group made a placement of pledged bank deposits of nil (six months ended 30 June 2019: HK$3,472,000) and withdrawal of pledged bank deposits of nil (six months ended 30 June 2019: HK$3,156,000).

16. CREDITORS AND ACCRUED CHARGES

	30.6.2020	31.12.2019
	HK$'000	*HK$'000*
Trade creditors	**54,142**	50,127
Accrued staff costs	**13,021**	16,356
Commission payables to sales agents	**18,774**	16,123
Dividend payable by subsidiaries to its non-controlling interests	**—**	901
Other creditors and accrued charges (note)	**94,593**	94,911
	180,530	178,418
Less: Non-current portion of accrued charges (note)	**(80,009)**	(74,462)
	100,521	103,956

Note: As at 30 June 2020, the non-current payable portion of accrued charges of approximately HK$80,009,000 (31 December 2019: HK$74,462,000) represents the provision of performance bonus to the executive directors of the Company. An imputed interest expense of approximately HK$1,444,000 (six months ended 30 June 2019: HK$943,000) 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:

	30.6.2020	31.12.2019
	HK$'000	*HK$'000*
0–60 days	**31,837**	27,579
61–120 days	**14,967**	11,298
121–180 days	**4,818**	6,081
Over 180 days	**2,520**	5,169
	54,142	50,127

17. SHARE CAPITAL

	Number of shares	Amount
	'000	*HK$'000*
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 January 2019, 31 December 2019, 1 January 2020 and 30 June 2020	20,000,000	200,000
Issued and fully paid:		
At 1 January 2019, 31 December 2019, 1 January 2020 and 30 June 2020	426,463	4,265

18. DEFERRED TAXATION

The following is the deferred tax liabilities recognised and movements thereon during the current and prior reporting period:

	Accelerated tax depreciation	Revaluation of properties	Fair value adjustment of deferred consideration	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2018	1,239	3,076	356,132	360,447
Charge to profit or loss (note 4)	—	—	40,850	40,850
Currency realignment	—	—	(2,181)	(2,181)
At 30 June 2019	1,239	3,076	394,801	399,116
At 31 December 2019	1,239	3,076	568,583	572,898
Charge to profit or loss (note 4)	—	—	38,770	38,770
Reversal upon payment of Enterprise Income Tax (note 4)	—	—	(111,634)	(111,634)
Currency realignment	—	—	(9,238)	(9,238)
At 30 June 2020	1,239	3,076	486,481	490,796

19. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

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

- Level 1 fair value measurements are based on 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.

Fair value measurement recognised in the condensed consolidated statement of financial position

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

Financial asset	Fair value as at		Fair value hierarchy	Valuation technique and key inputs	Significant unobservable inputs
	30 June 2020	31 December 2019			
Investments in equity securities listed in Hong Kong classified as held-for-trading investments	**Assets - HK$27,601,000**	Assets - HK$20,907,000	Level 1	Quoted bid prices in active market	Not applicable

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

19. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS *(Continued)*

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

The directors of the Company consider that the carrying amounts of the gross carrying amount (before impairment allowance) of RGCC, other financial assets and other financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate to their fair values.

20. 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	
2020	2019	**2020**	2019	**2020**	2019	**2020**	2019
HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
463	1,455	—	49	3	—	327	818

During the current interim period, the Group paid commission and other securities dealing expense from securities dealing of approximately HK$1,000 (six months ended 30 June 2019: approximately HK$2,000) to KTFG.

During the current interim period, the Group received interest income of approximately HK$1,620,000 (six months ended 30 June 2019: HK$1,686,000) 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 2019: HK$81,000) and management income of approximately HK$241,000 (six months ended 30 June 2019: HK$124,000) 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$55,000 (six months ended 30 June 2019: HK$104,000) which was recorded as administrative expense. Mr. Lam Kwok Hing, an executive director and the ultimate controlling shareholder of the Company, holds 68.75% indirect interest in BioEm and acts as a corporate director of BioEm.

During the interim period, the Group received management income of approximately HK$70,000 (six months ended 30 June 2019: nil) from Asia Oasis Limited ("Asia Oasis"). Mr. Lam Kwok Hing holds 68.75% indirect interest in Asia Oasis and acts as a director of Asia Oasis.

20. RELATED PARTY TRANSACTION *(Continued)*

During the interim period, the Group received management income of approximately HK$23,000 (six months ended 30 June 2019: nil) from Aegis Intelligent Photocatalyst Products Development (Greater China) Limited ("Aegis"). Mr. Lam Kwok Hing holds 68.75% indirect interest in Aegis and acts as a director of Aegis.

The remuneration of key management during the period was approximately HK$13,286,000 (six months ended 30 June 2019: approximately HK$12,107,000). The amount included approximately HK$63,000 (six months ended 30 June 2019: approximately HK$63,000) as mandatory provident fund.

21. COMPARATIVE FIGURES

For the six months ended 30 June 2020, additional line item is presented in the condensed consolidated statement of profit or loss other comprehensive income to separately show the gain on change in fair value of ACC. Additional line items are also presented in the condensed consolidated statement of cash flow to separately show the certain significant items. Accordingly, the comparative figures for the six months ended 30 June 2019 have been shown separately.