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 2021

CONTENTS

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

REMUNERATION COMMITTEE
NG Chi KIn David *(Committee Chairman)*
NAM Kwok Lun
KWAN Wang Wai Alan

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
Clarendon House
2 Church Street
Hamilton HM11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS
11 Dai Hei Street
Tai Po Industrial Estate
Tai Po, New Territories
Hong Kong
Tel: (852) 2666 2288
Fax: (852) 2664 0717

SHARE REGISTRARS AND TRANSFER OFFICES

PRINCIPAL REGISTRAR AND TRANSFER OFFICE:
MUFG Fund Services (Bermuda) Limited
4th Floor North, Cedar House
41 Cedar Avenue
Hamilton HM 12
Bermuda

HONG KONG BRANCH REGISTRAR AND TRANSFER OFFICE:
Tricor Secretaries Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

CORPORATE WEBSITE
www.atnt.biz

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

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

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

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

FINANCIAL REVIEW

Revenue

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

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

Gross Profit

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

Other gain or losses

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

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

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

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

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

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

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

The net exchange loss was mainly due to the exchange loss 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 appreciated by approximately 1.2% and hence the production arm of the Group recorded an exchange loss arising from the receivable which was denominated in Hong Kong dollars.

Other income

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

(a) Interest arising from loans receivable

On 21 October 2019, the Group entered into a loan facility agreement ("2019 Loan Facility Agreement") with Karl Thomson Financial Group Limited ("KTFG"), which is a wholly owned subsidiary of Wisdom Wealth Resources Investment Holding Group Limited ("Wisdom Wealth Resources 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 Wisdom Wealth Resources Investment. Pursuant to 2019 Loan Facility Agreement, the Group provides an unsecured revolving loan facility of HK$130,000,000 bearing interest at prime rate as announced from time to time by The Hong Kong and Shanghai Banking Corporation Limited for lending Hong Kong Dollars ("Prime Rate") for a term of three years commencing from the loan effective date and ending on 20 October 2022.

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

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

(b) Interest received from bank deposits

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

(c) *Imputed interest income*

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

Selling and Distribution Costs

The selling and distribution costs represented exhibition and marketing expenses, product and public liability insurance cost and the respective personnel cost on the sales team. The costs for the Period Under Review was 6.7% lower than the Previous Period. It was primarily due to reduced staff cost.

Administrative expenses

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

(a) *Provision for performance related incentive payments*

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

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

(b) *Increase in general expenses*

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

As a benchmark, the average inflation rates in China and Hong Kong for first half 2021 were 0.5%[1] and 1.0%[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 deferred consideration, net of reversal as below:-

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

Impairment of assets in the Previous Period

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

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

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

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.

No impairment was made for the Period Under Review.

Finance cost

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

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

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

Taxation

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

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

Net gain in relation to the Longhua Project

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

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

Deferred Consideration

Please refer to note 8 of the unaudited 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 Wisdom Wealth Resources 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 Wisdom Wealth Resources Investment. Pursuant to 2019 Loan Facility Agreement, the Group provides an unsecured revolving loan facility of HK$130,000,000 bearing interest at Prime Rate for a term of three years commencing from the loan effective date and ending on 20 October 2022.

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

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

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

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

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

Contract assets

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

Contract liabilities

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

Deferred taxation under non-current liability

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

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

BUSINESS REVIEW ON ELECTROPLATING EQUIPMENT (UNDER THE TRADE NAME OF "PAL")

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

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

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

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

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

Top 5 Smartphone Companies, Worldwide Shipments, Market Share, and Year-Over-Year Growth, Q2 2021 (shipments in millions of units)

Company	2Q 2021 Shipment Volumes	2Q 2021 Market Share	2Q 2020 Shipment Volumes	2Q 2020 Market Share	Year-Over-Year Change
Samsung	**59.0**	**18.8%**	54.0	19.5%	9.3%
Xiaomi	**53.1**	**16.9%**	28.5	10.3%	86.6%
Apple	**44.2**	**14.1%**	37.6	13.6%	17.8%
OPPO	**32.8**	**10.5%**	24.0	8.7%	37.0%
vivo	**31.6**	**10.1%**	23.7	8.6%	33.7%
Others	**92.4**	**29.5%**	109.0	39.4%	-15.2%
Total	**313.2**	**100.0%**	276.6	100.0%	13.2%

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

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

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

Electroplating Equipment-Surface Finishing ("SF") Sector

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

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

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

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

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

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

Outlook

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

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

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

PROPERTY DEVELOPMENT

Property Re-development Plan in Longhua

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

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

In accordance with the terms agreed in the Second Revised Supplemental Agreement A, the Group will receive a total of RMB2.75 billion. As of the date of this report, the Group has already received RMB1.2 billion and will further receive RMB0.8 billion in year 2022 and RMB0.75 billion in year 2023.

MATERIAL ACQUISITION AND DISPOSAL

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

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

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

FINANCIAL REVIEW

Capital Structure, Liquidity and Financial Resources

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

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

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

Foreign Currency Risk

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

Contingent Liabilities

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

Capital Commitment

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

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

Employee and Remuneration Policies

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

INTERIM DIVIDEND

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

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Monday, 4 October 2021 to Wednesday, 6 October 2021, both days inclusive. In order to qualify for the interim dividend, all transfer documents 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 Thursday, 30 September 2021 (Hong Kong time), being the last share registration date. The payment of interim dividend will be scheduled on or before Friday, 29 October 2021.

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

Hong Kong, 31 August 2021

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 2021, 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

	Number of issued ordinary shares held			
Name of director	**Personal interest**	**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 2021.

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

As at 30 June 2021, 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 2021, 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 2021, 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 2021.

Remuneration Committee

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

Nomination Committee

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

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 2021 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 2021.

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 2021.

Events after the reporting period

There is no material subsequent event undertaken by the Company or by the Group after 30 June 2021 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 2021, 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 29 to 48, which comprise the condensed consolidated statement of financial position as of 30 June 2021 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.

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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
31 August 2021

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2021

	NOTES	Six months ended 30 June **2021** *HK$'000* (unaudited)	2020 *HK$'000* (unaudited)
Revenue – contracts with customers	3A	**173,095**	109,946
Cost of sales		**(146,205)**	(86,641)
Gross profit		**26,890**	23,305
Other gains or losses	5	**1,811**	(1,857)
Other income	5	**131,565**	165,667
Selling and distribution costs		**(5,079)**	(5,446)
Administrative expenses		**(48,388)**	(47,715)
Impairment losses under expected credit loss model, net of reversal	11	**9,569**	(3,241)
Impairment of assets		**–**	(3,512)
Share of results of associates		**–**	(603)
Finance costs		**(2,027)**	(1,579)
Profit before taxation		**114,341**	125,019
Taxation	4	**(30,144)**	(39,483)
Profit for the period	5	**84,197**	85,536
Other comprehensive income (expense)			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operations			
— subsidiaries		**25,364**	(37,644)
— associate		**–**	(162)

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

FOR THE SIX MONTHS ENDED 30 JUNE 2021

	NOTES	Six months ended 30 June	
		2021	2020
		HK$'000	*HK$'000*
		(unaudited)	(unaudited)
Other comprehensive income (expense) for the period		**25,364**	(37,806)
Total comprehensive income for the period		**109,561**	47,730
Profit (loss) for the period attributable to:			
Owners of the Company		**84,223**	84,060
Non-controlling interests		**(26)**	1,476
		84,197	85,536
Total comprehensive income attributable to:			
Owners of the Company		**109,560**	46,211
Non-controlling interests		**1**	1,519
		109,561	47,730
Earnings per share	7		
Basic		**HK19.75 cents**	HK19.71 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2021

	NOTES	**30.6.2021**	31.12.2020
		HK$'000	*HK$'000*
		(unaudited)	(audited)
Non-current assets			
Property, plant and equipment		**13,835**	15,612
Right-of-use assets		**606**	4,806
Deferred Consideration	8	**1,044,192**	1,333,432
Loans receivable	9	**49,504**	64,210
Interests in associates		**–**	–
Deposit paid for acquisition of a property	17	**3,550**	–
Deferred tax assets	14	**894**	894
		1,112,581	1,418,954
Current assets			
Inventories		**39,434**	38,595
Deferred Consideration	8	**412,530**	220,528
Loans receivable	9	**13,646**	9,234
Contract assets		**49,159**	66,034
Debtors and prepayments	10	**78,349**	91,567
Held for trading investments		**30,386**	32,870
Amounts due from associates		**67**	50
Taxation recoverable		**10**	3
Pledged bank deposits		**159**	159
Bank balances and cash		**1,154,647**	991,563
		1,778,387	1,450,603

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

AT 30 JUNE 2021

	NOTES	30.6.2021 *HK$'000* (unaudited)	31.12.2020 *HK$'000* (audited)
Current liabilities			
Creditors and accrued charges	12	**170,125**	200,555
Warranty provision		**14,002**	16,621
Contract liabilities		**27,989**	39,025
Lease liabilities		**4,236**	8,393
Taxation payable		**22,480**	4,539
		238,832	269,133
Net current assets		**1,539,555**	1,181,470
Total assets less current liabilities		**2,652,136**	2,600,424
Capital and reserves			
Share capital	13	**4,265**	4,265
Reserves		**2,209,992**	2,108,961
Equity attributable to owners of the Company		**2,214,257**	2,113,226
Non-controlling interests		**58**	57
Total equity		**2,214,315**	2,113,283
Non-current liabilities			
Accrued charges	12	**60,465**	67,145
Warranty provision		**1,747**	2,255
Deferred tax liabilities	14	**375,609**	417,741
		437,821	487,141
		2,652,136	2,600,424

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2021

	Attributable to owners of the Company										Attributable to non-controlling interests	Total
	Share capital	Share premium	Property revaluation reserve	Legal reserve	Statutory 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$'000*	*HK$'000*
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)
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
At 1 January 2021 (audited)	4,265	28,500	7,341	–	14,336	102,645	48,937	1,206	1,905,996	2,113,226	57	2,113,283
Profit (loss) for the period	–	–	–	–	–	–	–	–	84,223	84,223	(26)	84,197
Exchange difference arising on translation of foreign operation												
– subsidiaries	–	–	–	–	–	25,337	–	–	–	25,337	27	25,364
Total comprehensive income for the period	–	–	–	–	–	25,337	–	–	84,223	109,560	1	109,561
Dividend declared (note 6)	–	–	–	–	–	–	–	–	(8,529)	(8,529)	–	(8,529)
At 30 June 2021 (unaudited)	4,265	28,500	7,341	–	14,336	127,982	48,937	1,206	1,981,690	2,214,257	58	2,214,315

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

	NOTE	Six months ended 30 June	
		2021	2020
		HK$'000	*HK$'000*
		(unaudited)	(unaudited)
Operating activities			
Profit before taxation		**114,341**	125,019
Adjustments for:			
Imputed interest income of Deferred Consideration		**(116,212)**	(157,654)
Interest income from bank deposits		**(9,797)**	(3,028)
Net change in fair value of held-for-trading investments		**(4,449)**	4,742
Impairment losses under expected credit loss model, net of reversal		**(9,569)**	3,241
Impairment of assets		**–**	3,512
Other adjustments		**7,673**	4,917
Operating cash flows before movements in working capital		**(18,013)**	(19,251)
Net change in working capital		**(14,653)**	(9,780)
Cash used in operations		**(32,666)**	(29,031)
Income tax refunded		**–**	901
Income tax paid		**(58,225)**	(112,150)
Net cash used in operating activities		**(90,891)**	(140,280)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2021

	NOTE	Six months ended 30 June 2021 HK$'000 (unaudited)	2020 HK$'000 (unaudited)
Net cash from investing activities:			
Receipt of Deferred Consideration	8	**237,631**	446,538
Purchase of property, plant and equipment		**(341)**	(42)
Deposit paid for acquisition of a property		**(3,550)**	–
Capital injection to an associate		**–**	(342)
Interest received		**9,797**	3,028
Other investing cash flows		**1,657**	1,058
		245,194	450,240
Cash used in financing activities:			
Interest paid		**(168)**	(135)
Repayment of lease liabilities		**(4,239)**	(3,330)
Dividend paid		**–**	(8,529)
Dividend paid to its non-controlling interests		**–**	(901)
		(4,407)	(12,895)
Net increase in cash and cash equivalents		**149,896**	297,065
Cash and cash equivalents at the beginning of the period		**991,563**	125,001
Effect on foreign exchange rate changes		**13,188**	–
Cash and cash equivalents at the end of the period		**1,154,647**	422,066
Analysis of the balances of cash and cash equivalents			
Bank balances and cash		**1,154,647**	422,066

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

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

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

Application of amendments to HKFRSs

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

Amendments to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

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

3A. REVENUE FROM CONTRACTS WITH CUSTOMERS

Disaggregation of revenue from contracts with customers

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

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

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

	Six months ended 30 June	
	2021	2020
	HK$'000	*HK$'000*
Geographical analysis of revenue by location of external customers		
The People's Republic of China (excluding Hong Kong) (the "PRC")	**82,267**	45,387
Taiwan	**29,982**	25,766
The United States of America	**26,431**	12,948
Europe	**2,561**	8,154
Macedonia	**13,809**	6,941
Mexico	**4,566**	3,366
India	**644**	2,966
Thailand	**–**	1,152
Korea	**2,284**	1,128
Hong Kong	**212**	521
Singapore	**1,952**	463
The United Kingdom	**7,255**	453
Others	**1,132**	701
Total	**173,095**	109,946
Timing of revenue recognition		
A point in time	**3,542**	3,684
Over time	**169,553**	106,262
Total	**173,095**	109,946

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

Segment loss represents the loss from the electroplating equipment segment (including intra-group management fee) without allocation of certain other income, central corporate expenses, impairment losses under expected credit loss model for loans receivable and Deferred Consideration (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 assets 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	
	2021	2020
	HK$'000	*HK$'000*
Taxation comprises:		
Taxation outside Hong Kong		
Charge for the period	**76,162**	112,364
Overprovision in prior years	**–**	(17)
	76,162	112,347
Deferred tax credit	**(46,018)**	(72,864)
	30,144	39,483

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

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

5. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2021	2020
	HK$'000	HK$'000
Profit for the period has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	**2,068**	3,126
Depreciation of right-of-use assets	**4,282**	4,334
Imputed interest expense on non-current portion of provision for performance related incentive payments (note 12)	**1,858**	1,444
Included in other income:		
Interest income from loans receivable	**(2,069)**	(1,996)
Imputed interest income of Deferred Consideration	**(116,212)**	(157,654)
Interest income from bank deposits	**(9,797)**	(3,028)
Included in other gains or losses:		
Net exchange loss (gain)	**2,594**	(2,879)
Net change in fair value of held-for-trading investments	**(4,449)**	4,742

6. DIVIDEND

During the six months ended 30 June 2021, a final dividend of HK$0.02 per share with aggregate amount of approximately HK$8,529,000 in respect of the year ended 31 December 2020 was declared and included in dividend payable as disclosed in note 12. The amount subsequently paid to owners of the Company on 20 July 2021.

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

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

7. EARNINGS PER SHARE

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

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

8. DEFERRED CONSIDERATION

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

During the six months ended 30 June 2021, impairment losses under expected credit loss model (net of reversal) of approximately HK$8,634,000 (net reversal) (six months ended 30 June 2020: HK$2,570,000 (net impairment)) is recognised in the profit or loss. Details of the impairment assessment of Deferred Consideration are set out in note 11. Imputed interest income of approximately HK$116,212,000 (six months ended 30 June 2020: HK$157,654,000) is recognised as other income in the profit or loss during the six months ended 30 June 2021.

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

9. LOANS RECEIVABLE

	30.6.2021	31.12.2020
	HK$'000	*HK$'000*
Repayable after one year (note)	**54,498**	66,500
Repayable within one year	**14,500**	13,000
Less: impairment losses under expected credit loss model	**(5,848)**	(6,056)
	63,150	73,444
Analysed for reporting purposes as:		
Current	**13,646**	9,234
Non-current	**49,504**	64,210
	63,150	73,444

Note:

Pursuant to a loan facility agreement entered into in 2019 with Karl Thomson Financial Group Limited (of which Mr. Nam Kwok Lun, an executive director of the Company who has an indirect interest in the Company, is a director), the Group provides an unsecured revolving loan facility of HK$130,000,000 bearing interest at prime rate as announced from time to time by The Hongkong and Shanghai Banking Corporation Limited for lending Hong Kong Dollars for a term of three years commencing from the loan effective date and ending on 20 October 2022. Included in the amount is the loan receivable from under this facility agreement amounting to approximately HK$41,500,000 (31 December 2020: HK$55,500,000).

10. DEBTORS AND PREPAYMENTS

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

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

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

	30.6.2021	31.12.2020
	HK$'000	*HK$'000*
0 – 60 days	**45,665**	67,284
61 – 120 days	**5,761**	1,757
121 – 180 days	**–**	875
Over 180 days	**1,353**	543
	52,779	70,459

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

	Six months ended 30 June	
	2021	2020
	HK$'000	*HK$'000*
(Reversal of impairment loss) impairment loss recognised in respect of:		
Trade debtors	**(761)**	(271)
Contract assets	**34**	218
Deferred Consideration	**(8,634)**	2,570
Loans receivable	**(208)**	724
	(9,569)	3,241

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 2021 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2020.

During the current interim period, the Group recognised net reversal of impairment allowance of approximately HK$8,634,000 on Deferred Consideration mainly due to the partial repayment of the balance.

12. CREDITORS AND ACCRUED CHARGES

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

Note: As at 30 June 2021, the current and non-current portion of accrued charges of approximately HK$28,443,000 and HK$51,297,000 respectively (31 December 2020: HK$30,639,000 and HK$53,387,000 respectively) represents the provision of performance bonus to the executive directors of the Company. An imputed interest expense of approximately HK$1,858,000 (six months ended 30 June 2020: HK$1,444,000) is charged to profit or loss during the current interim period.

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

12. CREDITORS AND ACCRUED CHARGES *(Continued)*

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

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

13. SHARE CAPITAL

	Number of shares	**Amount**
	'000	*HK$'000*
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 January 2020, 31 December 2020, 1 January 2021 and 30 June 2021	20,000,000	200,000
Issued and fully paid:		
At 1 January 2020, 31 December 2020, 1 January 2021 and 30 June 2021	426,463	4,265

14. DEFERRED TAXATION

Certain deferred tax liabilities and deferred tax assets are offset.

At 30 June 2021, deferred tax balances arose from fair value adjustment of Deferred Consideration amounted to approximately HK$364,180,000 (31 December 2020: HK$388,490,000), of which related deferred tax credit of approximately HK$28,196,000 (six months ended 30 June 2020: HK$72,864,000) is recognised during the current period.

15. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

The Group's investments in equity securities listed in Hong Kong classified as held-for-trading investments with fair value of HK$30,386,000 (31 December 2020: HK$32,870,000) are categorised as Level 1 (i.e. fair value measurements are based on quoted prices (unadjusted) in active markets for identical assets or liabilities) under the fair value hierarchy.

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

16. SIGNIFICANT RELATED PARTY TRANSACTIONS

During the current interim period, the Group had the following significant transactions with related parties:

(a) The Group has provided loan facility to KTFG, the details of which are set out in note 9. In addition, the Group earned interest income from KTFG of approximately HK$1,405,000 (31 December 2020: HK$1,620,000) during the current period.

(b) The remuneration paid to key management during the six months ended 30 June 2021 was approximately HK$24,206,000 (six months ended 30 June 2020: approximately HK$13,286,000) as mandatory provident fund of HK$63,000 (six months ended 30 June 2020: HK$63,000).

17. EVENTS AFTER THE END OF THE REPORTING PERIOD

Prior to 30 June 2021, the Group has entered into an agreement to acquire property for leasing purpose through acquisition of a company at a consideration of HK$35,500,000, of which HK$3,550,000 was paid as deposit. The transaction has been completed subsequent to 30 June 2021.

18. APPROVAL OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The condensed consolidated financial statements were approved and authorised for issue by the Board on 31 August 2021.