ASIA TELE-NET AND TECHNOLOGY CORPORATION LIMITED

亞洲聯網科技有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 679)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2018

The Board of Directors (the "Board") of Asia Tele-Net and Technology Corporation Limited (the "Company") is pleased to announce the unaudited results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2018 with comparative figures as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2018

	NOTES	Six months ended 30 June 2018 HK$'000 (unaudited)	Six months ended 30 June 2017 HK$'000 (unaudited)
Revenue	3	193,165	505,471
Cost of sales		(153,756)	(420,892)
Gross profit		39,409	84,579
Other income		82,750	11,814
Selling and distribution costs		(9,413)	(10,281)
Administrative expenses		(55,686)	(50,206)
Gain on remeasurement of Deferred Consideration	8	-	136,557
Other gains or losses		50,304	(9,522)
Share of results of associates		(302)	(202)
Finance costs		(833)	(567)
Profit before taxation		106,229	162,172
Taxation	4	(34,400)	(34,783)
Profit for the period	5	71,829	127,389

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME - continued

For the six months ended 30 June 2018

	NOTE	Six months ended 30 June 2018 HK$'000 (unaudited)	Six months ended 30 June 2017 HK$'000 (unaudited)
Other comprehensive (expense) income			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operations			
- subsidiaries		(13,984)	30,256
- associate		685	949
Other comprehensive (expense) income for the period		(13,299)	31,205
Total comprehensive income for the period		58,530	158,594
Profit (loss) for the period attributable to:			
Owners of the Company		71,872	127,277
Non-controlling interests		(43)	112
		71,829	127,389
Total comprehensive income (expense) attributable to:			
Owners of the Company		58,571	158,470
Non-controlling interests		(41)	124
		58,530	158,594
Earnings per share	7		
Basic		HK16.85 cents	HK29.84 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2018

	NOTES	30.6.2018 HK$'000 (unaudited)	31.12.2017 HK$'000 (audited)
Non-current assets			
Property, plant and equipment		39,505	40,225
Deferred Consideration	8	1,402,013	1,348,931
Loan receivable		65,010	60,000
Interests in associates		2,797	2,414
		1,509,325	1,451,570
Current assets			
Inventories		61,860	61,459
Debtors and prepayments	9	92,827	216,415
Contract assets		74,866	-
Amounts due from customers for contract work		-	75,748
Held-for-trading investments		37,868	45,153
Amounts due from associates		42	21
Taxation recoverable		3,361	7,623
Pledged bank deposits		6,284	3,236
Bank balances and cash		174,106	165,880
		451,214	575,535
Current liabilities			
Creditors and accrued charges	10	173,892	282,930
Warranty provision		36,184	31,609
Contract liabilities		26,139	-
Amounts due to customers for contract work		-	8,200
Taxation payable		5,533	8,253
		241,748	330,992
Net current assets		209,466	244,543
Total assets less current liabilities		1,718,791	1,696,113

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION - continued
At 30 June 2018

	NOTE	30.6.2018 HK$'000 (unaudited)	31.12.2017 HK$'000 (audited)
Capital and reserves			
Share capital		4,265	4,265
Reserves		1,309,109	1,299,926
Equity attributable to owners of the Company		1,313,374	1,304,191
Non-controlling interests		512	553
Total equity		1,313,886	1,304,744
Non-current liabilities			
Accrued charges	10	47,696	44,647
Warranty provision		2,391	5,174
Deferred taxation		354,818	341,548
		404,905	391,369
		1,718,791	1,696,113

NOTES

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

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

Other than changes in accounting policies resulting from application of new and amendments to HKFRSs, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2018 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2017.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2018 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC) - Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 "Financial Instruments" with HKFRS 4 "Insurance Contracts"
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014 - 2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

In addition, the Group has applied Amendments to HKFRS 9 "Prepayment Features with Negative Compensation" in advance of the effective date, i.e. 1 January 2019.

3. REVENUE AND SEGMENT INFORMATION

Revenue

The Group's revenue from electroplating machinery business for the six months ended 30 June 2018 and 2017 analysed by principal activity is as follows:

	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
Construction contracts in respect of design, manufacturing and sale of custom-built electroplating machinery and other industrial machinery	127,312	455,758
Sale of spare parts of electroplating machinery	6,266	13,313
Provision of services – repairs, maintenance and modification	59,587	36,400
	193,165	505,471

Segment information

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

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

	Electroplating equipment Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
Segment revenue	193,165	505,471
Segment (loss) profit	(7,789)	34,359
Intra-group management fee charged to operating segment	3,117	3,133
Other income	82,008	11,407
Central corporate expenses	(17,476)	(17,512)
Gain on remeasurement of Deferred Consideration (note 8)	-	136,557
Imputed interest on non-current portion of provision for performance related incentive payments (note 10)	(833)	(567)
Other gains or losses	47,202	(5,205)
Profit before taxation	106,229	162,172

3. REVENUE AND SEGMENT INFORMATION – continued

Segment information - continued

Segment (loss) profit represents the gross (loss) profit of the electroplating equipment segment, other income and expenses directly attributable to the segment activity (including intra-group management fee) and share of results of associates but excluding other income (including interest income from loan receivable, imputed interest income of GCC (as defined in note 8), unallocated interest income, dividend income and sundry income), central corporate expenses including auditor's remuneration and directors' emoluments, gain on remeasurement of Deferred Consideration, imputed interest on non-current portion of provision for performance related incentive payments, and other gains or losses (including net change in fair value of held-for-trading investments, impairment loss allowance for GCC, gain on change in fair value of ACC (as defined in note 8), adjustment on non-current portion of provision and unallocated net exchange gain or loss). This is the measure reported to the chief operating decision maker in order to assess segment performance.

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

4. TAXATION

	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
Taxation comprises:		
Current tax - overseas taxation charge for the period	927	13,868
Deferred tax charge	33,473	20,915
	34,400	34,783

No provision for Hong Kong Profits Tax has been made of the six months ended 30 June 2018 and 2017 as there is no assessable profit for both periods.

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

5. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
Profit for the period has been arrived at after charging (crediting):		
Reversal of allowance for slow moving inventories (included in cost of sales)	(364)	(388)
Depreciation of property, plant and equipment	3,694	2,891
Imputed interest expense on non-current portion of provision for performance related incentive payments (note 10)	833	567
Included in other income		
Interest income from loan receivable	(1,853)	(670)
Interest income from bank deposits	(762)	(690)
Included in other gains or losses		
Loss on disposal of property, plant and equipment	8	254
Net exchange (gain) loss	(1,864)	3,787
Net change in fair value of held-for-trading investments	7,285	4,731
Adjustment on non-current portion of provision (note 10)	-	2,335
Impairment loss allowance for financial assets	3,535	298
Gain on change in fair value of ACC	(59,268)	(2,117)

6. DIVIDEND

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

7. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the Group's profit for the period attributable to owners of the Company of HK$71,872,000 (six months ended 30 June 2017: HK$127,277,000) and the number of ordinary shares of 426,463,400 (six months ended 30 June 2017: HK$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 (the "Re-development Agreement") with an independent third party ("Counter Party") in relation to a re-development plan ("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 has 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 has 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 subsidized apartments and any floor area reserved for public facilities usage on the redeveloped land ("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 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.

The progress of the Re-development Plan up to 31 December 2016 was set out in the Company's 2016 annual report.

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 carries at cost less impairment.

On 4 January 2017, the Group, the Counter Party and the Project Company entered into the supplemental agreements ("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 ("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 have been approved by the shareholders of the Company on 2 March 2017.

8. 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, the directors of the Company expect the pre-sales certificate to be issued on 30 June 2019. The Group recognised a gain on remeasurement of Deferred Consideration of HK$136,557,000 upon the initial recognition of GCC and ACC. Subsequent to the initial recognition, GCC is measured at amortised cost using the effective interest method, less any impairment while ACC is measured at fair value with changes in fair value through profit or loss.

The Group recognised a gain on change in fair value of ACC of approximately HK$59,268,000 (six months ended 30 June 2017: HK$2,117,000) included in other gains or losses in profit or loss during the six months ended 30 June 2018.

As GCC is carried at amortised cost, imputed interest of approximately HK$79,398,000 (six months ended 30 June 2017: HK$9,479,000) is recognised as other income in the profit or loss during the six months ended 30 June 2018.

Impairment loss allowance of approximately HK$4,773,000 (six months ended 30 June 2017: nil) is recognised as other gains or losses in the profit or loss during the six months ended 30 June 2018.

As at 30 June 2018, the Deferred Consideration is made up of GCC of approximately HK$1,081,415,000 (net of impairment loss allowance of HK$69,189,000) and ACC of approximately HK$320,598,000 (31 December 2017: GCC of approximately HK$1,083,245,000 and ACC of approximately HK$265,686,000).

9. DEBTORS AND PREPAYMENTS

	30.6.2018	31.12.2017
	HK$'000	HK$'000
Trade debtors	98,076	221,409
Less: allowance for bad and doubtful debts	(28,352)	(32,729)
	69,724	188,680
Other debtors and prepayments	23,103	27,735
	92,827	216,415

The Group allows a general credit period of one to two months to its trade customers except construction contracts where the Group allows milestone payments. Each construction contract will normally involve two to six milestone payments, namely deposit payment, shipment payment, arrival payment, installation completion payment, trial production payment and acceptance payment. Depending on the size of the order, it will normally take a range from eight to fifteen months from the time the electroplating machine is shipped before a construction contract will reach the acceptance milestone. In most of the cases, invoice is due on presentation and credit will only be offered to customers in accordance with their financial credit abilities and established payment records.

The following is an aged analysis of trade debtors net of allowance for bad and doubtful debts presented based on the invoice date at the end of the reporting period:

	30.6.2018	31.12.2017
	HK$'000	HK$'000
1 - 60 days	42,759	156,945
61 - 120 days	22,746	22,736
121 - 180 days	1,819	5,153
Over 180 days	2,400	3,846
	69,724	188,680

10. CREDITORS AND ACCRUED CHARGES

	30.6.2018 HK$'000	31.12.2017 HK$'000
Trade creditors	99,429	181,499
Accrued staff costs	16,822	17,731
Commission payables to sales agents	15,859	18,587
Other creditor and accrued charges (note)	89,478	100,838
Advances received from customers for contract work	-	105
Advances received from customers for services	-	8,817
	221,588	327,577
Less: Non-current portion of accrued charges (note)	(47,696)	(44,647)
	173,892	282,930

Note: As at 30 June 2018, the non-current payable portion of provision of approximately HK$47,696,000 (31 December 2017: HK$44,647,000) represents the provision of performance bonus to the executive directors of the Company which is determined by the board of directors of the Company with reference to the net gain from the Deferred Consideration. An imputed interest expense of approximately HK$833,000 (six months ended 30 June 2017: HK$567,000) is charged to profit or loss during the current period. With the effective of the Supplemental Agreements, the estimated timing of payment of the non-current portion of provision was revised and an adjustment of provision of approximately HK$2,335,000 was charged to profit or loss during the six months ended 30 June 2017.

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:

	30.6.2018 HK$'000	31.12.2017 HK$'000
0 - 60 days	35,825	51,790
61 - 120 days	16,476	43,841
121 - 180 days	14,644	30,020
Over 180 days	32,484	55,848
	99,429	181,499

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

During the period ended 30 June 2018 ("Period Under Review"), the Group recorded profit attributable to owners of the Company of approximately HK$71,872,000 compared to the profit attributable to owners of the Company of approximately HK$127,277,000 for the period ended 30 June 2017 ("Previous Period"). The significant drop in Group's profit attributable to owners of the Company during the Period Under Review was primarily due to (i) decrease in revenue to approximately HK$193,165,000 (the Previous Period: approximately HK$505,471,000), (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 18) and (iii) increase in net loss in fair value of investments held for trading arising from the Period Under Review.

The basic earnings per share for the Period Under Review was HK16.85 cents compared to the basic earnings per share of HK29.84 cents for the Previous Period.

FINANCIAL REVIEW

Revenue

The revenue for the Period Under Review was approximately HK$193,165,000 or 61.8% less than the Previous Period. Lower revenue reported during the Period Under Review was mainly due to decreased sales in high-end communication device and automobile.

In terms of business segment, approximately 85.6% of the revenue was generated from PCB sector (Previous Period: approximately 88.8%) and approximately 14.4% came from surface finishing sector (Previous Period: approximately 11.2%). In terms of the machines geographical installation base, the revenue composition during the Period Under Review was 59.0% machines in PRC, 24.6% in Taiwan, 4.8% in the USA, and 11.6% in rest of the world.

Gross Profit

Notwithstanding to the above, the Group recorded an improvement in the average gross profit margin from 16.7% in Previous Period to 20.4% for the Period Under Review, which is mainly attributable to completion of jobs with higher gross profit margin and costs spent on debugging technical issues arising from the new electroplating equipment named SCP line was much reduced.

Other income

(a) Interest and fees arising from a loan facility agreement

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

Pursuant to the Loan Facility Agreement, the Group has received interest income of approximately HK$1,853,000 (the Previous Period: interest income and handling fee income of approximately HK$670,000 and HK$390,000 respectively) from the Borrower.

(b) Interest received from bank deposits

Interest income from bank deposits was approximately HK$762,000 (the Previous Period: HK$690,000).

(c) Imputed interest income

Please refer to note 8 of the unaudited financial statement for more detailed explanation on the imputed interest income of approximately HK$79,398,000 (the Previous Period: HK$9,479,000)

Selling and Distribution Costs

The costs for the Period Under Review was 8.4% lower than the Previous Period. It was primarily due to decrease in revenue.

Administrative expenses

(a) Provision for performance related incentive payments

Provision for performance related incentive payments is calculated by applying the pre-agreed percentage on (i) the net gain or loss in relation to the Longhua Project after considering all necessary allowance and the discounting effect ("Net Gain In Relation To The Longhua Project", please refer to the paragraph having the same heading below) and (ii) overall financial performance of the Group for a financial year but excluding Net Gain In Relation To The Longhua Project.

For the Period Under Review, provision for performance related incentive payments in relation to Net gain In Relation To The Longhua Project was approximately HK$4,659,000 (the Previous Period: HK$5,686,000). Such provision was based on the assumptions that the Company shall receive the guaranteed cash consideration of RMB1.23 billion and additional cash consideration in accordance with the agreed timetable and terms under the Supplemental Agreements (as defined below). No provision was made for performance related incentive payments in relation to overall financial performance of the Group but excluding Net Gain In Relation To The Longhua Project (the Previous Period: HK$424,000).

(b) Rental expenses

The rental expenses recorded in the Period Under Review was approximately HK$5,372,000 (the Previous Period: 4,929,000). It was because the average exchange rate for RMB was higher in Period Under Review than in the Previous Period.

(c) Increase in general expenses

After taking out the provision for performance related incentive payments and the increase in rental expenses as disclosed above, the remaining administrative expenses was approximately HK$45,656,000 which was 16.6% higher than the Previous Period (the Previous Period: HK$39,167,000). The increase of approximately HK$6,489,000 was mainly attributable to the increase in personnel related cost and other general expenses. As a benchmark, the average inflation rates in China and Hong Kong for first half 2018 were 2.0%[1] and 2.3%[2] respectively.

Finance cost

This represented mainly the imputed interest expenses regarding the provision of performance related incentive payments of approximately HK$833,000 (the Previous Period: HK$567,000).

Since the provision for performance related incentive payments in relation to Net Gain In Relation To The Longhua Project 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.

Taxation

Taxation of approximately HK$34,400,000 (the Previous Period: HK$34,783,000) represented mainly taxes paid or payable by our wholly-owned subsidiaries in China and Taiwan.

The Group has provided a taxation expense of HK$33,473,000 for Net Gain In Relation To The Longhua Project. The remaining HK$927,000 was incurred from the electroplating equipment operations.

Gain on remeasurement of Deferred Consideration in the Previous Period

References are made to (i) page 4 of 2016 annual report with respect to a gain on recognition of other asset of approximately HK$999,560,000 for the rights to receive titles of 41,000 sq.m marketable residential and commercial properties pursuant to agreements signed in October 2011 and (ii) the announcement of the Company dated 4 January 2017 in relation to the entering of the supplemental agreements ("Supplemental Agreements"). Following the announcement, a circular was issued on 15 February 2017 ("Circular") and an extraordinary general meeting was held on 2 March 2017 to approve the Supplemental Agreements. Under the terms of the Supplement Agreements, instead of receiving titles of 41,000 sq.m marketable residential and commercial properties, the Group will receive the guaranteed cash consideration of RMB1.23 billion ("Guaranteed Cash Consideration") and rights to receive the additional cash consideration ("Additional Cash Consideration") if the average selling price is higher than RMB30,000 (net of value-added taxes) or RMB33,710 (inclusive of value-added taxes). As the terms of the Supplemental Agreement are materially different from the terms of the transactions previously approved by the Shareholders of the Company on 13 October 2011 for which the gain of HK$999,560,000 was calculated, the Company has appointed an independent valuation company to determine the fair value for the rights entitled by the Group under the Supplemental Agreements.

Based on the valuation report issued in 2017, the fair value for the rights entitled under the Supplemental Agreements as at 31 December 2017 was more than the carrying value of the other asset as at 31 December 2016 by approximately HK$194,704,000. This was originally disclosed in 2017 annual report and was restated in this report to approximately HK$136,557,000 by excluding (i) the imputed interest for the Guaranteed Cash Consideration, (ii) increase in fair value for the Additional Cash Consideration and (iii) the revaluation effect due to exchange rate movement.

[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.

Other gain or losses

This mainly represented (a) Net change in unrealized fair value loss of held-for-trading investments was approximately HK$7,285,000 (the Previous Period: HK$4,731,000) (b) net exchange gain of approximately HK$1,864,000 (the Previous Period: loss of HK$3,787,000) (c) nil adjustment on non-current portion of the provision of performance bonus to the executive directors of the Company (the Previous Period: HK$2,335,000) (d) impairment loss allowance for financial assets of approximately HK$3,535,000 (the Previous Period: HK$298,000) and (e) gain on change in fair value of Additional Cash Consideration of approximately HK$59,268,000 (the Previous Period: HK$2,117,000)

(a) Net change in unrealized fair value loss of held-for-trading investments was approximately HK$7,285,000 (the Previous Period: HK$4,731,000)

All held-for-trading investments were recorded at fair value as at 30 June 2018 and represented listed securities in Hong Kong. The increase in unrealized fair value loss was primarily attributable to the unexpectedly volatile stock market in Hong Kong in the first half year of 2018. During the Period Under Review, Hang Seng Index decreased from 29,919 as at 31 December 2017 to 28,955 as at 30 June 2018.

Below are information of the Group's financial assets at fair value through profit and loss amounted to approximately HK$7,285,000 as at 30 June 2018:

Company Name / Stock Code	**% of shareholding as at 30 June 2018**	**Fair value change HK$'000**	**Fair value as at 30 June 2018 HK$'000**	**% of Total Assets of the Group as at 30 June 2018**	**Fair value as at 31 December 2017 HK$'000**	**% of Total Assets of the Group as at 31 December 2017**
Shanghai Industrial Urban Development Group Ltd. (563)	0.13%	(2,623)	8,784	0.44%	11,407	0.56%
South China Financial Holdings Ltd. (619)	0.91%	(1,790)	4,131	0.20%	5,921	0.29%
South China Holdings Company Ltd (413)	0.20%	(1,483)	6,876	0.34%	8,359	0.41%
Orient Victory Travel Group Company Ltd. (265)	0.38%	-	13,822	0.69%	13,822	0.68%
South China Assets Holdings Ltd. (8155)	0.45%	(605)	2,219	0.11%	2,824	0.14%
Others (*Note*)		(784)	2,036	0.10%	2,820	0.15%
Total		(7,285)	37,868	1.88%	45,153	2.23%

Note: None of these investment represented more than 1% of the total shareholding for that respective stock as at 30 June 2018.

(b) Net exchange gain was approximately HK$1,864,000

The net exchange gain was mainly due to (i) the exchange gain of approximately HK$1,515,000 arisen from intercompany transactions and (ii) exchange gain of approximately HK$295,000 arisen from transactions of Euro-based receivable and payables.

During the Period Under Review, Euro was depreciated by approximately 2.8%.

(c) Adjustment on non-current portion of the provision of performance bonus to the executive directors of the Company of approximately HK$2,335,000 in the Previous Period

As at 30 June 2017, the non-current payable portion of provision of approximately HK$38,442,000 (31 December 2016: HK$29,854,000) represents the provision of performance bonus to the executive directors of the Company which is determined by the board of directors of the Company with reference to the Net Gain In Relation To The Longhua Project. With the Supplemental Agreements become effective, the estimated timing of payment of the non-current portion of provision is revised and as such an adjustment of provision of approximately HK$2,335,000 was charged to profit or loss during the period ended 30 June 2017.

There was no such adjustment for the Period Under Review.

(d) Impairment loss allowance for financial assets of approximately HK$3,535,000

Trade debtors and contract assets

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

During the Period Under Review, the Group reversed approximately HK$171,000 impairment allowance based on the provision matrix on trade debtors and contract assets and reversed impairment loss allowance of approximately HK$377,000 due to the recovery of the impaired receivables. The groupings of customer and project are regularly reviewed by management to ensure relevant information about specific debtors and projects is updated.

Loan receivable

At the end of the reporting period, the directors of the Company have assessed the financial position of the Borrower as well as the economic outlook of the industries in which the Borrower operates, and concluded that there has been no significant increase in credit risk since initial recognition of the loan receivable. However, since the repayment period was reduced from 22 months to 16 months, the risk of default becomes lower and hence there was a reversal of impairment allowance of approximately HK$690,000.

Impairment loss allowance for Guaranteed Cash Consideration

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

(e) Gain on change in fair value of Additional Cash Consideration of approximately HK$59,268,000

The Company has appointed an independent valuation company to determine the fair value for the Additional Cash Consideration under the Supplemental Agreements. Based on the valuation received, the Group has recorded a gain of approximately HK$59,268,000 (the Previous Period: HK$2,117,000).

Net gain in relation to the Longhua Project

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

	Six months ended 30 June	
	2018 HK$'000	2017 HK$'000
Under "Other Income" – Imputed interest income on Guaranteed Cash Consideration	79,398,000	9,479,000
Under "Administrative expenses" – Provision for directors' bonus	(4,659,000)	(5,686,000)
Under "Finance cost" – Imputed interest on non-current portion of provision for performance related incentive payments	(833,000)	(567,000)
Under "Gain on remeasurement of Deferred Consideration"	-	136,557,000
Under "Other gains or losses" – Gain on change in fair value of Additional Cash Consideration	59,268,000	2,117,000
Under "Other gains or losses" – Impairment loss allowance for Guaranteed Cash Consideration	(4,773,000)	-
Under "Other gains or losses" – Adjustment on non-current portion of provision	-	(2,335,000)
Under "Taxation"	(33,473,000)	(20,915,000)
Net gain in relation to the Longhua Project	94,928,000	118,650,000

Deferred Consideration

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

Loans receivable under non-current assets

On 31 October 2016, the Group entered into a loan facility agreement with Karl Thomson Financial Group Limited ("KTFG"), which is a wholly owned subsidiary of Hoifu Energy Group Limited ("Hoifu"). Mr. Lam Kwok Hing, an executive director and a substantial shareholder of the Company, and Mr. Nam Kwok Lun, an executive director of the Company who has an indirect interest in the Company, are the directors of Hoifu. The Group provides an unsecured revolving loan facility of HK$130,000,000 bearing interest at prime rate as announced from time to time by The HongKong and Shanghai Banking Corporation Limited for lending Hong Kong Dollars for a term of three years commencing from the loan effective date and ending on 30 October 2019.

As reported in above, the total interest earned in relation to this loan was approximately HK$1,853,000 (the Previous Period: interest income and handling fee income of approximately HK$670,000 and HK$390,000 respectively). The average effective interest rate adopted during the Period Under Review is 5% per annum.

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

	As at 30/6/2018 HK$'000	As at 31/12/2017 HK$'000
Principal outstanding	66,000	60,000
Less impairment loss allowance (adoption of HKFRS9 as of 1 January 2018)	990	-
Net carrying amount	65,010	60,000

Contract assets

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

Contract liabilities

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

Deferred taxation under non-current liability

The Group has recorded a deferred taxation of approximately HK$350,503,000 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$108,975,000 from HK$404,656,000 in Previous Period, representing 73.1% drop. Out of this total revenue, from the perspective of installation location, nearly 52.8% were shipment made to PRC (53.5% in the Previous Period) and 31.7% were shipment made to Taiwan (36.6% in the Previous Period).

Two main markets driving our revenue in PCB sector are PCBs used in smartphone and car. While global smartphone shipment is still on the down trend which is not working to our favour, the degree of automation in car industry is on the up trend.

The global smartphone shipment for quarter one was down by 2.9% on year-over-year basis and was further down by 1.8% for quarter two according to a report released by IDC.

World Smartphone Market, Top 5 Company Shipments, Market Share, and Year-over-Year Growth, Q2 2018 (shipments in millions)					
Vendor	**2Q18 Shipments**	**2Q18 Market Share**	**2Q17 Shipments**	**2Q17 Market Share**	**Year-Over-Year Change**
1. Samsung	71.5	20.9%	79.8	22.9%	-10.4%
2. Huawei	54.2	15.8%	38.5	11.0%	40.9%
3. Apple	41.3	12.1%	41.0	11.8%	0.7%
4. Xiaomi	31.9	9.3%	21.4	6.2%	48.8%
5. OPPO	29.4	8.6%	28.0	8.0%	5.1%
Others	113.7	33.3%	139.5	40.1%	-18.5%
Total	**342.0**	**100.0%**	**348.2**	**100.0%**	**-1.8%**
Source: IDC Worldwide Quarterly Mobile Phone Tracker, July 31, 2018					

In 2017, we recorded a very strong growth in PCB sector as our customers were anticipating a much stronger demand in new smartphone models launched in second half of 2017. They bought in quite a number of electroplating equipment from us since late 2016. As actual smartphone shipment was far less than their expectations, most of our customers are facing over capacity at the moment. The chain effect is we received less orders this year.

On the other hand, we are glad to see that the degree of automation in cars keeps rising. Corporation like Ford, BMW, General Motors and even Daimler are spending vast amounts of money on perfecting self-driving technology. We do believe the direction towards self-driving is an irreversible trend. While there are valid fears regarding the impact on employment, the truth is that self-driving vehicles will be able to save trillions of dollars in time, insurance and will ultimately improve number of accidents as well. When the degree of automation in cars keeps rising, it shall mean use of electronics will increase and so is the demand on PCBs.

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 dropped by 64.1% from approximately HK$51,102,000 in the Previous Period to approximately HK$18,337,000 for the Period Under Review. Out of this total revenue, from the perspective of installation location, nearly 68.4% were shipment made to PRC (82.3% in the Previous Period) and 16.1% were shipment made to the USA (nil in the Previous Period).

The revenue was mainly streamed from multinational companies selling automotive parts. Automotive manufacturing is a bit different from other types of manufacturing. It demands a higher set of standards. The reasons behind this logic are safety and efficiency. It goes without saying that any entity creating devices for automotive market must put safety and reliability ahead of all other priorities. Functionality is a secondary key. Every device must function effectively and efficiently. That is why every newly established factories in the automotive industry are required to obtain certifications in countries they are operating as well as qualification from their end customers. The process is lengthy. But once they are certified or qualified, they will get long term orders from their end customers. Given the lengthy qualification process, sometimes we will not see repeated order from our customer as quickly as we would hope for.

Outlook

On year-over-year basis, we expect the revenue for the whole year will be much less than in 2017 and even lower than in 2016.

The trade war currently undergoing is not helping also. It basically curtails investment appetize. As reported by CNBC in July, the ripple effect from a US-China trade war is a drop in foreign investment worldwide. Foreign investors are looking for both economic opportunities and political stability. Uncertainty will only drive away investment. With the non-stop fire between US and China who both keep throwing in a longer and longer product list under the punitive tariff system, most of the investors will choose to stand still. They are not sure which is a better location to produce yet.

On the other hand, we do believe the possible increase in use of mSAP process and the launch of 5G are working to our benefits. Much has been written about the impending global rollout of 5G wireless infrastructure. 5G wireless infrastructure is said to deliver 10X faster data rates and with a roadmap to increase it from 10X to 100X. The profound impact it will have is everything from mobile phone connectivity to transportation, industrial, and entertainment applications as it will enable a unified connectivity mesh encompassing people, autonomous vehicles, IoT devices, industrial machines, and civil infrastructure. With 5G technology arounds the corner, we are looking at emergence of 5G smartphone and associated telecommunication devices. Both of which require the use of PCBs with finer plating lines or higher aspect ratio. To embrace this possible need, as reported in 2017, we have introduced a new electroplating equipment named SCP line to meet the new plating process named mSAP (modified semi-additive process). mSAP is a process capable of creating fine lines with better conductor geometry. When 5G standard is finalized, more 5G compatible devices will be rollout. This should bring in another wave of equipment investment, hopefully starting in 2019. We remain conservatively optimistic in 2019.

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 and (vi) on 4 January 2017 with respect to the supplemental agreements ("Supplemental Agreements") which outlined 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 Long 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) In second half of 2017, the Project Company has obtained all required permits and construction was started.

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

As of the date of this interim report, construction is on-going and reaches 8 to 10 floors from the ground.

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 2019.

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

MATERIAL ACQUISITION AND DISPOSAL

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

FINANCIAL REVIEW

Capital Structure, Liquidity and Financial Resources

As at 30 June 2018, the Group had equity attributable to owners of the Company of approximately HK$1,313,374,000 (31 December 2017: HK$1,304,191,000). The gearing ratio was nil (31 December 2017: 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 2018, the Group had approximately HK$180,390,000 of cash on hand (31 December 2017: HK$169,116,000).

As at 30 June 2018, the Group pledged deposits of HK$6,284,000 (31 December 2017: HK$3,236,000) to banks to secure the issuance of bank guarantee of the same amount. Total bank facilities available to the Group is approximately HK$132,300,000 (31 December 2017: HK$132,300,000). Out of the facilities available, the Group has utilized (i) approximately HK$6,284,000 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 2018 (31 December 2017: HK$3,236,000), (ii) approximately HK$1,218,000 for the issuance of import letters of credit to suppliers (31 December 2017: HK$2,471,000).

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 2018, the Company had guarantees of approximately HK$137,500,000 (31 December 2017: 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$7,502,000 (31 December 2017: HK$5,707,000).

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 2018, the Group employs a total of 652 employees. Employees are remunerated based on performance, experience and industry practice. Performance related bonuses are granted on discretionary basis. Other employee benefits included fund, insurance and medical cover.

INTERIM DIVIDEND

As the Company is still in the process of searching for a suitable production site for the long-term development and benefits of PAL and the improved financial performance for the Group for the Period Under Review was mainly due to the gain on the change in fair value of Deferred Consideration which is an unrealized gain by nature, after due and careful consideration, the Board does not recommend payment of any interim dividend for the six months ended 30 June 2018 (2017: Nil).

COPORATE GOVERNANCE AND OTHER INFORMATION

The Company has complied with the Corporate Governance Code and Corporate Governance Report (the “GC Code”) as set out in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2018, with deviations from code provisions A.2.1 and A.4.2 of the GC Code in respect of the separate roles of chairman and chief executive officer, and rotation of directors.

Code Provision A.2.1

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

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

Code Provision A.4.2

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

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

AUDIT COMMITTEE

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

The international auditor of the Company, Messrs. Deloitte Touche Tohmatsu have reviewed the financial statements for the period under review and have issued a report on review of interim financial information. In accordance with the requirements of paragraph 39 of Appendix 16 of the Listing Rules, the Audit Committee has reviewed together with management the accounting principles and practices adopted by the Company and discussed auditing, internal control and financial report matters including the review of the unaudited interim financial statements for the six months ended 30 June 2018.

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.

NOMINATON COMMITTEE

The nomination committee of the Company (the "Nomination Committee") is composed of three Directors, namely Messrs. Lam Kwok Hing, Cheung Kin Wai and Ng Chi Kin David. The principal functions of the Nomination Committee include reviewing the structure, size and composition of the

Board, making recommendations on any proposed changes to the Board to complement the Company's corporate strategy, identifying and nominating qualified individuals for appointment as additional directors or to fill Board vacancies as and when they arise.

MODEL CODE FOR SECURITIES TRANSACTION BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") set out in Appendix 10 to the Listing Rules. Upon enquiry by the Company, all directors of the Company have confirmed that they have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2018.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2018.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the websites of the Stock Exchange (http://www.hkex.com.hk) and the Company (http://www.atnt.biz). The interim report of the Company for the six months ended 30 June 2018 containing all the information required by the Listing Rules will be despatched to shareholders of the Company and made available for review on the same websites in due course.

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

Hong Kong, 30 August 2018

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

* *For identification purpose only*