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)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

The Board of Directors (the "Board") of Asia Tele-Net and Technology Corporation Ltd (the "Company") announced that the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2018 ("Period Under Review") together with last year's comparative figures are as follows:–

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

	NOTES	2018 HK$'000	2017 HK$'000
Revenue	4	342,750	800,966
Cost of sales		(284,897)	(697,283)
Gross profit		57,853	103,683
Gain on remeasurement of Deferred Consideration	10	-	136,557
Other gains and losses	5	46,290	47,263
Other income		166,901	119,151
Selling and distribution costs		(17,738)	(19,954)
Administrative expenses		(104,540)	(103,553)
Impairment loss allowance for financial assets, net		(9,891)	(1,039)
Finance costs	6	(1,699)	(1,202)
Share of results of associates		(769)	(366)
Profit before taxation		136,407	280,540
Taxation	7	(51,938)	(70,504)
Profit for the year	8	84,469	210,036

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

FOR THE YEAR ENDED 31 DECEMBER 2018

	NOTE	2018 HK$'000	2017 HK$'000
Other comprehensive (expense) income			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operations			
- subsidiaries		(61,329)	75,613
- associate		703	434
Other comprehensive (expense) income for the year		(60,626)	76,047
Total comprehensive income for the year		23,843	286,083
Profit (loss) for the year attributable to:			
Owners of the Company		84,513	209,483
Non-controlling interests		(44)	553
		84,469	210,036
Total comprehensive income (expense) for the year attributable to:			
Owners of the Company		23,890	285,492
Non-controlling interests		(47)	591
		23,843	286,083
Earnings per share	9		
Basic		HK$0.20	HK$0.49

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2018

	NOTES	2018 HK$'000	2017 HK$'000
Non-current assets			
Property, plant and equipment		36,623	40,225
Deferred Consideration	10	1,069,873	1,348,931
Loan receivable	11	-	60,000
Interests in associates		2,348	2,414
		1,108,844	1,451,570
Current assets			
Inventories		50,125	61,459
Deferred Consideration	10	354,655	-
Loan receivable	11	65,010	-
Contract assets		59,260	-
Amounts due from customers for contract work		-	75,748
Debtors and prepayments	12	92,633	216,415
Held-for-trading investments		29,131	45,153
Amounts due from associates		42	21
Taxation recoverable		982	7,623
Pledged bank deposits		3,315	3,236
Bank balances and cash		141,477	165,880
		796,630	575,535
Current liabilities			
Creditors and accrued charges	13	150,786	282,930
Warranty provision		35,784	31,609
Contract liabilities		25,169	-
Amounts due to customers for contract work		-	8,200
Taxation payable		5,143	8,253
		216,882	330,992
Net current assets		579,748	244,543
Total assets less current liabilities		1,688,592	1,696,113

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

AT 31 DECEMBER 2018

	NOTE	2018 HK$'000	2017 HK$'000
Capital and reserves			
Share capital		4,265	4,265
Reserves		1,274,428	1,299,926
Equity attributable to owners of the Company		1,278,693	1,304,191
Non-controlling interests		506	553
Total equity		1,279,199	1,304,744
Non-current liabilities			
Accrued charges	13	48,092	44,647
Warranty provision		854	5,174
Deferred taxation		360,447	341,548
		409,393	391,369
		1,688,592	1,696,113

Notes:

1. GENERAL

Asia Tele-Net And Technology Corporation Limited (the "Company") is incorporated in Bermuda under The Companies Act 1981 of Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The consolidated financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

The Company is an investment holding company and its principal subsidiaries are mainly engaged in electroplating equipment business.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

New and Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

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 early applied Amendments to HKFRS 9 "Prepayment Features with Negative Compensation" which will be mandatorily effective for the Group for the financial year beginning on 1 January 2019.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The 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, at the end of each reporting period.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

4. REVENUE AND SEGMENT INFORMATION

Revenue

A. For the year ended 31 December 2018

Disaggregation of revenue from contracts with customers

	Year ended 31 December 2018 HK$'000
Types of goods or service	
Construction contracts in respect of design, manufacturing and sale of custom-built electroplating machinery and other industrial machinery	
- Printed Circuit Boards	162,812
- Surface Finishing	47,989
	210,801
Sale of spare parts of electroplating machinery	11,951
Provision of services - repairs, maintenance and modification	119,998
Total	342,750

4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Revenue (continued)

B. For the year ended 31 December 2017

The Group's revenue from electroplating machinery business for the year ended 31 December 2017 analysed by principal activity is as follows:

	HK$'000
Construction contracts in respect of design, manufacturing and sale of custom-built electroplating machinery and other industrial machinery	699,695
Sale of spare parts of electroplating machinery	18,109
Provision of services - repairs, maintenance and modification	83,162
	800,966

Segment information

Segment revenue and results

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, no further discrete financial information was provided other than segment results of the operating segment as a whole. Reconciliation of the operating segment result to profit before taxation is as follows:

	Electroplating equipment	
	2018 HK$'000	2017 HK$'000
Segment revenue	342,750	800,966
Segment (loss) profit	(33,100)	177
Intra-group management fee charged to operating segment	6,637	6,571
Other income	164,838	118,084
Central corporate expenses	(29,471)	(36,226)
Gain on remeasurement of Deferred Consideration (note 10)	-	136,557
Impairment loss allowance for loan receivable and GCC, net	(8,948)	-
Imputed interest on non-current portion of provision for performance related incentive payments (note 13)	(1,696)	(1,189)
Other gain or losses	38,147	56,566
Profit before taxation	136,407	280,540

4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Segment information (continued)

Segment revenue and results (continued)

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

Segment assets and liabilities

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

Other segment information

	Electroplating equipment	
	2018	2017
	HK$'000	HK$'000
Amounts included in the measure of segment result:		
Impairment loss allowance for trade debtors and contract assets, net	943	1,039
Allowance for slow moving inventories	1,953	288
Share of results of associates	769	366
Loss on disposal of property, plant and equipment	10	288
Depreciation	7,010	5,201
Provision for warranty	6,631	30,965

	Unallocated	
	2018	2017
	HK$'000	HK$'000
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss:		
Gain on remeasurement of Deferred Consideration	-	136,557
Impairment loss allowance for loan receivable and GCC, net	(8,948)	-
Net change in fair value of held-for-trading investments	(19,101)	754
Gain on change in fair value of ACC	57,258	58,147
Imputed interest income of GCC	160,309	113,786
Adjustment on non-current portion of provision for performance related incentive payments	-	(2,335)
Imputed interest on non-current portion of provision for performance related incentive payments	(1,696)	(1,189)

4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Geographical information

The Group's operations are mainly located in Hong Kong, the People's Republic of China (excluding Hong Kong) (the "PRC"), Taiwan, Europe, the United States of America and other Asia countries.

Information about the Group's revenue from external customers is presented based on the location of external customers.

	2018 HK$'000	2017 HK$'000
PRC	204,305	373,847
Taiwan	69,214	241,725
Thailand	12,195	47,101
The United States of America	10,471	19,679
India	7,814	24,874
Russia	6,957	614
Germany	5,950	-
Korea	4,658	67,965
Mexico	4,038	2,270
Hong Kong	3,543	3,423
Brazil	3,346	4,561
Singapore	3,333	2,454
The United Kingdom	2,663	720
United Arab Emirates	2,092	74
Seychelles	1,136	-
Tunisia	697	23
Others	338	11,636
	342,750	800,966

Information about the Group's non-current assets excluding financial instruments is presented based on the geographical location of the assets.

	2018 HK$'000	2017 HK$'000
Hong Kong	30,389	32,928
PRC	5,674	6,576
Others	2,908	3,135
	38,971	42,639

4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Information about major customers

Revenue from customers under the electroplating equipment segment of the corresponding years contributing over 10% of the total sales of the Group as follows:

	2018 HK$'000	2017 HK$'000
Customer A	38,766	81,608
Customer B	N/A[1]	122,719
Customer C	N/A[1]	106,479
Customer D	N/A[1]	88,350

[1] The corresponding revenue did not contribute over 10% of total sales of the Group.

5. OTHER GAINS AND LOSSES

	2018 HK$'000	2017 HK$'000
Net change in fair value of held-for-trading investments	(19,101)	754
Net exchange gain (loss)	8,198	(8,986)
Loss on disposal of property, plant and equipment	(10)	(288)
Gain on change in fair value of ACC (note 10)	57,258	58,147
Adjustment on non-current portion of provision for performance related incentive payments (note 13)	-	(2,335)
Other gains and losses	(55)	(29)
	46,290	47,263

6. FINANCE COSTS

	2018 HK$'000	2017 HK$'000
Interest on bank borrowing	3	13
Imputed interest on non-current portion of provision for performance related incentive payments (note 13)	1,696	1,189
	1,699	1,202

7. TAXATION

	2018 HK$'000	2017 HK$'000
The taxation charge comprises:		
Overseas taxations		
Charge for the year	95	9,505
Overprovision in prior years	(139)	-
Deferred tax charge	51,982	60,999
	51,938	70,504

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The directors of the Company considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years. No tax was payable on the profit for the year ended 31 December 2017 arising in Hong Kong for certain group entities since the assessable profit is wholly absorbed by tax losses brought forward.

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

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

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

8. PROFIT FOR THE YEAR

	2018 HK$'000	2017 HK$'000
Profit for the year has been arrived at after charging (crediting):		
Auditor's remuneration	1,708	2,083
Cost of inventories recognised as expenses (including allowance for slow moving inventories of approximately HK$1,953,000 (2017: of approximately HK$288,000))	190,010	476,496
Depreciation of property, plant and equipment	7,270	5,280
Operating lease payments in respect of rented premises	11,643	10,618
Staff costs:		
Directors' fee	294	264
Directors' salaries, other benefits and performance related incentive payments	11,392	18,469
Salaries and allowances	119,265	113,059
Contributions to retirement contributions schemes	2,043	2,361
	132,994	134,153
Impairment losses allowance for financial assets, net:		
- Trade debtors	1,043	1,039
- Contract assets	(100)	-
- Loan receivable	(690)	-
- GCC	9,638	-
	9,891	1,039
Interest income from financial assets at amortised cost (included in other income):		
- Interest income from loan receivable	(3,552)	(2,182)
- Imputed interest income of GCC (note 10)	(160,309)	(113,786)
- Interest earned on bank deposits	(1,540)	(1,686)
	(165,401)	(117,654)
Dividend income	(268)	-

9. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to owners of the Company is based on the following data:

	2018 HK$'000	2017 HK$'000
The Group's profit for the year attributable to owners of the Company	84,513	209,483
Number of ordinary shares	426,463,400	426,463,400

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

10. DEFERRED CONSIDERATION

On 7 August 2011, a wholly-owned subsidiary of the Company entered into an agreement (the "Re-development Agreement") with an independent third party (the "Counter Party") in relation to a re-development plan (the "Re-development Plan") of two parcels of industrial land located in Bao An District, Shenzhen, the PRC (the "Land") from industrial land into residential properties for resale. Details of the Re-development Agreement are set out in the Company's circular dated 19 September 2011. Pursuant to the Re-development Agreement, the Group 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 (the "Relevant Properties") to the Group upon the completion of the Re-development Plan. Pursuant to the Re-development Agreement, the Counter Party is responsible for the set up of a project company (the "Project Company") for the purpose of the Re-development Plan. The Project Company was established by the Counter Party in August 2011.

The progress of the Re-development Plan up to 31 December 2016 is 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 carried at cost less impairment.

On 4 January 2017, the Group, the Counter Party and the Project Company entered into the supplemental agreements (the "Supplemental Agreements") to amend certain terms associated with the settlement arrangement of the Re-development Plan. Pursuant to the Supplemental Agreements, instead of transferring the title of the Relevant Properties, the Group is offered a guaranteed cash consideration of RMB1.23 billion ("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.

10. 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$57,258,000 (2017: HK$58,147,000) included in other gains or losses in profit or loss during the year ended 31 December 2018. The increase of fair value for the year ended 31 December 2018 is mainly due to the increase in average unit rate of the properties.

As GCC is carried at amortised cost, imputed interest of approximately HK$160,309,000 (2017: HK$113,786,000) is recognised as other income in the profit or loss during the year ended 31 December 2018.

Impairment loss allowance of GCC of approximately HK$9,638,000 (2017: nil) is recognised as other gains or losses in the profit or loss during the year ended 31 December 2018.

As at 31 December 2018, the Deferred Consideration is made up of GCC of approximately HK$1,116,047,000 (net of impairment loss allowance of HK$71,404,000) and ACC of approximately HK$308,481,000 (2017: GCC of approximately HK$1,083,245,000 and ACC of approximately HK$265,686,000).

With the expected receipt of first tranche of GCC in year 2019, the carrying amount of GCC of approximately HK$354,655,000 as at 31 December 2018 is classified as current assets (2017: nil).

11. LOAN RECEIVABLE

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

	2018 HK$'000	2017 HK$'000
Repayable within one year	66,000	-
Repayable after one year	-	60,000
Less: Impairment loss allowance	(990)	-
	65,010	60,000

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 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 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 Hong Kong and Shanghai Banking Corporation Limited for lending Hong Kong Dollars for a term of three years commencing from the loan effective date and ending on 30 October 2019. As at 31 December 2018, a loan of HK$66,000,000 (2017: HK$60,000,000) was drawn by KTFG in according to the terms of the loan facility agreement. The average effective interest rate, which is equal to contractual interest rate, is 5.125% (2017: 5%) per annum. As at 31 December 2018, impairment loss allowance of loan receivable of HK$990,000 (2017: nil) is recognised.

12. DEBTORS AND PREPAYMENTS

	2018 HK$'000	2017 HK$'000
Trade debtors from contracts with customers	84,795	221,409
Less: Allowance for credit losses	(12,457)	(32,729)
	72,338	188,680
Other debtors and prepayments	20,295	27,735
	92,633	216,415

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

	2018 HK$'000	2017 HK$'000
0 - 60 days	34,600	156,945
61 - 120 days	18,720	22,736
121 - 180 days	2,381	5,153
Over 180 days	16,637	3,846
	72,338	188,680

13. CREDITORS AND ACCRUED CHARGES

	2018 HK$'000	2017 HK$'000
Trade creditors	87,133	181,499
Accrued staff costs	17,675	17,731
Commission payables to sales agents	14,650	18,587
Other creditor and accrued charges (note)	79,420	100,838
Advances received from customers for contract work	-	105
Advances received from customers for services	-	8,817
	198,878	327,577
Less: Non-current portion of accrued charges (note)	(48,092)	(44,647)
	150,786	282,930

Note: As at 31 December 2018, the non-current payable portion of provision of approximately HK$48,092,000 (2017: HK$44,647,000) represents the provision of performance bonus to the executive directors of the Company. An imputed interest expense of approximately HK$1,696,000 (2017: HK$1,189,000) is charged to profit or loss during the current year. With the effective of the Supplemental Agreements, the estimated timing of payment of the non-current portion of provision is revised and an adjustment of provision of approximately HK$2,335,000 was charged to profit or loss during the year ended 31 December 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:

	2018 HK$'000	2017 HK$'000
0 - 60 days	30,773	51,790
61 - 120 days	16,870	43,841
121 - 180 days	13,185	30,020
Over 180 days	26,305	55,848
	87,133	181,499

The average credit period on purchase of goods is 60 - 120 days.

Chairman's Statement and Management Discussions

FINANCIAL RESULTS

During the year ended 31 December 2018 ("the Period Under Review"), the Group recorded profit attributable to owners of the Company of approximately HK$84,513,000 compared to the profit attributable to owners of the Company of approximately HK$209,483,000 for the year ended 31 December 2017 ("the Previous Period"), representing approximately 59.7% decrease. The significant drop in Group's profit attributable to owners of the Company during the Period Under Review was primarily due to (i) the gross profit for the Period Under Review was much lower than that of the Previous Period; (ii) the net loss in fair value of investments held for trading arising from the Period Under Review has increased; (iii) the increase in fair value of deferred consideration for the Period Under Review was much less than the increase recorded in Previous Period and hence a drop in profit when compared to Previous Period.

The basic earnings per share for the Period Under Review was HK$0.20 compared to the basic earnings per share of HK$0.49 for the Previous Period.

FINANCIAL REVIEW

Revenue

The revenue for the Period Under Review was approximately HK$342,750,000 or 57.2% 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 77.2% of the revenue was generated from PCB sector (the Previous Period: approximately 83.7%), and approximately 22.8% came from surface finishing sector (the Previous Period: approximately 16.3%).

In terms of the machines geographical installation base, the revenue composition during the Period Under Review was 59.6% machine values were installed in PRC (the Previous Period: 46.7%), 20.2% in Taiwan (the Previous Period: 30.2%), 3.6% in Thailand (the Previous Period: 5.9%), 3.1% in the USA (the Previous Period: 2.5%), 2.3% in the India (the Previous Period: 3.1%), 2.0% in Russia (the Previous Period: 0%), and 9.2% in rest of the world.

Gross Profit

Notwithstanding to the above, the Group recorded an improvement in the average gross profit margin from 12.9% in Previous Period to 16.9% 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.

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 Deferred Consideration 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 Deferred Consideration 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.

Other gains and losses of approximately HK$46,290,000

This represented (a) Net change in unrealized fair value loss of held-for-trading investments of approximately HK$19,101,000 (the Previous Period: gain of HK$754,000) (b) net exchange gain of approximately HK$8,198,000 (the Previous Period: loss of HK$ HK$8,986,000) (c) nil adjustment on non-current of provision the provision of performance bonus to the executive directors of the Company (the Previous Period: HK$2,335,000) and (d) gain on change in fair value of Additional Cash Consideration of approximately HK$57,258,000 (the Previous Period: HK$58,147,000).

(a) Net change in unrealized fair value loss of held-for-trading investments was approximately HK$19,101,000 (the Previous Period : gain of HK$754,000)

    All held-for-trading investments were recorded at fair value as at 31 December 2018 and represented listed securities in Hong Kong. The significant increase in unrealized fair value loss was primarily attributable to the unexpectedly volatile stock market in Hong Kong in year 2018. During the Period Under Review, Hang Seng Index dropped from 29,919 as at 31 December 2017 to 25,846 as at 31 December 2018.

Below are information of the Group's held-for-trading investments as at 31 December 2018:

Company Name / Stock Code	**% of shareholding as at 31 December 2018**	**Fair value change HK$'000**	**Fair value as at 31 December 2018 HK$'000**	**% of Total Assets of the Group as at 31 December 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%	(3,660)	7,747	0.41%	11,407	0.56%
South China Financial Holdings Ltd. (619)	0.91%	(4,131)	1,790	0.09%	5,921	0.29%
South China Holdings Company Ltd (413)	0.20%	(3,182)	5,177	0.27%	8,359	0.41%
Orient Victory Travel Group Company Ltd. (265)	0.38%	(4,898)	8,924	0.47%	13,822	0.68%
South China Assets Holdings Ltd (8155)	0.45%	(1,412)	1,412	0.07 %	2,824	0.14 %
Bonjour Holdings Ltd (653)	0.42%	(141)	2,938	0.16 %	-	N/A
Others		(1,677)	1,143	0.06%	2,820	0.15%
Total		(19,101)	29,131	1.53%	45,153	2.23%

(b) Net exchange gain was approximately HK$8,198,000 (the Previous Period : loss of HK$8,986,000)

The net exchange gain was mainly due to (i) the exchange gain of approximately HK$5,824,000 arising from intercompany transactions and (ii) exchange gain of approximately HK$310,000 arising from transactions and revaluation of Euro-based receivables, payables and bank balances.

The production arm of the Group is based in China and normally bills the sales arm of the Group in Hong Kong Dollars. During the Period Under Review, RMB was depreciated by approximately 4.6% and hence the production arm of the Group recorded an exchange gain arising from the receivable which was denominated in Hong Kong dollars.

During the Period Under Review, Euro was depreciated by approximately 4.0%. The Group recorded an exchange gain from transactions and revaluation of Euro-based receivables, payables and bank balances.

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

As at 31 December 2017, the non-current payable portion of provision of approximately HK$44,647,000 (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 31 December 2017.

There was no such adjustment for the Period Under Review.

(d) Gain on change in fair value of Additional Cash Consideration of approximately HK$57,258,000

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$57,258,000 (the Previous Period: HK$58,147,000).

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:-

	Year ended 31 December	
	2018 HK$'000	2017 HK$'000
Under "Other Income" – Imputed interest income on Guaranteed Cash Consideration	160,309,000	113,786,000
Under "Administrative expenses" – Provision for directors' bonus	(4,192,000)	(11,269,000)
Under "Finance cost" – Imputed interest on non-current portion of provision for performance related incentive payments	(1,696,000)	(1,189,000)
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	57,258,000	58,147,000
Under "Impairment loss allowance for financial assets, net" – Impairment loss allowance for Guaranteed Cash Consideration"	(9,638,000)	-
Under "Other gains or losses" – Adjustment on non-current portion of provision	-	(2,335,000)
Under "Taxation"	(51,982,000)	(60,999,000)
Net gain in relation to the Longhua Project	150,059,000	232,698,000

Other income of approximately HK$166,901,000

This represented (a) interest and fees arising from loan receivables of approximately HK$3,552,000 (the Previous Period: HK$2,572,000) (b) interest received from bank deposits of approximately HK$1,540,000 (the Previous Period: HK$1,686,000) (c) imputed interest income of approximately HK$160,309,000 (the Previous Period: HK$113,786,000).

(a) Interest and fees arising from loan receivables

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$3,538,000 (the Previous Period: interest income and handling fee income of approximately HK$2,182,000 and HK$390,000 respectively) from the Borrower and included in other income during the year.

(b) Interest received from bank deposits

Interest income from bank deposits was approximately HK$1,540,000 (the Previous Period: HK$1,686,000).

(c) Imputed interest income

Please refer to note 10 of the financial information of this result announcement for more detailed explanation on the imputed interest income of approximately HK$160,309,000 (the Previous Period: HK$113,786,000)

Selling and Distribution Costs of approximately HK$17,738,000

The selling and distribution costs represented exhibition and marketing expenses, product and public liability insurance cost and the respective personnel cost on the sales team. Cost in 2018 was 11.1% lower than in 2017. It was mainly due to decrease in personnel related cost.

Administrative expenses of approximately HK$104,540,000

The administrative expenses for the Period Under Review was 1.0% higher than the Previous Period. It was mainly due to the net effect of (a) decrease in provision for performance related incentive payments payable to executive directors of the Company, and (b) increase in general expenses.

(a) Provision for performance related incentive payments

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

For the Period Under Review, provision for performance related incentive payments was approximately HK$4,192,000 (the Previous Period: HK$11,269,000). Such provision was based on the assumptions that the Company shall receive the guaranteed cash consideration of RMB1.23 billion and additional cash consideration in accordance with the agreed timetable and terms under the Supplemental Agreements (as defined below).

(b) Increase in general expenses

After taking out the provision for performance related incentive payments as disclosed above, the remaining administrative expenses was approximately HK$100,348,000 was 8.7% higher than the Previous Period (the Previous Period : HK$92,284,000). It was mainly due increase in staff cost and general office expenditure. In order to retain engineers in China, the Group has offered a higher than normal salary increments in 2018.

As a benchmark, the average inflation rates in China and Hong Kong for 2018 were 2.1%[1] and 2.4%[2] respectively.

[1] Inflation rate in China is reported by the National Bureau of Statistics of China.
[2] Inflation rate in Hong Kong is reported by Census and Statistics Department of Hong Kong.

Finance cost of approximately HK$1,699,000

This represented mainly the imputed interest expenses regarding the provision of performance related incentive payments of approximately HK$1,696,000 (the Previous Period: HK$1,189,000).

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

Taxation

Taxation of approximately HK$51,938,000 (the Previous Period: HK$70,504,000) represented mainly taxes paid by our wholly-owned subsidiaries in China and Taiwan.

As the Group recorded a gain in relation to the Longhua Project before tax approximately HK$202,041,000 (the Previous Period: HK$293,697,000), the Group recorded a corresponding estimated taxes of approximately HK$51,982,000 (the Previous Period : HK$60,999,000).

Exchange difference arising on translation of foreign operation of approximately HK$61,329,000

This represented mainly the exchange difference arising on translation of operations in the PRC due to the depreciation in RMB (of approximately HK$7,359,000) and revaluation of Deferred Consideration and corresponding deferred tax liability (of approximately HK$50,394,000). The currency translation reserve was increased at the same amount.

Deferred Consideration

Please refer to note 10 of the financial information of this result announcement for more detailed explanation.

Loan receivable

On 31 October 2016, the Group entered into a loan facility agreement with Karl Thomson Financial Group Limited ("KTFG"), which is a wholly owned subsidiary of Hoifu Energy Group Limited ("Hoifu"). Mr. Lam Kwok Hing, an executive director and 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 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 Hong Kong and Shanghai Banking Corporation Limited for lending Hong Kong Dollars for a term of three years commencing from the loan effective date and ending on 30 October 2019. As at 31 December 2018, a loan of HK$66,000,000 (the Previous Period: HK$60,000,000) net of impairment loss allowance of HK$990,000 (the Previous Period: nil) was drawn by KTFG in according to the terms of the loan facility agreement.

As reported in above, the total interest earned in relation to this loan was approximately HK$3,538,000 (the Previous Period: interest income and handling fee income of approximately HK$2,182,000 and HK$390,000 respectively). The average effective interest rate adopted during the Period Under Review is 5.125% (the Previous Period: 5%) per annum.

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

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

Held-for-trading investments under current assets

As at 31 December 2018, the Company had held-for-trading investment in listed securities in Hong Kong with a market value of approximately HK$29,131,000, representing an investment portfolio of fourteen listed equities in Hong Kong. The Board acknowledges that the performance of the equities may be affected by the degree of volatility in the Hong Kong stock market and susceptible to other external factors that may affect their values. Accordingly, in order to mitigate possible financial risks related to the equities, the Board will continue to maintain a diversified investment portfolio across various segments of the market and also closely monitor the performance progress of its investment portfolio from time to time going forward.

Please also refer to above section named "Other gains and losses".

Creditors and accrued charges under current liability

The amount payable to creditors and accrued charges as at 31 December 2018 was HK$150,786,000 which was 46.7% lower than the Previous Period. The decrease was purely due to the decrease in 2018 revenue and the material ordered for 2019 orders on hands.

Accrued charges of approximately HK$48,092,000 under non-current liability

Please refer to note (a) of administrative expenses stated in above. It was related to provision for performance related incentive payments payable and was discounted to present value.

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 of approximately HK$360,447,000 under non-current liability

The Group has recorded a deferred taxation of approximately HK$356,132,000 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 from HK$585,982,000 in Previous Period to HK$162,812,000, representing 72.2% decrease. Out of this total revenue, from the perspective of installation location, nearly 51.7% were shipments made to PRC (43.9% in Previous Period) and 26.7% were shipments made to Taiwan (34.5% in Previous Period).

In 2017, the market was expecting a big wave of demand over high-end smartphones from the launch of new models. Most of the suppliers in the smartphone manufacturing industry were therefore looking for capacity expansion, including our customers. As actual smartphone shipments made in 2017 was far less than their expectations, most of our customers were facing over capacity issue especially in first half of 2018. They have to re-arrange and deploy the purchased production lines for other products so that they can utilize the idle production capacity in 2018. The chain effect is we received less orders in 2018.

"Demand for entry-level and mid-price smartphones remained strong across markets, but demand for high-end smartphones continued to slow in the fourth quarter of 2018," said Anshul Gupta, senior research director at Gartner. "Slowing incremental innovation at the high end, coupled with price increases, deterred replacement decisions for high-end smartphones." This led to a flat-growth market in the fourth quarter of 2018 (see Table 1) and full year as a whole (see Table 2).

Table 1
Worldwide Smartphone Sales to End Users by Vendor in 4Q18 (Thousands of Units)

Vendor	4Q18 Units	4Q18 Market Share (%)	4Q17 Units	4Q17 Market Share (%)
Samsung	70,782.5	17.3	74,026.6	18.2
Apple	64,527.8	15.8	73,175.2	17.9
Huawei	60,409.8	14.8	43,887.0	10.8
OPPO	31,589.9	7.7	25,660.1	6.3
Xiaomi	27,843.6	6.8	28,187.8	6.9
Others	153,205.0	37.5	162,908.8	39.9
Total	**408,358.5**	**100.0**	**407,845.4**	**100.0**

Due to rounding, numbers may not add up precisely to the totals shown
Source: Gartner (February 2019)

Table 2
Worldwide Smartphone Sales to End Users by Vendor in 2018 (Thousands of Units)

Vendor	2018 Units	2018 Market Share (%)	2017 Units	2017 Market Share (%)
Samsung	295,043.7	19.0	321,263.3	20.9
Apple	209,048.4	13.4	214,924.4	14.0
Huawei	202,901.4	13.0	150,534.3	9.8
Xiaomi	122,387.0	7.9	88,926.8	5.8
OPPO	118,837.5	7.6	112,124.0	7.3
Others	607,049.0	39.0	648,762.7	42.2
Total	**1,555,267.0**	**100.0**	**1,536,535.5**	**100.0**

Due to rounding, numbers may not add up precisely to the totals shown
Source: Gartner (February 2019)

Although 5G is on the road, its impact on equipment investment in 2019 will be immaterial and market at large believes that 5G impact will only be seen in 2020-2022.

Although the revenue of this sector dropped significantly in year 2018, the overall gross profit margin has improved due to product mix and internal cost control.

Electroplating Equipment-Surface Finishing (“SF”) Sector

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

The revenue of the SF sector has decreased by 57.8% from approximately HK$113,713,000 in the Previous Period to approximately HK$47,989,000 for the Period Under Review. Out of this total revenue, from the perspective of installation location, nearly 69.5% were shipments made to PRC (64.9% in Previous Period) and 8.2% were shipments made to Mexico (1.7% in Previous Period).

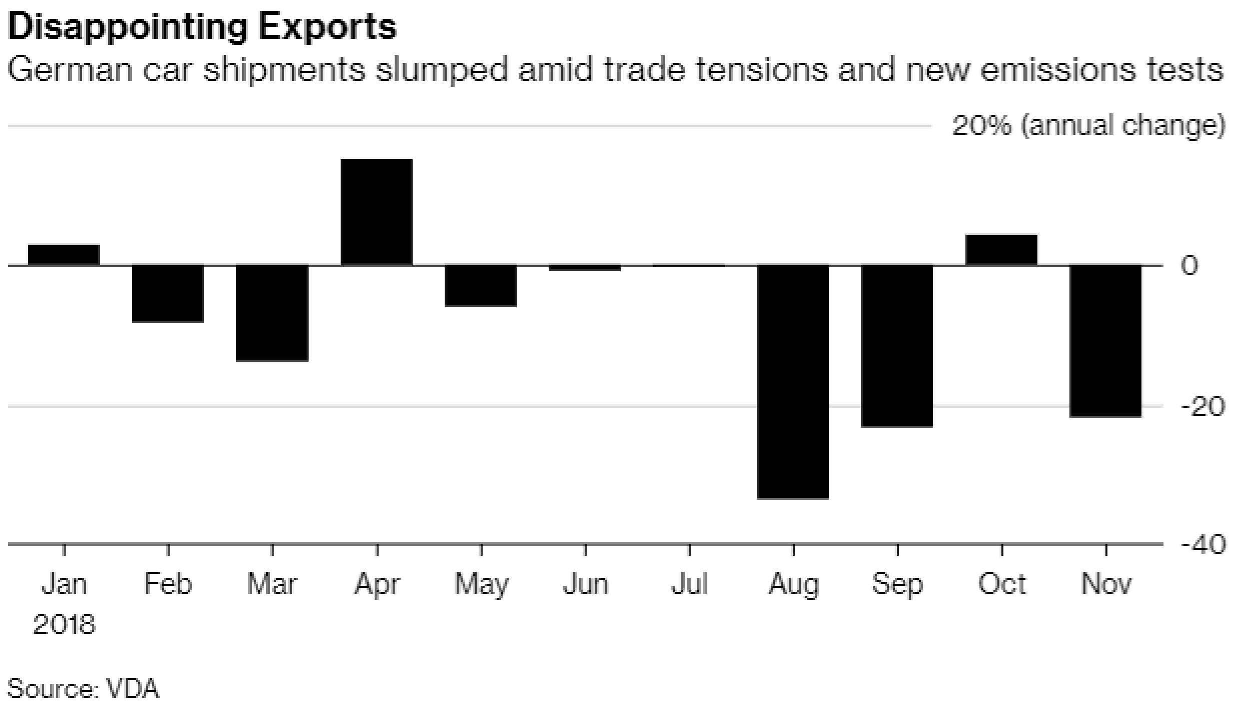
Our customers in this sector are mainly American and European multinational corporations and most of them operate in automobile industry. It is inevitable that the institution of trade war will bring negative impact on our customers and eventually on us as it hinders further investment in equipment or factory expansion.

Some American companies, especially those in the automotive business, are getting hurt by new tariffs from both the U.S. and China, according to a survey released in September 2018 from the American Chamber of Commerce in Shanghai and Beijing-based American Chamber of Commerce. U.S. automakers in China are feeling the most pain as U.S. imposes a 25 percent tariff on Chinese vehicles on top of the 2.5 percent it normally charges. In July 2018, China raised the tariff on imports of U.S. autos to 40 percent. The combined tariffs are reducing profits and increasing manufacturing costs for more than 60 percent of respondents in the automotive industry, the survey found. As a result of such business pressures, roughly half of respondents in the automotive industry said they are looking to source components or assembly outside of China and the U.S.

Bilateral tariffs alter global competitiveness to the advantage of firms operating in countries not directly affected by them. But the gains for some countries could be undermined by other aspects of the trade war, which has contributed to an economic slowdown in China and triggered volatility in global markets. Economic growth in China sank in the third quarter of 2018 to its lowest level since 2009, and analysts say that situation could worsen if the trade tensions don’t end.

There were hearsays early last year that countries like Europe, Japan and Mexico will benefit from the US-China trade war. One year has gone and more and more evidence has pointed that both Japan and Europe are losing. The Finance Ministry in Japan has announced that Japan's exports in December 2018 and January 2019 fell at the fastest pace due to weak demand from China. While the overall euro area export of goods remains more or less the same, Europe will lose should U.S.-China relations deteriorate further due to weaker demand seen in Chinese market, chain effect and the product similarity between US and Europe.

The U.S. and China are the two biggest destinations for European Union exports outside the 28-nation bloc, and German carmakers including Volkswagen and BMW have already been hurt by weaker demand this year.



What worrying economists are not just the decrease in demand for car but the continuation of the weaken economic growth seen in China.

A significant portion of European businesses manufacture in China for U.S. customers. As a result, they are also hurt by Trump's tariffs, according to the European Union Chamber of Commerce in China. This is the chain effect on Europe from the US-China trade war.

Europe and the U.S. export similar goods to China - medical appliances and integrated circuits, for example. It is inevitable that China will purchase more U.S. products at the end of the US-China trade war negotiation and it will dent European export sales.

The end result is, due to the pressures faced by most of our customers as illustrated above, most of our customers have put a stop to their expansion plans while some postpones their investment decision pending US and China reach an amicable settlement to end the trade war in next few months. We have seen less quotation enquiries and a few projects are being put on hold or postponed shipment to 2019.

Outlook

Looking ahead, two main drivers of our equipment sales in PCB sector, namely mobile phones and automotive electronics, will remain weak and stagnant in 2019. The prolonged trade war continues to create doubt and worries in the market. Uncertainty is the greatest enemy in any capital investment decision. Nevertheless, the rise of foldable smartphone and IoT products do post an increased demand for flexible PCBs. It in turns creates demand for reel to reel electroplating machine. We will accelerate product development in this regard and will at the same time enhance our after-sales services. At times when customers are not willing to invest in capital equipment, their machines will need services and modification. This is an area which we intend to work on expansion to cover for the possible losses in equipment sales.

Despite the setback we are experiencing in the equipment sales, the financial position of the Group is not deteriorating.

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 Lung Hua Land. In exchange for such request, the Counter Party will compensate the Group on dollar-to-dollar basis for cost incurred for such relocation (including but not limited to rent and management fees for the new factory). The relocation was completed in 2015. The Group has passed the risk and management of the bare land to the Counter Party in late August 2015. As at 31 December 2015, the Group received in full the agreed relocation compensation of RMB50 million (approximately HK$59,960,000) and has recorded it as other income in year 2015.

(7) On 27 November 2015, the Project Company received an approval letter dated 25 November 2015 confirming that the Construction and Environment Review Committee had approved the planning proposal submitted by the Project Company. Based on the approved planning, the Land shall be re-developed into a comprehensive development site which can build up to a

maximum floor area of 196,800 square metres, out of which the Group will receive titles and benefits of 41,000 square meters upon completion.

(8) The Project Company has received an investment registration certificate dated 1 February 2016 and a letter regarding the energy saving assessment dated 10 March 2016 from Shenzhen Long Hua New District Development and Finance Bureau.

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

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

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

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

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

(14) 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 today, construction has almost reached the top floor. The Project Company will apply for the pre-sales certificate in due course.

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.

CONTROLLING SHAREHOLDER'S INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save for disclosed in the "Continuing Connected Transactions" below, no controlling Shareholder or its subsidiaries had a material interest, either directly or indirectly, in any contract of significance, whether for the provision of services or otherwise, to the business of the Group, to which the Company or any of its subsidiaries was a party during the year.

CONTINUING CONNECTED TRANSACTION

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 (the "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").

As the Borrower is a connected person of the Company within the meaning of the Listing Rules. Accordingly, the provision of the Revolving Loan by the Lender to the Borrower under the Loan Facility Agreement constitutes continuing connected transactions of the Company under Chapter 14A of the Listing Rules. As certain applicable percentage ratios stipulated under Rule 14.07 of the Listing Rules in respect of the provision of the Revolving Loan exceed 25% but less than 100%, the entering into of the Loan Facility Agreement and the provision of the Revolving Loan constitute a major and continuing connected transaction of the Company under Chapter 14 and 14A of the Listing Rules and are subject to the reporting, announcement and the independent shareholders' approval requirement under the Listing Rules. An extraordinary general meeting was convened on 6 January 2017 and the Loan Facility Agreement was approved by the independent shareholders of the Company in the said meeting.

As at 31 December 2018, a sum of HK$66,000,000 was borrowed by the Borrower and the interest received by the Lender during the Period Under Review was approximately HK$3,538,000 (the Previous Period: HK$2,572,000).

Pursuant to Rule 14A.55 of the Listing Rules, the Loan Facility Agreement have been reviewed by the Independent Non-executive Directors who have confirmed that the Revolving Loan was carried out:

(a) in the ordinary and usual course of business of the Company;
(b) either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favorable to the Company than terms available to or from (as appropriate) independent third parties; and
(c) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

The Company's auditors (the "Independent Auditors") were engaged to report on the Group's continuing connected transaction in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The Independent Auditors will issue their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions in accordance with Rule 14A.56 of the Listing Rules.

Pursuant to Rule 14A.56 of the Listing Rules, the Independent Auditors confirmed that the Loan Facility Agreement :

(i) had received the approvals of the Board;
(ii) had been entered into in accordance with the relevant agreements governing the Loan Facility Agreement; and
(iii) had not exceeded the caps disclosed in the previous circular of the Company dated 20 December 2016.

BUSINESS STRATEGIES

Asia Tele-Net and Technology Corporation Limited, as our name tells, is an investment holding company based in Asia. As an investment holding company, we hold investments in various disciplines with particular strength in electroplating technologies. Through our brand "PAL", it is our mission to apply electroplating technologies in different applications or business segments so that the Group would grow segment by segment. This strategy would also help us to smooth out any, if not all, cyclical effect in one particular segment or particular market and hence to produce a more stable turnover and profitability level for the benefits of shareholders.

As an investment holding company, the Company from time to time will identify and evaluate business opportunities come along. The "Outline of the 12th Five-Year Plan for the National Economic and Social Development of the People's Republic of China" promulgated in March 2011 emphasizes the Central Government's support for Hong Kong's development into an offshore renminbi business centre and an international asset management centre. Together with the launch of "One-Road-One-Belt strategy", Hong Kong could bank on playing a "super-connector" role in the "Belt and Road" region that covers two-fifths of the world's land mass and is host to some 60 per cent of the world's population. Due to this unique positioning of Hong Kong, the Company believes that there will be many opportunities ahead especially in the financial industry. In addition, the record low price in commodities including crude oil price and other natural resources may present attractive acquisition opportunities.

In the normal course of identifying business opportunities, the Company from time to time engages in discussions with other independent third parties for possible business co-operations. At present, the Board confirms that there are no negotiations or agreements relating to any intended acquisitions or realizations which are discloseable under Rule 13.23 of the Listing Rules, neither is the Board aware of any matter discloseable under the general obligation imposed by Rule 13.09 of the Listing Rules, which is or may be of a price-sensitive nature.

FINANCIAL REVIEW

Capital Structure, Liquidity and Financial Resources

As at 31 December 2018, the Group had equity attributable to owners of the Company of approximately HK$1,278,693,000 (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 31 December 2018, the Group had approximately HK$144,792,000 of cash on hand (31 December 2017: HK$169,116,000).

As at 31 December 2018, the Group pledged deposits of HK$3,315,000 (31 December 2017: HK$$3,236,000) to banks to secure the issuance of bank guarantee of the same amount. Total banking facilities available to the Group is HK$102,300,000 (31 December 2017: HK$132,300,000). Out of the facilities available, the Group has utilized (i) approximately HK$3,315,000 for the issuance of bank's guarantee under which customers retain right to claim refund of purchase deposits received by the Group as at 31 December 2018 (31 December 2017: HK$3,236,000) and (ii) approximately HK$4,624,000 for the issuance of import letters of credit to suppliers (31 December 2017: HK$2,471,000).

Most of the bank borrowing is charged at inter-bank offer rate plus a spread in the countries where the Company's subsidiaries are operating in.

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 31 December 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$7,939,000 (31 December 2017: HK$5,707,000).

Pledge of Assets

As at 31 December 2018, apart from the cash of HK$3,315,000 (31 December 2017: HK$3,236,000) pledged to the banks for the issuance of bank guarantees as disclosed above, the Group did not pledge any other asset to any third party (31 December 2017: nil).

Capital Commitment

As at 31 December 2018, the Group did not have any significant capital commitment (31 December 2017: nil).

Employee and Remuneration Policies

As at 31 December 2018, the Group employs a total of 645 employees (31 December 2017: 673), including 39 employees hired by our associated company (31 December 2017: 39). Total staff cost including payments to directors for the Period Under Review was approximately HK$132,994,000 (the Previous Period: approximately HK$134,153,000). Employees and Directors are remunerated based on performance, experience and industry practice. Performance related bonuses are granted on discretionary basis. The Group maintains a mandatory provident fund schemes for its employees in Hong Kong and participates in the state-managed retirement benefit schemes for its employees in PRC. The Group also maintained appropriate insurances and medical cover for its employees.

The Company has adopted a share option scheme. No option was granted during the Period Under Review (the Previous Period: nil).

FINAL 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 excellent financial performance for the Group for the year ended 31 December 2018 was mainly due to the gain on recognition of Deferred Consideration which is an unrealized gain by nature, after due and careful consideration, the Board does not recommend payment of any final dividend for the year ended 31 December 2018 (31 December 2017: Nil)

APPRECIATION

On behalf of the Board, I would like to thank all of our customers, shareholders, business associates and bankers for their trust and support to the Group. To all of our employees, I appreciate your hard work, dedication and commitment over the year.

CORPORATE GOVERNANCE

The Company recognizes that good corporate governance is vital to the success of the Group and sustains development of the Group. The Company aims at complying with, where appropriate, all code provisions set out in Appendix 14 Corporate Governance Code (the "CG Code") of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules").

The Company's corporate governance practices are based on the principles and the code provisions ("Code Provisions") as set out in the CG Code of the Listing Rules. The Company has, throughout the year ended 31 December 2018 and up to the date of this announcement, applied and complied with most of the Code Provisions save for certain deviations from the Code Provisions in respect of code provisions A.2.1 and A.4.2, details of which are explained below.

Code provision A.2.1

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

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 was established in 1999 and comprises three Board members, all of whom are Independent Non-executive Directors. The Audit Committee has adopted a revised term of reference which is effective 1 March 2012 and describes the authority and duties of the Committee, as quoted under code provision C.3.3 of the GC Code.

The Audit Committee is primarily responsible for the following duties:

(a) to review the financial statements and reports and consider any significant or unusual items raised by the qualified accountant or external auditor.

(b) to review the relationship with the external auditor by reference to the work performed by the auditor, their fees and terms of engagement, and make recommendation to the Board on the appointments, re-appointment and removal of external auditor.

(c) to review the adequacy and effectiveness of the Company's financial reporting system, internal control system and risk management system and associated procedures.

The Audit Committee will meet at least twice each year. In 2018, the Audit Committee met twice considering the annual results of the Group for the financial year ended 31 December 2017 and the interim results of the Group for the 6 months ended 30 June 2018, assessing any changes in accounting policies and practices, major judgmental areas and compliance with applicable legal and accounting requirements and standards, discussing with the auditor of the Company on internal control and the re-appointment of the external auditor. The annual results for the financial year ended 31 December 2018 was reviewed by the Audit Committee before publication.

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 established on 27 March 2012 and 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 of 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 during the year ended 31 December 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 year ended 31 December 2018.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2018 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

ANNUAL GENERAL MEETING

As at the date of this announcement, the Company has not determined the date when the Company's 2019 annual general meeting will be held and the relevant book closure arrangement. Further announcement(s) will be made by the Company as and when appropriate in accordance with the Listing Rules.

PUBLICATION OF FINAL RESULTS AND ANNUAL REPORT

This results announcement is published on the websites of The Stock Exchange of Hong Kong Limited (http://www.hkexnews.hk) and the Company (http://www.atnt.biz). The annual report of the Company for the year ended 31 December 2018 will be despatched to shareholders of the Company and available on the above 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, 27 March 2019

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*