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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)

RENEWAL OF CONTINUING CONNECTED TRANSACTION PROVISION OF REVOLVING LOAN

2019 Loan Facility Agreement

References are made to the announcement dated 31 October 2016 and the circular dated 20 December 2016 issued by the Company in relation to continuing connected transactions contemplated under the 2016 Loan Facility Agreement. As the 2016 Loan Facility Agreement will expire on 30 October 2019, the Company has on 21 October 2019 entered into the 2019 Loan Facility Agreement for the purpose to renew the 2016 Loan Facility Agreement for a period of 3 years. All terms under the 2019 Loan Facility Agreement will be same as the 2016 Loan Facility Agreement.

Listing Rules Implication

As at the date of this announcement, Mr. Lam, who is the Chairman and Managing Director of the Company, also controls voting rights attaching to an aggregate of 273,391,167 Shares, representing approximately 64.11% of the issued share capital of the Company, among which (i) 11.38% is held indirectly through Medusa; (ii) 47.37% is held indirectly through Karfun; (iii) 4.55% is held indirectly through J&A and (iv) 0.81% is directly held by Mr. Lam.

Mr. Lam and Mr. Nam do not hold any share in the Borrower. They are the only directors of the Borrower and are in full control of the Borrower. According to the Rule 1.01 of the Listing Rules, the Borrower is regarded as the close associate of Mr. Lam and Mr. Nam. In this regard, 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 2019 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 5% but less than 25%, the entering into of the 2019 Loan Facility Agreement and the provision of the Revolving Loan constitute a disclosable 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.

General Information

The EGM will be convened for the Independent Shareholders to consider and, if thought fit, approve, among other matters, the 2019 Loan Facility Agreement and the transactions contemplated thereunder. Relevant Shareholders, Mr. Nam and their respective associates (as defined in the Hong Kong Listing Rules) will abstain from voting on the ordinary resolution(s) approving the 2019 Loan Facility Agreement at the EGM.

The Independent Board Committee comprising of all the independent non-executive Directors has been established by the Company to consider the terms of the 2019 Loan Facility Agreement and the transactions contemplated thereunder and to advise and make recommendations to the Independent Shareholders as to how to vote at the EGM on the ordinary resolution(s) regarding the 2019 Loan Facility Agreement and transactions contemplated thereunder. None of the members of the Independent Board Committee has any material interest in the 2019 Loan Facility Agreement and the transactions contemplated thereunder. Messis Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and Independent Shareholders in this regard.

An circular containing, among other things, (i) the 2019 Loan Facility Agreement and the transactions contemplated thereunder, (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders; (iii) a letter of advice from Messis Capital Limited to the Independent Board Committee and the Independent Shareholders; (iv) a notice convening the EGM, and (v) other information required under the Hong Kong Listing Rules, will be dispatched to the Shareholders on or before 25 November 2019.

2019 LOAN FACILITY AGREEMENT

The Board announces that on 21 October 2019 (after trading hours), the Lender, an indirect wholly owned subsidiary of the Company entered into the 2019 Loan Facility Agreement with the Borrower, pursuant to which the Lender has agreed to provide a Revolving Loan of HK\$130,000,000 bearing interest at Prime Rate for a term of 3 years commencing from the Loan Effective Date and ending on 20 October 2022.

Date: 21 October 2019

Parties: (1) PAL Finance Limited as the Lender
(2) Karl Thomson Financial Group Limited as the Borrower

Total amount of Revolving Loan: Up to HK\$130,000,000

The Borrower may draw Revolving Loan in one or multiple tranches of no less than HK\$1 million per tranche from the date on which the approval of the 2019 Loan Facility Agreement by the Independent Shareholders is obtained. The Borrower shall give the Lender at least three (3) Business Days' notice in writing. Any repaid principal amounts of the Revolving Loan

will refresh the facility amount available for drawing within the term of the 2019 Loan Facility Agreement

Interest Rate: Prime Rate shall accrue on the principal amount of the Revolving Loan calculated from the drawdown date of such tranche until the repayment date. As at the announcement, Prime Rate quoted by The Hongkong and Shanghai Banking Corporation Limited is 5.125%.

The interest rate was agreed upon by the Company and the Borrower with reference to commercial practice and after arm's length negotiations taking into account the Company's cost of capital.

Interest is payable monthly in arrears

Term: Commencing from the Loan Effective Date and ending on 20 October 2022

Purpose of fund: As general working capital of the Borrower and its wholly-owned Subsidiaries

Loan Effective Date: The 2019 Loan Facility Agreement will be effective upon occurrence of the followings:

- (a) all consents or approvals of the Stock Exchange, the Bermuda Monetary Authority, or other relevant regulatory bodies in Hong Kong and Bermuda which are necessary for the granting of the Revolving Loan having been obtained;
- (b) the Independent Shareholders having approved by way of poll at the EGM the entering into of the 2019 Loan Facility Agreement;
- (c) all necessary approvals from the Borrower and its ultimate holding company, Hong Kong Finance Investment Holding Group Limited whose shares are listed on the main board of the Stock Exchange (stock code: 0007), having been obtained including but without limitation to the board resolution(s) of the directors of the Borrower and its ultimate holding company approving the 2019 Loan Facility Agreement and the transaction(s) contemplated thereunder; and
- (d) no event of default shall have occurred and be continuing or would result from the making and drawing down of the Revolving Loan.

One-time non-refundable handling fee: HK\$390,000, being 0.3% on the Revolving Loan

Security for the Revolving Loan: Unsecured

Repayment: The Borrower may at any time prior to the maturity date repay the Revolving Loan in whole or in part (and/or the interest accrued and thereon from the drawdown date until the actual date of repayment), without any penalty, upon giving 3 Business Days' prior notice to the Lender

REASONS FOR AND BENEFITS OF THE TRANSACTION

As at the date of the announcement, the Company has not identified any suitable investments opportunity with steady income stream to pursue for the surplus cash resource on hand. Currently, the prevailing interest rate offered by Hongkong and Shanghai Banking Corporation Limited for a 12 months fixed deposit savings is only 0.45% per annum whilst the Revolving Loan granted to the Borrower can generate an interest rate at Prime Rate. Therefore by entering into the 2019 Loan Facility Agreement, the Company could enhance the return on investment of its surplus cash resources.

The Borrower has been in the financial services business for over 18 years with a solid customer base. The Company has reviewed the consolidated financial statements of the Borrower, the bad debt ratio is zero on average over the last thirty-three months ended 30 September 2019. As a result, the Company considers the risk profile of the Borrower is low and there is no need to add any risk premium rate on top of Prime Rate. In addition, Prime Rate is the basic interest rate normally charged on loans by commercial banks to private individuals and companies. Given the fact that the Borrower has good credit record and stable operation to be able to generate stable recurring income, the Directors are of the view that it is a normal commercial term to adopt Prime Rate for the Revolving Loan. The Borrower will provide financial statements and top 10 debtor list to the Company on monthly basis. The Company will be able to review the general collectability of its debtors portfolio and its general financial performance on regular basis. Enquiry and suggested actions (including but not limited to selling the Hong Kong listed stock which is held as a collateral by the subsidiaries of the Borrower or lowering the facility previously granted to the customer whose receivable status is deteriorating) shall be made by the Company to the Borrower if any delinquency of the Borrower's debtors is noted. Ms. Yung Wai Ching, the Deputy General Manager of the Company, shall be responsible for reviewing monthly financial position and the general receivable status of the Borrower. She will report any deficiency to the Independent Board Committee and seek for their approval for any suggested action(s). Report will be copied to Mr. Lam and Mr. Nam but since Mr. Lam and Mr. Nam are the only directors of the Borrower, in order to maintain impartialness, they will abstain from voting for board resolutions in relation to any suggested action(s). In view of the above, taking into account the financial background of the Borrower and the Group's expected interest income, the Directors are of the view that the terms of the 2019 Loan Facility Agreement are on normal commercial terms and the provision of the Revolving Loan is fair and reasonable, and in the interests of the Company and its Shareholders taken as a whole.

The terms of the 2019 Loan Facility Agreement, including the total amount of Revolving Loan and the interest rate applicable, were agreed by the parties after arm's length negotiations having taken into account the prevailing market interest rates and practices, the Borrower's good credit record and its ability to generate solid and stable recurring income. Furthermore, given the business nature of the Borrower, it does not have any fixed asset which is suitable for securing the Revolving Loan.

Having considered the reasons as discussed above, the loan is not secured by the Borrower. The Directors are of the view that the transactions contemplated under the 2019 Loan Facility Agreement is in the interest of the Company and the terms and conditions of the 2019 Loan Facility Agreement are on normal commercial terms, which are fair and reasonable and are in the interests of the Company and Shareholders as a whole.

Annual Cap and basis of determination

Historical figures

Maximum loan amount borrowed together with the interest and handling fees paid by the Borrower under the 2016 Loan Facility Agreement for last three years ending were as follows:

	Year ended 31/12/2017 (HK\$' 000)	Year ended 31/12/2018 (HK\$' 000)	Six months ended 30 June 2019 (HK\$ 000)
Maximum loan amount during the respective period	60,000	96,000	74,000
Handling fee	390	0	0
Interest earned by the Lender	2,182	3,538	1,686
Actual Cap (ie Total of above)	62,572	99,538	75,686

When setting out the maximum amount to be drawn by the Borrower under the 2019 Loan Facility Agreement i.e. HK\$130,000,000, the Group has considered (i) historical records; (ii) that the Group shall receive cash consideration of approximately RMB2.75 billion from the Revised Supplemental Agreements; (iii) that the Company has not yet identified any suitable site to construct a new production factory; and (iv) the benefits for entering into the 2019 Loan Facility Agreement as discussed above, the Directors are of the view that the basis on determining the Cap in respect of the 2019 Loan Facility Agreement is fair and reasonable.

Assuming the Borrower draws down the maximum loan amount on 1 January 2020 and remain so for the rest of the loan period and that the Prime Rate remains at 5.125% p.a., the Cap will not be more than HK\$137,053,000.00 which is calculated as per below:-

	Year ended 31/12/2020 (HK\$' 000)	Year ended 31/12/2021 (HK\$' 000)	Period ended 20/10/2022 (HK\$ 000)
Maximum loan amount during the respective period	130,000	130,000	130,000
Handling fee	390	0	0
Interest earned by the Lender	6,663	6,663	5,348
Estimated Cap (ie Total of above)	137,053	136,663	135,348

FINANCIAL EFFECTS OF THE PROVISION OF REVOLVING LOAN

After taking into account (i) the current financial resources available to the Group and (ii) its present requirements; and (iii) cash consideration of RMB2.75 billion to be received from the Revised Supplemental Agreements, the Group plans to finance the Revolving Loan with its internal resources. The provision of Revolving Loan would not have any impact on the liabilities of the Group as the Revolving Loan is not financed through any additional borrowings. The Group will accrue interest income on the actual loan amount drawn by the Borrower at Prime Rate.

INFORMATION ON THE COMPANY AND THE LENDER

The Company is a company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange. The Company is an investment holding company based in Asia providing advanced technologies to its customers worldwide, with various disciplines with particular strength in electroplating technologies for application in different applications or business segments.

The Lender, PAL Finance Limited, is a wholly-owned subsidiary of the Group holding a money lending licence in Hong Kong and is engaged in money lending business.

INFORMATION ON THE BORROWER

The Borrower, Karl Thomson Financial Group Limited, is an investment holding company with its subsidiaries engaged in the business of securities and futures brokerage, securities margin financing, financial management and advisory services in Hong Kong. Certain subsidiaries of the Borrower are licensed corporations within the meaning of the Securities and Futures Ordinance and are licensed to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 6 (advising on corporate finance), Type 8 (securities margin financing) and Type 9 (asset management) regulated activities. Mr. Nam is the responsible officer for such licenses. In addition, Mr. Lam and Mr. Nam are the only directors sitting in the board of the Borrower and are in full control of the Borrower. As such, the Borrower is a Connected Person of the Company within the meaning of the Listing Rules.

The Borrower is an indirect wholly-owned subsidiary of Hong Kong Finance Investment Holding Group Limited, a company listed on the Stock Exchange (stock code: 0007). The ultimate controlling shareholder of Hong Kong Finance Investment Holding Group Limited is Dr. Hui Chi Ming.

Mr. Lam and Mr. Nam are the executive directors of Hong Kong Finance Investment Holding Group Limited. Both of them have abstained from voting for any board resolutions in relation to 2019 Loan Facility Agreement.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Mr. Lam, who is the Chairman and Managing Director of the Company, controls voting rights attaching to an aggregate of 273,391,167 Shares, representing approximately 64.11% of the issued share capital of the Company, among which (i) 11.38% is held indirectly through Medusa; (ii) 47.37% is held indirectly through Karfun; (iii) 4.55% is held indirectly through J&A and (iv) 0.81% is directly held by Mr. Lam.

Mr. Lam and Mr. Nam do not hold any share in the Borrower. They are the only directors of the Borrower and are in full control of the Borrower. According to the Rule 1.01 of the Listing Rules, the Borrower is regarded as the close associate of Mr. Lam and Mr. Nam. In this regard, 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 2019 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 5% but less than 25%, the entering into of the 2019 Loan Facility Agreement and the provision of the Revolving Loan constitute a disclosable 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.

GENERAL

The EGM will be convened for the Independent Shareholders to consider and, if thought fit, approve, among other matters, the 2019 Loan Facility Agreement and the transactions contemplated thereunder. The Relevant Shareholders, Mr. Nam and their respective associates will abstain from voting on the resolutions approving the 2019 Loan Facility Agreement at the EGM.

The Independent Board Committee comprising of all the independent non-executive Directors has been established by the Company to consider the terms of the 2019 Loan Facility Agreement and the transactions contemplated thereunder and to advise and make recommendations to the Independent Shareholders as to how to vote at the EGM on the ordinary resolution(s) regarding the 2019 Loan Facility Agreement and transactions contemplated thereunder. None of the members of the Independent Board Committee has any material interest in the 2019 Loan Facility Agreement and the transactions contemplated thereunder. Messis Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among other things, (i) further details about the 2019 Loan Facility Agreement; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders; (iii) a letter of advice from Messis Capital Limited to the Independent Board Committee and the Independent Shareholders; (iv) a notice of the EGM; and (v) other information required to be disclosed under the Listing Rules will be dispatched to the Shareholders on or before 25 November 2019.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms have the following meanings:

“2016 Loan Facility Agreement”	the loan facility agreement dated 31 October 2016 entered into between the Lender and the Borrower in connection with the provision of the Revolving Loan
“2019 Loan Facility Agreement”	the loan facility agreement dated 21 October 2019 entered into between the Lender and the Borrower in connection with the provision of the Revolving Loan
“Board”	the board of Directors of the Company
“Borrower”	Karl Thomson Financial Group Limited, a company incorporated under the laws of British Virgin Islands with limited liability
“Business Day”	A day on which banks are open for general banking business in Hong Kong other than a Saturday
“Cap”	the aggregate of the maximum loan amount that can be granted under the 2019 Loan Facility Agreement i.e. HK\$130,000,000 plus the interest income based on the actual amount drawn and the handling fee that can be charged by the Company
“Company”	Asia Tele-Net And Technology Corporation Ltd, a company incorporated under the laws of Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange
“Connected Person”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	An extraordinary general meeting of the Company to be convened to consider and, if thought fit, approve the 2019 Loan Facility Agreement and the transactions contemplated thereunder by the Independent Shareholders
“Group”	the Company together with its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent board committee of the Company comprising all the independent non-executive Directors
“Independent Financial Adviser” or “Messis Capital”	Messis Capital Limited, a licensed corporation to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong), being the independent financial adviser appointed to advise the Independent Board

Committee and the Independent Shareholders in relation to the 2019 Loan Facility Agreement and the transactions contemplated thereunder

“Independent Shareholders”	Shareholders of the Company, other than the Relevant Shareholders, Mr. Nam and its associates
“J&A”	J&A Investment Limited, a company incorporated under the laws of the British Virgin Islands and owned as to 80% by Mr. Lam and 20% by Mr. Nam. As at the date of this announcement, it is a holder of approximately 4.55% issued shares of the Company and approximately 98.63% issued shares of Karfun.
“Karfun”	Karfun Investments Limited, a company incorporated under the laws of Hong Kong. As at the date of this announcement, it is a holder of approximately 47.37% issued shares of the Company
“Lender”	PAL Finance Limited, a company incorporated under the laws of Hong Kong, an indirect wholly-owned subsidiary of the Company
“Listing Rules”	The Rule Governing the Listing of Securities on the Stock Exchange
“Loan Effective Date”	the date on which the Revolving Loan or any part thereof is made available to the Borrower and the 2019 Loan Facility Agreement takes effect
“Medusa”	Medusa Group Limited, a company incorporated under the laws of the British Virgin Islands and wholly owned by Mr. Lam. As at the date of this announcement, it is a holder of approximately 11.38% issued shares of the Company
“Mr Lam”	Mr. Lam Kwok Hing, the chairman of the Board, the Managing Director and controlling shareholder of the Company. As at the date of this announcement, he is the holder of approximately 0.81% issued shares of the Company
“Mr Nam”	Mr. Nam Kwok Lun, the deputy chairman of the Board and an executive director of the Company
“Prime Rate”	the interest rate announced from time to time by the Hongkong and Shanghai Banking Corporation Limited as its prime rate for lending Hong Kong Dollars
“Relevant Shareholders”	the Medusa, Karfun, J&A and Mr. Lam, together holds 64.11% of the issued share capital of the Company
“Revised Supplemental Agreements”	two supplemental agreements dated 28 June 2019 and the second revised supplemental agreement A dated 9 September 2019 as defined in the Company’s circular dated 27 September 2019 in respect of the cash consideration of RMB2.75 billion to be received by the Group during the period from 2020 to 2023

“Revolving Loan”	A revolving loan facility of an amount not exceeding HK\$130,000,000.00 under the 2019 Loan Facility Agreement
“RMB”	Renminbi, the lawful currency of the People’s Republic of China
“Share(s)”	Share(s) of HK\$0.01 each in the capital of the Company
“Shareholders”	Holder of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“p.a.”	per annum
“HK\$”	Hong Kong Dollar, the lawful currency of Hong Kong
“%”	per cent

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, 21 October 2019

As at the date of this announcement, the Executive Directors of the Company are Messrs. LAM Kwok Hing 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*