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 2020

The Board of Directors (the "Board") of Asia Tele-Net and Technology Corporation Limited (the "Company") announced that the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2020 ("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 2020

	NOTES	2020 HK$'000	2019 HK$'000
Revenue - contracts with customers	4	335,097	357,698
Cost of sales		(271,355)	(257,890)
Gross profit		63,742	99,808
Gain on derecognition of Deferred Consideration	10	-	607,903
Gain on change in fair value of ACC	10	-	128,744
Other gains and losses	5	(10,465)	393
Other income		305,409	215,910
Selling and distribution costs		(9,940)	(15,278)
Administrative expenses		(114,243)	(136,348)
Impairment losses under expected credit loss model, net of reversal		18,590	(63,138)
Impairment of property, plant and equipment and right-of-use assets		(5,952)	-
Finance costs	6	(3,123)	(2,468)
Share of results of associates		(1,306)	(1,476)
Profit before taxation		242,712	834,050
Taxation	7	(102,518)	(220,751)
Profit for the year	8	140,194	613,299

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

FOR THE YEAR ENDED 31 DECEMBER 2020

	NOTE	2020 HK$'000	2019 HK$'000
Other comprehensive income (expense)			
Items that will not be reclassified subsequently to profit or loss:			
Reversal of revaluation of a property		(7,080)	-
Deferred tax related to recognition of impairment		1,168	-
		(5,912)	-
Items that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operations			
- subsidiaries		130,008	(29,702)
- associate		447	(355)
		130,455	(30,057)
Other comprehensive income (expense) for the year		124,543	(30,057)
Total comprehensive income for the year		264,737	583,242
Profit (loss) for the year attributable to:			
Owners of the Company		138,772	614,056
Non-controlling interests		1,422	(757)
		140,194	613,299
Total comprehensive income (expense) for the year attributable to:			
Owners of the Company		263,329	583,998
Non-controlling interests		1,408	(756)
		264,737	583,242
Earnings per share	9		
Basic		HK$0.33	HK$1.44

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2020

	NOTES	2020 HK$'000	2019 HK$'000
Non-current assets			
Property, plant and equipment		15,612	30,303
Right-of-use assets		4,806	9,066
Deferred Consideration	10	1,333,432	1,269,354
Loans receivable	11	64,210	47,550
Interests in associates		-	517
Deferred tax assets		894	-
		1,418,954	1,356,790
Current assets			
Inventories		38,595	32,366
Deferred Consideration	10	220,528	1,004,976
Loans receivable	11	9,234	21,647
Contract assets		66,034	58,331
Debtors and prepayments	12	91,567	53,414
Held-for-trading investments		32,870	20,907
Amounts due from associates		50	46
Taxation recoverable		3	2,019
Pledged bank deposits		159	159
Bank balances and cash		991,563	125,001
		1,450,603	1,318,866
Current liabilities			
Creditors and accrued charges	13	200,555	103,956
Warranty provision		16,621	30,043
Contract liabilities		39,025	20,591
Lease liabilities		8,393	6,801
Taxation payable		4,539	3,910
		269,133	165,301
Net current assets		1,181,470	1,153,565
Total assets less current liabilities		2,600,424	2,510,355

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

AT 31 DECEMBER 2020

	NOTE	2020 HK$'000	2019 HK$'000
Capital and reserves			
Share capital		4,265	4,265
Reserves		2,108,961	1,858,426
Equity attributable to owners of the Company		2,113,226	1,862,691
Non-controlling interests		57	(1,151)
Total equity		2,113,283	1,861,540
Non-current liabilities			
Accrued charges	13	67,145	74,462
Warranty provision		2,255	1,128
Lease liabilities		-	327
Deferred tax liabilities		417,741	572,898
		487,141	648,815
		2,600,424	2,510,355

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")

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Company and its subsidiaries (collectively referred to as "the Group") has applied the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2020 for the preparation of the consolidated financial statements:

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

3. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

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 that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies set out below.

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

Disaggregation of revenue from contracts with customers

	2020 HK$'000	2019 HK$'000
Types of goods or service		
Contract works in respect of design, manufacturing and sale of custom-built electroplating machinery and other industrial machinery		
- Printed Circuit Boards	216,812	183,403
- Surface Finishing	55,047	85,994
	271,859	269,397
Sale of spare parts of electroplating machinery	8,477	9,835
Provision of services - repairs, maintenance and modification	54,761	78,466
Total	335,097	357,698

	2020 HK$'000	2019 HK$'000
Timing of revenue recognition		
A point in time	8,477	9,835
Over time	326,620	347,863
Total	335,097	357,698

4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

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	
	2020	2019
	HK$'000	HK$'000
Segment revenue	335,097	357,698
Segment (loss) profit	(15,182)	2,517
Intra-group management fee charged to operating segment	5,036	5,917
Certain other income	297,915	214,247
Central corporate expenses	(56,450)	(53,547)
Gain on derecognition of Deferred Consideration (note 10)	-	607,903
Gain on change in fair value of ACC (note 10)	-	128,744
Impairment losses under ECL model for loans receivable and Deferred Consideration, net of reversal	18,856	(63,714)
Imputed interest on non-current portion of provision for performance related incentive payments (note 13)	(2,931)	(1,877)
Certain other gains and losses	(4,532)	(6,140)
Profit before taxation	242,712	834,050

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 described in note 3. Segment (loss) profit represents the gross profit of the electroplating equipment segment, impairment of property, plant and equipment and right-of-use assets, 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 loans receivable, imputed interest income of Deferred Consideration, unallocated interest income and sundry income), central corporate expenses including auditor's remuneration and directors' emoluments, gain on derecognition of Deferred Consideration, gain on change in fair value of ACC, impairment losses under expected credit loss model for loans receivable and Deferred Consideration (net), imputed interest on non-current portion of provision for performance related incentive payments and other gains or losses (including net change in fair value of held-for-trading investments and adjustment on non-current portion of provision for performance related incentive payments). This is the measure reported to the chief operating decision maker in order to assess segment performance.

5. OTHER GAINS AND LOSSES

	2020 HK$'000	2019 HK$'000
Net change in fair value of held-for-trading investments	(4,532)	(10,504)
Net exchange (loss) gain	(5,923)	6,969
Loss on disposal of property, plant and equipment	(20)	(23)
Adjustment on non-current portion of provision for performance related incentive payments	-	4,364
Others	10	(413)
	(10,465)	393

6. FINANCE COSTS

	2020 HK$'000	2019 HK$'000
Interest on lease liabilities	192	591
Imputed interest on non-current portion of provision for performance related incentive payments	2,931	1,877
	3,123	2,468

7. TAXATION

	2020 HK$'000	2019 HK$'000
The taxation charge comprises:		
Hong Kong taxation		
Overprovision in prior years	-	(48)
Overseas taxation		
Charge for the year	277,472	5
(Over)underprovision in prior years	(43)	19
	277,429	(24)
Deferred tax charge	(174,911)	220,775
	102,518	220,751

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 2019 arising in Hong Kong for certain group entities since the assessable profit was 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

	2020 HK$'000	2019 HK$'000
Profit for the year has been arrived at after charging (crediting):		
Auditor's remuneration	1,400	1,624
Cost of inventories recognised as expenses (including allowance for slow moving inventories of approximately HK$1,270,000 (2019: HK$450,000))	178,513	157,012
Depreciation of property, plant and equipment	5,817	7,365
Depreciation of right-of-use assets	8,772	8,601
Staff costs:		
Directors' fee	300	300
Directors' salaries, other benefits and performance related incentive payments	19,833	37,058
Salaries and allowances	113,315	113,822
Redundancy compensation	-	11,282
Contributions to retirement benefits schemes	1,704	1,940
	135,152	164,402
Impairment losses allowance for financial assets and contract assets, net of reversal:		
- Trade debtors	261	(649)
- Contract assets	5	73
- Loans receivable	4,253	813
- Deferred Consideration	(23,109)	62,901
	(18,590)	63,138
Interest income from financial assets at amortised cost (included in other income):		
Interest income from loans receivable	(3,837)	(3,660)
Imputed interest income of Deferred Consideration (note 10)	(279,801)	(209,352)
Interest earned on bank deposits	(11,509)	(1,173)
	(295,147)	(214,185)
Dividend income	(1,229)	(258)
Government grants (note)	(7,267)	(66)

Note: For the year ended 31 December 2020, Covid-19 related government grants amounted to approximately HK$7,267,000 have been recognised as "other income".

9. EARNINGS PER SHARE

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

	2020	2019
	HK$'000	HK$'000
The Group's profit for the year attributable to owners of the Company	138,772	614,056
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 agreed to vacate from the Land and demolish the existing buildings and structures built or erected on the Land at its own costs, and the Counter Party agreed to re-develop the Land into residential properties and to compensate the Group by paying a relocation compensation of RMB50 million (approximately HK$64 million) to the Group and transferring the title of 41,000 sq.m. marketable residential or commercial properties which do not include subsidised apartments and any floor area reserved for public facilities usage on the redeveloped land (the "Relevant Properties") to the Group upon the completion of the Re-development Plan. Pursuant to the Re-development Agreement, the Counter Party is responsible for the set up of a project company (the "Project Company") for the purpose of the Re-development Plan. The Project Company was established by the Counter Party in August 2011.

According to the terms of the Re-development Agreement, the Group recognised the right to receive the Relevant Properties (the "RGCC") of approximately HK$999,560,000, based on the valuation report issued by Avista Valuation Advisory Limited ("Avista"), an independent professional valuer. The RGCC was initially recognised at its fair value and subsequently carried at cost less impairment.

On 4 January 2017, the Group, the Counter Party and the Project Company entered into the supplemental agreements (the "Supplemental Agreements") to amend certain terms associated with the settlement arrangement of the Re-development Plan. Pursuant to the Supplemental Agreements, instead of transferring the title of the Relevant Properties, the Group is offered a guaranteed cash consideration of RMB1.23 billion (equivalent to approximately HK$1,403,789,000) ("GCC"), payable by six tranches within fifteen days after eighteen months of the issue of the presales certificate without waiting for the completion of the Re-development Plan. The first tranche will be payable within fifteen days 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

10. DEFERRED CONSIDERATION (CONTINUED)

after the issue of the pre-sales certificate. The details of the amendment are set out in the Company's circular dated 15 February 2017. The transactions contemplated under the Supplemental Agreements were approved by the shareholders of the Company on 2 March 2017.

With the effective of the Supplemental Agreements, the Group surrendered its right to receive the Relevant Properties in exchange for the right to receive GCC and ACC. The fair values of GCC and ACC were approximately HK$910,602,000 and HK$193,657,000 respectively at the initial recognition. The fair values of GCC and ACC had been arrived at using discounted cash flow method by discounting future cash flows at an interest rate of 14.9% per annum based on a valuation performed by Avista. Pursuant to the Supplemental Agreements, the deadline for the Project Company to obtain the pre-sales certificate is on or before 30 June 2019. In the estimation of the fair values of GCC and ACC at initial recognition, the directors of the Company expect the pre-sales certificate to be issued on 30 June 2019. Subsequent to the initial recognition, GCC is measured at amortised cost using the effective interest method, less any impairment while ACC is measured at fair value with changes in fair value through profit or loss.

On 28 June 2019 and 9 September 2019, the Group entered into the revised supplemental agreements ("Revised Supplemental Agreements") to amend certain terms of the Supplemental Agreements which were previously approved by the shareholders of the Company on 2 March 2017. Pursuant to the Revised Supplemental Agreements, instead of receiving GCC and ACC, the Group is offered a revised guaranteed cash consideration of RMB2.75 billion (equivalent to approximately HK$3.1 billion) payable by six tranches which will be due within on or before 6 January 2020 to on or before 5 January 2023 ("RGCC"). The details of the amendment are set out in the Company's circular dated 27 September 2019. The transactions contemplated under the Revised Supplemental Agreements was approved by the shareholders of the Company on 24 October 2019.

As at 31 December 2018, the undiscounted gross amount of ACC was approximately HK$534,146,000. The Group recognised a gain on change in fair value of ACC of approximately HK$128,744,000 included in profit or loss during the year ended 31 December 2019. The increase of fair value for the year ended 31 December 2019 was mainly due to the increase in average unit rate of the Relevant Properties.

With the effective of Revised Supplemental Agreements, the Group surrendered its right to receive the GCC and ACC in exchange for the right to receive RGCC. Since then, the Deferred Consideration is made up of RGCC. The fair value of RGCC was approximately HK$2,182,605,000 at the initial recognition. The fair value of RGCC had been arrived at using discounted cash flow method by discounting future cash flows at an interest rate of 16.8% per annum based on a valuation performed by Avista. At the effective date of Revised Supplemental Agreements, the carrying amount of Deferred Consideration which included GCC and ACC was approximately HK$1,574,702,000. The Group recognised a gain on derecognition of Deferred Consideration of HK$607,903,000 upon the initial recognition of RGCC during the year ended 31 December 2019 accordingly. Subsequent to the initial recognition, RGCC is measured at amortised cost using the effective interest method, less any impairment.

During the year ended 31 December 2020, the first two tranches of RGCC of RMB1,000 million (approximately HK$1,103,396,000) were received by the Group in cash.

Imputed interest income of HK$279,801,000 (2019: HK$209,352,000) is recognised as other income in the profit or loss during the year ended 31 December 2020.

During the year ended 31 December 2020, impairment losses under ECL model (net of reversal) of HK$23,109,000 (net reversal) (2019: HK$62,901,000 (net impairment)) is recognised in the profit or loss.

As at 31 December 2020, the Deferred Consideration amounting to HK$1,553,960,000 (2019: HK$2,274,330,000) (net of impairment losses under ECL model of HK$116,965,000) (2019: HK$132,939,000) is expected to be received in accordance with the agreed timeline and therefore the third tranche of RGCC of RMB200 million (approximately HK$220,528,000) is classified as current assets while the rest are non-current assets. Subsequent to 31 December 2020, the RMB200 million is received by the Group in cash.

11. LOANS RECEIVABLE

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

	2020 HK$'000	2019 HK$'000
Repayable after one year (note a)	66,500	49,000
Repayable within one year (note b)	13,000	22,000
Less: Impairment losses under ECL model	(6,056)	(1,803)
	73,444	69,197
Analysed for reporting purposes as:		
Current	9,234	21,647
Non-current	64,210	47,550
	73,444	69,197

Notes:

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

As at 31 December 2020, a loan of approximately HK$55,500,000 (2019: HK$49,000,000) was drawn by KTFG according to the terms of the 2019 Loan Facility Agreement. The average effective interest rate, which is equal to contractual interest rate, is 5% (2019: 5%) per annum.

A long term loan amounted approximately HK$11,000,000 as at 31 December 2020 was granted under a revolving loan facility agreement of approximately HK$20,000,000 with an independent third party as entered on 6 May 2020. The loan bears interest at HSBC Prime Rate plus 3% per annum for the first HK$3,500,000 and at HSBC Prime Rate beyond HK$3,500,000 and secured by a first mortgage of a property as provided by the borrower.

11. LOANS RECEIVABLE (CONTINUED)

Notes: (continued)

(b) A short term loan amounted approximately HK$13,000,000 as at 31 December 2020 was granted under a loan agreement with an independent third party as entered in December 2020. The loan bears interest at HSBC Prime Rate for a portion of approximately HK$6,500,000 and HSBC Prime Rate plus 3% per annum for the remaining portion and secured by a second mortgage of a property owned by the spouse of the borrower and several post-dated cheques as provided by the borrower.

A short term loan amounted approximately HK$6,000,000 as at 31 December 2019 was granted under a loan agreement with an independent third party as entered on 21 October 2019. The loan bears interest of 10% per annum and secured by several post-dated cheques as provided by the borrower. Another short term loan amounted approximately HK$16,000,000 as at 31 December 2019 was granted under a loan agreement with an independent third party as entered on 23 October 2019. The loan bears interest of 6% per annum and secured by a second mortgage of a property as provided by the borrower. The loans were fully repaid during the year ended 31 December 2020.

As at 31 December 2020, impairment losses under ECL model of loans receivable of HK$6,056,000 (2019: HK$1,803,000) are recognised.

12. DEBTORS AND PREPAYMENTS

	2020 HK$'000	2019 HK$'000
Trade debtors from contracts with customers	82,054	45,748
Less: Allowance for credit losses	(11,595)	(11,805)
	70,459	33,943
Rental and utilities deposits	3,061	2,902
Deposit paid for purchase of raw material	6,868	5,651
Other tax receivable	3,393	669
Other debtors and prepayments	7,786	10,249
	91,567	53,414

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 or respective dates of the achievement of the relevant milestone as stipulated in the relevant service contracts as appropriate:

	2020 HK$'000	2019 HK$'000
0 - 60 days	67,284	30,445
61 - 120 days	1,757	2,514
121 - 180 days	875	222
Over 180 days	543	762
	70,459	33,943

13. CREDITORS AND ACCRUED CHARGES

	2020 HK$'000	2019 HK$'000
Trade creditors	116,061	50,127
Accrued staff costs	12,307	16,356
Commission payables to sales agents	12,300	16,123
Dividend payables by subsidiaries to its non-controlling interests	-	901
Other creditors and accrued charges (note)	127,032	94,911
	267,700	178,418
Less: Non-current portion of accrued charges (note)	(67,145)	(74,462)
	200,555	103,956

Note: As at 31 December 2020, the current and non-current portion of accrued charges of approximately HK$30,639,000 and HK$53,387,000 respectively (2019: nil and HK$74,462,000 respectively) represents the provision of performance bonus to the executive directors of the Company. An imputed interest expense of approximately HK$2,931,000 (2019: HK$1,877,000) is charged to profit or loss during the current year. With the effective of the Revised Supplemental Agreements, the estimated timing of payment of the non-current portion of provision was revised and an adjustment of provision for performance related incentive payments of approximately HK$4,364,000 was credited to profit or loss during the year ended 31 December 2019.

As at 31 December 2020, apart from the above provision of performance bonus to the executive directors of the Company, the current and non-current portion of accrued charges of approximately HK$3,754,000 and HK$13,758,000 respectively (2019: nil) represents the provision of special bonus to the certain management of the Group.

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:

	2020 HK$'000	2019 HK$'000
0 - 60 days	48,243	27,579
61 - 120 days	30,833	11,298
121 - 180 days	31,649	6,081
Over 180 days	5,336	5,169
	116,061	50,127

The average credit period on purchase of goods is 60 - 180 days.

Chairman's Statement and Management Discussions

FINANCIAL RESULTS

During the year ended 31 December 2020 ("the Period Under Review"), the Group recorded profit attributable to owners of the Company of approximately HK$138,772,000 compared to the profit attributable to owners of the Company of approximately HK$614,056,000 for the year ended 31 December 2019 ("the Previous Period"), representing approximately 77.4% decrease. The significant decrease in Group's profit attributable to owners of the Company during the Period Under Review was primarily due to (i) decrease in gross profit of approximately HK$36,066,000 from approximately HK$99,808,000 in the Previous Period to approximately HK$63,742,000 in the Period Under Review and (ii) drop in net gain arising from the arrangement in relation to a site located at Longhua (see the paragraph below with heading "Net gain in relation to the Longhua Project" on page 22).

The basic earnings per share for the Period Under Review was HK$0.33 compared to the basic earnings per share of HK$1.44 or the Previous Period.

FINANCIAL REVIEW

Revenue

The revenue for the Period Under Review was approximately HK$335,097,000 or 6.3% less than the Previous Period. Lower revenue reported during the Period Under Review was mainly due to weaken demand in high-end communication device and automobile.

In terms of business segment, approximately 79.8% of the revenue was generated from PCB sector (the Previous Period: approximately 68.1%), and approximately 20.2% came from surface finishing sector (the Previous Period: approximately 31.9%).

In terms of the machines geographical installation base, the revenue composition during the Period Under Review was 62.8% machine values were installed in PRC (the Previous Period: 49.9%), 11.2% in Taiwan (the Previous Period: 16.7%), 7.3% in the Macedonia (the Previous Period: 0.2%), 5.9% in the USA (the Previous Period: 4.1%), 3.4% in Korea (the Previous Period: 0.2%), 2.5% in Other European countries (the Previous Period: 1.7%), 2.0% in the Singapore (the Previous Period: 0.8%), 1.7% in Mexico (the Previous Period: 11.5%), and 3.2% in rest of the world (the Previous Period: 14.9%).

Gross Profit

Due to price pressure from customer, gross profit was 19.0% which was lower than the Previous Period (approximately 27.9%).

Gain on derecognition of Deferred Consideration in the Previous Period

On 28 June 2019 and 9 September 2019, the Group entered into the revised supplemental agreements ("Revised Supplemental Agreements") to amend certain terms of the Supplemental Agreements which was previously approved by the shareholders of the Company on 2 March 2017. Pursuant to the Revised Supplemental Agreements, instead of receiving Guaranteed Cash Consideration ("GCC") and Additional Cash Consideration ("ACC"), the Group is offered a revised guaranteed cash consideration of RMB2.75 billion (equivalent to approximately HK$3.1 billion) payable by six tranches which will be due within on or before 6 January 2020 to on or before 5 January 2023 (Revised Guaranteed Cash Consideration ("RGCC")). The details of the amendment are set out in the Company's circular dated 27 September 2019. The transactions contemplated under the Revised Supplemental Agreements was approved by the shareholders of the Company on 24 October 2019.

With the effective of Revised Supplemental Agreements, the Group surrendered its right to receive the GCC and ACC in exchange for the right to receive RGCC. Since then, the Deferred Consideration is made of RGCC only. The fair value of RGCC was approximately HK$2,182,605,000 at the initial recognition. The fair value of RGCC had been arrived at using discounted cash flow method by discounting future cash flows at an interest rate of 16.8% per annum based on a valuation performed by an independent valuation company. At the effective date of Revised Supplemental Agreements, the carrying amount of Deferred Consideration which included GCC and ACC was approximately HK$1,574,702,000. The Group recognised a gain on derecognition of Deferred Consideration of HK$607,903,000 upon the initial recognition of RGCC during the year ended 31 December 2019 accordingly. Subsequent to the initial recognition, RGCC is measured at amortised cost using the effective interest method, less any impairment.

No such gain was recognized in the Period Under Review.

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

The Company has appointed an independent valuation company to determine the fair value for the Additional Cash Consideration under the supplemental agreements signed on 4 January 2017 up to the effective date of Revised Supplemental Agreements. Based on the valuation received, the Group has recorded a gain of approximately HK$128,744,000 during the year ended 31 December 2019.

No such gain was recognized in the Period Under Review.

Other gains and losses of approximately HK$10,465,000

This represented (a) Net change in realized and unrealized fair value loss of held-for-trading investments was approximately HK$4,532,000 (the Previous Period: loss of HK$10,504,000) (b) net exchange loss of approximately HK$5,923,000 (the Previous Period: gain of HK$6,969,000).

(a) Net change in realized and unrealized fair value loss of held-for-trading investments was approximately HK$4,532,000 (the Previous Period: loss of HK$10,504,000)

    All held-for-trading investments were recorded at fair value as at 31 December 2020 and represented listed securities in Hong Kong. The loss of approximately HK$4.5 million represents fair value loss of investments held for trading, as a result of mark to market valuations as at the balance sheet date.

Below are information of the Group's held-for-trading investments as at 31 December 2020:

Company Name / Stock Code	**% of Shareholding as at 31 December 2020**	**Fair value change HK$'000**	**Fair value as at 31 December 2020 HK$'000**	**% of Total Assets of the Group as at 31 December 2020**	**Fair value as at 31 December 2019 HK$'000**	**% of Total Assets of the Group as at 31 December 2019**
Shanghai Industrial Urban Development Group Ltd. (563)	0.26%	(753)	10,322	0.36%	5,978	0.22%
Q P Group Holdings Ltd. (1412)	1.59%	(2,389)	7,711	0.27%	-	-
South China Holdings Company Ltd (413)	0.20%	(917)	4,045	0.14%	4,961	0.19%
Orient Victory Travel Group Company Ltd. (265)	0.38%	(1,551)	3,057	0.11%	4,608	0.17%
South China Assets Holdings Ltd. (8155)	0.72%	(549)	804	0.03%	857	0.03%
Bonjour Holdings Ltd (653)	1.01%	2,242	5,176	0.18%	2,933	0.11%
Others (*Note*)		(615)	1,755	0.05%	1,570	0.16%
Total		(4,532)	32,870	1.14%	20,907	0.78%

(b) net exchange loss of approximately HK$5,923,000 (the Previous Period : gain of HK$6,969,000)

The net exchange loss was mainly due to the exchange loss arising from intercompany transactions. The production arm of the Group is based in China and normally bills the sales arm of the Group in Hong Kong Dollars. During the Period Under Review, RMB was appreciated by approximately 6.4% and hence the production arm of the Group recorded an exchange loss arising from the receivable which was denominated in Hong Kong dollars.

Other income of approximately HK$305,409,000

This represented (a) interest and fees arising from loan receivables of approximately HK$3,837,000 (the Previous Period: HK$4,050,000) (b) interest received from bank deposits of approximately HK$11,509,000 (the Previous Period: HK$1,173,000) (c) imputed interest income on Deferred Consideration of approximately HK$279,801,000 (the Previous Period: approximately HK$209,352,000) (d) Government subsidy of approximately HK$7,267,000 (the Previous Period: approximately HK$66,000).

(a) Interest and fees arising from loan receivables

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

Pursuant to the 2019 Loan Facility Agreement, the Group has interest income and handling fee income of approximately HK$3,050,000 and nil respectively (the Previous Period: approximately HK$2,927,000 and HK$390,000) from KTFG.

Besides the revolving loan facility with KTFG, the Group has also received interest income of approximately HK$787,000 from other loans with independent third parties (the Previous Period: HK$733,000).

(b) Interest received from bank deposits

Interest income from bank deposits was approximately HK$11,509,000 (the Previous Period: HK$1,173,000).

(c) Imputed interest income of Deferred Consideration

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$279,801,000 (the Previous Period: HK$209,352,000).

(d) Government subsidy of approximately HK$7,267,000

During the Period Under Review, the HKSAR Government has launched the Employment Support Scheme (“ESS”) under the Anti-epidemic Fund to provide time-limited financial support to employers to retain employees who may otherwise be made redundant. The Group has received a total of approximately HK$6,219,000 from the ESS.

A PRC subsidiary of the Group has also received approximately HK$1,048,000 (the Previous Period : approximately HK$66,000) being refund of certain government fees. The refund was higher for the Period Under Review as a hardship subsidy due to the Covid-19 pandemic.

Selling and Distribution Costs of approximately HK$9,940,000

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. The costs for the Period Under Review was 34.9% lower than the Previous Period. It was primarily due to decrease of revenue and reduced sales activities due to the lockdown.

Administrative expenses of approximately HK$114,243,000

The administrative expenses for the Period Under Review was 16.2% lower than the Previous Period. It was mainly due to (a) decrease in provision for performance related incentive payments payable to executive directors and management of the Group, and (b) decrease in general expenses.

(a) Provision for performance related incentive payments

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

For the Period Under Review, provision for performance related incentive payments was approximately HK$6,633,000 (the Previous Period: HK$28,858,000). Such provision was calculated based on the assumptions that the Company shall receive the guaranteed cash consideration of RMB2.75 billion in accordance with the agreed timetable in accordance with the Revised Supplemental Agreements.

During the Period Under Review, the Group has made a special bonus provision of approximately HK$18,712,000 (the Previous Period: nil) for certain management staff of the Group for their past contribution to the Re-development Plan (as defined in note 10).

(b) Decrease in general expenses

After taking out the provision for performance related incentive payments as disclosed above, the remaining administrative expenses was approximately HK$88,898,000 was 17.3% lower than the Previous Period (the Previous Period : HK$107,490,000). It was mainly due to reduction in headcount in mid 2019 and our continuous effort in controlling our operating costs in order to drive an improved performance.

As a benchmark, the average inflation rates in China and Hong Kong for 2020 were 2.5%[1] and 1.3%[2] respectively.

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

Impairment losses or (gain) under expected credit loss model, net of reversal, of approximately HK$18,590,000

This represented impairment losses or (gain) under expected credit loss model for trade debtors, contract assets, loans receivable, Deferred Consideration, net of reversal, as below:-

	Year ended 31 December	
	2020 HK$'000	2019 HK$'000
Trade debtors	(261)	(649)
Contract assets	5	73
Loans receivable	4,253	813
Deferred Consideration	(23,109)	62,901
	(18,590)	63,138

The Group recognized a net reversal of impairment loss of approximately HK$23,109,000 (the Previous Period : an impairment losses of approximately HK$62,901,000) for Deferred Consideration with the receipts of first two tranches of Deferred Consideration of RMB1 billion during the Period Under Review.

Impairment assessment of property, plant and equipment and right-of-use assets

HKAS 36 Impairment of Assets (the "Standard") requires an entity to assess, at each reporting date, whether there are any indicators that assets or the cash generating unit (the "CGU") may be impaired. If there is an indication that an asset or the CGU may be impaired, the recoverable amount of the asset or CGU is determined. Recoverable amount is defined as the higher of the 'fair value less costs to sell' and the 'value in use'. Assets or CGU should be carried at no more than their recoverable amount.

During the year ended 31 December 2020, the management conducted an impairment review on the related assets of the CGU which is engaged in electroplating machinery business in view of the negative impact on the Group's performance due to the outbreak of the novel coronavirus in current year and the prolonged US-sino trade war. The recoverable amount of the CGU of the electroplating machinery business has been determined on the basis of value in use calculation.

The excess of carrying amount over recoverable amount of approximately HK$13,032,000 has been allocated based on the relative carrying amounts of property, plant and equipment and right-of-use assets, of which approximately HK$7,080,000 (The Previous Period: nil) has been charged to other comprehensive income as a reversal of previous revaluation surplus and approximately HK$5,952,000 (The Previous Period: nil) has been charged to profit or loss during the year ended 31 December 2020.

Finance cost of approximately HK$3,123,000

This represented mainly the imputed interest expenses on non-current portion of provision of performance related incentive payments of approximately HK$2,931,000 (the Previous Period: HK$1,877,000) and the interest expenses on lease liabilities of approximately HK$192,000 (the Previous Period: HK$591,000).

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

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

Taxation

Taxation of approximately HK$101,350,000 (the Previous Period: HK$220,751,000) represented mainly taxes paid by our wholly-owned subsidiaries in China and Taiwan.

(a) As the Group recorded a gain in relation to the Longhua Project before tax approximately HK$285,011,000 (the Previous Period: HK$856,727,000), the Group recorded a corresponding estimated taxes of approximately HK$75,728,000 (the Previous Period : HK$220,775,000); and

(b) The Group also intended to declare dividend from a PRC subsidiary. The funding comes from receipt in relation to the Longhua Project. In accordance with current tax rules, such dividend will be subject to a withholding tax of approximately HK$26,496,000 (the Previous Period: nil).

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	
	2020 HK$'000	2019 HK$'000
Under "Other Income" – Imputed interest income on Deferred Consideration	279,801	209,352
Under "Other Income" – Interest earned on bank deposits	10,377	-
Under "Administrative expenses" – Provision for directors' and special management bonus	(25,345)	(28,858)
Under "Finance costs" – Imputed interest on non-current portion of provision for performance related incentive payments	(2,931)	(1,877)
Under "Gain on derecognition of Deferred Consideration"	-	607,903
Under "Gain on change in fair value of ACC"	-	128,744
Under "Impairment loss under expected credit loss model, net of reversal" – Impairment loss for Deferred Consideration	23,109	(62,901)
Under "Other gains and losses" – Adjustment on non-current portion of provision for performance related incentive payments	-	4,364
Under "Taxation"	(102,223)	(220,775)
Net gain in relation to the Longhua Project	182,788	635,952

Exchange difference arising on translation of foreign operation of approximately HK$130,008,000

This represented mainly the exchange difference arising on translation of operations in the PRC due to the appreciation in RMB (of approximately HK$6,264,000) and revaluation of Deferred Consideration and corresponding deferred tax liability (of approximately HK$123,544,000). 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.

Loans receivable

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

As at 31 December 2020, a loan of approximately HK$55,500,000 (31 December 2019: approximately HK$49,000,000) was drawn by KTFG in accordance with the terms of the 2019 Loan Facility Agreement. The average effective interest rate, which is equal to contractual interest rate, is 5% (the Previous Period: 5%) per annum.

As reported in above, the total interest and handling fee earned in relation to above loans was approximately HK$3,050,000 and nil respectively (the Previous Period: approximately HK$2,927,000 and HK$390,000 respectively).

Besides the revolving loan facility with KTFG, the Group has granted a few loans with independent third parties bearing interest between 5% to 10% per annum and the Group has received interest income of approximately HK$787,000 from these loans during the Period Under Review (the Previous Period: HK$733,000).

The Group has also made a specific impairment loss of approximately HK$3,766,000 (the Previous Period : nil) for a short term loan after considering the collectability.

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

	As at 31/12/2020 HK$'000	As at 31/12/2019 HK$'000
Principal outstanding repayable within one year	13,000	22,000
Principal outstanding repayable after one year	66,500	49,000
Less impairment loss allowance	(6,056)	(1,803)
Net carrying amount	73,444	69,197
Analysed for reporting purpose as:		
Current	9,234	21,647
Non-current	64,210	47,550
	73,444	69,197

Held-for-trading investments under current assets

As at 31 December 2020, the Company had held-for-trading investment in listed securities in Hong Kong with a market value of approximately HK$32,870,000 (31 December 2019: approximately HK$20,907,000), representing an investment portfolio of sixteen 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”.

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.

Creditors and accrued charges under current liability

The amount payable to creditors and accrued charges as at 31 December 2020 was HK$200,555,000 which was approximately HK$96,599,000 higher than the Previous Period. Please refer to note 13 of the financial information of this result announcement for more details. The increase was mainly due to

(a) reclassification of certain performance related incentive payments of approximately HK$30,639,000 from non-current liability to current liability; and
(b) increase in amount due to suppliers for approximately HK$65,934,000 as more material was ordered in late 2020.

The average credit period granted by suppliers is extended from 60-120 days to 60-180 days and more purchases were made in mainland China.

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.

Accrued charges of approximately HK$67,145,000 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.

Deferred taxation of approximately HK$417,741,000 under non-current liability

The Group has recorded a deferred taxation of approximately HK$388,490,000 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$29,251,000 represented deferred tax liabilities recognized for accelerated tax depreciation of approximately HK$1,239,000, revaluation of properties of approximately HK$1,516,000 (net off with impairment loss on assets of approximately HK$392,000), and withholding tax provision for dividend payable by a PRC subsidiary of approximately HK$26,496,000.

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

Year 2020 was certainly a year we would not forget. It was a year overshadowed by coronavirus pandemic which turned countless lives upside down and, perhaps, changed the world forever. Public at large are more used to new normals such as wearing masks, zoom meeting, working-from-home, social distancing and greeting Kung Hei Fat Choy via video call on whatsapp! The coronavirus pandemic has pushed many shoppers to make their purchases online. Museums have offered virtual tours as travelling was reduced to almost zero in 2020. Given this unprecedented demand on data traffic, we witness massive spending increases on data centers from the world's largest data center operators — led by Amazon, Google, Facebook and Microsoft. While we embrace all these positive changes, we sadly witness also the detrimental effects the pandemic has brought, mainly, damage caused to global economic growth. The global growth contraction for 2020 is estimated at -3.5 percent by IMF[3]. Investment confidence was low throughout the year, so was consumer spending. As a result, the number of enquiries received by our subsidiaries and quote-to-close ratio were both significantly dropped.

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

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

During the Period Under Review, the revenue in this business area increased from HK$183,403,000 in Previous Period to HK$216,812,000, representing 18.2% rise. Out of this total revenue, from the perspective of installation location, nearly 78.0% were shipments made to PRC (48.6% in Previous Period) and 12.5% were shipments made to Taiwan (27.3% in Previous Period).

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

According to a report issued by Gartner Inc in Feb 2021, global sales of smartphones declined 5.4% in the fourth quarter of 2020 while smartphone sales declined 12.5% in full year 2020.

Top 5 Smartphone Companies, Worldwide Shipments, Market Share, and Year-Over-Year Growth, Q4 2020 and full year (shipments in millions of units)

Company	4Q 2020 Shipment Volumes	4Q 2020 Market Share	2020 Shipment Volumes	2019 Shipment Volumes	Year-Over-Year Change
Apple	79.9	20.8%	199.8	193.5	+3.2%
Samsung	62.1	16.2%	253.0	296.2	-14.5%
Xiaomi	43.4	11.3%	145.8	126.0	+15.7%
OPPO	34.3	8.9%	111.8	118.7	-5.8%
Huawei	34.3	8.9%	182.6	240.6	-24.1%
Others	130.4	33.9%	454.8	565.6	-19.6%
Total	**384.4**	**100.0%**	**1347.8**	**1540.6**	**-12.5%**

Due to rounding, some figures may not add up precisely to the totals shown
Source: Gartner (February 2021)

COVID-19 is the main reason the shipment of smartphones has dropped, with the pandemic hitting consumer spending hard. The severity of the virus caused customers to focus on purchasing essential items, placing nonessential orders on hold, said Ryan Reith, program vice president with IDC[4]'s Worldwide Mobile Device Trackers. The effects of nonessential spending were seen in the number of

[3] International Monetary Fund (IMF) is an organization of 190 countries, working to foster global monetary cooperation, secure financial stability, facilitate international trade, promote high employment and sustainable economic growth.
[4] International Data Corporation (IDC) provides market analysis and insights for the information technology and telecommunications markets.

retailers and brand holders that filed for bankruptcy, which included J. Crew, JC Penney, Topshops, and Brooks Brothers (to name a few).

Although facing a general decline in demand, most of the smartphone manufacturers still compiled a conservative expansion plan in 2020, mainly for the 5G phones. In fact, the sales of smartphones in quarter 4 recorded a moderate drop only. The drop was moderate because sales of more 5G smartphones and lower-to-mid-tier smartphones was relatively more in quarter 4 when compared to first three quarters. For this reason, we maintained a relatively stable revenue last year. However, we faced a severe price-cut from our customers and hence the drop of gross profit.

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 36.0% from approximately HK$85,994,000 in the Previous Period to approximately HK$55,047,000 for the Period Under Review. Out of this total revenue, from the perspective of installation location, nearly 44.6% were shipments made to Macedonia (0.9% in Previous Period) and 30.9% were shipments made to USA (0.1% in Previous Period).

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

Back in mid last year, VDA[5] predicted a slight recovery in car sales in second half of 2020 and with a forecast of 17% contraction for full calendar year. Their prediction was not far from actual. According to a latest report issued by VDA, car sales worldwide in 2020 contracted by 15%.

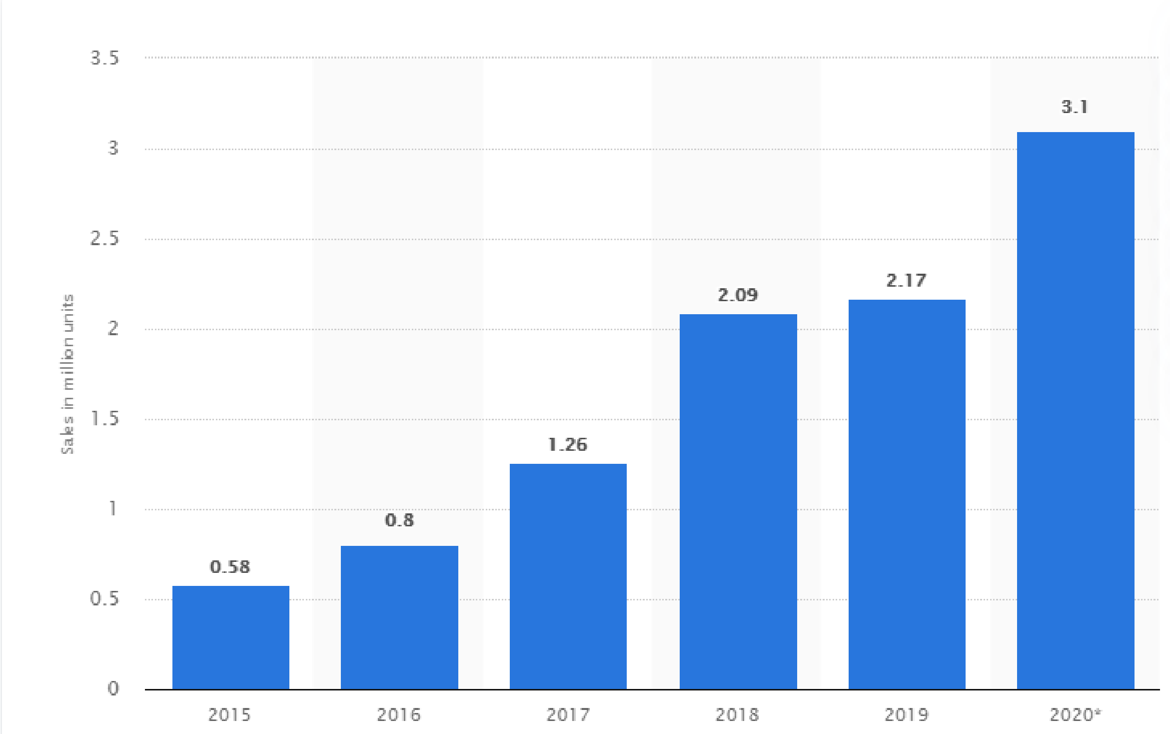
Region	2020	2019	% Change	2018	2017
Europe (EU+EFTA+UK)	11,961,200	15,805,800	-24	15,624,500	15,631,700
Russia (light vehicles only)	1,598,800	1,759,500	-9	1,800,600	1,595,700
USA (light vehicles only)	14,450,800	16,965,200	-15	17,215,200	17,134,700
Japan	3,810,000	4,301,100	-11	4,391,200	4,386,400
Brazil (light vehicles only)	1,954,800	2,665,600	-27	2,475,400	2,176,000
India	2,435,100	2,962,100	-18%	3,394,700	3,229,100
China	19,790,000	21,045,000	-6	23,256,300	24,171,400
COMBINED	56,000,700	65,504,300	-15	68,157,900	68,325,000
Source : VDA					

China and Russia performed the best. China remained the best-performing car market in the world with sales down 6% to just less than 20 million vehicles. Car sales in Russia and Japan were down by around 10% while the US and Indian markets were down by around 17%. Car sales in Brazil were down by 27% while the large European market contracted by 24%.

[5] VDA is a short form standing for Verband der Automobilindustrie. It is a German association of automotive industry.

The bright spot remains the sales of electric cars. The number hits a new high last year at just over 3 million units (see table below). Analysts attribute part of the rise in electric cars to subsidies introduced in some countries to stimulate demand during the COVID-19 crisis, such as the $8,550 (€7,000) discount on offer to electric car buyers in France. In Norway, electric car drivers enjoy a 90% discount on road tax. In Hong Kong, our government has offered a "One-for-One Replacement" Scheme as well as a waiver for first registration tax up to HK$97,500. Across the world, car manufacturers are introducing new electric models in 2021 with improved range and performance. Key to the sales success of EVs is the price and performance of their batteries and both are improving.

Estimated plug-in electric light vehicle sales worldwide from 2015 to 2020 (in million units)



Outlook

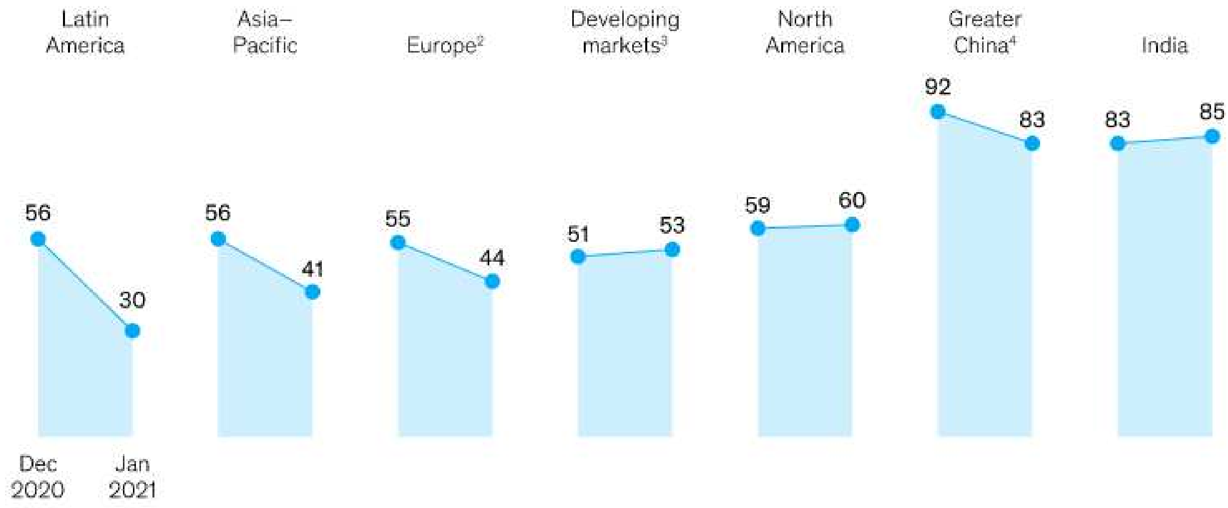
Since December last year, everyone was so grateful for the promised delivery of vaccine. Having a COVID-19 vaccine means an opportunity to not only protect ourselves, but also to protect our families and our communities. It was our belief that a wide scaled immunization is the best option to protect people from COVID-19, and as more people get vaccinated, we will be able to return to activities that haven't been possible during the pandemic. However, this optimistic view was tempered gradually due to the increasing number of death case and allergy warning issued around the world.

McKinsey has done surveys over economic expectation in December 2020 with a follow up in January 2021. Their conclusion is majorities of executives continue to believe that conditions in their home economies and in the global economy will improve over the next six months but yet their positivity has moderated since the previous survey ie December.

Exhibit 2

In several regions, economic sentiment has taken a negative turn since December.

% of respondents expecting improved economic conditions in their countries, next 6 months,[1] region by office



Although investment confidence will definitely pick up in 2021, in our view, it will be moderate. It is clear that the pandemic of 2020 has given rise to a cycle of low growth. Through our R&D efforts over the past years, we have accumulated a wide range of equipment designs which offer a better uniformity and yield rate. We will continue to invest in R&D in the coming years to provide innovative solutions and groundbreaking experiences to industrial and business end users. In addition, given that the COVID-19 pandemic will continue into year 2021, we will adopt all precautionary measures we have applied in 2020 to provide a safe working environment for our staff.

PROPERTY DEVELOPMENT

Property Re-development Plan in Longhua

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

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

In accordance with the terms agreed in the Second Revised Supplemental Agreement A, the Group will receive a total of RMB 2.75 billion. As of the date of this announcement, the Group has already received RMB 1.2 billion and will further receive RMB 0.8 billion in year 2022 and RMB 0.75 billion in year 2023.

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 2021.

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

MATERIAL ACQUISITION AND DISPOSAL

The Group has not entered any material transaction during the Period Under Review.

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 KTFG, 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 “2016 Loan Facility Agreement”).

On 21 October 2019, the Group entered into a loan facility agreement ("2019 Loan Facility Agreement") with KTFG, pursuant to which the Group has agreed to renew the unsecured revolving loan facility of HK$130,000,000 with the same terms as the 2016 Loan Facility Agreement for three years ending on 20 October 2022.

As the KTFG 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 KTFG 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 25% but less than 100%, the entering into of the 2019 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 24 October 2019 and the 2019 Loan Facility Agreement was approved by the independent shareholders of the Company in the said meeting.

As at 31 December 2020, a loan of approximately HK$55,500,000 (31 December 2019: approximately HK$49,000,000) was drawn by KTFG in accordance with the terms of the 2019 Loan Facility Agreement. The average effective interest rate, which is equal to contractual interest rate, is 5% (31 December 2019: 5%) per annum.

Pursuant to Rule 14A.55 of the Listing Rules, both the 2016 Loan Facility Agreement and 2019 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 both the 2016 Loan Facility Agreement and 2019 Loan Facility Agreement :

(i) had received the approvals of the Board;
(ii) had been entered into in accordance with the relevant agreements governing the 2019 Loan Facility Agreement; and
(iii) had not exceeded the caps disclosed in the previous circulars of the Company dated 20 December 2016 and 27 September 2019.

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.

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 2020, the Group had equity attributable to owners of the Company of approximately HK$2,113,226,000 (31 December 2019: HK$1,862,691,000). The gearing ratio was nil (31 December 2019: nil). The gearing ratio is calculated by dividing the aggregate amount of bank borrowings and other interest-bearing loans over the amount of equity attributable to the equity holders of the Company.

As at 31 December 2020, the Group had approximately HK$991,722,000 of cash on hand (31 December 2019: HK$125,160,000).

As at 31 December 2020, the Group pledged deposits of HK$159,000 (31 December 2019: HK HK$159,000) 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 2019: HK$102,300,000). Out of the facilities available, the Group has utilized (i) approximately HK$159,000 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 2020 (31 December 2019: HK$1,180,000) and (ii) approximately HK$9,226,000 for the issuance of import letters of credit to suppliers (31 December 2019: HK$4,624,000).

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 2020, the Company had guarantees of approximately HK$137,500,000 (31 December 2019: HK$137,500,000) to banks in respect of banking facilities granted to subsidiaries of the Company. The amount utilized by the subsidiaries was approximately HK$9,385,000 (31 December 2019: HK$6,379,000).

Pledge of Assets

As at 31 December 2020, apart from the cash of HK$159,000 (31 December 2019: HK$159,000) 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 2019: nil).

Capital Commitment

As at 31 December 2020, the Group did not have any significant capital commitment (31 December 2019: nil).

Employee and Remuneration Policies

As at 31 December 2020, the Group employs a total of 492 employees (31 December 2019: 538), including 36 employees (31 December 2019 : 37) hired by our associated company (31 December 2019: 37). Total staff cost including payments to directors for the Period Under Review was approximately HK$135,152,000 (the Previous Period: approximately HK$164,402,000). 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.

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

- Meetings will be conducted electronically
- Physical assess to our premises will be conditional on satisfying current health criteria
- All non-essential business travel has ceased
- Allow most of the staff to work-from-home
- Staff who work in office are exercising social distancing
- Monitor the evolving landscape and conditions as they unfold
- Analyse the facts before us and implement policies and actions appropriate to the conditions in the best interest of our clients, staff and the group.

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

FINAL DIVIDEND

The Board has recommended the payment of a final dividend of HK$0.02 (2019: HK$0.02) per share for the Period Under Review. Subject to the approval from the shareholders at the forthcoming Annual General Meeting, the proposed final dividend is expected to be paid on or before 30 July 2021 to shareholders whose names appear on the Register of Members of the Company on 28 June 2021.

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 2020 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 2020, the Audit Committee met twice considering the annual results of the Group for the financial year ended 31 December 2019 and the interim results of the Group for the 6 months ended 30 June 2020, 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 2020 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 2020.

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 2020.

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 2020 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.

CLOSURE OF REGISTER OF MEMBERS

1. Book Close for determining the entitlement to attend and vote at the annual general meeting

   The Register of Members of the Company will be closed from Friday, 18 June 2021 to Wednesday, 23 June 2021, both days inclusive. In order to qualify for attending and voting at the 2021 AGM, all transfer documents should be lodged for registration with the Company's share registrars and transfer office, Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Thursday, 17 June 2021 (Hong Kong time), being the last share registration date.

2. Book Close for determining the qualification for the proposed final dividend

   The Register of Members of the Company will be closed from Tuesday, 29 June 2021 to Friday, 2 July 2021, both days inclusive. In order to qualify for the final dividend (if approved), all transfer documents should be lodged for registration with the Company's share registrars & transfer office, Tricor Secretaries Limited, at the above address for registration no later than 4:30 p.m. on Monday, 28 June 2021 (Hong Kong time), being the last share registration date. The payment of final dividend (if approved) will be scheduled on or before Friday, 30 July 2021.

ANNUAL GENERAL MEETING

The forthcoming Annual General Meeting of the Company will be held on Wednesday, 23 June 2021. Further announcement(s) and/or circular 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 2020 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, 30 March 2021

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*