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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)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

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 2021 (“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 2021

| | <u>NOTES</u> | <u>2021</u> HK\$'000 | <u>2020</u> HK\$'000 |
|---|--------------|-------------------------|-------------------------|
| Revenue - contracts with customers | 4 | 364,634 | 335,097 |
| Cost of sales | | <u>(327,901)</u> | <u>(277,307)</u> |
| Gross profit | | 36,733 | 57,790 |
| Other gains and losses | 5 | 3,398 | (10,465) |
| Other income | | 273,714 | 305,409 |
| Selling and distribution costs | | (9,762) | (9,940) |
| Administrative expenses | | (60,261) | (114,243) |
| (Impairment losses) reversals of impairment losses under expected credit loss model, net | | (1,320,614) | 18,590 |
| Finance costs | 6 | (3,442) | (3,123) |
| Share of results of associates | | <u>-</u> | <u>(1,306)</u> |
| (Loss) profit before taxation | | (1,080,234) | 242,712 |
| Taxation | 7 | <u>241,634</u> | <u>(102,518)</u> |
| (Loss) profit for the year | 8 | <u>(838,600)</u> | <u>140,194</u> |

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

FOR THE YEAR ENDED 31 DECEMBER 2021

| | <u>NOTE</u> | <u>2021</u> HK\$'000 | <u>2020</u> HK\$'000 |
|---|-------------|-------------------------|-------------------------|
| Other comprehensive income | | | |
| <i>Item that will not be reclassified subsequently to profit or loss:</i> | | | |
| Reversal of revaluation of a property, net of tax effect | | - | (5,912) |
| <i>Items that may be reclassified subsequently to profit or loss:</i> | | | |
| Exchange difference arising on translation of foreign operations | | | |
| - subsidiaries | | 57,345 | 130,008 |
| - associate | | - | 447 |
| | | <u>57,345</u> | <u>130,455</u> |
| Other comprehensive income for the year | | <u>57,345</u> | <u>124,543</u> |
| Total comprehensive (expense) income for the year | | <u>(781,255)</u> | <u>264,737</u> |
| (Loss) profit for the year attributable to: | | | |
| Owners of the Company | | (838,547) | 138,772 |
| Non-controlling interests | | (53) | 1,422 |
| | | <u>(838,600)</u> | <u>140,194</u> |
| Total comprehensive (expense) income for the year attributable to: | | | |
| Owners of the Company | | (781,230) | 263,329 |
| Non-controlling interests | | (25) | 1,408 |
| | | <u>(781,255)</u> | <u>264,737</u> |
| (Loss) earnings per share | 9 | | |
| Basic | | <u>(HK\$1.97)</u> | <u>HK\$0.33</u> |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2021

| | <u>NOTES</u> | <u>2021</u> HK\$'000 | <u>2020</u> HK\$'000 |
|---------------------------------------|--------------|-------------------------|-------------------------|
| Non-current assets | | | |
| Property, plant and equipment | | 46,843 | 15,612 |
| Right-of-use assets | | 5,261 | 4,806 |
| Deferred Consideration | 10 | - | 1,333,432 |
| Loans receivable | 11 | 8,769 | 64,210 |
| Investments in debt instruments | | 33,044 | - |
| Interests in associates | | - | - |
| Deferred tax assets | | 729 | 894 |
| | | <u>94,646</u> | <u>1,418,954</u> |
| Current assets | | | |
| Inventories | | 33,074 | 38,595 |
| Deferred Consideration | 10 | 283,129 | 220,528 |
| Loans receivable | 11 | 48,068 | 9,234 |
| Contract assets | | 83,939 | 66,034 |
| Debtors and prepayments | 12 | 90,342 | 91,567 |
| Held for trading investments | | 26,765 | 32,870 |
| Amounts due from associates | | 66 | 50 |
| Taxation recoverable | | 1,251 | 3 |
| Pledged bank deposits | | - | 159 |
| Bank deposits | | 755,203 | - |
| Bank balances and cash | | 459,447 | 991,563 |
| | | <u>1,781,284</u> | <u>1,450,603</u> |
| Current liabilities | | | |
| Creditors and accrued charges | 13 | 172,286 | 200,555 |
| Other payables | | 201,000 | - |
| Warranty provision | | 14,956 | 16,621 |
| Contract liabilities | | 30,887 | 39,025 |
| Lease liabilities | | 8,984 | 8,393 |
| Taxation payable | | 4,418 | 4,539 |
| | | <u>432,531</u> | <u>269,133</u> |
| Net current assets | | <u>1,348,753</u> | <u>1,181,470</u> |
| Total assets less current liabilities | | <u><u>1,443,399</u></u> | <u><u>2,600,424</u></u> |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)*AT 31 DECEMBER 2021*

| | <u>NOTE</u> | <u>2021</u> HK\$'000 | <u>2020</u> HK\$'000 |
|--|-------------|-------------------------|-------------------------|
| Capital and reserves | | | |
| Share capital | | 4,265 | 4,265 |
| Reserves | | <u>1,314,937</u> | <u>2,108,961</u> |
| Equity attributable to owners of the Company | | 1,319,202 | 2,113,226 |
| Non-controlling interests | | <u>32</u> | <u>57</u> |
| Total equity | | <u>1,319,234</u> | <u>2,113,283</u> |
| Non-current liabilities | | | |
| Accrued charges | 13 | 41,352 | 67,145 |
| Warranty provision | | 1,298 | 2,255 |
| Deferred tax liabilities | | <u>81,515</u> | <u>417,741</u> |
| | | <u>124,165</u> | <u>487,141</u> |
| | | <u>1,443,399</u> | <u>2,600,424</u> |

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 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 2021 for the preparation of the consolidated financial statements:

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared on the historical cost basis except for certain buildings and financial instruments 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

| | <u>2021</u> HK\$'000 | <u>2020</u> 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 | 211,856 | 216,812 |
| - Surface Finishing | 61,998 | 55,047 |
| | 273,854 | 271,859 |
| Sale of spare parts of electroplating machinery | 8,521 | 8,477 |
| Provision of services - repairs, maintenance and modification | 82,259 | 54,761 |
| Total | <u>364,634</u> | <u>335,097</u> |
| | | |
| | <u>2021</u> HK\$'000 | <u>2020</u> HK\$'000 |
| Timing of revenue recognition | | |
| A point in time | 8,521 | 8,477 |
| Over time | 356,113 | 326,620 |
| Total | <u>364,634</u> | <u>335,097</u> |

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 (loss) profit before taxation is as follows:

| | Electroplating equipment | |
|---|-----------------------------|----------------|
| | <u>2021</u> | <u>2020</u> |
| | HK\$'000 | HK\$'000 |
| Segment revenue | <u>364,634</u> | <u>335,097</u> |
| Segment loss | (38,427) | (15,182) |
| Intra-group management fee charged to operating segment | 4,551 | 5,036 |
| Certain other income | 271,197 | 297,915 |
| Central corporate expenses | (28,298) | (31,105) |
| Adjustment on provision for performance related incentive payments | 30,975 | (25,345) |
| (Impairment losses) reversals of impairment losses for loans receivable and Deferred Consideration under ECL model, net | (1,320,866) | 18,856 |
| Imputed interest on non-current portion of provision for performance related incentive payments | (3,182) | (2,931) |
| Certain other gains and losses | <u>3,816</u> | <u>(4,532)</u> |
| (Loss) profit before taxation | <u>(1,080,234)</u> | <u>242,712</u> |

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 of the annual report. Segment loss represents the gross profit of the electroplating equipment segment, other income and expenses directly attributable to the segment activity (including intra-group management fee) and share of results of associates but excluding other income (including interest income from loans receivable, imputed interest income of Deferred Consideration, unallocated interest income and sundry income), central corporate expenses including auditor's remuneration and directors' emoluments, impairment losses (reversal of impairment losses) for loans receivable and Deferred Consideration under ECL model, net, adjustment on provision for performance related incentive payments, 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). This is the measure reported to the chief operating decision maker in order to assess segment performance.

5. OTHER GAINS AND LOSSES

| | <u>2021</u> HK\$'000 | <u>2020</u> HK\$'000 |
|--|-------------------------|-------------------------|
| Net change in fair value of held-for-trading investments | 817 | (4,532) |
| Net exchange gain (loss) | 2,714 | (5,923) |
| Loss on disposal of property, plant and equipment | (133) | (20) |
| Others | - | 10 |
| | <u>3,398</u> | <u>(10,465)</u> |

6. FINANCE COSTS

| | <u>2021</u> HK\$'000 | <u>2020</u> HK\$'000 |
|---|-------------------------|-------------------------|
| Interest on lease liabilities | 237 | 192 |
| Imputed interest on non-current portion of provision for performance related incentive payments | 3,182 | 2,931 |
| Others | 23 | - |
| | <u>3,442</u> | <u>3,123</u> |

7. TAXATION

| | <u>2021</u> HK\$'000 | <u>2020</u> HK\$'000 |
|------------------------------|-------------------------|-------------------------|
| Hong Kong taxation | - | - |
| PRC Enterprise Income Tax | | |
| Charge for the year | 59,718 | 277,472 |
| Overprovision in prior years | - | (43) |
| PRC withholding tax | <u>45,390</u> | <u>-</u> |
| | 105,108 | 277,429 |
| Deferred tax credit | <u>(346,742)</u> | <u>(174,911)</u> |
| | <u>(241,634)</u> | <u>102,518</u> |

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years. No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the group entities subjected to Hong Kong Profits Tax have no assessable profits for both years.

PRC Enterprise Income Tax is calculated at 25% of the assessable profits of the entities established in the PRC. Withholding tax is levied on distribution of profits earned by PRC entities for profits generated after 1 January 2008 at rate of 5% for Hong Kong resident companies, which are the beneficial owners of the dividend received.

8. (LOSS) PROFIT FOR THE YEAR

| | <u>2021</u> HK\$'000 | <u>2020</u> HK\$'000 |
|---|-------------------------|-------------------------|
| (Loss) profit for the year has been arrived at after charging (crediting): | | |
| Auditor's remuneration | 1,400 | 1,400 |
| Cost of inventories recognised as expenses (including allowance for slow moving inventories of approximately HK\$1,062,000 (2020: HK\$976,000)) | 190,730 | 178,513 |
| Depreciation of property, plant and equipment | 4,885 | 5,817 |
| Depreciation of right-of-use assets | 8,487 | 8,772 |
| Staff costs: | | |
| Directors' fee | 300 | 300 |
| Directors' salaries, other benefits and performance related incentive payments | 13,200 | 13,200 |
| Adjustments on provision for performance related incentive payments | (30,975) | 25,345 |
| Salaries and allowances | 101,453 | 94,603 |
| Contributions to retirement benefits schemes | 1,655 | 1,704 |
| | 85,633 | 135,152 |
| Impairment losses (reversals of impairment losses) for financial assets and contract assets, net: | | |
| - Trade debtors | (451) | 261 |
| - Contract assets | 199 | 5 |
| - Loans receivable | 599 | 4,253 |
| - Deferred Consideration | 1,320,267 | (23,109) |
| | 1,320,614 | (18,590) |
| Interest income from financial assets at amortised cost (included in other income): | | |
| Interest income from loans receivable | (3,763) | (3,837) |
| Imputed interest income of Deferred Consideration | (244,341) | (279,801) |
| Interest earned on bank deposits | (19,945) | (11,509) |
| | (268,049) | (295,147) |
| Dividend income (included in other income) | (1,852) | (1,229) |
| Government grants (included in other income) | (1,790) | (7,267) |
| | <u> </u> | <u> </u> |

9. (LOSS) EARNINGS PER SHARE

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

| | <u>2021</u> HK\$'000 | <u>2020</u> HK\$'000 |
|--|-------------------------|-------------------------|
| (Loss) profit for the year attributable to owners of the Company | <u>(838,547)</u> | <u>138,772</u> |
| Number of ordinary shares | <u>426,463,400</u> | <u>426,463,400</u> |

No diluted (loss) 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 with an independent third party (the "Counterparty") 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 from industrial land into residential properties for resale. The Group has undertaken a series of negotiations with the Counterparty on the settlement scheme. On 28 June 2019 and 9 September 2019, the negotiation was finalised and the Group is offered a guaranteed cash consideration of RMB2.75 billion (equivalent to approximately HK\$3.1 billion) payable by six tranches which will be due within on or before 6 January 2020 to on or before 5 January 2023. The Deferred Consideration is measured at amortised cost using the effective interest method, less any impairment. As at 31 December 2021, the outstanding instalment payments amounted to RMB400,000,000, RMB400,000,000 and RMB750,000,000 which are repayable on or before 5 January 2022, 5 July 2022 and 5 January 2023 respectively.

In December 2021, the Group was notified by the Counterparty that the repayment of the first two remaining instalments of an aggregate amount of RMB800,000,000 is expected to be delayed. Pursuant to an agreement dated 31 December 2021, the related company of the Counterparty has agreed to deposit an amount of HK\$200,000,000 to the Group as security to the Counterparty's repayment obligations. Such security will be applied as partial settlement of the Deferred Consideration if the Counterparty has not fully settled the said RMB800,000,000 by 30 November 2022. If the said RMB800,000,000 is settled in full before 30 November 2022, the Group is obliged to refund the HK\$200,000,000 security to the Counterparty three working days after the receipt of the outstanding instalment payments. There are no other changes to the terms of the agreement or settlement scheme including the repayment terms and the late payment penalty terms, in which the Group is entitled to charge RMB50,000 per day for the first six months from the date of default and RMB100,000 per day for the seventh month to twelve month from the date of default. At 31 December 2021, the Group has received HK\$200,000,000, and such amount is included in "other payables" on the consolidated statement of financial position.

During the year ended 31 December 2021, the Group received the settlement of RMB200,000,000 (approximately HK\$237,631,000) and impairment losses under expected credit loss model (net of reversal) of approximately HK\$1,320,267,000 (net impairment) (2020: HK\$23,109,000 (net reversal)) is recognised in profit or loss. Details of the impairment assessment of Deferred Consideration are set out in note 34 of the annual report. Imputed interest income of approximately HK\$244,341,000 (2020: HK\$279,801,000) is recognised as other income in profit or loss during the current year.

11. LOANS RECEIVABLE

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

| | <u>2021</u> HK\$'000 | <u>2020</u> HK\$'000 |
|---|-------------------------|-------------------------|
| Repayable within one year (notes a and b) | 50,500 | 13,000 |
| Repayable after one year (note c) | 12,992 | 66,500 |
| Less: Impairment losses under ECL model | (6,655) | (6,056) |
| | <u>56,837</u> | <u>73,444</u> |
| Analysed for reporting purposes as: | | |
| Current | 48,068 | 9,234 |
| Non-current | <u>8,769</u> | <u>64,210</u> |
| | <u>56,837</u> | <u>73,444</u> |

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 Wisdom Wealth Resources Investment Holding Group Limited ("Wisdom Wealth Resources"). Mr. Lam Kwok Hing, an executive director and the ultimate controlling shareholder of the Company, and Mr. Nam Kwok Lun, an executive director of the Company who has an indirect interest in the Company, are the directors of Wisdom Wealth Resources. 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 2021, a loan of approximately HK\$36,000,000 (2020: HK\$55,500,000) 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% (2020: 5%) per annum.
- (b) A loan amounted approximately HK\$14,500,000 (2020: HK\$11,000,000) as at 31 December 2021 was granted under a revolving loan facility agreement of approximately HK\$20,000,000 with an independent third party as entered in May 2020. The loan bears interest at HSBC Prime Rate plus 3% per annum for the first HK\$3,500,000 and HSBC Prime Rate beyond HK\$3,500,000 and secured by a first mortgage of a property as provided by the borrower. The amount is repayable in full in 2022.

11. LOANS RECEIVABLE (CONTINUED)

Notes: (continued)

- (c) A loan amounted approximately HK\$13,000,000 was granted under a loan agreement with an independent third party as entered in December 2020 with outstanding principal amount of HK\$12,992,000 (2020: HK\$13,000,000) at 31 December 2021. 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. During the current year, the Group has re-negotiated the terms of this loan and the loan is to be repayable in full in December 2025 with the interest rate revised to HSBC Prime Rate for the portion of HK\$6,500,000 and 2.2% per annum for the remaining portion. The borrower also provided an additional cash security of HK\$1,000,000 and such amount is included as "other payable" on the consolidated statement of financial position.

As at 31 December 2021, impairment losses under ECL model of loans receivable of HK\$6,655,000 (2020: HK\$6,056,000) are recognised.

12. DEBTORS AND PREPAYMENTS

| | <u>2021</u> HK\$'000 | <u>2020</u> HK\$'000 |
|--|-------------------------|-------------------------|
| Trade debtors from contracts with customers | 63,174 | 82,054 |
| Less: Allowance for credit losses | (516) | (11,595) |
| | <u>62,658</u> | <u>70,459</u> |
| Rental and utilities deposits | 2,922 | 3,061 |
| Deposits paid for purchases of raw materials | 8,504 | 6,868 |
| Deposits paid for subcontracting costs | 7,653 | - |
| Other tax receivables | 1,223 | 3,393 |
| Other debtors and prepayments | 7,382 | 7,786 |
| | <u>90,342</u> | <u>91,567</u> |

The following is an ageing analysis of trade debtors net of allowance for credit losses presented based on the invoice date at the end of the reporting period, which is 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:

| | <u>2021</u> HK\$'000 | <u>2020</u> HK\$'000 |
|----------------|-------------------------|-------------------------|
| 0 - 60 days | 57,147 | 67,284 |
| 61 - 120 days | 3,215 | 1,757 |
| 121 - 180 days | 772 | 875 |
| Over 180 days | 1,524 | 543 |
| | <u>62,658</u> | <u>70,459</u> |

13. CREDITORS AND ACCRUED CHARGES

| | <u>2021</u> HK\$'000 | <u>2020</u> HK\$'000 |
|--|-------------------------|-------------------------|
| Trade creditors | 89,930 | 116,061 |
| Accrued staff costs | 16,265 | 12,307 |
| Commission payables to sales agents | 18,794 | 16,457 |
| Payment for acquisition of bond investments | 12,201 | - |
| Provision for performance related incentive payments (note) | 58,745 | 101,538 |
| Other creditors and accrued charges for operating costs | 17,703 | 21,337 |
| | <u>213,638</u> | <u>267,700</u> |
| Less: Non-current portion of provision for performance related incentive payments (note) | (41,352) | (67,145) |
| | <u>172,286</u> | <u>200,555</u> |

Note: As at 31 December 2021, the current and non-current portion of accrued charges of approximately HK\$12,393,000 and HK\$33,256,000 respectively (2020: HK\$30,639,000 and HK\$53,387,000 respectively) represents the provision of performance bonus to the executive directors of the Company. An imputed interest expense of approximately HK\$2,598,000 (2020: HK\$2,931,000) is charged to profit or loss during the current year.

As at 31 December 2021, apart from the above provision of performance bonus to the executive directors of the Company, the current and non-current portion of accrued charges of approximately HK\$5,000,000 and HK\$8,096,000 respectively (2020: HK\$3,754,000 and HK\$13,758,000 respectively) represents the provision of special bonus to the certain management of the Group as detailed in note 11 of the annual report. An imputed interest expense of approximately HK\$584,000 (2020: nil) is charged to profit on loss during the current year.

The following is an ageing analysis of trade creditors presented based on invoice date as at the end of the reporting period:

| | <u>2021</u> HK\$'000 | <u>2020</u> HK\$'000 |
|----------------|-------------------------|-------------------------|
| 0 - 60 days | 53,240 | 48,243 |
| 61 - 120 days | 22,133 | 30,833 |
| 121 - 180 days | 6,829 | 31,649 |
| Over 180 days | 7,728 | 5,336 |
| | <u>89,930</u> | <u>116,061</u> |

The average credit period on purchase of goods is 60 - 180 days. (2020: 60 - 180 days).

Chairman's Statement and Management Discussions

FINANCIAL RESULTS

During the year ended 31 December 2021 ("the Period Under Review"), the Group recorded loss attributable to owners of the Company of approximately HK\$838,547,000 compared to the profit attributable to owners of the Company of approximately HK\$138,772,000 for the year ended 31 December 2020 ("the Previous Period"). The significant decrease in Group's (loss) profit attributable to owners of the Company during the Period Under Review was primarily due to (i) decrease in gross profit of approximately HK\$21,057,000 from approximately HK\$57,790,000 in the Previous Period to approximately HK\$36,733,000 in the Period Under Review and (ii) net loss 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 19).

The basic loss per share for the Period Under Review was HK\$1.97 compared to the basic earnings per share of HK\$0.33 of the Previous Period.

FINANCIAL REVIEW

Revenue

The revenue for the Period Under Review was more or less the same as the Previous Period and was approximately HK\$364,634,000 or 8.8% more than the Previous Period.

In terms of business segment, approximately 77.4% of the revenue was generated from PCB sector (the Previous Period: approximately 79.8%), and approximately 22.6% came from surface finishing sector (the Previous Period: approximately 20.2%).

In terms of the machines geographical installation base, the revenue composition during the Period Under Review was 60.3% machine values were installed in PRC (the Previous Period: 62.8%), 12.4% in Taiwan (the Previous Period: 11.2%), 11.4% in the USA (the Previous Period: 5.9%), 4.3% in the Macedonia (the Previous Period: 7.3%), 3.5% in Vietnam (the Previous Period: nil), 2.0% in the United Kingdom (the Previous Period: 0.2%), 1.6% in Mexico (the Previous Period: 1.7%), and 4.5% in rest of the world (the Previous Period: 10.9%).

Gross Profit

Due to price pressure from customer and increase in material cost because of inflation, gross profit was 10.1% which was lower than the Previous Period (approximately 17.2%).

Other gains and losses of approximately HK\$3,398,000

This represented (a) Net change in realized and unrealized fair value gain of held-for-trading investments was approximately HK\$817,000 (the Previous Period: loss of HK\$4,532,000) (b) net exchange gain of approximately HK\$2,714,000 (the Previous Period: loss of HK\$5,923,000).

(a) Net change in realized and unrealized fair value gain of held-for-trading investments was approximately HK\$817,000 (the Previous Period: loss of HK\$4,532,000)

All held-for-trading investments were recorded at fair value as at 31 December 2021 and represented listed securities in Hong Kong. The gain of approximately HK\$817,000 represents fair value gain of investments held for trading, as a result of mark to market valuations as at the balance sheet date.

Below are information of the Group's held-for-trading investments as at 31 December 2021:

| Company Name / Stock Code | % of Shareholding as at 31 December 2021 | Fair value change HK\$'000 | Fair value as at 31 December 2021 HK\$'000 | % of Total Assets of the Group as at 31 December 2021 | Fair value as at 31 December 2020 HK\$'000 | % of Total Assets of the Group as at 31 December 2020 |
|--|---|----------------------------------|--|--|---|---|
| Shanghai Industrial Urban Development Group Ltd. (563) | 0.26% | (755) | 9,567 | 0.51% | 10,322 | 0.36% |
| Q P Group Holdings Ltd. (1412) | 1.59% | 2,712 | 10,423 | 0.56% | 7,711 | - |
| South China Holdings Company Ltd (413) | 0.20% | (1,888) | 2,157 | 0.12% | 4,045 | 0.27% |
| Orient Victory Travel Group Company Ltd. (265) | 0.38% | (728) | 2,329 | 0.12% | 3,057 | 0.11% |
| South China Assets Holdings Ltd. (8155) | - | (804) | - | - | 804 | 0.03% |
| Bonjour Holdings Ltd (653) | - | 1,746 | - | - | 5,176 | 0.18% |
| Others | | 534 | 2,289 | 0.12% | 1,755 | 0.05% |
| Total | | <u>817</u> | <u>26,765</u> | <u>1.43%</u> | <u>32,870</u> | <u>1.14%</u> |

(b) net exchange gain of approximately HK\$2,714,000 (the Previous Period : loss of HK\$5,923,000)

The net exchange gain was mainly due to (i) the exchange gain of approximately HK\$9,056,000 arising from revaluation of RMB bank deposits and (ii) exchange loss of approximately HK\$5,829,000 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 2.9% 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\$273,714,000

This represented (a) interest arising from loan receivables of approximately HK\$3,763,000 (the Previous Period: HK\$3,837,000) (b) interest received from bank deposits of approximately HK\$19,945,000 (the Previous Period: HK\$11,509,000) (c) imputed interest income on Deferred Consideration of approximately HK\$244,341,000 (the Previous Period: approximately HK\$279,801,000).

(a) Interest 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 received interest income of approximately HK\$2,445,000 (the Previous Period: approximately HK\$3,050,000) from KTFG.

Besides the revolving loan facility with KTFG, the Group has also received interest income of approximately HK\$1,318,000 from other loans with independent third parties (the Previous Period: HK\$787,000).

(b) Interest received from bank deposits

Interest income from bank deposits was approximately HK\$19,945,000 (the Previous Period: HK\$11,509,000).

(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\$244,341,000 (the Previous Period: HK\$279,801,000).

Selling and Distribution Costs of approximately HK\$9,762,000

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 1.8% lower than the Previous Period. It was primarily due to reduced sales activities due to the COVID-19 pandemic.

Administrative expenses of approximately HK\$60,261,000

The administrative expenses for the Period Under Review was 47.3% lower than the Previous Period. It was mainly due to (a) reversal of provision for performance related incentive payments payable to executive directors of the Group, and (b) increase in general expenses.

(a) Reversal of 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.

As disclosed in the announcement issued by the Company on 31 December, 2021, the Group is expecting a delay in receiving certain guaranteed cash consideration in relation to the Longhua Project. Apart from incurring an impairment loss which is explained below, for the Period Under Review, reversal of provision for performance related incentive payments of approximately HK\$30,975,000 (the Previous Period: provision of HK\$6,633,000) was made.

In the Previous Period, the Group has made a special bonus provision of approximately HK\$18,712,000 for certain management staff of the Group for their past contribution to the Re-development Plan (as defined in note 10). No such provision was made in the Period Under Review.

(b) Increase in general expenses

After taking out the reversal of provision for performance related incentive payments as disclosed above, the remaining administrative expenses was approximately HK\$91,236,000 was 2.6% higher than the Previous Period (the Previous Period : HK\$88,898,000).

As a benchmark, the average inflation rates in China and Hong Kong for 2021 were 0.9%¹ and 1.6%² respectively.

(Impairment losses) reversals of impairment losses under expected credit loss model, net

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

| | Year ended 31 December | |
|------------------------|------------------------|------------------|
| | 2021 HK\$'000 | 2020 HK\$'000 |
| Trade debtors | 451 | (261) |
| Contract assets | (199) | (5) |
| Loans receivable | (599) | (4,253) |
| Deferred Consideration | (1,320,267) | 23,109 |
| | (1,320,614) | 18,590 |

The Group recognized an impairment loss of approximately HK\$1,320,267,000 (the Previous Period : a net reversal of impairment losses of approximately HK\$23,109,000) for Deferred Consideration. As disclosed in the announcement issued by the Company on 31 December 2021, the Group was notified by the Counterparty that the repayment of the next two remaining instalments of an aggregate amount of RMB800,000,000 is expected to be delayed.

Finance cost of approximately HK\$3,442,000

This represented mainly the imputed interest expenses on non-current portion of provision of performance related incentive payments of approximately HK\$3,182,000 (the Previous Period: HK\$2,931,000) and the interest expenses on lease liabilities of approximately HK\$237,000 (the Previous Period: HK\$192,000).

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

Net tax credit of approximately HK\$241,634,000 (the Previous Period: net tax charge of HK\$102,518,000) represented mainly taxes paid and to be paid by our wholly-owned subsidiaries in China and Taiwan.

- (a) As the Group recorded a loss in relation to the Longhua Project before tax approximately HK\$1,028,253,000 (the Previous Period: profit of HK\$285,011,000), the Group recorded a corresponding estimated tax credit of approximately HK\$268,981,000 (the Previous Period : tax charge of HK\$75,728,000); and

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.

(b) PRC withholding tax of HK\$28,066,000 (the Previous Period: HK\$26,495,000) was recognized for the dividend declared and intended to be declared by the Group from a PRC subsidiary. The funding comes from receipt in relation to the Longhua Project.

Net (loss) 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 | |
|---|------------------------|------------------|
| | 2021 HK\$'000 | 2020 HK\$'000 |
| Under "Other Income" – Imputed interest income on Deferred Consideration | 244,341 | 279,801 |
| Under "Other Income" – Interest earned on bank deposits | 19,880 | 10,377 |
| Under "Administrative expenses" – Reversal / (Provision) for directors' and special management bonus | 30,975 | (25,345) |
| Under "Finance costs" – Imputed interest on non-current portion of provision for performance related incentive payments | (3,182) | (2,931) |
| Under "Impairment loss under expected credit loss model, net of reversal" – Impairment loss for Deferred Consideration | (1,320,267) | 23,109 |
| Under "Taxation" | 240,915 | (102,223) |
| | | |
| Net (loss) gain in relation to the Longhua Project | (787,338) | 182,788 |

Exchange difference arising on translation of foreign operation of approximately HK\$57,345,000

This represented mainly the exchange difference arising on translation of operations in the PRC due to the appreciation in RMB (of approximately HK\$24,353,000) and revaluation of Deferred Consideration and corresponding deferred tax liability (of approximately HK\$32,044,000). 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 2021, a loan of approximately HK\$36,000,000 (31 December 2020: approximately HK\$55,500,000) was drawn by KTFG in accordance with the terms of the 2019 Loan Facility Agreement. The average effective interest rate, which is equal to contractual interest rate, is 5% (the Previous Period: 5%) per annum.

As reported in above, the total interest earned in relation to above loan was approximately HK\$2,445,000 (the Previous Period: approximately HK\$3,050,000).

Besides the revolving loan facility with KTFG, the Group has granted a few loans with independent third parties bearing interest between 2.2% to 8.0% per annum and the Group has received interest income of approximately HK\$1,318,000 from these loans during the Period Under Review (the Previous Period: HK\$787,000).

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

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

| | As at 31/12/2021 HK\$'000 | As at 31/12/2020 HK\$'000 |
|---|---------------------------------|---------------------------------|
| Principal outstanding repayable within one year | 50,500 | 13,000 |
| Principal outstanding repayable after one year | 12,992 | 66,500 |
| Less impairment loss allowance | (6,655) | (6,056) |
| Net carrying amount | 56,837 | 73,444 |
| | | |
| Analysed for reporting purpose as: | | |
| Current | 48,068 | 9,234 |
| Non-current | 8,769 | 64,210 |
| | 56,837 | 73,444 |

Held-for-trading investments under current assets

As at 31 December 2021, the Company had held-for-trading investment in listed securities in Hong Kong with a market value of approximately HK\$26,765,000 (31 December 2020: approximately HK\$32,870,000), representing an investment portfolio of fourteen listed equities in Hong Kong. The Board acknowledges that the performance of the equities may be affected by the degree of volatility in the Hong Kong stock market and susceptible to other external factors that may affect their values. Accordingly, in order to mitigate possible financial risks related to the equities, the Board will continue to maintain a diversified investment portfolio across various segments of the market and also closely monitor the performance progress of its investment portfolio from time to time going forward.

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

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 2021 was HK\$172,286,000 which was approximately HK\$28,269,000 lower than the Previous Period. Please refer to note 13 of the financial information of this result announcement for more details. The decrease was mainly due to decrease in amount due to suppliers as less material was ordered in late 2021.

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\$41,352,000 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 tax of approximately HK\$80,786,000 under non-current assets and liabilities

The Group has recorded a deferred taxation of approximately HK\$70,782,000 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\$10,004,000 represented deferred tax liabilities recognized for accelerated tax depreciation of approximately HK\$45,000, revaluation of properties of approximately HK\$787,000, and withholding tax provision for dividend payable by a PRC subsidiary of approximately HK\$9,172,000.

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

Electroplating Equipment-Printed Circuit Boards (“PCB”) Sector

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

During the Period Under Review, the revenue in this business area decreased from HK\$216,812,000 in Previous Period to HK\$211,856,000, representing 2.3% drop. Out of this total revenue, from the perspective of installation location, nearly 61.7% were shipments made to PRC (78.0% in Previous Period) and 14.3% were shipments made to Taiwan (12.5% 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 Mar 2022, global sales of smartphones declined by 1.7% in the fourth quarter of 2021 while the annual sales in 2021 increased by 6% compared to a decline of 12.5% in year 2020.

Top 5 Smartphone Companies, Worldwide Shipments, Market Share, and Year-Over-Year Growth, Q4 2021 and full year (shipments in millions of units)

| Company | 4Q 2021 Shipment Volumes | 4Q 2021 Market Share | 2021 Shipment Volumes | 2020 Shipment Volumes | Year-Over-Year Change |
|--------------|--------------------------------|----------------------------|-----------------------------|-----------------------------|--------------------------|
| Samsung | 69.0 | +11.0% | 272.30 | 253.0 | +7.6% |
| Apple | 83.0 | +3.8% | 239.2 | 199.8 | +19.7% |
| Xiaomi | 44.8 | +3.2% | 189.3 | 145.8 | +29.8% |
| OPPO | 32.6 | -5.2% | 138.2 | 111.8 | +23.7% |
| Vivo | 29.1 | -10.6% | 136.01 | 107.4 | +26.7% |
| Others | 121.1 | -9.5% | 458.7 | 534.0 | -14.1% |
| Total | 379.5 | -1.7% | 1433.8 | 1351.8 | +6% |

Due to rounding, some figures may not add up precisely to the totals shown

Source: Gartner (March 2022)

Apple sold more smartphones than other companies in quarter four. The sales were mainly streamed from iPhone 13 series. Samsung and Xiaomi followed and they were the other two companies out of the top 5 to record a positive change in quarter four. Xiaomi recorded a significant growth on annual basis and remains as top 1 smartphone seller in India. According to the analysis of Gartner, the improved sales in year 2021 was mainly due to pent up demand in large markets such as India and China, opening of market places post lockdown, along with a lower base for comparison from 2020.

Bank on the improved sales of smartphones, most of our PCB customers recorded a handsome growth in revenue and profit as well and we were able to maintain the revenue in year 2021. However, due to appreciation of RMB and inflation, our cost of good sold has increased and hence a drop in 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 increased by 12.6% from approximately HK\$55,047,000 in the Previous Period to approximately HK\$61,998,000 for the Period Under Review. Out of this total revenue, from the perspective of installation location, nearly 43.7% were shipments made to PRC (6.4% in Previous Period) and 25.3% were shipments made to Macedonia (44.6% in Previous Period).

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

According to a report issued by VDA³, global car sales increased by 4% in year 2021, compared to a decline of 15% in year 2020. Same as smartphone, one of the reasons for the growth is a lower base of last year

| Region | 2021 | 2020 | % Change | 2019 | 2018 |
|------------------------------------|------------|------------|-------------|------------|------------|
| Europe (EU+EFTA+UK) | 11,774,900 | 11,961,200 | - 1.5% | 15,805,800 | 15,624,500 |
| Russia (light vehicles only) | 1,666,800 | 1,598,800 | + 4.3% | 1,759,500 | 1,800,600 |
| USA (light vehicles only) | 14,913,700 | 14,450,800 | + 3.1% | 16,965,200 | 17,215,200 |
| Japan | 3,675,700 | 3,810,000 | - 3.5% | 4,301,100 | 4,391,200 |
| Brazil (light vehicles only) | 1,977,100 | 1,954,800 | + 1.1% | 2,665,600 | 2,475,400 |
| India | 3,082,400 | 2,435,100 | + 26.7% | 2,962,100 | 3,394,700 |
| China | 21,090,200 | 19,790,000 | + 6.6% | 21,045,000 | 23,256,300 |
| COMBINED | 58,180,800 | 56,000,700 | + 3.9% | 65,504,300 | 68,157,900 |

China remained the best-performing car market in the world with sales grew by 6.6%. India was the fastest growing market but its overall vehicle market remained relatively small. New passenger vehicle registrations in Japan and Europe were weaker in 2021.

The geographical sales distribution from the VDA report mirrors, in some degree, to our sales activities in recent years. In year 2021, 43.7% of our revenue were shipments made to China and over 55% of our orders on hands are 2022 shipments to China.

The outlook for car sales in 2022 is positive although supply-chain shortages of especially semiconductors are likely to limit supply rather than demand.

Outlook

Year 2021 was a lurching year which began in hope, due to the introduction of vaccine, but was shuddered to a halt due to the unexpected spreading of Omicron. The number of infected cases suddenly surged to roof in a relatively short period of time. Various restrictive measures were re-imposed, including lockdown, and all these measures will inevitably hamper the recovery of economy and interrupt the supply chain. That is why we foresee that shortage of semi-conductors and various electronic components will continue, which in turns will affect the production of smartphones and car. The outbreak of the Russo-Ukrainian War has already driven energy and food prices higher and created macro uncertainty around the world. All in all, while we believe we will see a slight growth in global economy in year 2022 but it will be full of uncertainty and volatility. How to maintain a reasonable product cost and to meet the agreed delivery schedule with customers will be a great challenge in the coming year.

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 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 but at a very slow pace under a quiet market.

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.

Reference is made to the announcement issued by the Company on 31 December 2021. The Company was notified by the project company of the Longhua Project (the "Project Company") that it requests to postpone part of the guaranteed cash consideration for an amount of RMB 0.8 billion in accordance with the terms set out in the Second Revised Supplemental Agreement A. The payment delay was mainly caused by the delinquent debt collections from their group's customers, namely property developers. The Project Company has arranged in December 2021 to pay to the Group HK\$200 million as security for its repayment obligations. They have since paid default interest to the Group on time under the terms of the Agreements.

The National Bureau of Statistics of China has recently released the property price movement of all major cities in February 2022. First-tier cities such as Beijing, Shanghai, Guangzhou and Shenzhen recorded price increment of 0.6%, 0.5%, 0.6% and 0.4% only. Shenzhen has got the lowest price growth. It is envisaged that the expected cash inflow for most of the property developers remain relatively the same as in last two years. For the office market, there were mixed signals. On the one hand, the Shenzhen office market has recorded vacancy rates between 18%-22% in the fourth quarter of last year, which is the lowest rate in last two years. On the other hand, the average selling prices are dropping. A JLL report shows that there will be nearly 1.8 million square meters new office area to be introduced to the Shenzhen market in 2022. The oversupply situation will prompt a wait-and-see investment attitude. While the Project Company is working diligently on recovering its debts, we do believe that having regards to the current market situation and our on-going discussions with the Project Company, a little bit more of the time is required for them to formulate a repayment plan.

The Board will continue to monitor the market situation as well as to keep the dialogue with the Project Company going so as to secure a repayment plan which will be in the interest of the Company and its shareholders as a whole. The Board will inform the shareholders and potential investments by making further announcement(s) as and when appropriate in accordance with the Listing Rules.

MATERIAL ACQUISITION AND DISPOSAL

Reference is made to the announcement of the Company dated 7 May 2021 in relation to the acquisition of a property. The Group has acquired a property as a long-term investment at a consideration of HK\$35,500,000. The transaction was completed on July 2022.

Apart from disclosure as above, the Group has not entered any material transaction during the Period Under Review.

CONTROLLING SHAREHOLDER'S INTERESTS IN CONTRACTS OF SIGNIFICANCE

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

CONTINUING CONNECTED TRANSACTION

Reference is made to the announcement of the Company dated 31 October 2016 and the circular dated 20 December 2016 in relation to the provision of revolving loan (the "Revolving Loan").

On 31 October 2016 (after trading hours), PAL Finance Limited, an indirect wholly owned subsidiary of the Company (the "Lender"), entered into a loan facility agreement with 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 2021, a loan of approximately HK\$36,000,000 (31 December 2020: approximately HK\$55,500,000) was drawn by KTFG in accordance with the terms of the 2019 Loan Facility Agreement. The average effective interest rate, which is equal to contractual interest rate, is 5% (31 December 2020: 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 the continuing connected transactions:

- (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 2021, the Group had equity attributable to owners of the Company of approximately HK\$1,319,202,000 (31 December 2020: HK\$2,113,226,000). The gearing ratio was nil (31 December 2020: nil). The gearing ratio is calculated by dividing the aggregate amount of bank borrowings and other interest-bearing loans over the amount of equity attributable to the equity holders of the Company.

As at 31 December 2021, the Group had approximately HK\$1,214,650,000 of cash on hand (31 December 2020: HK\$991,563,000).

As at 31 December 2021, the Group pledged deposits of nil (31 December 2020: 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 2020: HK\$102,300,000). Out of the facilities available, the Group has utilized (i) nil 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 2021 (31 December 2020: HK\$159,000) and (ii) approximately HK\$4,605,000 for the issuance of import letters of credit to suppliers (31 December 2020: HK\$9,226,000).

Foreign Currency Risk

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

Contingent Liabilities

As at 31 December 2021, the Company had guarantees of approximately HK\$137,500,000 (31 December 2020: HK\$137,500,000) to banks in respect of banking facilities granted to subsidiaries of the Company. The amount utilized by the subsidiaries was approximately HK\$4,605,000 (31 December 2020: HK\$9,385,000).

Pledge of Assets

As at 31 December 2021, apart from the cash of nil (31 December 2020: 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 2020: nil).

Capital Commitment

As at 31 December 2021, the Group did not have any significant capital commitment (31 December 2020: nil).

Employee and Remuneration Policies

As at 31 December 2021, the Group employs a total of 455 employees (31 December 2021: 492), including 28 employees (31 December 2020 : 36) hired by our associated company. Total staff cost including payments to directors for the Period Under Review was approximately HK\$85,633,000 (the Previous Period: approximately HK\$135,152,000). 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 (2020: 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 25 July 2022 to shareholders whose names appear on the Register of Members of the Company on 4 July 2022.

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 2021 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 2021, the Audit Committee met twice considering the annual results of the Group for the financial year ended 31 December 2020 and the interim results of the Group for the 6 months ended 30 June 2021, 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 2021 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.

NOMINATION 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 2021.

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 2021.

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 2021 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

(i) For determining the entitlement to attend and vote at the annual general meeting

- Latest time to lodge all transfer documents for registration with Company's registrar At 4:30 p.m. on 16 June 2022 (Thu)
- Closure of Register of Members 17 June 2022 (Fri) to 23 June 2022 (Thu) (both dates inclusive)
- Record date 23 June 2022 (Thu)

(ii) For determining the qualification for the proposed final dividend

- Ex-dividend date 27 June 2022 (Mon)
-
- Latest time to lodge all transfer documents for registration with Company's registrar At 4:30 p.m. on 28 June 2022 (Tue)
-
- Closure of Register of Members 29 June 2022 (Wed) to 4 July 2022 (Mon) (both dates inclusive)
- Record date 4 July 2022 (Mon)
-
- Payment of dividend 25 July 2022 (Mon)

During the above closure periods, no transfer of shares will be registered. To be eligible to attend and vote at the annual general meeting, and to qualify for the final dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with Company's share registrars and transfer office, Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than the aforementioned latest time.

ANNUAL GENERAL MEETING

The forthcoming Annual General Meeting of the Company will be held on Wednesday, 23 June 2022. 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 2021 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, 31 March 2022

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*