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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)

INSIDE INFORMATION - UPDATE ON CREDIT ENHANCEMENT ARRANGEMENT

This announcement is made by Asia Tele-Net and Technology Corporation Limited (the “Company”, together with its subsidiaries as the “Group”) pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and Part XIVA of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the “SFO”).

References are made to the announcements of the Company dated 22 August 2011, 25 October 2013, 16 October 2014, 26 October 2015, 30 November 2015, 4 January 2017, 29 March 2017 and 28 June 2019 and the circulars of the Company dated 19 September 2011, 15 February 2017 and 27 September 2019 in relation to the Agreement. References are also made to the announcements of the Company dated 31 December 2021 (the “**31 December Announcement**”) and 16 May 2022 in relation to the updates of receivables due from and the additional security provided by the Project Company.

Unless defined otherwise, capitalised terms used in this announcement have the same meanings as those defined in the circular of the Company dated 27 September 2019 (the “**Circular**”).

BACKGROUND INFORMATION

Pursuant to the Revised Supplemental Agreement A and the Second Revised Supplemental Agreement A, PASL would, among others, receive the guaranteed cash consideration of RMB2.75 billion (the “**Consideration**”) from the Project Company. As at the date of this announcement, PASL has already received RMB1.2 billion.

As security to the Project Company’s payment obligations of the remaining Consideration, a deposit of HK\$200 million (the “**Deposit**”) was paid by Singkei Real Estate Investment Co., Limited (“**Singkei**”), a subsidiary of Shenzhen WarmSun, to the Group. Given the weak market outlook of the property market in mainland China, an impairment loss of approximately HK\$1.3 billion was recognised for the year ended 31 December 2021 leaving a receivable balance of approximately HK\$283 million (the “**Deferred Consideration**”). The Deferred Consideration represented (i) the Deposit and (ii) the then value of the possible repayment from the Project Company.

On 16 May 2022, the Project Company provided a further security by creating a first legal charge in favour of PASL over 7,922 sq.m. of office space of the relevant property located in Longhua, the PRC (the “**First Pledged Longhua Property**”) owned by the Project Company. Taking into consideration the Deposit and the then value of the First Pledged Longhua Property and assuming that the Group enforces the security created in respect of the First Pledged Longhua Property and realises the asset in favour of PASL on 31 December 2024, the value of the Deferred Consideration was adjusted upwards from HK\$283 million to HK\$328.6 million as of 31 December 2022.

Under the Revised Supplemental Agreement A, the Group is also entitled to charge default interest for, among others, delayed payment of the Consideration. As at the date of this announcement, the Group has received default interest in the amount of RMB42.3 million.

THE CREDIT ENHANCEMENT ARRANGEMENT

On 2 June 2023, PASL, Shenzhen Warmsun, the Project Company, Process Automation International Ltd (“**PAL**”) and Singkei entered into an agreement (the “**Further Agreement**”) in relation to certain credit enhancement arrangement for the Project Company’s payment obligation of the remaining Consideration.

Pursuant to the Further Agreement, the parties agreed to, among others, the following credit enhancement arrangement to secure the payment obligation of the Project Company of the remaining Consideration for the benefit of PASL:

- (a) a first mortgage in respect of each of the following Hong Kong properties (the “**HK Mortgaged Properties**”):
 - (i) certain unit and parking spaces at TML Tower, No. 3 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong;
 - (ii) certain unit at Celestial Heights, No. 80 Sheung Shing Street, Ho Man Tin, Kowloon, Hong Kong;
 - (iii) certain unit at Peak One, No. 63 Mei Tin Road, Sha Tin, New Territories, Hong Kong;
 - (iv) certain parking spaces at Peak One, No. 63 Mei Tin Road, Sha Tin, New Territories, Hong Kong; and
- (b) a first legal charge in respect of an additional 6,086 sq.m. of office space of the relevant property located in Longhua, the PRC (the “**Second Pledged Longhua Property**”).

Within 3 working days of execution of the Further Agreement and its ancillary agreements, the Deposit will be released to Singkei. After the release of the Deposit and on or before 31 July 2023, (i) the Deposit shall be utilised to discharge the existing first legal charge in respect of the Second Pledged Longhua Property; and (ii) thereafter, the first legal charge in respect of the Second Pledged Longhua Property set out in paragraph (b) above shall be created in favour of PASL.

In connection with the security arrangement in respect of the HK Mortgaged Properties, Treasure Chance Properties Limited (“**Treasure Chance**”), an indirect subsidiary of Shenzhen Warmsun will pay a monthly fee of HK\$920,000 to ATNT Group Management Limited (“**ATNT Group Management**”), an indirect subsidiary of the Company, for so long as the mortgages in respect of the HK Mortgaged Properties are not discharged.

INFORMATION ON THE PARTIES TO THE FURTHER AGREEMENT

Information on PASL, Shenzhen Warmsun and the Project Company are set out in the Circular and information on PAL and Singkei are set out in the 31 December Announcement.

ATNT Group Management is a company incorporated in Hong Kong and is principally engaged in the provision of management services.

Treasure Chance is a company incorporated in Hong Kong and is principally engaged in property investment.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiry, Shenzhen WarmSun, the Project Company, Singkei and Treasure Chance are third parties independent of and not connected with the Company and its connected persons.

REASONS FOR AND BENEFITS OF ENTERING INTO THE CREDIT ENHANCEMENT ARRANGEMENT

As set out in the section headed “*Property Re-development Project in Longhua*” of the 2022 annual report of the Company, the Company would monitor the market situation as well as to keep the dialogue with the Project Company with respect to its payment obligations. After considering the property market conditions in Hong Kong and mainland China, which have become stabilised, it was agreed that additional security would be provided to secure the payment obligations of the Project Company for the outstanding Consideration. The HK Mortgaged Properties were valued at approximately HK\$187.4 million and the Second Pledged Longhua Property was valued at approximately RMB169 million (equivalent to approximately HK\$186 million) as at 31 May 2023 by an independent valuer. As the value of the HK Mortgaged Properties and the Second Pledged Longhua Property far exceeded HK\$200 million, the Company agreed to release the Deposit in return for the security over the HK Mortgaged Properties and the Second Pledged Longhua Property. The Company considers that the provision of the security over the HK Mortgaged Properties and the Second Pledged Longhua Property will further protect the interest of the Group.

The Group will continue to monitor the progress of the repayment, and will inform the Shareholders and potential investors of the Company by making further announcement(s) as and when appropriate in accordance with the Listing Rules.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

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, 2 June 2023

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 of the Company are Messrs. Cheung Kin Wai, Kwan Wang Wai, Alan and Ng Chi Kin, David.

Unless otherwise specified in this announcement, translations of RMB into HK\$ are made in this announcement, for illustration only, at the rate of RMB1 to HK\$1.099. No representation is made that any amounts in RMB or HK\$ could have been or could be converted at that rate or at any other rates or at all.

** For identification purpose only*