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 2016

The Board of Directors (the "Board") of Asia Tele-Net and Technology Corporation Ltd (the "Company") announced that the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2016 ("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 2016

	NOTES	2016 HK$'000	2015 HK$'000
Revenue	4	601,898	423,806
Cost of sales		(480,994)	(335,973)
Gross profit		120,904	87,833
Gain on recognition of Other Asset	10	999,560	-
Gain on disposal of subsidiaries	13	77,490	-
Other gains and losses	5	(11,441)	41,553
Bad debts recovered		-	1,069
Other income		1,950	3,203
Selling and distribution costs		(22,269)	(21,069)
Administrative expenses		(117,836)	(79,192)
Reversal of (allowance for) bad and doubtful debts		388	(59)
Finance costs	6	(4)	(13)
Share of results of associates		1,057	889
Profit before taxation		1,049,799	34,214
Taxation	7	(287,428)	(4,713)
Profit for the year	8	762,371	29,501

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

FOR THE YEAR ENDED 31 DECEMBER 2016

	NOTE	2016 HK$'000	2015 HK$'000
Other comprehensive expense			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operations			
- subsidiaries		(42,229)	(18,295)
- associate		(324)	(772)
Other comprehensive expense for the year		(42,553)	(19,067)
Total comprehensive income for the year		719,818	10,434
Profit for the year attributable to:			
Owners of the Company		761,996	29,013
Non-controlling interests		375	488
		762,371	29,501
Total comprehensive income for the year attributable to:			
Owners of the Company		719,453	10,009
Non-controlling interests		365	425
		719,818	10,434
Earnings per share	9		
Basic		HK$1.79	HK$0.07

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2016

	NOTES	2016 HK$'000	2015 HK$'000
Non-current assets			
Property, plant and equipment		28,742	30,320
Prepaid lease payments		-	46,644
Interests in associates		3,196	3,666
Prepayments		-	22,846
Other asset	10	958,215	-
		990,153	103,476
Current assets			
Inventories		63,954	41,936
Amounts due from customers for contract work		78,441	53,638
Loans receivable		-	37,570
Debtors, bills receivables and prepayments	11	149,594	148,949
Prepaid lease payments		-	1,320
Held-for-trading investments		42,342	36,086
Amounts due from associates		21	595
Taxation recoverable		54	941
Pledged bank deposits		30,516	17,598
Bank balances and cash		277,181	128,602
		642,103	467,235
Current liabilities			
Creditors, bills payables and accrued charges	12	264,161	180,066
Warranty provision		29,013	20,987
Amounts due to customers for contract work		9,789	42,708
Amounts due to associates		34	23
Bank borrowing		-	15,500
Taxation payable		16,206	3,373
		319,203	262,657
Net current assets		322,900	204,578
Total assets less current liabilities		1,313,053	308,054

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

AT 31 DECEMBER 2016

	NOTE	2016 HK$'000	2015 HK$'000
Capital and reserves			
Share capital		4,265	4,265
Reserves		1,014,434	294,981
Equity attributable to owners of the Company		1,018,699	299,246
Non-controlling interests		362	2,317
Total equity		1,019,061	301,563
Non-current liabilities			
Accrued charges	12	29,854	-
Warranty provision		4,304	2,176
Deferred taxation		259,834	4,315
		293,992	6,491
		1,313,053	308,054

Notes:

1. GENERAL

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 ("HKD"), 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")

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

Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations
Amendments to HKAS 1	Disclosure initiative
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation exception
Amendments to HKFRSs	Annual improvements to HKFRSs 2012 - 2014 cycle

Except as described below, the application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to HKAS 1 Disclosure Initiative

The Group has applied the amendments to HKAS 1 Disclosure Initiative for the first time in the current year. The amendments to HKAS 1 clarify that an entity need not provide a specific disclosure required by an HKFRS if the information resulting from that disclosure is not material, and give guidance on the bases of aggregating and disaggregating information. However, the amendments reiterate that an entity should consider providing additional disclosures when compliance with the specific requirements in HKFRS is insufficient to enable users of financial statements to understand the impact of particular transactions, events and conditions on the entity's financial position and financial performance.

As regards the structure of the financial statements, the amendments provide examples of systematic ordering or grouping of the notes.

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

The grouping and ordering of certain notes have been revised to give prominence to the areas of the Group's activities that management considers to be most relevant to an understanding of the Group's financial performance and financial position. Other than the above presentation and disclosure changes, the application of the amendments to HKAS 1 has not resulted in any impact on the financial performance or financial position of the Group in these consolidated financial statements.

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 ("Listing Rules") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain buildings and financial instruments, which are measured at revalued amounts or fair values, at the end of each reporting period.

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

4. REVENUE AND SEGMENT INFORMATION

Revenue

The Group's revenue from electroplating machinery business for the years ended 31 December 2016 and 2015 analysed by principal activity is as follows:

	2016 HK$'000	2015 HK$'000
Construction contracts in respect of design, manufacturing and sale of custom-built electroplating machinery and other industrial machinery	529,529	357,079
Sale of spare parts of electroplating machinery	18,480	15,582
Provision of services - repairs and maintenance	53,889	51,145
	601,898	423,806

Segment information

Segment revenue and results

Information reported to the executive directors, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided.

The Group has one operating segment being the electroplating equipment segment which contributes the entire revenue of the Group. Reconciliation of the operating segment profit to profit before taxation is as follows:

	Electroplating equipment	
	2016 HK$'000	2015 HK$'000
Segment revenue	601,898	423,806
Segment profit	32,858	13,195
Intra-group management fee charged to operating segment	6,767	6,165
Other income	1,492	1,627
Central corporate expenses	(58,235)	(21,366)
Gain on recognition of Other Asset	999,560	-
Gain on disposal of subsidiaries	77,490	-
Other gain or (losses)	(10,133)	34,593
Profit before taxation	1,049,799	34,214

4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Segment Information (continued)

Segment revenue and results (continued)

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit represents the gross profit of the electroplating equipment segment, other income and expenses directly attributable to the segment activity (including intra-group management fee) and share of results of associate but excluding interest income from loans receivable, unallocated interest income, dividend income and sundry income, central corporate expenses including auditor's remuneration and director's emoluments, net change in fair value of held-for-trading investments, waiver of amount due from an associate, loss on demolition of buildings, relocation compensation income, loss on derecognition of prepaid lease payments, gain on recognition of Relevant Properties (as defined in note 10), gain on disposal of subsidiaries and unallocated net exchange gain or loss. This is the measure reported to the chief operating decision maker in order to assess segment performance.

Segment assets and liabilities

The following is an analysis of the Group's segment assets and segment liabilities that are regularly reviewed by the chief operating decision maker:

	2016 HK$'000	2015 HK$'000
Segment assets - electroplating equipment segment	321,774	280,896
Property, plant and equipment (for corporate)	1,481	1,584
Prepaid lease payments (for corporate)	-	40,526
Prepayments	-	22,846
Other asset	958,215	-
Loans receivable	-	37,570
Other debtors, deposits and prepayments (for corporate)	672	3,467
Held-for-trading investments	42,342	36,086
Amounts due from associates	21	595
Taxation recoverable	54	941
Pledged bank deposits	30,516	17,598
Bank balances and cash	277,181	128,602
Consolidated total assets	1,632,256	570,711
Segment liabilities - electroplating equipment segment	300,432	236,549
Other creditors and accrued charges (for corporate)	36,689	9,388
Amounts due to associates	34	23
Deferred taxation	259,834	4,315
Bank borrowing	-	15,500
Taxation payable	16,206	3,373
Consolidated total liabilities	613,195	269,148

4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Segment Information (continued)

Segment assets and liabilities (continued)

For the purposes of monitoring segment performances and allocating resources to the electroplating equipment segment:

- All consolidated total assets are allocated to electroplating equipment operating segment other than prepayments, Other Asset, loans receivable, held-for-trading investments, amounts due from associates, taxation recoverable, pledged bank deposits and bank balances and cash of the Group and corporate assets of the Group.

- All consolidated total liabilities are allocated to electroplating equipment operating segment other than amounts due to associates, deferred taxation, bank borrowing and taxation payable of the Group and corporate liabilities of the Group.

Other segment information

	Electroplating equipment	
	2016	2015
	HK$'000	HK$'000
Amounts included in the measure of segment result or segment assets:		
(Reversal of) allowance for bad and doubtful trade debtors	(388)	59
(Reversal of) allowance for slow moving inventories	(1,201)	376
Bad debts recovered	-	(1,069)
Share of results of associates	1,057	889
Loss on disposal of property, plant and equipment	54	740
Depreciation	2,909	4,191
Release of prepaid lease payments	1,504	1,214
Provision for warranty	22,449	12,201
Finance costs	4	13
Capital additions	1,906	3,877

	Unallocated	
	2016	2015
	HK$'000	HK$'000
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets:		
Waiver of amount due from an associate	-	750
Capital additions	4	12
Loss on demolition of buildings	-	40,803
Relocation compensation income	-	59,960
	-	19,157
Loss on derecognition of prepaid lease payments	7,036	-
Gain on recognition of Other Asset (note 10)	999,560	-
Depreciation	122	112
Interest income	905	1,082

4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Geographical information

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

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

	2016 HK$'000	2015 HK$'000
PRC	343,666	175,107
Europe	1,095	10,742
Taiwan	110,924	93,533
Saudi Arabia	2	3,591
Singapore	5,789	5,828
The United States of America	16,907	31,001
Germany	13,049	29
Korea	11,950	31,528
Russia	14,495	5,386
Thailand	5,724	14,018
Philippines	230	24,240
The United Kingdom	10,558	13,752
Switzerland	140	8,228
Portugal	27,503	-
Mexico	35,045	-
India	1,882	-
Tunisia	2,083	-
Others	856	6,823
	601,898	423,806

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

	2016 HK$'000	2015 HK$'000
Hong Kong	23,844	24,418
PRC	963,042	75,193
Others	3,267	3,865
	990,153	103,476

4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Information about major customers

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

	2016 HK$'000	2015 HK$'000
Customer A	61,761	77,453
Customer B	88,915	N/A[1]
Customer C	87,409	N/A[1]
Customer D	77,319	N/A[1]

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

5. OTHER GAINS AND LOSSES

	2016 HK$'000	2015 HK$'000
Net change in fair value of held-for-trading investments	(11,308)	16,610
Net exchange gain	5,733	7,375
Loss on disposal of property, plant and equipment	(54)	(740)
Loss on demolition of buildings	-	(40,803)
Relocation compensation income	-	59,960
	-	19,157
Loss on derecognition of prepaid lease payments	(7,036)	-
Waiver of amount due from an associate	-	(750)
Other gains and losses	1,224	(99)
	(11,441)	41,553

6. FINANCE COSTS

	2016 *HK$'000*	2015 *HK$'000*
Interest on bank borrowing	4	13

7. TAXATION

The taxation charge comprises:

	2016 HK$'000	2015 HK$'000
Hong Kong Profits Tax:		
Charge for the year	1,233	-
Overseas taxation		
Charge for the year	19,651	4,713
Deferred tax charge	266,544	-
	286,195	4,713
	287,428	4,713

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 2015 arising in Hong Kong for certain group entities since the assessable profit is wholly absorbed by tax losses brought forward.

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

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

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

8. PROFIT FOR THE YEAR

	2016 HK$'000	2015 HK$'000
Profit for the year has been arrived at after charging (crediting):		
Auditor's remuneration	1,545	1,290
Cost of inventories recognised as expenses (including reversal of allowance for slow moving inventories of approximately HK$1,201,000 (2015: allowance for slow moving inventories of approximately HK$376,000))	351,135	170,488
Depreciation of property, plant and equipment	3,031	4,303
Release of prepaid lease payments	1,504	1,214
Operating lease payments in respect of rented premises	4,451	2,943
Staff costs:		
Directors' fee	234	180
Directors' salaries, other benefits and performance related incentive payments	41,600	7,694
Salaries and allowances	108,679	99,105
Contributions to retirement contributions schemes	2,419	2,340
	152,932	109,319
Interest income from loans receivable	(41)	(128)
Investment income		
Interest earned on bank deposits	(905)	(910)
Dividend income from		
- Other investment	(149)	(137)
	(1,054)	(1,047)

9. EARNINGS PER SHARE

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

	2016	2015
	HK$'000	HK$'000
The Group's profit for the year attributable to owners of the Company	761,996	29,013
Number of ordinary shares	426,463,400	426,463,400

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

10. OTHER ASSET

On 7 August 2011, a wholly-owned subsidiary of the Company entered into an agreement (the "Re-development Agreement") with an independent third party ("Counter Party") in relation to a re-development plan ("Re-development plan") of two parcels of industrial land located in Bao An District, Shenzhen, the PRC ("Land") from industrial land into residential properties for resale. The details of the Re-development Agreement are set out in the Company's circular dated 19 September 2011. Pursuant to the Re-development Agreement, the Group has agreed to vacate from the Land and demolish the existing buildings and structures built or erected on the Land at its own costs, and the Counter Party has agreed to re-develop the Land into residential properties and to compensate the Group by paying a relocation compensation of RMB50 million (approximately HK$64 million) to the Group and transferring the title of 41,000 sq.m. marketable residential or commercial properties which do not include subsidized apartments and any floor area reserved for public facilities usage on the redeveloped land ("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 Re-development plan (including but not limited to application to relevant responsible bodies of the PRC government, payment of additional land premium if any, provision of all required fund, design and construction of re-developed properties, sales of the re-developed properties, as well as obtaining a "sale of land use rights contract" (土地使用權出讓合同書) from the relevant responsible bodies of the PRC government) and set up a project company ("Project Company") for the purpose of the Re-development plan. The Project Company was established by the Counter Party in August 2011.

The Group has entered into a re-development contract ("Re-development Contract") and relocation compensation agreement ("Relocation Compensation Agreement") with the Project Company in September 2011. Under the Re-development Contract, the Group shall apply for re-development of the Land under the "Shenzhen city town re-development formulated plan" (深圳市城市更新單元規劃制定計劃) and the Project Company shall have completed the application for town re-development and the Re-development plan shall have been listed as a "Town re-development formulated plan of the State" (政府城市更新規劃制定計劃) ("Completion of Registration") within two years after the signing of the Re-development Contract but in any event not later than 26 months of the date of the Re-development Agreement.

Under the Relocation Compensation Agreement, the Project Company shall pay a relocation compensation of RMB50 million for the compensation of all the costs incurred for the relocation by the Group which including the relocation subsidy and cost of demolition work.

In view of the fact that Re-development plan application was not completed within the agreed time due to force majeure for the reason of the policy change, on 25 October 2013, the Group and Counter Party entered into a supplement agreement ("Supplement Re-development Agreement") to extend the completion of the tasks associated with the Re-development Agreement for 12 months. The details of the Supplement Redevelopment Agreement are set out in the Company's announcement dated 25 October 2013.

10. OTHER ASSET (CONTINUED)

On 16 October 2014, a notice was published by the Shenzhen Urban Planning Land and Resources Commission of Shenzhen Municipality (the "UPLRC Shenzhen") (深圳市規劃和國土資源委員會) to confirm the re-development of the Land having been listed under "2014 Lot 4 Town re-development formulated plan of Shenzhen - Draft Plan". Final approval was obtained from the Shenzhen Municipal Government (深圳市政府) on 19 December 2014. Completion of Registration as defined in the Re-development Agreement was therefore achieved.

As at 31 December 2014, the carrying amount of the Land and buildings built or erected on the Land was approximately HK$50,198,000 and the Group received the relocation deposit of RMB40 million (approximately HK$51 million) pursuant to the Re-development Agreement as included in current liability.

In view of the launch of the new requirements over calculation of land premium and that the fact that construction time is expected to take longer than it was originally contemplated in the year ended 31 December 2011, on 26 October 2015, the Group and the Counter Party, after consulting with each other, have agreed to enter into the second supplemental agreement ("Second Supplemental Re-development Agreement") to further extend the completion date of various tasks associated with the Supplemental Re-development Agreement. The details of the Second Supplemental Re-development Agreement are set out in the Company's announcement dated 26 October 2015.

On 27 November 2015, the Project Company received an approval letter dated 25 November 2015 confirming that the Construction and Environment Review Committee had approved the planning proposal submitted by the Project Company.

During the year ended 31 December 2015, the Group received a further relocation deposit of RMB10 million (approximately HK$12 million) from the Project Company and had completed the demolition of the buildings and structures built or erected on the Land, the Group derecognised the property, plant and equipment with carrying amount of approximately HK$40,803,000. As a result, all relocation deposits of RMB50 million (approximately HK$60 million) received by the Group was regarded as relocation compensation pursuant to the Relocation Compensation Agreement and recognised as other gains and loss in profit or loss during the year ended 31 December 2015 (note 5).

The Project Company has received a land planning permit dated 10 August 2016 from the Urban Planning Land and Resources Commission of Shenzhen Municipality confirming that the Land shall be re-developed into a comprehensive development site comprising an office building, shops, public facilities required by local government and four to six blocks of residential buildings.

The Project Company has yet to agree on the land premium payable to the PRC government as the usage of Land will be converted from industrial to residential and commercial. Once the land premium is agreed upon and is paid for, the Project Company shall enter into the "Sale of land use rights contract" with the relevant responsible body of the PRC government.

As part of the standard process under the "Town re-development formulated plan of the State", the certificate of land use right of the Land was returned to the local government so that once the land premium is agreed upon, the Project Company can enter into the "Sale of land use right contract" with the local government. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiry, the Group does not expect any obstacles for the Project Company to enter into "Sale of land use right contract" with the local government. With the return of the land use right of the Land to the local government in August 2016, the Group derecognised the prepaid lease payments with carrying amount of approximately HK$7,036,000. According to the terms of the Re-development Agreement, the Group recognised the fair value of the right to receive the Relevant Properties (the "Other Asset") of approximately HK$999,560,000, based on the valuation report issued by an independent professional valuer, as an "Other Asset" and recognised the same amount as gain in profit or loss during the year ended 31 December 2016. The valuation is dependent on certain significant inputs that involve judgement, including market unit rate and lack of marketability discount rate. The Other Asset is initially recognised at its fair value and subsequently carries at cost less impairment.

As at 31 December 2016, the carrying amount of Other Asset is approximately HK$958,215,000.

11. DEBTORS, BILLS RECEIVABLES AND PREPAYMENTS

	2016 HK$'000	2015 HK$'000
Trade debtors and bills receivables	138,682	151,627
Less: Allowance for bad and doubtful debts	(31,911)	(32,299)
	106,771	119,328
Other debtors and prepayments	42,823	29,621
	149,594	148,949

As at 31 December 2016, the trade debtors balance included trade debts due from associates of approximately HK$4,232,000 (2015: approximately HK$7,935,000).

The Group allows a general credit period of one to two months to its trade customers except construction contracts where the Group allows stage payments. Each construction contract will normally involve two to six stage payments, namely deposit payment, shipment payment, arrival payment, installation completion payment, chemical testing payment and acceptance payment. It will take at least fifteen months from the time the electroplating machine is shipped before a construction contract will reach the acceptance stage. In most of the cases, invoice is due on presentation and credit will only be offered to customers in accordance with their financial credit abilities and established payment records.

The following is an aged analysis of trade debtors and bills receivables net of allowance for bad and doubtful debts presented based on the invoice date at the end of the reporting period:

	2016 HK$'000	2015 HK$'000
1 - 60 days	100,241	110,773
61 - 120 days	3,714	3,196
121 - 180 days	1,120	1,671
Over 180 days	1,696	3,688
	106,771	119,328

As at 31 December 2016, the trade debtors and bills receivables of approximately HK$100,241,000 (2015: approximately HK$110,773,000) were neither past due nor impaired. No significant counterparty default was noted in the past.

As at 31 December 2016, trade debtors of approximately HK$6,530,000 (2015: approximately HK$8,555,000) were past due but not impaired as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances. Bills receivables of approximately HK$15,500,000 were discounted for bank borrowing with full recourse as at 31 December 2015 (2016: nil). The average age of these trade receivables is 65 days (2015: 103 days) as at 31 December 2016.

11. DEBTORS, BILLS RECEIVABLES AND PREPAYMENTS (CONTINUED)

Aging of trade debtors which are past due but not impaired at the end of the reporting period:

	2016 HK$'000	2015 HK$'000
Past due by:		
1 - 60 days	3,714	3,196
61 - 120 days	1,120	1,671
121 - 180 days	308	1,832
Over 180 days	1,388	1,856
	6,530	8,555

Movement in the allowance for bad and doubtful debts

	2016 HK$'000	2015 HK$'000
Balance at beginning of the year	32,299	33,309
(Reversal) allowance made on trade debtors	(388)	59
Bad debts recovered	-	(1,069)
Balance at end of the year	31,911	32,299

Included in the allowance for doubtful debts of approximately HK$31,911,000 (2015: approximately HK$32,299,000) are individually impaired trade debtors, which were in severe financial difficulties. The Group has provided fully for these debts.

In determining the recoverability of a trade debtor, the management considers the credit history including default or delay in settlement, subsequent settlement, aging analysis of the trade debtors and financial position of debtors. The trade debtors that were past due but not impaired were either subsequently settled or with no historical default of payments by the respective customers. Accordingly, the directors believe that there is no further credit provision required in excess of the allowance for doubtful debts.

12. CREDITORS, BILLS PAYABLES AND ACCRUED CHARGES

	2016 HK$'000	2015 HK$'000
Trade creditors	168,292	95,449
Bills payables	3,741	7,306
Accrued staff costs	19,759	16,300
Commission payables to sales agents	15,662	14,186
Other creditor and accrued charges (note)	72,117	36,307
Advances received from customers for contract work	6,307	8,952
Advances received from customers for services	8,137	1,566
	294,015	180,066
Less: non-current portion of accrued charges (note)	(29,854)	-
	264,161	180,066

Note: As at 31 December 2016, the non-current payable portion of the accrued charges of approximately HK$29,854,000 represent the provision of performance bonus to the executive directors of the Company which were determined by the Board.

The following is an aged analysis of trade creditors and bills payables as at the end of the reporting period which is based on the invoice dates of the amounts due:

	2016 HK$'000	2015 HK$'000
0 - 60 days	81,470	54,491
61 - 120 days	25,589	23,508
121 - 180 days	22,556	12,688
Over 180 days	42,418	12,068
	172,033	102,755

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

13. DISPOSAL OF SUBSIDIARIES

On 7 July 2016, the Group entered into an agreement (the "Disposal Agreement") with two independent third parties, to dispose of the entire issued share capital of PAL Properties Investment Limited and its subsidiaries, at a consideration of approximately HK$181,950,000.

The completion of the Disposal Agreement took place on 27 September 2016.

	HK$'000
Consideration received:	
Cash received	181,950
Analysis of assets and liabilities over which control was lost:	
Prepayments	58,756
Prepaid lease payments	38,427
Bank balances and cash	19,947
Other payables	(12,670)
Net assets disposed of	104,460
Gain on disposal of subsidiaries	
Consideration received or receivable	181,950
Net assets disposed of	(104,460)
Gain on disposal	77,490
Net cash inflow arising from disposal	
Cash consideration	181,950
Less: Bank balances and cash disposed of	(19,947)
	162,003

FINANCIAL RESULTS

During the year ended 31 December 2016 ("the Period Under Review"), the Group recorded profit attributable to owners of the Company of approximately HK$761,996,000 compared to the profit attributable to owners of the Company of approximately HK$29,013,000 for the year ended 31 December 2015 ("the Previous Period"), representing approximately 2526% increase. The improvement of Group's profit attributable to owners of the Company during the Period Under Review was primarily due to (i) net gain on disposal of subsidiaries of approximately HK$62,803,000 (the Previous Period: nil); (ii) increase in sales of electroplating equipment and after-sales services of approximately HK$601,898,000 (the Previous Period: approximately HK$423,806,000) and (iii) net gain arising from the arrangement in relation to a site located at Longhua of approximately HK$733,016,000 (please refer to "Property Re-development Plan in Longhua" below).

The basic earnings per share for the Period Under Review was HK$1.79 compared to the basic earnings per share of HK$0.07 for the Previous Period.

FINANCIAL REVIEW

Revenue

The revenue for the Period Under Review was approximately HK$601,898,000 or approximately 42% more than the Previous Period. Reasons for higher revenue reported for Period Under Review was explained in the section "Business Review on Electroplating Equipment" below.

In terms of business segment, approximately 55.6% of the revenue was generated from PCB sector (the Previous Period: approximately 64%), approximately 44.0% came from surface finishing sector (the Previous Period: approximately 20%) and approximately 0.4% derived from solar cell sector (the Previous Period: 16%).

In terms of the machines geographical installation base, the revenue composition during the Period Under Review was 57% machine values were installed in PRC (the Previous Period: 41%), 18% in Taiwan (the Previous Period: 22%), 9% in Europe (the Previous Period: 8%), 6% in Mexico (the Previous Period: nil), 3% in the USA (the Previous Period: 7%), and 7% in rest of the world.

Gross Profit

The Group's gross profit margin for the Period Under Review was 20.1% which was more or less the same as in the Previous Period.

Gain on recognition of Other Asset of approximately HK$999,560,000

On 10 August 2016, the Project Company has received a land planning permit from the Urban Planning Land and Resources Commission of Shenzhen Municipality confirming that the Longhua Land could be re-developed from an industrial establishment to a comprehensive development site comprising residential and commercial properties. Following such, the Group has returned the land title of the Longhua Land (as defined in the section "Property Re-development Plan in Longhua" below) to the local government in August 2016. By giving up the land title of the Longhua Land and as governed under the Re-development Agreement (as defined in the section "Property Re-development Plan in Longhua" below) signed in 2011, the Group will receive, in the future, 41,000 sq. m marketable residential and commercial properties. The right to receive such properties is, from accounting prospective, an asset to the Group. In order to estimate the value of this asset, the Company has appointed an independent advisory company to provide a valuation. Based on the independent valuation report, the Group has recognized an Other Asset with a fair value of HK$999,560,000 at its initial recognition in August 2016 and with the same amount of gain recorded in the profit or loss for the Period Under Review.

Based on the information on hands, the Group will only receive titles of these 41,000 sq. m marketable residential and commercial properties around mid of year 2022. The Board would therefore like to remind the shareholders that the reported gain on recognition of Other Asset of approximately HK$999,560,000 is an unrealized gain and is related to a project which is yet to be completed in next five years.

After netting off the associated taxation expenses of approximately HK$266,544,000, the net gain arising from the arrangement in relation to a site located at Longhua was approximately HK$733,016,000.

Shareholders are advised to refer to the development history of Longhua Land in the section named "Property Re-development plan in Longhua" below and refer to note 10 to the consolidated financial statements.

Gain on disposal of subsidiaries of approximately HK$77,490,000

Reference is made to the Company's announcement issued on 5 July 2016 and circular dated 14 October 2016, Happy Win Resources Limited ("Happy Win"), a direct wholly-owned subsidiary of the Company, entered into a disposal agreement with Fortune Able Investment Holdings Limited (the "Purchaser") and Shenzhen Feng Hua Construction Group Limited (the "Purchaser's Guarantor"), pursuant to which the Purchaser has agreed to acquire, and Happy Win has agreed to sell, the entire issued share capital of the PAL Properties Investment Limited and its subsidiaries together with all outstanding shareholder's loan standing as at completion, at a consideration of HK$181,950,000.

The disposal was completed on 27 September 2016 and the Group recorded a net gain of approximately HK$62,803,000 which represented gain on disposal of approximately HK$77,490,000 after netting off the associated taxes of approximately HK$14,687,000. Shareholder may refer to note 13 to the consolidated financial information.

Other gains or losses

(a) Net change in unrealized fair value loss of held-for-trading investments was approximately HK$11,308,000 (the Previous Period : gain of HK$12,661,000)

    All held-for-trading investments were recorded at fair value as at 31 December 2016 and represented listed securities in Hong Kong. Market prices for held-for-trading investments go up and down for various reasons. The significant increase in unrealized fair value loss may possibly attributable to the announcements issued by Orient Victory China Holdings Ltd and South China Financial Holdings Ltd in respect of reported losses for the current financial year. During the Period Under View, Hang Seng Index recorded a mild increase from 21,914 as at 31 December 2015 to 22,000 as at 31 December 2016.

Below are information of the Group's held-for-trading investments as at 31 December 2016 :

Company Name / Stock Code	**% of shareholding as at 31 December 2016**	**Fair value change HK$'000 (audited)**	**Fair value as at 31 December 2016 HK$'000 (audited)**	**% of Total Assets of the Group as at 31 December 2016**	**Fair value as at 31 December 2015 HK$'000 (audited)**	**% of Total Assets of the Group as at 31 December 2015**
Shanghai Industrial Urban Development Group Ltd. (563)	0.11%	1,854	9,734	0.60%	7,880	1.38%
South Chin Financial Holding Ltd. (619)	0.91%	(6,890)	9,639	0.59%	-	-
South China Holdings Company Ltd (413)	0.16%	7,554	8,521	0.52%	-	-
Orient Victory China Holdings Ltd. (265)	0.40%	(10,169)	7,032	0.43%	16,165	2.83%
South China Assets Holdings Ltd. (8155)	0.45%	(3,833)	3,581	0.22 %	7,414	1.30 %
Others		176	3,835	0.23%	4,627	0.81%
Total		(11,308)	42,342	2.59%	36,086	6.32%

(b) Net change in realized fair value of held-for-trading investments was nil (the Previous Period : gain of HK$3,949,000)

(c) Net exchange gain was approximately HK$5,733,000 (the Previous Period : HK$7,375,000)

The net exchange gain was mainly due to (i) the exchange gain of approximately HK$10,137,000 arising from intercompany transactions, (ii) exchange loss of approximately HK$1,650,000 arising from revaluation of Euro-based receivable and bank balances and (iii) exchange loss of approximately HK$2,718,000 from revaluation of RMB-based assets.

The production arm of the Group is based in China and normally bills the sales arm of the Group in Hong Kong Dollars. During the Period Under Review, RMB was depreciated by approximately 6.3% and hence the production arm of the Group recorded an exchange gain arising from the receivable which was denominated in Hong Kong dollars. At the same time, however, the Group recorded an exchange loss for its RMB-based assets.

During the Period Under Review, Euro was depreciated by approximately 3.8%. The Group recorded an exchange loss for its Euro-based receivable and bank balances.

(d) Income and losses recorded in year 2015 in relation to the Longhua project

Pursuant to the Agreement signed in 2011, the Group demolished its factory located at Longhua in 2015 and accordingly recorded a loss of approximately HK$40,803,000. Such loss represented the net book value of the factory remaining on the consolidated balance sheet as at the date of demolition. The Group has also written off certain aged plant and equipment during the demolition which amounted to approximately HK$740,000.

Following the demolition and pursuant to the Relocation Compensation Agreement, the Group has fulfilled its agreed obligations and was in the position to record a sum of HK$59,960,000 (equivalent to RMB 50,000,000) as relocation income in year 2015.

Shareholder can also refer to the section named "Property Re-development Plan in Longhua" in the 2015 annual report for more details.

(e) Loss on recognition of prepaid lease payments of approximately HK$7,036,000

Since the Group has returned the land titles of the Longhua Land to the local government in August 2016, the Group has written off the remaining prepaid lease payment in relation to the Longhua Land at approximately HK$7,036,000 in year 2016.

(f) Waiver of amount due from an associate of approximately HK$750,000 in year 2015

The Group has planned to close certain associates in year 2015. In preparing for the closure, the Group has agreed with other shareholders of the related associates to waive the amount due from those related associated on proportional basis.

No such transaction was recorded in year 2016.

Other income

The other income mainly represented bank interest received, dividend and rental income.

Selling and Distribution Costs

The selling and distribution costs represented exhibition and marketing expenses, product and public liability insurance cost and the respective personnel cost on the sales team. Cost in 2016 was 5.7% higher than in 2015. It was mainly due to increase in personnel related cost.

Administrative expenses

The administrative expenses for the Period Under Review was 49% higher than the Previous Period. It was mainly due to the increase in (a) provision for performance related incentive payments payable to executive directors of the Company, (b) rental expenses and (c) increase in general expenses.

(a) Provision for performance related incentive payments

Provision for performance related incentive payments payable in year 2022 is approximately HK$29,854,000 which is calculated by applying the pre-agreed percentage on the net gain on recognition of Other Asset but after netting off associated taxes and discounted to present value.

As disclosed on page 11 of the Company's circular dated 15 February 2017, if the arrangement in relation to the Longhua goes smoothly as planned, the Group will receive the title of the Relevant Properties in December 2021. As further disclosed on page 13 of the same circular, the Group will then form a sales team and to engage a marketing company to launch a marketing campaign for the sales of the Relevant Properties. It is expected that the Group will receive its first sales proceeds around mid of year 2022. As such, the Board estimates that the earliest time to pay out the associated performance related incentive payments will be mid of year 2022.

Provision for performance related incentive payments payable in 2017 is approximately HK$3,096,000 which is calculated based on financial performance for the Group for the year ended 31 December 2016 excluding the net gain on recognition of Other Asset but after netting off the associated taxes as disclosed in above. Actual allocation to individual directors will be determined by the remuneration committee in the coming meeting, payments will be made to the executive directors in accordance with the agreed bonus distribution mechanism in year 2017.

(b) Rental expenses

As disclosed in the 2015 interim report, in exchange for the Group agreeing to move out earlier from Longhua, the Counter Party will compensate the Group on dollar-to-dollar basis for cost incurred for such relocation (including but not limited to rent and management fees for the new factory). Therefore, the Group was not required to take up any rental expenses in 2015 and up to mid-August 2016. The rental expenses recorded in the Period Under Review was approximately HK$3,775,000 (the Previous Period : HK$674,000).

(c) Increase in general expenses

After taking out the provision for performance related incentive payments and the increase in rental expenses as disclosed above, the remaining administrative expenses was approximately HK$81,111,000 was 2.4% higher than the Previous Period (the Previous Period : HK$79,192,000).

Given the price pressure imposed by our customers, we exerted enormous effort in controlling our operating costs in order to drive an improved net profit after taxation. As a benchmark, the average inflation rates in China and Hong Kong for 2016 were 2.0%[1] and 2.4%[2] respectively.

Taxation

Taxation of approximately HK$287,428,000 (the Previous Period : HK$4,713,000) represented mainly taxes paid by our wholly-owned subsidiaries in China and Taiwan.

As the Group recorded a gain on recognition of Other Asset of approximately HK$999,560,000, the Group recorded a corresponding estimated taxes of approximately HK$266,544,000.

Exchange difference arising on translation of foreign operation of approximately HK$42,229,000

This represented mainly the exchange difference arising on translation of operations in the PRC due to the depreciation in RMB. The currency translation reserve was reduced at the same amount.

Prepaid lease payments under non-current assets as at 31 December 2015

The prepaid lease payments as at 31 December 2015 of approximately HK$46,644,000 represented land use right for the land located at Longhua and the remaining acquisition cost over the land use right for the land located at Gongmin.

Prepayment under non-current assets as at 31 December 2015

The prepayments under non-current assets as at 31 December 2015 represented (i) the final payment of HK$20,288,000 (equivalent to RMB16,000,000) which was deposited to an escow agent pursuant to the sales and purchase agreement dated 29 October 2014 and (ii) the deposit payment of HK$2,558,000 (equivalent to RMB2,100,000) pursuant to the consultancy service agreement dated 9 October 2015. For more details, please refer to page 13 of 2015 Annual Report under the section named "Property Development Plan in Gongmin".

[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.

Other Asset

Please refer to the section named "Gain on recognition of Other Asset" above. As the Group has returned the land titles of the Longhua Land and will in return receive 41,000 sq. m marketable residential and commercial properties around mid 2022, the Group has recognized an Other Asset with a fair value of approximately HK$999,560,000 at its initial recognition in August 2016. Such fair value was adjusted downward to approximately HK$958,215,000 as at 31 December 2016 due to the depreciation of RMB. Such fair value represented 41,000 sq. m marketable residential and commercial properties, title of which is expected to be received by the Group in mid of year 2022.

Loans receivable under current assets as at 31 December 2015

Included in the loan receivable was (i) a loan granted to an independent third party of approximately HK$1,760,000 and (ii) the entrusted loan of approximately HK$35,810,000 (equivalent to RMB30,000,000) created pursuant to the sales and purchase agreement dated 29 October 2014. Both loans were fulling repaid in 2016.

Held-for-trading investments under current assets

As at 31 December 2016, the Company had held-for-trading investment in listed securities in Hong Kong with a market value of approximately HK$42,342,000, 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 or losses".

Creditor, bills payable and accrued charges

The amount payable to creditors and payable for bills and accrued charges as at 31 December 2016 was HK264,161,000 which was 47% higher than the Previous Period. The increase was purely due to the increase in 2016 revenue and the material ordered for 2017 orders on hands.

Accrued charges recorded of approximately HK$29,854,000 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 in year 2022 and is calculated by applying the pre-agreed percentage on the net gain on recognition of Other Asset but after netting off associated taxes and discounted to present value.

Deferred taxation of approximately HK$259,834,000 under non-current liability

The Group has recorded a deferred taxation of approximately HK$255,519,000 as estimated taxation expenses in relation to the expected gain arising from the arrangement in relation to a site located at Longhua.

The balance of approximately HK$4,315,000 represented deferred tax liabilities recognized for accelerated tax depreciation of approximately HK$1,239,000 and revaluation of properties of approximately HK$3,076,000.

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

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

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

During the Period Under Review, the revenue in this business area increased from HK$228,574,000 in Previous Period to HK$294,197,000, representing 29% increase. Out of this total revenue, from the perspective of installation location, nearly 52% were shipments made to PRC (47% in Previous Period) and 35% were shipments made to Taiwan (32% in Previous Period).

The worldwide PCB output was more or less same as last year but is expecting to increase in 2017 :-

Table 1: World PCB Output 2013-2017
(in US$ million)

Major Regions	2013	2014	2015	2016	2017(F)*
Americas	3,100	3,078	2,928	2,911	3,020
Germany	1,090	1,097	900	905	930
Other Europe	1,720	1,640	1,468	1,417	1,510
China**	26,551	28,200	28,605	29,230	30,690
Japan	6,300	5,930	5,092	5,175	5,100
Taiwan	8,155	7,850	7,810	7,215	7,504
S.Korea	8,870	7,597	6,700	6,565	7,100
Thailand	1,747	2,209	2,470	2,193	2,523
Other Asia	2,247	2,622	2,582	2,596	2,990
World Total	**59,780**	**60,223**	**58,555**	**58,207**	**61,367**

Source of information : New Technology Information Ltd, a consulting company specialized in PCB industry
*2017(F) is calculated with 2016 exchange rates
**The output recorded under the category "China" included output from Taiwanese PCB makers who set up production plants in China.

The report collides with our shipment geographical spread as China and Taiwan have long been the key markets for PAL. Without considering the effect of percentage of completion in accordance with the HKFRS and if one looks at the order value from the perspective of the origins of the customers' headquarters, nearly 51% were orders from Taiwanese PCB makers (Previous Period: 46%) while nearly 30% were orders from Western PCB makers (Previous Period : 19%). The latter installed their equipment mainly in China. The end products to be built from our electroplating equipment are mainly mobile phones PCBs and automotive PCBs.

According to a report issued by Gartner[3] in February 2017, sales of smartphone grew moderately by 5% in year 2016 (the Previous Period: 14.4%). The growth rate in 2014 was close to 29%. The declining trend is fairly obvious.

[3] Gartner Inc (NYSE: IT) is an information technology research and advisory company.

Table 2: Worldwide Smartphone Sales to End Users by Vendor in 2016
(Thousands of Units)

Company	2016 Units	2016 Market Share (%)	2015 Units	2015 Market Share (%)	Change in no. of units	% of change
Samsung	306,446.6	20.5	320,219.7	22.5	(13,773.1)	(4.3)
Apple	216,064.0	14.4	225,850.6	15.9	(9,786.6)	(4.3)
Huawei	132,824.9	8.9	104,094.7	7.3	28,730.2	27.6
Oppo	85,299.5	5.7	39,489.0	2.8	45,810.5	116.0
BBK Communication Equipment	72,408.6	4.8	35,291.3	2.5	37,117.3	105.2
Others	682,314.3	45.6	698,955.1	49.1	(16,640.8)	(2.4)
Total	**1,495,358.0**	**100.0**	**1,423,900.4**	**100.0**	**71,457.6**	**5.0**

Source of data: Gartner

“The global devices market is stagnating. Mobile phone shipments are only growing in emerging Asia/Pacific markets, and the PC market is just reaching the bottom of its decline," said Ranjit Atwal, research director at Gartner.

"As well as declining shipment growth for traditional devices, average selling prices are also beginning to stagnate because of market saturation and a slower rate of innovation,” added Mr. Atwal. “Consumers have fewer reasons to upgrade or buy traditional devices. They are seeking fresher experiences and applications in emerging categories such as head mounted displays (HMDs), virtual personal assistant (VPA) speakers and wearables.”

These remarks from Mr Atwal has concluded precisely the current situation in the smartphone market – a stagnant market waiting for major technology breakthrough.

The other driver for the sales of our PCB electroplating equipment is automotive electronics. From Tesla to Infiniti to Mercedes-Benz, it seems like everyone is working on autonomous cars that are connected to the internet at all times. Why? Connected car technology will create opportunities for automakers to generate post-sale profits by selling additional services and feature upgrades, as well as to enhance brand loyalty through a more personalized customer experience. It will also enable innovations in adjacent businesses, such as insurance, car rentals, car- and ride-sharing services and electric vehicle charging. The production of new automobiles equipped with data connectivity, either through a built-in communications module or by a tether to a mobile device, is forecast to reach 12.4 million in 2016 and increase to 61 million in 2020 according to a report issued by Gartner.

As far as PCB sector is concerned, this trend will definitely work to our advantages as more autonomous features shall mean more PCBs are needed!

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 222% from approximately HK$72,283,000 in the Previous Period to approximately HK$233,013,000 for the Period Under Review.

We are pleased to see a significant growth in this sector, which was mainly driven by a strong growth in car sales. The car sales in USA rose for an unprecedented seventh straight year in 2016, topping the record set in 2015. In December 2016, sales rose at a seasonally adjusted annual rate of 18.4 million according to Autodata[4], higher than the original forecast of 17.7 million. Sales last year were driven by

[4] Autodata Limited is a provider of technical information to the automotive aftermarket

lower oil prices, the relatively high average vehicle age for cars on the road (over 11 years), easy credit, and incentives for buyers. Car sales in Europe also rose 6.5% to 15.1 million in 2016 – a nine-year high – as demand was propelled by a general slow recovery in the European countries with low inflation and low interest rates.

Customers who bought our electroplating equipment for the Period Under Review are mainly plating companies who plate automobile parts and their headquarters are based in USA or Europe.

Surface finishing is used to coat products made from certain metals or plastic to enhance their life-span and to prevent them from getting corroded. It is also used to enhance electrical properties of the metals and the bonding of organic coatings. Finishing is also used to provide these metals and plastic with a better visual appearance and appeal for consumers.

Electroplating Equipment - Photo Voltaic ("PV" or "Solar") Sector

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

Sales to PV sector in the Period Under Review has decreased significantly from approximately HK$56,222,000 in the Previous Period to approximately HK$2,319,000 for the Period Under Review.

Although the Group has set aside certain resources to work side by side with our potential customers in solar sector, no project was materialized during the Period Under Review.

Outlook

The Group achieved a very brilliant result in 2016. It was mainly due to net gain on disposal of subsidiaries and net gain arising from the arrangement in relation to the Longhua Land. Looking ahead, based on the orders received on hands, the Board is conservatively positive for the financial performance in 2017. Although a lower growth rate is expected in sales of smartphone, our engineering team is working diligently with our customers in developing PCBs which will meet the more advanced features in coming smartphone models. We are hoping that when these new smartphone models are put to the market, it will create a new wave of demand and will benefit our Group and our customers at the end.

PROPERTY DEVELOPMENT

Property Re-development Plan in Longhua

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

Progress made on the Re-development Plan in chronological order is updated below:-

(1) The project company was established by the Counter Party in August 2011 ("Project Company").
(2) The Group has entered into a re-development contract ("Re-development Contract") and relocation compensation agreement ("Relocation Compensation Agreement") with the Project Company in September 2011.
(3) The Project Company has applied for re-development of the Longhua Land in September 2011. In view of the fact that the application was not completed within the agreed timeframe due to force majeure for the reason of the policy changes more particularly described in the Company's announcement dated 25 October 2013, the Group has entered into a supplemental agreement with the Counter Party on 25 October 2013 to extend the completion of tasks associated with the Agreement for another 12 months.
(4) On 16 October 2014, a notice was published by Urban Planning Land and Resources Commission of Shenzhen Municipality to confirm the re-development of the Longhua Land having been listed under "2014 Lot 4 Town re-development formulated plan of Shenzhen – Draft Plan".
(5) In view of the launch of the new requirements over calculation of land premium and that the fact that construction time is expected to take longer than it was originally contemplated in 2011, the Group and the Counter Party entered into second supplemental agreement on 26 October 2015 to extend the deadlines for various outstanding tasks.
(6) In order to speed up the rest of the approval procedure and on the basis that all terms of the Agreement remain unchanged, the Counter Party has requested the Group to rent a factory and then vacate earlier from the Lung Hua Land. In exchange for such request, the Counter Party will compensate the Group on dollar-to-dollar basis for cost incurred for such relocation (including but not limited to rent and management fees for the new factory). The relocation was completed in 2015. The Group has passed the risk and management of the bare land to the Counter Party in late August 2015. As at 31 December 2015, the Group received in full the agreed relocation compensation of RMB 50 million (approximately HK$59,960,000) and has recorded it as other income in year 2015.
(7) On 27 November 2015, the Project Company received an approval letter dated 25 November 2015 confirming that the Construction and Environment Review Committee had approved the planning proposal submitted by the Project Company. Based on the approved planning, the Land shall be re-developed into a comprehensive development site which can build up to a maximum floor area of 196,800 square metres, out of which the Group will receive titles and benefits of 41,000 square meters upon completion.
(8) The Project Company has received an investment registration certificate dated 1 February 2016 and a letter regarding the energy saving assessment dated 10 March 2016 from Shenzhen Long Hua New District Development and Finance Bureau.
(9) The Project Company has received a letter dated 9 May 2016 regarding environmental assessment from Shenzhen Bao'an District Environmental Protection and Water Bureau.
(10) The Project Company has received a land planning permit dated 10 August 2016 from the Urban Planning Land and Resources Commission of Shenzhen Municipality confirming that the Land shall be re-developed into a comprehensive development site comprising an office building, shops, public facilities required by local government and four to six blocks of residential buildings. Maximum floor area to be built is 196,800 sq.m. under which 172,627 sq.m. are marketable residential or commercial properties and 24,173 sq.m. are public facilities and subsidised residential units built on behalf of the local government.
(11) The Group returned the Longhua Land to the local government in August 2016 by entering an agreement with the local government and the Project Company.
(12) On 4 January 2017, the Group has entered the Supplemental Agreements with the Counter Party and the Project Company. Pursuant to the terms of the Supplemental Agreements, amongst others, the Group will receive a guaranteed consideration of RMB1,230,000,000 (net of value-added taxes) and the possibility to receive additional consideration if actual average selling price exceeds RMB30,000 sq.m. (net of value-added taxes) at the time of pre-sales.

As disclosed in the Company's circular dated 15 February 2017, the reasons and benefits for entering into the Supplemental Agreements dated 4 January 2017 are:-

(a) Time to receive the Consideration will be earlier

By entering the Supplemental Agreements, the Group will receive its first sales proceed within fifteen (15) days three months after the issue of the pre-sales certificate ie around September or October 2019. It will be two and a half years earlier than originally anticipated.

(b) Able to share the experienced sales and marketing team currently engaged by the Counter Party

The Counter Party has developed nearly 4,500,000 sq.m. floor area in last ten years and has solid and proven experience in selling and marketing a property site successfully and within the required legislative requirements. Pursuant to the Supplemental Agreements, the Counter Party will be responsible for the pre-sales arrangement and, in return, the Group is required to pay a shared sales and marketing expenses on pro-rata basis.

c) Safeguard downside risks

By securing a minimum guaranteed cash payment of RMB 1.23 billion from the Counter Party and the Project Company, the Group is safeguarded from any unforeseeable but dramatic downside risks.

On 29 March 2017, the Company was advised that the Counter Party has entered into the "Sale of land use rights contract" dated 21 March 2017. The Project Company shall start to apply for the construction planning permit and construction permit in order to start the construction works.

Pursuant to the Supplemental Agreements, the Project Company shall complete the Re-development and the re-developed property shall have met the pre-sale conditions and obtained the relevant "Pre-Sales Certificate" on or before June 2019.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

Reference is made to the Company's announcement issued on 5 July 2016 and circular dated 14 October 2016. On 5 July 2016, Happy Win Resources Limited ("Happy Win"), a direct wholly-owned subsidiary of the Company, entered into a disposal agreement with Fortune Able Investment Holdings Limited (the "Purchaser") and Shenzhen Feng Hua Construction Group Limited (the "Purchaser's Guarantor"), pursuant to which the Purchaser has agreed to acquire, and Happy Win has agreed to sell, the entire issued share capital of the PAL Properties Investment Limited and its subsidiaries together with all outstanding shareholder's loan standing as at completion, at a consideration of HK$181,950,000.

The disposal was completed on 27 September 2016 and the Group recorded a gain of disposal approximately HK$62,803,000 which was reflected under "gain on disposal of subsidiaries" of approximately HK$77,490,000 and "taxation" of approximately HK$14,687,000. Shareholder may refer to note 13 to the consolidated financial statements.

As disclosed in the aforementioned circular, the Company intends to utilize the net proceeds to acquire another piece of land as its long term production site and if no suitable site is located, to apply the net proceeds as general working capital of the Group.

As at the date of this announcement, no suitable site is identified yet. The Group is currently renting a ready-built factory in Datianyan Industrial Zone, Songgan Street Committee, Baoan District as its production site. The lease will expire in August 2018. It is the intention of the Group to discuss with the landlord prior to the expiry of the current lease term to extend such lease further and beyond August 2018. The Group has already obtained verbal confirmation from the landlord to extend the current lease for another 12-24 months. As such, the Group is under no urgency to move out by late 2019 to 2020.

Although the Group is under no urgency to acquire a suitable site in near term, the Company will keep searching for a suitable production's site for the long term development and benefits of PAL. Our primary focus is to look for a site within Shenzhen region and, if failing such, a site near the outskirts 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 CONNECTED TRANSACTION

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

On 31 October 2016 (after trading hours), PAL Finance Limited, an indirect wholly owned subsidiary of the Company (the "Lender"), entered into a loan facility agreement with Karl Thomson Financial Group Limited (the "Borrower"), pursuant to which the Lender has agreed to provide a revolving loan facility of HK$130,000,000 bearing interest at Prime Rate for a term from 6 January 2017 to 30 October 2019 (the "Loan Facility Agreement").

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

An extraordinary general meeting was convened on 6 January 2017 and the Loan Facility Agreement was approved by the independent shareholders of the Company in the said meeting.

BUSINESS STRATEGIES

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

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

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

FINANCIAL REVIEW

Capital Structure, Liquidity and Financial Resources

As at 31 December 2016, the Group had equity attributable to owners of the Company of approximately HK$1,018,699,000 (31 December 2015: HK$299,246,000). The gearing ratio was nil (31 December 2015: 5.2%). As at 31 December 2015, the gearing ratio is calculated by dividing the aggregate amount of bank borrowings of approximately HK$15,500,000 and other interest-bearing loans over the amount of equity attributable to the equity holders of the Company.

As at 31 December 2016, the Group had approximately HK$307,697,000 of cash on hand (31 December 2015: HK$146,200,000).

As at 31 December 2016, the Group pledged deposits of HK$30,516,000 (31 December 2015: HK$17,598,000) to banks to secure the issuance of bank guarantee of the same amount. Total banking facilities available to the Group is HK$132,300,000 (31 December 2015: HK$82,300,000). Out of the facilities available, the Group has utilized (i) approximately HK$30,516,000 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 2016 (31 December 2015: HK$17,598,000), (ii) approximately HK$12,023,000 for the issuance of import letters of credit to suppliers (31 December 2015: HK$9,892,000) and (iii) nil utilization in relation to discounted export bills (31 December 2015 : HK$15,500,000).

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 2016, the Company had guarantees of approximately HK$137,500,000 (31 December 2015: HK$85,000,000) to banks in respect of banking facilities granted to subsidiaries of the Company. The amount utilized by the subsidiaries was approximately HK$42,539,000 (31 December 2015: HK$42,990,000).

Pledge of Assets

As at 31 December 2016, apart from the cash of HK$30,516,000 (31 December 2015: HK$17,598,000) 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 2015: nil).

Capital Commitment

As at 31 December 2016, the Group did not have any significant capital commitment (31 December 2015: nil).

Employee and Remuneration Policies

As at 31 December 2016, the Group employs a total of 667 employees (31 December 2015: 656), including 39 employees hired by our associated company (31 December 2015: 37). Total staff cost including payments to directors for the Period Under Review was approximately HK$152,932,000 (31 December 2015: approximately HK$109,319,000). Employees and Directors are remunerated based on performance, experience and industry practice. Performance related bonuses are granted on discretionary basis. The Group maintains a mandatory provident fund schemes for its employees in Hong Kong and participates in the state-managed retirement benefit schemes for its employees in PRC. The Group also maintained appropriate insurances and medical cover for its employees.

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

FINAL DIVIDEND

As the Company is still in the process of searching for a suitable production site for the long term development and benefits of PAL and the excellent financial performance for the Group for the year ended 31 December 2016 was mainly due to the gain on recognition of Other Asset which is an unrealized gain by nature, after due and careful consideration, the Board does not recommend payment of any final dividend for the year ended 31 December 2016 (2015: Nil)

APPRECIATION

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

CORPORATE GOVERNANCE

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

The Company's corporate governance practices are based on the principles and the code provisions ("Code Provisions") as set out in the CG Code of the Listing Rules. The Company has, throughout the year ended 31 December 2016 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 2016, the Audit Committee met twice considering the annual results of the Group for the financial year ended 31 December 2015 and the interim results of the Group for the 6 months ended 30 June 2016, 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 2016 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 2016.

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 2016.

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 2016 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.

EVENT AFTER THE REPORTING PERIOD

On 4 January 2017, the Group has entered Supplemental Agreements with the Counter Party and the Project Company to amend certain terms under the Agreement and the Relocation Compensation Agreement. The Company issued an announcement on 4 January 2017 pursuant to Rule 14.36 of the Listing Rules as the entering of the Supplemental Agreements constitutes a variation to the terms of the transactions previously approved by the shareholders of the Company on 13 October 2011. In addition, as the amendments set out in the Supplemental Agreements constitute material changes to the terms of the Agreement and the Relocation Compensation Agreement, accordingly, pursuant to Rules 14.36 and 14.49 of the Listing Rules, the Supplemental Agreements should be subject to Shareholders' approval.

Pursuant to the terms of the Supplemental Agreements, amongst others, the Group will receive a guaranteed consideration of RMB1,230,000,000 (net of value-added taxes) and the possibility to receive additional consideration if actual average selling price exceeds RMB30,000 sq.m. (net of value-added taxes) at the time of pre-sales.

An extraordinary general meeting was convened on 2 March 2017 and in which the Supplemental Agreements were approved.

Shareholders are advised to refer to the Company's circular dated 15 February 2017 for more details.

For the full development history in relation to the Agreement and Relocation Compensation Agreement, please refer to section “Property Re-development Plan in Longhua” stated above.

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 2016 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
Chairman and Managing Director

Hong Kong, 30 March 2017

As at the date of this announcement, the executive directors of the Company are Messrs. Lam Kwok Hing and Nam Kwok Lun, and the independent non-executive directors are Messrs. Cheung Kin Wai, Kwan Wang Wai, Alan and Ng Chi Kin, David.

** For identification purpose only*