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ASIA TELE-NET AND TECHNOLOGY CORPORATION LIMITED

亞洲聯網科技有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 679)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

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 2017 ("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 2017

	NOTES	2017 HK$'000	2016 HK$'000
Revenue	4	800,966	601,898
Cost of sales		(697,283)	(480,994)
Gross profit		103,683	120,904
Gain on change in fair value/recognition of Other Asset	10	194,704	999,560
Gain on disposal of subsidiaries		-	77,490
Other gains and losses	5	(10,884)	(11,441)
Other income		119,151	1,950
Selling and distribution costs		(19,954)	(22,269)
Administrative expenses		(103,553)	(117,836)
(Allowance for) reversal of bad and doubtful debts		(1,039)	388
Finance costs	6	(1,202)	(4)
Share of results of associates		(366)	1,057
Profit before taxation		280,540	1,049,799
Taxation	7	(70,504)	(287,428)
Profit for the year	8	210,036	762,371

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

FOR THE YEAR ENDED 31 DECEMBER 2017

	NOTE	2017 HK$'000	2016 HK$'000
Other comprehensive income (expense)			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operations			
- subsidiaries		75,613	(42,229)
- associate		434	(324)
Other comprehensive income (expense) for the year		76,047	(42,553)
Total comprehensive income for the year		286,083	719,818
Profit for the year attributable to:			
Owners of the Company		209,483	761,996
Non-controlling interests		553	375
		210,036	762,371
Total comprehensive income for the year attributable to:			
Owners of the Company		285,492	719,453
Non-controlling interests		591	365
		286,083	719,818
Earnings per share	9		
Basic		HK$0.49	HK$1.79

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2017

	NOTES	2017 HK$'000	2016 HK$'000
Non-current assets			
Property, plant and equipment		40,225	28,742
Other Asset	10	1,348,931	958,215
Loan receivable	11	60,000	-
Interests in associates		2,414	3,196
		1,451,570	990,153
Current assets			
Inventories		61,459	63,954
Amounts due from customers for contract work		75,748	78,441
Debtors, bills receivables and prepayments	12	216,415	149,594
Held-for-trading investments		45,153	42,342
Amounts due from associates		21	21
Taxation recoverable		7,623	54
Pledged bank deposits		3,236	30,516
Bank balances and cash		165,880	277,181
		575,535	642,103
Current liabilities			
Creditors, bills payables and accrued charges	13	282,930	264,161
Warranty provision		31,609	29,013
Amounts due to customers for contract work		8,200	9,789
Amounts due to associates		-	34
Taxation payable		8,253	16,206
		330,992	319,203
Net current assets		244,543	322,900
Total assets less current liabilities		1,696,113	1,313,053

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

AT 31 DECEMBER 2017

	NOTE	2017 HK$'000	2016 HK$'000
Capital and reserves			
Share capital		4,265	4,265
Reserves		1,299,926	1,014,434
Equity attributable to owners of the Company		1,304,191	1,018,699
Non-controlling interests		553	362
Total equity		1,304,744	1,019,061
Non-current liabilities			
Accrued charges	13	44,647	29,854
Warranty provision		5,174	4,304
Deferred taxation		341,548	259,834
		391,369	293,992
		1,696,113	1,313,053

Notes:

1. GENERAL

Asia Tele-Net And Technology Corporation Limited (the "Company") is incorporated in Bermuda under The Companies Act 1981 of Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

The Company is an investment holding company and its principal subsidiaries are mainly engaged in electroplating equipment business.

2. APPLICATION OF NEW AND REVISED 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 HKAS 7	Disclosure initiative
Amendments to HKAS 12	Recognition of deferred tax assets for unrealised losses
Amendments to HKFRS 12	As part of the annual improvements to HKFRSs 2014 - 2016 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 financial statements.

<u>Amendments to HKAS 7 Disclosure initiative</u>

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

A reconciliation between the opening and closing balances of these items is provided in the financial statements. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosure, the application of these amendments has had no impact on the Group's financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

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

The 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 2017 and 2016 analysed by principal activity is as follows:

	2017 HK$'000	2016 HK$'000
Construction contracts in respect of design, manufacturing and sale of custom-built electroplating machinery and other industrial machinery	699,695	529,529
Sale of spare parts of electroplating machinery	18,109	18,480
Provision of services - repairs and maintenance	83,162	53,889
	800,966	601,898

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.

4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Segment Information (continued)

Segment revenue and results - continued

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	
	2017	2016
	HK$'000	HK$'000
Segment revenue	800,966	601,898
Segment profit	177	32,858
Intra-group management fee charged to operating segment	6,571	6,767
Other income	118,084	1,492
Central corporate expenses	(36,226)	(58,235)
Gain on change in fair value/recognition of Other Asset	194,704	999,560
Gain on disposal of subsidiaries	-	77,490
Imputed interest on non-current portion of provision for performance related incentive payments (note 13)	(1,189)	-
Other gain or losses	(1,581)	(10,133)
Profit before taxation	280,540	1,049,799

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 associates but excluding other income (including interest income from loan receivable, imputed interest income of GCC, unallocated interest income, dividend income and sundry income), central corporate expenses including auditor's remuneration and directors' emoluments, other gain or losses (including imputed interest on non-current portion of provision for performance related incentive payments, net change in fair value of held-for-trading investments, loss on derecognition of prepaid lease payments, adjustment on non-current portion of provision, gain on change in fair value/recognition of Other Asset, 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

Amounts of segment asset and liabilities of the Group are not reviewed by the chief operating decision maker or otherwise regularly provided to the chief operating decision maker, accordingly, segment assets and liabilities are not presented.

4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Segment Information (continued)

Other segment information

	Electroplating equipment	
	2017	2016
	HK$'000	HK$'000
Amounts included in the measure of segment result:		
Allowance for (reversal of) bad and doubtful trade debtors	1,039	(388)
Allowance for (reversal of) slow moving inventories	288	(1,201)
Share of results of associates	(366)	1,057
Loss on disposal of property, plant and equipment	288	54
Depreciation	5,201	2,909
Release of prepaid lease payments	-	1,504
Provision for warranty	30,965	22,449

	Unallocated	
	2017	2016
	HK$'000	HK$'000
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss:		
Loss on derecognition of prepaid lease payments	-	7,036
Gain on change in fair value/recognition of Other Asset	194,704	999,560
Imputed interest income of GCC	113,786	-
Adjustment on non-current portion of provision for performance related incentive payments	2,335	-
Imputed interest on non-current portion of provision for performance related incentive payments	1,189	-

4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Geographical information

The Group's operations are mainly located in Hong Kong, the People's Republic of China (excluding Hong Kong) (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.

	2017 HK$'000	2016 HK$'000
PRC	373,847	343,666
Taiwan	241,725	110,924
Korea	67,965	11,950
Thailand	47,101	5,724
India	24,874	1,882
The United States of America	19,679	16,907
Portugal	8,861	27,503
Brazil	4,561	-
Singapore	2,454	5,789
Mexico	2,270	35,045
Philippines	1,598	230
The United Kingdom	720	10,558
Canada	673	-
Russia	614	14,495
Europe	51	1,095
Tunisia	23	2,083
Switzerland	21	140
Germany	-	13,049
Others	3,929	858
	800,966	601,898

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

	2017 HK$'000	2016 HK$'000
Hong Kong	32,928	23,844
PRC	6,576	963,042
Others	3,135	3,267
	42,639	990,153

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:

	2017 HK$'000	2016 HK$'000
Customer A	122,719	N/A[1]
Customer B	106,479	N/A[1]
Customer C	88,350	71,319
Customer D	81,608	61,761
Customer E	N/A[1]	88,915
Customer F	N/A[1]	87,409

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

5. OTHER GAINS AND LOSSES

	2017 HK$'000	2016 HK$'000
Net change in fair value of held-for-trading investments	754	(11,308)
Net exchange (loss) gain	(8,986)	5,733
Loss on disposal of property, plant and equipment	(288)	(54)
Loss on derecognition of prepaid lease payments	-	(7,036)
Adjustment on non-current portion of provision for performance related incentive payments (note 13)	(2,335)	-
Other gains and losses	(29)	1,224
	(10,884)	(11,441)

6. FINANCE COSTS

	2017 HK$'000	2016 HK$'000
Interest on bank borrowing	13	4
Imputed interest on non-current portion of provision for performance related incentive payments (note 13)	1,189	-
	1,202	4

7. TAXATION

	2017 HK$'000	2016 HK$'000
The taxation charge comprises:		
Hong Kong Profits Tax:		
Charge for the year	-	1,233
Overseas taxations		
Charge for the year	9,505	19,651
Deferred tax charge	60,999	266,544
	70,504	286,195
	70,504	287,428

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 2017 and 2016 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 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

	2017 HK$'000	2016 HK$'000
Profit for the year has been arrived at after charging (crediting):		
Auditor's remuneration	2,083	1,545
Cost of inventories recognised as expenses (including allowance for slow moving inventories of approximately HK$288,000 (2016: reversal of allowance for slow moving inventories of approximately HK$1,201,000))	476,496	351,135
Depreciation of property, plant and equipment	5,280	3,031
Release of prepaid lease payments	-	1,504
Operating lease payments in respect of rented premises	10,618	4,451
Staff costs:		
Directors' fee	264	234
Directors' salaries, other benefits and performance related incentive payments	18,469	41,600
Salaries and allowances	113,059	108,679
Contributions to retirement contributions schemes	2,361	2,419
	134,153	152,932
Interest income from loan receivable	(2,182)	(41)
Imputed interest income of GCC (included in other income) (note 10)	(113,786)	-
Investment income		
Interest earned on bank deposits	(1,686)	(905)
Dividend income from		
- Other investments	-	(149)
	(1,686)	(1,054)

9. EARNINGS PER SHARE

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

	2017 HK$'000	2016 HK$'000
The Group's profit for the year attributable to owners of the Company	209,483	761,996
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 ("the Land") from industrial land into residential properties for resale. Details of the Re-development Agreement are set out in the Company's circular dated 19 September 2011. Pursuant to the Re-development Agreement, the Group 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 Redevelopment 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 (the "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 paid 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.

The progress of the Re-development Plan up to 31 December 2015 was set out in the Company's 2015 annual report.

The Project Company 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.

10. OTHER ASSET (CONTINUED)

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. The "Sales of land use rights contract" has subsequently been signed on 21 March 2017. The Project Company shall start to apply the construction planning permit and construction permit in order to start the construction works.

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 Avista Valuation Advisory Limited ("Avista"), an independent professional valuer, as an "Other Asset" and recognised the same amount as gain in the profit or loss during the year ended 31 December 2016. The valuation was dependent on certain significant inputs that involved judgements, including market unit rate and lack of marketability discount rate. The Other Asset was initially recognised at its fair value and subsequently carries at cost less impairment.

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

On 4 January 2017, the Group, the Counter Party and the Project Company entered into the supplemental agreements ("Supplemental Agreements") to amend certain terms associated with the settlement arrangement of the Re-development Plan. Pursuant to the Supplemental Agreements, instead of transferring the title of the Relevant Properties, the Group is offered a guaranteed cash consideration of RMB1.23 billion ("GCC"), payable by six tranches within fifteen days after eighteen months of the issue of the presales certificate without waiting for the completion of the Re-development Plan. The first tranche will be payable within fifteen day after three months of the issue of the pre-sales certificate and the next tranche will be payable three months thereafter and so on. Apart from GCC, the Group will receive additional cash consideration representing the difference between the actual net sales proceed less RMB1.23 billion ("ACC"). Actual net sales proceed is equal to actual gross proceed to be received by the Project Company in respect of the Relevant Properties during the pre-sales period and after netting off value-added taxes, urban maintenance and construction tax, educational surtax, stamp duty, share of sales and marketing expenses and decoration expenses (if any). ACC in relation to residential properties will be payable within thirty-six months after the issue of the pre-sales certificate and ACC in relation to commercial properties will be payable within seventy-two months after the issue of the pre-sales certificate. The details of the amendment are set out in the Company's circular dated 15 February 2017. The transactions contemplated under the Supplemental Agreements have been approved by the shareholders of the Company on 2 March 2017.

With the effective of the Supplemental Agreements, the Other Asset is changed to the right to receive GCC and ACC. The fair values of GCC and ACC are approximately HK$910,602,000 and HK$193,657,000 respectively at the initial recognition. The fair values of GCC and ACC have been arrived at using discounted cash flow method by discounting future cash flows at an interest rate of 14.9% per annum based on a valuation performed by Avista. Pursuant to the Supplemental Agreements, the deadline for the Project Company to obtain the pre-sales certificate is on or before 30 June 2019. The directors of the Company expect the pre-sales certificate to be issued on 30 June 2019 in the estimation of the fair values of GCC and ACC accordingly. Subsequent to the initial recognition, GCC is measured at amortised cost using the effective interest method, less any impairment while ACC is measured at fair value with changes in fair value through profit or loss. The Group recognises a gain in change in fair value of the Other Asset of approximately HK$194,704,000 in profit or loss during the year ended 31 December 2017. As GCC is carried at amortised cost, imputed interest of approximately HK$113,786,000 is recognised as other income in the profit or loss during the year ended 31 December 2017.

As at 31 December 2017, the carrying amount of the Other Asset is approximately HK$1,348,931,000 (including GCC of approximately HK$1,083,245,000 and ACC of approximately HK$265,686,000).

11. LOAN RECEIVABLE

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

	2017 HK$'000	2016 HK$'000
Repayable after one year	60,000	-

On 31 October 2016, the Group entered into a loan facility agreement with Karl Thomson Financial Group Limited ("KTFG"), which is a wholly owned subsidiary of Hoifu Energy Group Limited ("Hoifu"). Mr. Lam Kwok Hing, an executive director and a substantial shareholder of the Company, and Mr. Nam Kwok Lun, an executive director of the Company who has an indirect interest in the Company, are the directors of Hoifu. The Group provides an unsecured revolving loan facility of HK$130,000,000 bearing interest at prime rate as announced from time to time by The HongKong and Shanghai Banking Corporation Limited for lending Hong Kong Dollars for a term of three years commencing from the loan effective date and ending on 30 October 2019. As at 31 December 2017, a loan of HK$60,000,000 (2016: nil) was drawn by KTFG in according to the terms of the loan facility agreement. The average effective interest rate, which is equal to contractual interest rate, is 5% per annum.

12. DEBTORS, BILLS RECEIVABLES AND PREPAYMENTS

	2017 HK$'000	2016 HK$'000
Trade debtors and bills receivables	221,409	138,682
Less: Allowance for bad and doubtful debts	(32,729)	(31,911)
	188,680	106,771
Other debtors and prepayments	27,735	42,823
	216,415	149,594

As at 31 December 2016, the trade debtors balance included trade debts due from associates of approximately HK$4,232,000.

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:

	2017 HK$'000	2016 HK$'000
1 - 60 days	156,945	100,241
61 - 120 days	22,736	3,714
121 - 180 days	5,153	1,120
Over 180 days	3,846	1,696
	188,680	106,771

12. DEBTORS, BILLS RECEIVABLES AND PREPAYMENTS (CONTINUED)

As at 31 December 2017, the trade debtors and bills receivables of approximately HK$156,945,000 (2016: approximately HK$100,241,000) were neither past due nor impaired. No significant counterparty default was noted in the past.

As at 31 December 2017, trade debtors of approximately HK$31,735,000 (2016: approximately HK$6,530,000) 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. The average age of these trade receivables is 86 days (2016: 65 days) as at 31 December 2017.

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

	2017 HK$'000	2016 HK$'000
Past due by:		
1 - 60 days	22,736	3,714
61 - 120 days	5,153	1,120
121 - 180 days	2,585	308
Over 180 days	1,261	1,388
	31,735	6,530

<u>Movement in the allowance for bad and doubtful debts</u>

	2017 HK$'000	2016 HK$'000
Balance at beginning of the year	31,911	32,299
Allowance made (reversal) on trade debtors	1,039	(388)
Written off against trade debtors	(221)	-
Balance at end of the year	32,729	31,911

Included in the allowance for doubtful debts of approximately HK$32,729,000 (2016: approximately HK$31,911,000) are individually impaired trade debtors, which were in severe financial difficulties. The Group has provided fully for these debts.

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines its credits. Credit sales are made to customers with a satisfactory trustworthy history. Credit limits attributed to customers are reviewed regularly.

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.

13. CREDITORS, BILLS PAYABLES AND ACCRUED CHARGES

	2017 HK$'000	2016 HK$'000
Trade creditors	178,588	168,292
Bills payables	2,911	3,741
Accrued staff costs	17,731	19,759
Commission payables to sales agents	18,587	15,662
Other creditor and accrued charges (note)	100,838	72,117
Advances received from customers for contract work	105	6,307
Advances received from customers for services	8,817	8,137
	327,577	294,015
Less: Non-current portion of accrued charges (note)	(44,647)	(29,854)
	282,930	264,161

Note: As at 31 December 2017, the non-current payable portion of provision of approximately HK$44,647,000 (2016: HK$29,854,000) represents the provision of performance bonus to the executive directors of the Company which is determined by the board of directors of the Company with reference to the net gain from the Other Asset. An imputed interest expense of approximately HK$1,189,000 (2016: nil) is charged to profit or loss during the current year. With the effective of the Supplemental Agreements, the estimated timing of payment of the non-current portion of provision is revised and an adjustment of provision of approximately HK$2,335,000 (2016: nil) is charged to profit or loss during the current year.

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:

	2017 HK$'000	2016 HK$'000
0 - 60 days	51,790	81,470
61 - 120 days	43,841	25,589
121 - 180 days	30,020	22,556
Over 180 days	55,848	42,418
	181,499	172,033

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

Chairman's Statement and Management Discussions

FINANCIAL RESULTS

During the year ended 31 December 2017 ("the Period Under Review"), the Group recorded profit attributable to owners of the Company of approximately HK$209,483,000 compared to the profit attributable to owners of the Company of approximately HK$761,996,000 for the year ended 31 December 2016 ("the Previous Period"), representing approximately 73% decrease. The significant drop in 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 nil (the Previous Period: HK$62,803,000); (ii) reduce profit margin from 20% to 13% and (iii) net gain arising from change in fair value of the arrangement in relation to a site located at Longhua of approximately HK$247,491,000 (the Previous Period: approximately HK$733,016,000), representing gain on change in fair value of other asset of approximately HK$194,704,000, gain on imputed interest of approximately HK$113,786,000 less additional provision for deferred tax charge of approximately HK$60,999,000. (please refer to "Property Re-development Plan in Longhua" below).

The basic earnings per share for the Period Under Review was HK$0.49 compared to the basic earnings per share of HK$1.79 for the Previous Period.

FINANCIAL REVIEW

Revenue

The revenue for the Period Under Review was approximately HK$800,966,000 or 33% more than the Previous Period. Higher revenue reported during the Period Under Review was mainly due to increased sales in high-end communication device and automobile.

In terms of business segment, approximately 83.7% of the revenue was generated from PCB sector (the Previous Period: approximately 55.6%), approximately 16.3% came from surface finishing sector (the Previous Period: approximately 44.0%) and nil derived from solar cell sector (the Previous Period: 0.4%).

In terms of the machines geographical installation base, the revenue composition during the Period Under Review was 47% machine values were installed in PRC (the Previous Period: 57%), 30% in Taiwan (the Previous Period: 18%), 8% in Korea (the Previous Period: 2%), 6% in Thailand (the Previous Period: 1%), 3% in the India (the Previous Period: 0.3%), and 6% in rest of the world.

Gross Profit

During the Period Under Review, the Group has introduced a new electroplating equipment named SCP line to meet the new plating process. While the introduction of new equipment helped to boost the revenue, we have also invested a substantial amount of cost and manpower in debugging various technical issues. Another factors contributing the drop in gross profit ratio are the bulk purchase discount we offered to our customers and the fact that the cost of labour and associated staff benefits are still on the rise trend. The average gross profit margin recorded a reduction from 20% from Previous Period to 13% for the Period Under Review.

Gain on change in fair value of Other Asset of approximately HK$194,704,000

References are made to (i) page 4 of 2016 annual report with respect to a gain on recognition of other asset of approximately HK$999,560,000 for the rights to receive titles of 41,000 sq.m marketable residential and commercial properties pursuant to agreements signed in October 2011 and (ii) the announcement of the Company dated 4 January 2017 in relation to the entering of the supplemental agreements ("Supplemental Agreements"). Following the announcement, a circular was issued on 15 February 2017 ("Circular") and an extraordinary general meeting was held on 2 March 2017 to approve the Supplemental Agreements. Under the terms of the Supplement Agreements, instead of receiving titles of 41,000 sq.m marketable residential and commercial properties, the Group will receive the guaranteed cash consideration of RMB1.23 billion and rights to receive the Additional Consideration (as defined in the Circular) if the average selling price is higher than RMB30,000 (net of value-added taxes) or RMB33,710 (inclusive of value-added taxes). As the terms of the Supplemental Agreement are materially different from the terms of the transactions previously approved by the Shareholders of the Company on 13 October 2011 for which the gain of HK$999,560,000 was calculated, the Company has appointed an independent valuation company to determine the fair value for the rights entitled by the Group under the Supplemental Agreements.

Based on the valuation report, the fair value for the rights entitled under the Supplemental Agreements as at 31 December 2017 was more than the carrying value of the other asset as at 31 December 2016 by approximately HK$194,704,000, hence a gain was recorded in the statement of the profit and loss.

Gain on disposal of subsidiaries of approximately HK$77,490,000 in year 2016

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 in year 2016.

Other gains and losses of approximately HK$10,884,000

This represented (a) Net change in unrealized fair value gain of held-for-trading investments of approximately HK$754,000 (the Previous Period: loss of HK$11,308,000) (b) net exchange loss of approximately HK$8,986,000 (the Previous Period: gain of HK$5,733,000) (c) adjustment on non-current of provision the provision of performance bonus to the executive directors of the Company of approximately HK$2,335,000 (the Previous Period: nil) and (d) loss on recognition of prepaid lease payments of nil (the Previous Period: HK$7,036,000).

(a) Net change in unrealized fair value gain of held-for-trading investments was approximately HK$754,000 (the Previous Period : loss of HK$11,308,000)

    All held-for-trading investments were recorded at fair value as at 31 December 2017 and represented listed securities in Hong Kong. The unrealized fair value gain was not very significant. During the Period Under Review, Hang Seng Index increased from 22,000 as at 31 December 2016 to 29,919 as at 31 December 2017. Nevertheless, the increase in Hang Seng Index was highly concentrated on a few blue-chip listed securities such as Tencent.

Below are information of the Group's held-for-trading investments as at 31 December 2017:

Company Name / Stock Code	% of shareholding as at 31 December 2017	Fair value change HK$'000	Fair value as at 31 December 2017 HK$'000	% of Total Assets of the Group as at 31 December 2017	Fair value as at 31 December 2016 HK$'000	% of Total Assets of the Group as at 31 December 2016
Shanghai Industrial Urban Development Group Ltd. (563)	0.13%	(260)	11,407	0.56%	9,734	0.60%
South China Financial Holdings Ltd. (619)	0.91%	(3,718)	5,921	0.29%	9,639	0.59%
South China Holdings Company Ltd (413)	0.20%	(162)	8,359	0.41%	8,521	0.52%
Orient Victory Travel Group Company Ltd. (265)	0.38%	6,790	13,822	0.68%	7,032	0.43%
South China Assets Holdings Ltd. (8155)	0.45%	(757)	2,824	0.14 %	3,581	0.22 %
Others		(1,139)	2,820	0.15%	3,835	0.23%
Total		754	45,153	2.23%	42,342	2.59%

(b) Net exchange loss was approximately HK$8,986,000 (the Previous Period : gain of HK$5,733,000)

The net exchange loss was mainly due to (i) the exchange loss of approximately HK$12,590,000 arising from intercompany transactions, (ii) exchange gain of approximately HK$1,371,000 arising from revaluation of Euro-based receivable and bank balances and (iii) exchange gain of approximately HK$2,133,000 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 appreciated by approximately 7.0% and hence the production arm of the Group recorded an exchange loss arising from the receivable which was denominated in Hong Kong dollars. At the same time, however, the Group recorded an exchange gain for its RMB-based assets.

During the Period Under Review, Euro was appreciated by approximately 14.4%. The Group recorded an exchange gain for its Euro-based receivable and bank balances.

(c) Adjustment on non-current of provision the provision of performance bonus to the executive directors of the Company of approximately HK$2,335,000

As at 31 December 2017, the non-current payable portion of provision of approximately HK$44,647,000 (31 December 2016: HK$29,854,000) represents the provision of performance bonus to the executive directors of the Company which is determined by the board of directors of the Company with reference to the net gain from the Other Asset. With the Supplemental Agreements became effective, the estimated timing of payment of the non-current portion of provision was revised and as such an adjustment of provision of approximately HK$2,335,000 (the Previous Period: nil) was charged to profit or loss during the current period.

(d) Loss on derecognition of prepaid lease payments of approximately HK$7,036,000 in year 2016

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.

No such transaction was recorded in year 2017.

Other income of approximately HK$119,151,000

This represented (a) interest and fees arising from a loan facility agreement of approximately HK$2,572,000 (the Previous Period: nil) (b) interest received from bank deposits of approximately HK$1,686,000 (the Previous Period: HK$905,000) (c) imputed interest income of approximately HK$113,786,000 (the Previous Period: nil).

(a) Interest and fees arising from a loan facility agreement

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").

Pursuant to the Loan Facility Agreement, the Group has received interest income and handling fee income of approximately HK$2,182,000 and HK$390,000 respectively (the Previous Period: nil) received from the borrower.

(b) Interest received from bank deposits

Interest income from bank deposits was approximately HK$1,686,000 (the Previous Period: HK$905,000).

(c) Imputed interest income

Please refer to note 10 of the financial information of this result announcement for more detailed explanation on the imputed interest income of approximately HK$113,786,000 (the Previous Period: nil)

Selling and Distribution Costs of approximately HK$19,954,000

The selling and distribution costs represented exhibition and marketing expenses, product and public liability insurance cost and the respective personnel cost on the sales team. Cost in 2017 was 10% lower than in 2016. It was mainly due to decrease in personnel related cost.

Administrative expenses of approximately HK$103,553,000

The administrative expenses for the Period Under Review was 12% lower than the Previous Period. It was mainly due to the net effect of (a) decrease in provision for performance related incentive payments payable to executive directors of the Company, (b) increase in rental expenses and (c) increase in general expenses.

(a) Provision for performance related incentive payments

Provision for performance related incentive payments is calculated by applying the pre-agreed percentage on (i) the net gain on recognition of Other Asset but after netting off associated taxes ("Net Gain on Other Asset") and discounted to present value and (ii) overall financial performance of the Group for a financial year but excluding Net Gain on Other Asset.

For the Period Under Review, provision for performance related incentive payments in relation to Net Gain on Other Asset was approximately HK$11,269,000 (the Previous Period: HK$29,854,000). Such provision was based on the assumptions that the Company shall receive the guaranteed cash consideration of RMB1.23 billion and Additional Consideration in accordance with the agreed timetable and terms under the Supplemental Agreements. No provision was made for performance related incentive payments in relation to overall financial performance of the Group but excluding Net Gain on Other Asset (the Previous Period : HK$3,096,000).

(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 Group has to pay for the rental expenses for the Period under Review. The rental expenses recorded in the Period Under Review was approximately HK$10,050,000 (the Previous Period : HK$3,775,000).

(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$82,234,000 was 1.4% higher than the Previous Period (the Previous Period : HK$81,111,000).

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 2017 were 1.6%[1] and 1.7%[2] respectively.

Finance cost of approximately HK$1,202,000

This represented mainly the imputed interest expenses regarding the provision of performance related incentive payments of approximately HK$1,189,000 (the Previous Period: nil).

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

Taxation

Taxation of approximately HK$70,504,000 (the Previous Period: HK$287,428,000) 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$194,704,000 (the Previous Period: HK$999,560,000), the Group recorded a corresponding estimated taxes of approximately HK$60,999,000 (the Previous Period : HK$266,544,000).

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

Exchange difference arising on translation of foreign operation of approximately HK$75,613,000

This represented mainly the exchange difference arising on translation of operations in the PRC due to the appreciation in RMB (of approximately HK$14,063,000) and revaluation of Other Asset (of approximately HK$61,512,000). The currency translation reserve was increased at the same amount.

Other Asset

Please refer to note 10 of the financial information of this result announcement for more detailed explanation.

Loans receivable under non-current assets

On 31 October 2016, the Group entered into a loan facility agreement with Karl Thomson Financial Group Limited ("KTFG"), which is a wholly owned subsidiary of Hoifu Energy Group Limited ("Hoifu"). Mr. Lam Kwok Hing, an executive director and a substantial shareholder of the Company, and Mr. Nam Kwok Lun, an executive director of the Company who has an indirect interest in the Company, are the directors of Hoifu. The Group provides an unsecured revolving loan facility of HK$130,000,000 bearing interest at prime rate as announced from time to time by The Hongkong and Shanghai Banking Corporation Limited for lending Hong Kong Dollars for a term of three years commencing from the loan effective date and ending on 30 October 2019. As at 31 December 2017, a loan of HK$60,000,000 (31 December 2016: nil) was drawn by KTFG in according to the terms of the loan facility agreement. The average effective interest rate, which is equal to contractual interest rate, is 5% per annum.

Held-for-trading investments under current assets

As at 31 December 2017, the Company had held-for-trading investment in listed securities in Hong Kong with a market value of approximately HK$45,153,000, representing an investment portfolio of thirteen listed equities in Hong Kong. The Board acknowledges that the performance of the equities may be affected by the degree of volatility in the Hong Kong stock market and susceptible to other external factors that may affect their values. Accordingly, in order to mitigate possible financial risks related to the equities, the Board will continue to maintain a diversified investment portfolio across various segments of the market and also closely monitor the performance progress of its investment portfolio from time to time going forward.

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

Creditor, bills payable and accrued charges under current liability

The amount payable to creditors and payable for bills and accrued charges as at 31 December 2017 was HK$282,930,000 which was 7% higher than the Previous Period. The increase was purely due to the increase in 2017 revenue and the material ordered for 2018 orders on hands.

Accrued charges of approximately HK$44,647,000 under non-current liability

Please refer to note (a) of administrative expenses stated in above. It was related to provision for performance related incentive payments payable and was 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$341,548,000 under non-current liability

The Group has recorded a deferred taxation of approximately HK$337,233,000 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$294,197,000 in Previous Period to HK$585,982,000, representing 99% increase. Out of this total revenue, from the perspective of installation location, nearly 44% were shipments made to PRC (52% in Previous Period) and 35% were shipments made to Taiwan (35% in Previous Period).

The boost in revenue was mainly contributed by the launch new models of smartphone in Quarter 3 of 2017. During the Period Under Review, the Group has introduced a new electroplating equipment named SCP line to meet the new plating process "MSAP". MSAP is all about manufacturing 10-layer main build-up multilayer boards (alias HDI microvia boards) with filled vias and 30um line width. The MSAP boards are used in high-end smartphones such as Apple and Samsung with the advantage of reducing the overall size of the phone. Based on the available information on hands, there are seven PCB makers manufacturing these MSAP boards. They are Compeq, Unimicron and Kinsus from Taiwan, Ibiden from Japan, Zeng Ding Technology from China, TTM Technologies from USA and AT&S from Europe. The Group is supplying electroplating equipment to four PCB makers out of these seven. For the year 2016 and 2017, the Group has shipped 35 equipment in support the MSAP production.

In April 2017, Gartner has published a research showing the spending by device type.

Table 1. Worldwide End-User Spending by Device Type, 2016-2019
(in US$ million)

Device Type	2016	2017	2018	2019
Traditional PCs (Desk-Based, Ultramobile Premium and Notebook)	163,906	163,351	166,259	169,192
Mobile Phones	382,859	399,497	408,170	423,558
Ultramobiles (Basic and Utility)	40,436	36,286	35,171	34,411
Total Device Market	587,201	599,134	609,600	627,161

Source: Gartner (April 2017)

The spending on mobile phones is expected to grow by 6% from 2017 to 2019 while spending on PCs is only 3%. This trend and the result of actual spending as stated above will explain why PCB makers are chasing after business from smartphone sector. It was estimated that Samsung and Apple may have used 18% 2017 PCB output and at an estimated value of US$11 billion.[3]

We reported the estimated 2017 worldwide PCB output in March 2016. The estimated figures were revised by Dr. Nakahara in November 2017 as follows:-

[3] Figures are quoted from research report issued by Dr. Nakahara in January 2018.

Table 2: World PCB Output 2013-2017
(in US$ million)

Major Regions	2013	2014	2015	2016	2017(F)*
Americas	3,100	3,078	2,928	3,000	3,135
Germany	1,090	1,097	900	930	980
Other Europe	1,720	1,640	1,468	1,500	1,510
China**	26,551	28,200	28,605	28,030	30,600
Japan	6,300	5,930	5,092	5,240	5,200
Taiwan	8,155	7,850	7,810	7,500	7,850
S.Korea	8,870	7,597	6,700	6,890	7,235
Thailand	1,747	2,209	2,470	2,320	2,680
Other Asia	2,247	2,622	2,582	2,710	2,945
World Total	**59,780**	**60,223**	**58,555**	**58,120**	**62,135**

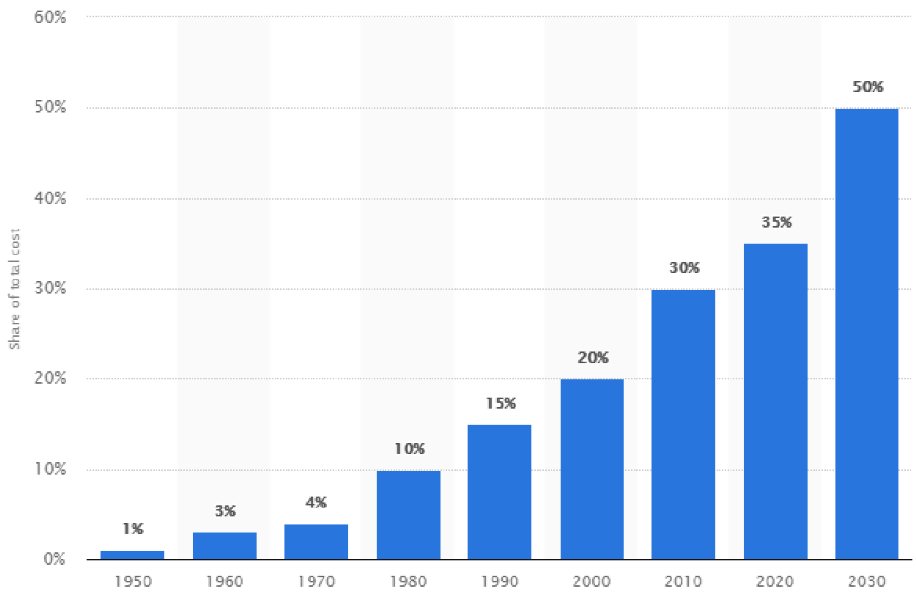
Source of information : New Technology Information Ltd, a consulting company specialized in PCB industry
*Both 2016 & 2017(F) were calculated using 2017 exchange rates for comparison purpose
**The output recorded under the category "China" included output from Taiwanese PCB makers who set up production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

As far as 2017 figures are concerned, 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.

While the Group delivered a record high result in term of revenue, the gross profit margin this year has dropped significantly due to the substantial cost involved in debugging various technical issues and assisted our customer in improving their yield ratio （良率）. Another factor contributing the drop in gross profit ratio are the bulk purchase discount we offered to our customers.

The other driver for the sales of our PCB electroplating equipment is automotive electronics. Based on estimates by NXP/Freescale and Statistica the electronic content of a car on a cost basis is approaching 35% now and will reach 50% by 2030.

Chart 3: Automotive electronics cost as a percentage of total car cost worldwide from 1950 to 2030



Source : www.statista.com

The higher the percentage will bring in a higher PCB usage and hence the better prospect as far as our business is concern.

Electroplating Equipment-Surface Finishing ("SF") Sector

This sector is traded through our subsidiary PAL Surface Treatment Systems Ltd ("PSTS").

The revenue of the SF sector has decreased by 51% from approximately HK$233,013,000 in the Previous Period to approximately HK$113,713,000 for the Period Under Review. Out of this total revenue, from the perspective of installation location, nearly 65% were shipments made to PRC (63% in Previous Period) and 19% were shipments made to India (nil in Previous Period).

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.

After nearly 15 years of remarkable growth, China's auto industry began to transition in 2017 from its high-growth phase to a maturity phase of development where growth is likely to be steady -- but much slower in percentage terms. From 2002 to 2016, annual sales of trucks, buses and passenger cars in China grew at double-digit annual growth rates in most of the 14 years from approximately 2 million units to over 28 million units. In 2017, the industry grew at a much slower pace of 3%. The stagnant growth corresponds to the drop in the number of transplants from western countries to China.

Foreign direct investment (FDI) in China rose 7.9 percent to reach RMB 878 billion in 2017, an all-time high. According to the Ministry of Commerce, 35,652 foreign-funded companies were set up in China in 2017, increased by 27.8 percent comparing to 2016. Nonetheless, the investment focus has gradually shifted from general manufacturing to high-tech and service industries.

The stagnant growth in automobile sector and shift of FDI away from traditional manufacturing sector have all added up and explained the retreat of revenue in surface finishing sector.

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 from approximately HK$2,319,000 in the Previous Period to nil for the Period Under Review.

The solar market is undergoing consolidation. On the one hand, a lot of solar companies have declared bankruptcy in year 2017. Companies declaring bankruptcy protection in year 2017 includes Sungevity (Auckland-based), Suniva (Atlanta-based) and Solar World (Germany-based). According to corporate credit research company Teikoku Databank, which surveys companies across various industries and has produced its third report on solar PV company bankruptcies, 50 companies in Japan's solar sector have already gone out of business in the first six months of 2017. SunPower Corp. (one of the high efficiency producer) reported its sixth consecutive quarter of losses and laid off 25 percent of its workforce. On the other hand, there are companies that are doing well. First Solar (US based) just reported strong earnings while Vivint Solar (a US based residential solar provider) announced its expansion into Rhode Island. Both companies are very strong in terms of balance sheet and low in debt ratio. Jinko Solar 晶科能源, a Chinese company specializes in low-cost production and supply of solar panels with operations spanning across Europe, North America, and Asia, has recently announced a 47.8% year-over-year increase in solar module shipments. It's the third-largest solar module producer in the world. The company has a vertically integrated solar product value chain and has the full backing of the Chinese government.

Current solar market is mainly dominated by traditional silicon based panel which do not require electroplating process. Our equipment supports back contact solar panel (a high efficiency solar panel). This is the key reason why PAL did not get any major revenue from this sector in last few years. As such, the Group will stop reporting this sector starting from year 2018 until we see any drastic change in the future.

Outlook

Looking back, main drivers of our equipment sales in PCB sector in 2016 and 2017 have been mobile phones and automotive electronics. 2018 looks to be repetitive. However, when interest rate is expected to rise in most of the countries, capital investment will be discouraged to some extent. The trade war currently unveiled by President Trump does not help the global economy at all as it will further create doubt and fears in the markets.

In March, USA has announced to impose tariffs on at least $60 billion in Chinese imports, on top of the controversial steel and aluminum tariffs. The moves already have manufacturers in almost every state in USA bracing for blowback. Big manufacturers in USA could have to pay more for the steel they use to make plane engines, automobile parts and building materials. As a retaliation, China announced a $3 billion reciprocal tariffs on 128 U.S. products. There is a general belief that the intention of this announcement is to deliver a warning to the US government. While we would not know how far this trade war may go, the stock markets have certainly re-acted unfavorably. Soon after President Trump announced this news, the Dow plummeted 724 points, or 2.9% and it was the fifth-largest point decline in history. The S&P 500 dropped 2.5% and the Nasdaq 2.4%. The Hang Seng Index slid 1.48 %, or 460.80 points, to 30,563.45, meaning a weekly loss of 2.2%. The mainland's Shanghai Composite Index shed 0.59% to 3,254.53. Benchmarks in Japan and South Korea slid 1% and 2.50% respectively.

"A global trade war, whether it's real or perceived, is what's weighing on the market," said Ian Winer, head of equities at Wedbush Securities. "There's this huge uncertainty now. If China decides to get tough on agriculture or anything else, that will really spook people."

While macro-economies do not look very promising now, we do believe we could navigate the difficult situation through our internal strengths. The proven success of MSAP process in our equipment shall mean we will remain as a strong player in next round of new smartphone. In addition, given our track records, PAL and PSTS are always seen as a reliable partner in the eyes of our long-term customers. We believe our team would seize every possible opportunity when facing a downward business cycle as is expecting now in year 2018.

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 RMB50 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.

(13) In March 2017, the Project Company has signed a sales of land use rights contract dated 21 March 2017 with the local government.

(14) In second half of 2017, the Project Company has obtained all required permits and construction was started.

As of today, all foundation works were completed and construction has reached two floors from the ground already. Land premium together with other government levies were all paid up. The total amount paid was approximately RMB1,700 million. Pursuant to the Supplemental Agreements, the Project Company should obtain the pre-sales certificate around June 2019.

MATERIAL ACQUISITION AND DISPOSAL

Apart from the entering of Supplemental Agreements as elaborated above, the Group has not entered any material transaction during the Period Under Review.

CONTROLLING SHAREHOLDER'S INTERESTS IN CONTRACTS OF SIGNIFICANCE

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

CONTINUING CONNECTED TRANSACTION

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

On 31 October 2016 (after trading hours), PAL Finance Limited, an indirect wholly owned subsidiary of the Company (the "Lender"), entered into a loan facility agreement with 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.

As at 31 December 2017, a sum of HK$60,000,000.00 was borrowed by the Borrower and the interest received by the Lender during the year was approximately HK$2,182,000.00.

Pursuant to Rule 14A.55 of the Listing Rules, the Loan Facility Agreement have been reviewed by the Independent Non-executive Directors who have confirmed that the Revolving Loan was carried out:

(a) in the ordinary and usual course of business of the Company;
(b) either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favorable to the Company than terms available to or from (as appropriate) independent third parties; and
(c) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

The Company's auditors (the "Independent Auditors") were engaged to report on the Group's continuing connected transaction in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The Independent Auditors will issue their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions in accordance with Rule 14A.56 of the Listing Rules.

Pursuant to Rule 14A.56 of the Listing Rules, the Independent Auditors confirmed that the Loan Facility Agreement :

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

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 emphasizes 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 2017, the Group had equity attributable to owners of the Company of approximately HK$1,304,191,000 (31 December 2016: HK$1,018,699,000). The gearing ratio was nil (31 December 2016: nil). The gearing ratio is calculated by dividing the aggregate amount of bank borrowings and other interest-bearing loans over the amount of equity attributable to the equity holders of the Company.

As at 31 December 2017, the Group had approximately HK$169,116,000 of cash on hand (31 December 2016: HK$307,697,000).

As at 31 December 2017, the Group pledged deposits of HK$3,236,000 (31 December 2016: HK$30,516,000) 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 2016: HK$132,300,000). Out of the facilities available, the Group has utilized (i) approximately HK$3,236,000 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 2017 (31 December 2016: HK$30,516,000), (ii) approximately HK$2,471,000 for the issuance of import letters of credit to suppliers (31 December 2016: HK$12,023,000) and (iii) nil utilization in relation to discounted export bills (31 December 2016 : nil).

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 2017, the Company had guarantees of approximately HK$137,500,000 (31 December 2016: HK$137,500,000) to banks in respect of banking facilities granted to subsidiaries of the Company. The amount utilized by the subsidiaries was approximately HK$5,707,000 (31 December 2016: HK$42,539,000).

Pledge of Assets

As at 31 December 2017, apart from the cash of HK$3,236,000(31 December 2016: HK$30,516,000) 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 2016: nil).

Capital Commitment

As at 31 December 2017, the Group did not have any significant capital commitment (31 December 2016: nil).

Employee and Remuneration Policies

As at 31 December 2017, the Group employs a total of 673 employees (31 December 2016: 667), including 39 employees hired by our associated company (31 December 2016: 39). Total staff cost including payments to directors for the Period Under Review was approximately HK$134,153,000 (the Previous Period: approximately HK$152,932,000). 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 (the 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 2017 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 2017 (2016: 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 2017 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 2017, the Audit Committee met twice considering the annual results of the Group for the financial year ended 31 December 2016 and the interim results of the Group for the 6 months ended 30 June 2017, 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 2017 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 2017.

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 2017.

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 2017 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.

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 2017 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 ***MH JP***
Chairman and Managing Director

Hong Kong, 28 March 2018

As at the date of this announcement, the executive directors of the Company are Messrs. Lam Kwok Hing MH JP 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*