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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)

**UPDATE ON CREDIT ENHANCEMENT ARRANGEMENT
AND
MAJOR TRANSACTION IN RELATION TO THE SETTLEMENT
AGREEMENT**

UPDATE ON CREDIT ENHANCEMENT ARRANGEMENT

On 9 October 2023, PASL, Shenzhen WarmSun, the Project Company, WarmSun Holdings and Pan-China Engineering entered into the Further Agreement in relation to certain amendments to the credit enhancement arrangement under the Multi-party Collateral Agreement for the Secured Obligations.

THE SETTLEMENT AGREEMENT

On 9 October 2023, PASL and the Project Company entered into the Settlement Agreement, pursuant to which the Project Company as transferor agreed to transfer the Target Properties to PASL as transferee to partially settle the Secured Obligations in the amount of approximately RMB205 million.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) in respect of the Settlement Agreement is 25% or more but below 100%, the transactions contemplated under the Settlement Agreement constitutes a major transaction of the Company and is subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiry, no Shareholder has any material interest in the Settlement Agreement and the transactions contemplated thereunder, and therefore no Shareholder would be required to abstain from voting if the Company were to convene a special general meeting for the approval of the Settlement Agreement and the transactions contemplated thereunder. The Company has obtained the written approval of the Settlement Agreement and the transactions contemplated thereunder by a closely allied group of Shareholders comprising Mr. Lam and Medusa, Karfun and J & A, which are all controlled by Mr. Lam. Each of Mr. Lam, Medusa, Karfun and J&A holds 3,474,667 Shares, 48,520,666 Shares, 201,995,834 Shares and 19,400,000 Shares respectively, together holding approximately 69.40% of the issued share capital of the Company as at the date of this announcement. Accordingly, pursuant to Rule 14.44 of the Listing Rules, no general meeting of the Company will

be convened for the purpose of approving the Settlement Agreement and the transactions contemplated thereunder.

Pursuant to Rule 14.41 of the Listing Rules, as the Settlement Agreement and the transactions contemplated thereunder have been approved by written shareholders' approval pursuant to Rule 14.44 of the Listing Rules, the Company is required to despatch a circular containing, among other things, further details of the Settlement Agreement and the transactions contemplated thereunder to the Shareholders within 15 business days after the publication of this announcement. As more time is required to prepare the relevant financial and other information to be included in the circular under the Listing Rules, the Company will apply to the Stock Exchange for a waiver from strict compliance with Rule 14.41(a) of the Listing Rules and will make a further announcement of the expected despatch date of the circular in due course.

Shareholders and potential investors shall note that completion of the Settlement Agreement is conditional upon the satisfaction of, among others, the conditions in the Settlement Agreement. Accordingly, the transactions contemplated under the Settlement Agreement may or may not proceed. Shareholders and potential investors are therefore advised to exercise caution when dealing in the securities of the Company.

UPDATE ON CREDIT ENHANCEMENT ARRANGEMENT

References are made to the announcements of the Company dated 22 August 2011, 25 October 2013, 16 October 2014, 26 October 2015, 30 November 2015, 4 January 2017, 29 March 2017 and 28 June 2019 and the circulars of the Company dated 19 September 2011, 15 February 2017 and 27 September 2019 in relation to the Cooperative Reconstruction Agreement. References are also made to the announcements of the Company dated 31 December 2021, 16 May 2022 and 2 June 2023 in relation to the updates of receivables due from and the additional security provided by the Project Company.

On 9 October 2023, PASL, Shenzhen Warmsun, the Project Company, Warmsun Holdings and Pan-China Engineering entered into the Further Agreement in relation to certain amendments to the credit enhancement arrangement under the Multi-party Collateral Agreement for the Secured Obligations.

Pursuant to the Further Agreement, the parties agreed to, among others, the following amendments to the credit enhancement arrangement under the Multi-party Collateral Agreement for the Secured Obligations:

- (a) the entering into of the Settlement Agreement, the principal terms of which are set out in the paragraph headed "The Settlement Agreement" below; and
- (b) the discharge of the Mortgages.

Warmsun Holdings and Pan-China Engineering will continue to provide a joint and several guarantee in favour of PASL or its designated entity to secure the performance obligations of Shenzhen Warmsun and the Project Company due to PASL under the Original Agreements and the Multi-party Collateral Agreement (the "**Guarantee**").

Upon completion of the transfer of the Target Properties, the principal terms of which are set out in the sub-paragraph headed "Completion" under the paragraph headed "The Settlement Agreement" below, the Mortgage I and Mortgage II shall be discharged.

Save as disclosed, the credit enhancement arrangement set out in the Multi-party Collateral Agreement remains unchanged.

THE SETTLEMENT AGREEMENT

The principal terms of the Settlement Agreement are set out below:

Date

9 October 2023

Parties

- (i) PASL
- (ii) Project Company

Asset to be transferred

Pursuant to the Settlement Agreement, the Project Company as transferor agreed to transfer the Target Properties to PASL as transferee to partially settle the Secured Obligations in the amount of RMB205 million (the “**Settlement Amount**”).

As at the date of this announcement, the outstanding amount due by the Project Company to PASL amounted to RMB1.55 billion (excluding, among others, interest accrued thereon and liquidated damages). Upon reduction of the Settlement Amount from the Secured Obligations, the outstanding amount due by the Project Company to PASL amounted to approximately RMB1.345 billion (excluding, among others, interest accrued thereon and liquidated damages).

Basis of calculation of the Settlement Amount

The Settlement Amount has been arrived at between the parties after arm’s length negotiations, taking into account the preliminary valuation of the Target Properties of approximately RMB205 million as at the date of this announcement conducted by an independent property valuer.

Completion

Completion of the transfer of the Target Properties shall be subject to the satisfaction of the following:

- (a) the relevant documents for the registration of transfer of the Target Properties having been signed by the Project Company within 7 working days after the execution of the Settlement Agreement;
- (b) the registration of transfer of the Target Properties having been completed within 15 working days after the execution of the Settlement Agreement; and
- (c) unless otherwise agreed by PASL in writing, new lease agreement(s) or tripartite agreement(s) having been entered into with lessee(s) of the Target Properties to confirm the change of lessor from the Project Company to PASL within 60 days after the completion of paragraph (b) above.

INFORMATION ON THE TARGET PROPERTIES

The Target Properties are retail properties situated at Longhua District, Shenzhen, PRC with a total gross area of 3,493.28 sq.m. and comprise of 15 units. As at the date of this announcement, the Target Properties are free from encumbrance and certain units of which are rented out and certain units of which are vacant.

INFORMATION ON THE PARTIES TO THE FURTHER AGREEMENT AND THE SETTLEMENT AGREEMENT

PASL

PASL is a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company.

It was previously the production arm of the Group and engaged in the design and manufacturing of electroplating equipment. The production function has now been taken up by another wholly-owned subsidiary of the Group, Process Automation (China) Limited. As at the date of this announcement, PASL is an investment holding company holding the interest of the arrangement contemplated under the Cooperative Reconstruction Agreement.

Shenzhen Warmsun

Shenzhen Warmsun is a company established in the PRC with limited liability and is principally engaged in the business of property development and management. As at the date of this announcement, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiry, it is ultimately owned as to 41.6% by Ms. He, 24.5% by Ms. Xiao MZ, 20.9% by Ms. Xiao JL and 13% by Mr. Xiao.

Project Company

The Project Company is a company established in the PRC with limited liability and is the approved developer for the Re-development. As at the date of this announcement, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiry, it is ultimately owned as to 60.8% by Ms. He, 19% by Mr. Xiao, 16.7% by Ms. Xiao JL and 3.5% by Ms. Xiao MZ.

Warmsun Holdings

Warmsun Holdings is an investment holding company established in the PRC with limited liability. As at the date of this announcement, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiry, it is ultimately owned as to 64% by Ms. He, 16% by Ms. Xiao JL and 20% by Mr. Xiao.

Pan-China Engineering

Pan-China Engineering is a company established in the PRC with limited liability and is principally engaged in the provision of construction services. As at the date of this announcement, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiry, it is ultimately owned as to approximately 66.6% by Ms. He, 16.7% by Ms. Xiao JL and 16.7% by Mr. Xiao.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiry, each of Shenzhen Warmsun, the Project Company, Warmsun Holdings, Pan-China Engineering and their respective ultimate beneficial owners are third parties independent of the Company and connected persons of the Company.

INFORMATION ON THE COMPANY

The Company is a company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange. The Company is an investment holding company based in Asia providing advanced technologies to its customers worldwide, with various disciplines with particular strength in electroplating technologies for application in different applications or business segments.

REASONS AND BENEFITS FOR THE FURTHER AGREEMENT AND THE SETTLEMENT AGREEMENT

As set out in the section headed “*Property Re-development Project in Longhua*” of the 2022 annual report of the Company, the Company would monitor the market situation as well as to keep the dialogue with the Project Company with respect to its payment obligations.

The Target Properties were valued at approximately RMB205 million as at the date of this announcement by an independent valuer. As the Group has been actively searching for business opportunities to diversify and broaden revenue sources of the Group and to generate returns and long-term value for the Shareholders, the Group intends to rent out or sell the Target Properties following the completion of its transfer under the Settlement Agreement, which will generate income stream for the Group.

Further, as the value of the Target Properties exceeded the value of the Hong Kong Properties, the Company agreed to discharge the Mortgages in return for the transfer of the Target Properties under the Further Agreement. The Company considers that the amendments to the credit enhancement arrangement under the Multi-party Collateral Agreement, including the entering into of the Settlement Agreement and the Guarantee provide additional security for the Project Company’s Secured Obligations, which will further protect the interest of the Group.

As such, the Directors are of the view that the terms of the Further Agreement and the Settlement Agreement are fair and reasonable and are on normal commercial terms and the entering into of each of the Further Agreement and the Settlement Agreement is in the interest of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) in respect of the Settlement Agreement is 25% or more but below 100%, the transactions contemplated under the Settlement Agreement constitutes a major transaction of the Company and is subject to the reporting, announcement, circular and Shareholders’ approval requirements under Chapter 14 of the Listing Rules.

To the best of the Directors’ knowledge, information and belief, having made all reasonable enquiry, no Shareholder has any material interest in the Settlement Agreement and the transactions contemplated thereunder, and therefore no Shareholder would be required to abstain from voting if the Company were to convene a special general meeting for the approval of the Settlement Agreement and the transactions contemplated thereunder. The Company has obtained the written approval of the Settlement Agreement and the transactions contemplated thereunder by a closely allied group of Shareholders comprising Medusa, Karfun and J & A, which are all controlled by Mr. Lam. Each of Mr. Lam, Medusa, Karfun and J&A holds 3,474,667 Shares, 48,520,666 Shares, 201,995,834 Shares and 19,400,000 Shares respectively, together holding approximately 69.40% of the issued share capital of the Company as at the date of this announcement. Accordingly, pursuant to Rule 14.44 of the Listing Rules, no general meeting of the Company will be convened for the purpose of approving the Settlement Agreement and the transactions contemplated thereunder.

Pursuant to Rule 14.41 of the Listing Rules, as the Settlement Agreement and the transactions contemplated thereunder have been approved by written shareholders’ approval pursuant to Rule 14.44 of the Listing Rules, the Company is required to despatch a circular containing, among other things, further details of the Settlement Agreement and the transactions contemplated thereunder to the Shareholders within 15 business days after the publication of this announcement. As more time is required to prepare the relevant financial and other information to be included in the circular under the Listing Rules, the Company will apply to the Stock Exchange for a waiver from strict compliance with Rule 14.41(a) of the Listing Rules and will make a further announcement of the expected despatch date of the circular in due course.

Shareholders and potential investors shall note that completion of the Settlement Agreement is conditional upon the satisfaction of, among others, the conditions in the Settlement Agreement. Accordingly, the transactions contemplated under the Settlement Agreement may or may not

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

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings:

“ATNT Group Management”	ATNT Group Management Limited (亞洲聯網集團管理有限公司), a company incorporated in Hong Kong with limited liability and an indirect subsidiary of the Company
“Board”	the board of Directors
“Company”	Asia Tele-Net and Technology Corporation Limited (亞洲聯網科技有限公司), a company incorporated under the laws of Bermuda and whose Shares are listed on the Stock Exchange
“connected person(s)”	has the meaning ascribed to this term under the Listing Rules
“Cooperative Reconstruction Agreement”	the cooperative reconstruction agreement originally dated 7 August 2011 entered into between PASL and Shenzhen WarmSun, as amended and supplemented by (i) a supplemental agreement dated 25 October 2013; (ii) a second supplemental agreement dated 26 October 2015; (iii) a third supplemental agreement dated 30 June 2016; (iv) a fourth supplemental agreement dated 12 October 2016; (v) a fifth supplemental agreement dated 4 January 2017; and (vi) a sixth supplemental agreement dated 28 June 2017, each entered into between PASL, Shenzhen WarmSun and the Project Company
“Director(s)”	the director(s) of the Company
“Further Agreement”	the third supplemental agreement dated 9 October 2023 entered into between PASL, Shenzhen WarmSun, the Project Company, WarmSun Holdings and Pan-China Engineering in relation to, among others, certain amendments to the credit enhancement arrangement under the Multi-party Collateral Agreement for the Secured Obligations
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Property I”	certain unit at Peak One, No. 63 Mei Tin Road, Sha Tin, New Territories, Hong Kong
“Hong Kong Property II”	certain parking spaces at Peak One, No. 63 Mei Tin Road, Sha Tin, New Territories, Hong Kong
“Hong Kong Properties”	the Hong Kong Property I and Hong Kong Property II
“J & A”	J & A Investment Limited, a company incorporated in the British Virgin Islands with limited liability

“Karfun”	Karfun Investments Limited (佳帆投資有限公司), a company incorporated in Hong Kong with limited liability
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Medusa”	Medusa Group Limited, a company incorporated in the British Virgin Islands with limited liability
“Mortgage I”	the first mortgage dated 2 June 2023 entered into by Ms. He in favour of ATNT Group Management in respect of Hong Kong Property I
“Mortgage II”	the first mortgage dated 2 June 2023 entered into by Mr. Xiao and Ms. He in favour of ATNT Group Management in respect of Hong Kong Property II
“Mortgages”	the Mortgage I and Mortgage II
“Mr. Lam”	Mr. Lam Kwok Hing <i>M.H., J.P.</i> , the chairman and managing director of the Company
“Mr. Xiao”	Mr. Xiao Tanping (肖潭平)
“Ms. He”	Ms. He Yuanfeng (何元鳳)
“Ms. Xiao JL”	Ms. Xiao Jielan (肖潔嵐)
“Ms. Xiao MZ”	Ms. Xiao Manzhen (肖曼貞)
“Multi-party Collateral Agreement”	the multi-party collateral agreement dated 31 December 2021 entered into between PASL, Shenzhen Warmsun, the Project Company, PAL and Singkei, as amended and supplemented by (i) a supplemental agreement dated 31 January 2023; and (ii) a second supplemental agreement dated 2 June 2023
“Original Agreements”	the Cooperative Reconstruction Agreement and the Relocation Compensation Agreement
“PAL”	Process Automation International Ltd (亞洲電鍍器材有限公司), a company incorporated in Hong Kong with limited liability and the holding company of PASL as at the date of this announcement
“Pan-China Engineering”	Shenzhen Pan-China Engineering Group Co., Ltd.* (深圳泛華工程集團有限公司)
“PASL”	Process Automation (Shenzhen) Limited* (寶龍自動機械(深圳)有限公司)
“PRC”	the People’s Republic of China
“Project Company”	Shenzhen Bao Sheng Long Yue Industrial Investment Company Limited* (深圳市寶盛龍悅實業投資有限公司)
“Relocation Compensation Agreement”	the relocation compensation agreement originally dated 13 September 2011 entered into PASL and the Project Company, as amended and supplemented by (i) a supplemental agreement dated 14 May 2015; (ii) a second supplemental agreement dated 4

January 2017; (iii) a third supplemental agreement dated 28 June 2019; (iv) a fourth supplemental agreement dated 9 September 2019; (v) a fifth supplemental agreement dated 16 May 2022; and (vi) a sixth supplemental agreement dated 2 June 2023

“RMB”	the lawful currency of the PRC
“Secured Obligations”	all present and future obligations and liabilities (whether actual or contingent and whether owed jointly or severally or in any other capacity whatsoever) of each obligor to any secured party under each relevant finance document (including but not limited to the Relocation Compensation Agreement and the Multi-party Collateral Agreement)
“Settlement Agreement”	the settlement agreement dated 9 October 2023 entered into between PASL and the Project Company in relation to the Settlement Arrangement
“Settlement Arrangement”	the arrangement to partially settle the Secured Obligations with the Settlement Amount by means of transfer of the Target Properties from the Project Company to PASL
“Share(s)”	ordinary share(s) of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“Shenzhen Warmsun”	Shenzhen Warmsun Zhi-di Group Company Limited* (深圳市華盛智地集團有限公司)
“Singkei”	Singkei Real Estate Investment Co., Limited (盛基房地產投資有限公司), a company incorporated in Hong Kong with limited liability and a direct wholly-owned subsidiary of Shenzhen Warmsun as at the date of this announcement
“sq.m.”	square meter
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Properties”	the stores situated at Longhua District, Shenzhen, PRC
“Warmsun Holdings”	Shenzhen Warmsun Holdings (Group) Co., Ltd.* (深圳市華盛控股(集團)有限公司)
“%”	per cent

By order of the Board
**Asia Tele-Net and Technology
Corporation Limited**
Lam Kwok Hing M.H., J.P.
Chairman and Managing Director

Hong Kong, 9 October 2023

As at the date of this announcement, the executive directors of the Company are Messrs. LAM Kwok Hing M.H., J.P. and NAM Kwok Lun, and the independent non-executive directors of the Company are Messrs. CHEUNG Kin Wai, NG Chi Kin David and HONG Hui Long.

** For identification purpose only*