亞洲聯網科技有限公司

Asia Tele-Net and Technology Corporation Limited

(Incorporated in Bermuda with limited liability)

(Stock Code : 0679)

INTERIM REPORT 2017

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Corporate Information

BOARD OF DIRECTORS

LAM Kwok Hing
(Chairman & Managing Director)
NAM Kwok Lun *(Deputy Chairman)*
KWAN Wang Wai Alan
(Independent Non-executive Director)
NG Chi Kin David
(Independent Non-executive Director)
CHEUNG Kin Wai
(Independent Non-executive Director)

AUDIT COMMITTEE

NG Chi Kin David *(Committee Chairman)*
KWAN Wang Wai Alan
CHEUNG Kin Wai

REMUNERATION COMMITTEE

NG Chi Kin David *(Committee Chairman)*
NAM Kwok Lun
KWAN Wang Wai Alan

NOMINATION COMMITTEE

LAM Kwok Hing *(Committee Chairman)*
NG Chi Kin David
CHEUNG Kin Wai

COMPANY SECRETARY

YUNG Wai Ching

AUTHORISED REPRESENTATIVES

LAM Kwok Hing
NAM Kwok Lun

AUDITOR

Deloitte Touche Tohmatsu

LEGAL ADVISOR

Sidley Austin

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking
Corporation Limited
DBS Bank (Hong Kong) Limited

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

11 Dai Hei Street
Tai Po Industrial Estate
Tai Po, New Territories
Hong Kong
Tel: (852) 2666 2288
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SHARE REGISTRARS AND TRANSFER OFFICES

PRINCIPAL REGISTRAR AND TRANSFER OFFICE:

MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM08
Bermuda

HONG KONG BRANCH REGISTRAR AND TRANSFER OFFICE:

Tricor Secretaries Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

CORPORATE WEBSITE

www.atnt.biz

LISTING INFORMATION

Listing on the Hong Kong Stock Exchange
(Main Board)
Stock Short Name: Asia Tele-Net
Stock Code: 679
Board Lot: 10,000 shares

Management Discussion and Analysis

Results

During the period ended 30 June 2017 ("Period Under Review"), the Group recorded profit attributable to owners of the Company of approximately HK$127,277,000 compared to the profit attributable to owners of the Company of approximately HK$5,620,000 for the period ended 30 June 2016 ("Previous Period"). The significant rise in Group's profit attributable to owners of the Company during the Period Under Review was primarily due to (i) increase in sales of electroplating equipment and aftersales services of approximately HK$505,471,000 (the Previous Period: approximately HK$308,114,000) and (ii) net gain arising from change in fair value of the arrangement in relation to a site located at Longhua of approximately HK$127,238,000 (representing gain on change in fair value of other asset of approximately HK$138,674,000, gain on imputed interest of approximately HK$9,479,000 less additional provision for deferred tax charge of approximately HK$20,915,000).

The basic earnings per share for the Period Under Review was HK29.84 cents compared to the basic earnings per share of HK1.32 cents for the Previous Period.

Financial Review

Revenue

The revenue for the Period Under Review was approximately HK$505,471,000 or 64% 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 88.8% of the revenue was generated from PCB sector (Previous Period: approximately 49.7%), approximately 11.2% came from surface finishing sector (Previous Period: approximately 50.2%) and nil derived from solar cell sector (Previous Period: approximately 0.1%). In terms of the machines geographical installation base, the revenue composition during the Period Under Review was 55% machines in PRC, 34% in Taiwan, 7% in Korea, and 4% 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 21.3% from Previous Period to 16.7% for the Period Under Review.

Other income

(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$670,000 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$690,000 (the Previous Period: HK$381,000).

(c) Imputed interest income

Please refer to note 9 of the unaudited financial statement for more detailed explanation on the imputed interest income of approximately HK$9,479,000 (the Previous Period: nil).

Selling and Distribution Costs

The costs for the Period Under Review was 3.5% higher than the Previous Period.

Administrative expenses

The administrative expenses for the Period Under Review was 31% higher than the Previous Period. It was mainly due to the increase in (a) provision for performance related incentive payments payable to executive directors of the Company, (b) rental expenses and (c) increase in general expenses.

(a) Provision for performance related incentive payments

Provision for performance related incentive payments payable from year 2019 to year 2025 is approximately HK$5,686,000 which is calculated by applying the pre-agreed percentage on the net gain on recognition of Other Asset but after netting off associated taxes and discounted to present value.

Provision for performance related incentive payments payable in 2018 is approximately HK$424,000 which is calculated based on financial performance for the Group for the period ended 30 June 2017 excluding the net gain on recognition of Other Asset but after netting off the associated taxes as disclosed in above. This is only a general provision as results of second half of 2017 should also be considered. Actual allocation to individual directors will be determined by the remuneration committee to be held in 2019.

(b) Rental expenses

As disclosed in the 2015 interim report, in exchange for the Group agreeing to move out earlier from Longhua, the Counter Party will compensate the Group on dollar-to-dollar basis for cost incurred for such relocation (including but not limited to rent and management fees for the new factory). Therefore, the Group was not required to take up any rental expenses in 2015 and up to mid-August 2016. The rental expenses recorded in the Period Under Review was approximately HK$4,929,000 (the Previous Period: nil).

(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$39,167,000 was 2.3% higher than the Previous Period (the Previous Period: HK$38,305,000).

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 first half 2017 were 1.4%[1] and 1.3%[2] respectively.

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.

Gain on change in fair value of Other Asset

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 was more than the carrying value of the other asset by approximately HK$138,674,000, hence a gain was recorded in the statement of the profit and loss.

Other gain or losses

This represented (i) Net change in unrealized fair value loss of held-for-trading investments was approximately HK$4,731,000 (the Previous Period: HK$13,337,000) (ii) net exchange loss of approximately HK$3,787,000 (the Previous Period: gain of HK$2,434,000) and (iii) 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).

(a) *Net change in unrealized fair value loss of held-for-trading investments was approximately HK$4,731,000 (the Previous Period: loss of HK$13,337,000)*

All held-for-trading investments were recorded at fair value as at 30 June 2017 and represented listed securities in Hong Kong. The decrease in unrealized fair value gain was primarily attributable to the unexpectedly volatile stock market in Hong Kong in the first half year of 2017. During the Period Under Review, Hang Seng Index increased from 22,000 as at 31 December 2016 to 25,764 as at 30 June 2017. Nevertheless, the increase in Hang Seng Index was highly concentrated on a few blue-chip stock such as Tencent.

Below are information of the Group's financial assets at fair value through profit and loss amounted to approximately HK$4,731,000 as at 30 June 2017:

Company Name/ Stock Code	% of shareholding as at 30 June 2017	Fair value change	Fair value as at 30 June 2017	% of Total Assets of the Group as at 30 June 2017	Fair value as at 31 December 2016	% of Total Assets of the Group as at 31 December 2016
		HK$'000	*HK$'000*		*HK$'000*	
Shanghai Industrial Urban Development Group Ltd. (563)	0.11%	(669)	9,064	0.45%	9,734	0.60%
South China Financial Holdings Ltd. (619)	0.91%	(1,790)	7,849	0.39%	9,639	0.59%
South China Holdings Company Ltd (413)	0.20%	(431)	8,089	0.41%	8,521	0.52%
Orient Victory Travel Group Company Ltd. (265)	0.38%	(97)	6,935	0.35%	7,032	0.43%
South China Assets Holdings Ltd. (8155)	0.45%	(757)	2,824	0.14%	3,581	0.22%
Others (Note)		(987)	2,962	0.15%	3,835	0.23%
Total		(4,731)	37,723	1.89%	42,342	2.59%

Note: None of these investment represented more than 1% of the total shareholding for that respective stock as at 30 June 2017.

(b) Net exchange loss was approximately HK$3,787,000

The net exchange loss was mainly due to (i) the exchange loss of approximately HK$5,602,000 arisen from intercompany transactions and (ii) exchange gain of approximately HK$1,542,000 arisen from transactions of Euro-based receivable and payables.

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 3.0% and hence the production arm of the Group recorded an exchange loss arising from the receivable which was denominated in Hong Kong dollars.

During the Period Under Review, Euro was appreciated by approximately 9.5%.

(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 30 June 2017, the non-current payable portion of provision of approximately HK$38,442,000 (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. An imputed interest expense of approximately HK$567,000 (the Previous Period: nil) is charged to profit or loss during the current period. With the effective of the Supplemental Agreements, the estimated timing of payment of the non-current portion of provision is revised and as such an adjustment of provision of approximately HK$2,335,000 (the Previous Period: nil) is charged to profit or loss during the current period.

Other asset

Please refer to note 9 of the unaudited financial statement 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 (the "Borrower"), 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 30 June 2017, a loan of HK$60,000,000 (31 December 2016: nil) was drawn by the Borrower 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.

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 to HK$404,656,000 from HK$139,903,000 in Previous Period, representing 189% rise. Out of this total revenue, nearly 54% were shipment made to PRC.

In our 2016 Annual Report, we have quoted research data prepared by NTI who forecasts a 5% growth in PCB output from US$58,207 million to US$61,367 million for year 2017. Simultaneously, another research institution Technavio[3] has also predicted the global PCB market to grow at a CAGR of around 3% by 2020. The underlying drivers for such growth are our growing demand for more intelligent and more innovative features in smartphone, cars and internet-of-thing. Supporting the continuing trend among PCB manufacturers towards ultra-fine resolution PCBs, we have introduced a new electroplating equipment named SCP line to meet the new plating process named mSAP (modified semi-additive process). mSAP is a process capable of creating fine lines with better conductor geometry. In layman's term, by adopting mSAP process, which compared to subtractive process, can easily produce line with optimized conductor shape in which the top line width is almost equal to the bottom line width all over the whole production panel. This optimized conductor shape will improve signal integrity. During the Period Under Review, PAL has shipped over 16 SCP lines which accounted for 36% of total revenue. We understand from our customers that these are used in producing smartphone boards.

While introduction of SCP line is welcome by our customers at large, we have also invested a substantial amount of cost and manpower in debugging various technical issues. This explains why while the revenue of the Group has increased, the overall gross profit ratio has dropped from 21.3% to 16.7%. Another factor contributing the drop in gross profit ratio is the bulk purchase discount we offered to our customers.

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3 Technavio is a leading market research company focuses on emerging market trends. Its headquarter is at London, UK

Based on our orders on hands, we have also seen moderate rising demand for automotive PCBs. This is in line with the most recent forecast from IHS Markit, a world leader in critical information, analytics and solutions. Below is their 2017 forecast for global light vehicle sales:

Country	2016 Million Units	2017 Million Units	% Change
China	28.0	28.5	1.9%
North America	21.1	21.0	-0.6%
West Europe	15.8	16.0	1.0%
South Asia	7.9	8.3	5.9%
Japan/Korea	6.7	6.7	0%
Middle East Africa	4.8	4.8	0%
Central/East Europe	4.0	4.1	4.5%
South America	3.9	4.0	2.1%
Total	**92.1**	**93.5**	**1.5%**

Source of data: IHS Markit, Feb 2017

Electroplating Equipment-Surface Finishing ("SF") Sector

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

The revenue of SF sector has decreased by 64% from approximately HK$141,269,000 in the Previous Period to approximately HK$51,102,000 for the Period Under Review.

Since late last year, PSTS has received a fair number of enquiries and was optimist in meeting a reasonable revenue target. Few months down the road, we have lost couples of bids due to price. Our customer base has not changed. Customers who bought our electroplating equipment are mainly plating companies who plate automobile parts and their headquarters are based in USA or Europe. While we have seen from various research reports telling us that the average price for new car sales is going up, there are obvious things that make today's cars more expensive. The key cost driver is the increasingly restrictive emissions and fuel-consumption requirements in most of the countries. The next cost driver is the on-going competition between car companies over advanced features, including the auto-pilot system, camera systems, effective air conditioning and big glass sunroofs, All these added costs cannot be passed onto customers fully and most of the car companies are looking for price-cut from their upstream suppliers. Nevertheless, our business model is to sell tailor-made equipment. This model always comes with project risks which we cannot completely remove and hence we cannot sell too low a price. We will continue to monitor the market development to adjust our tactics as warranted.

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

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

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

Sales to PV sector in the Period Under Review has decreased from approximately HK$394,000 in the Previous Period to nil for the Period Under Review.

The global solar market is said to record another growth in 2017 and China remains the biggest buyer. But on the other hands, the power purchase agreement prices are dropping continuously. GTM Research reported an unimaginably low system pricing in India, 65 cents per watt. There are general comments that this low price will definitely bring in harmful side effect, including concerns about the use of poor-quality components which will bring in long-term maintenance headaches.

Unless and until the PV market is restored to a more reasonable business environment, there is no reason for the Group to participate in this cut-throat price game.

Outlook

The electroplating equipment business was doing well in the Period Under Review. Based on the orders on hands, we are looking for exceeding 2016 revenue. While we are optimistic over the increase in revenue, we remain cautious in the gross profit to be generated. Further costs will be spent in improving the engineering design of SCP and to rectify remaining issues at sites.

The PCB market is an integral part of the mobiles and smartphones market. According to Technavio's market research, the APAC region will account for a market share of more than 85% by 2020. The high demand for mobile and consumer electronic devices in regions like India, China, Malaysia, Taiwan, Japan, and Singapore will result in the substantial growth of the PCB market in this geography. The Group has a very strong sales and service coverage in APAC region and will a close eye on capturing opportunities arising from this growing trend.

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 Long 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 cash 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.

The Project Company is now working towards getting the construction planning permit and construction permit. Pursuant to the Supplemental Agreements, the Project Company should obtain the pre-sales certificate around June 2019.

Progress in searching for another suitable site as our long-term production base

The Group has relocated its production base to a ready-built factory in Datianyan Industrial Zone, Songgan Street Committee, Baoan District (the "Songgan Factory") under a short term lease, which will expire in August 2018. The management team is now in discussion with the landlord to further extend the lease to August 2020 and does not foresee any problem for the extension.

At the same time, the management team is searching for another suitable production site for the long term development and benefits of PAL. Our primary focus is to look for a site within Shenzhen region and, if failing such, a site near the outskirts of Shenzhen region. In the case where a suitable long-term production site is identified but the Group meets with any shortage of fund, the Company will consider fund raising options including but not limited to share subscription, right issue and issue of convertible bonds.

Material 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.

Financial Review

Capital Structure, Liquidity and Financial Resources

As at 30 June 2017, the Group had equity attributable to owners of the Company of approximately HK$1,177,169,000 (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 30 June 2017, the Group had approximately HK$294,462,000 of cash on hand (31 December 2016: HK$307,697,000).

As at 30 June 2017, the Group pledged deposits of HK$911,000 (31 December 2016: HK$30,516,000) to banks to secure the issuance of bank guarantee of the same amount. Total bank facilities available to the Group is approximately HK$132,300,000 (31 December 2016: HK$132,300,000). Out of the facilities available, the Group has utilized (i) approximately HK$911,000 as the issuance of bank's guarantee under which customers retain right to claim refund of purchase deposits received by the Group as at 30 June 2017 (31 December 2016: HK$30,516,000), (ii) approximately HK$24,936,000 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).

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 30 June 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$25,847,000 (31 December 2016: HK$42,539,000).

Capital Commitment

The Group does not have any material capital commitment as at date of this report.

Employee and Remuneration Policies

As at 30 June 2017, the Group employs a total of 666 employees. Employees are remunerated based on performance, experience and industry practice. Performance related bonuses are granted on discretionary basis. Other employee benefits included fund, insurance and medical cover.

Interim 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 improved financial performance for the Group for the Period Under Review was mainly due to the gain on the change in fair value of other asset which is an unrealized gain by nature, after due and careful consideration, the Board does not recommend payment of any interim dividend for the six months ended 30 June 2017 (2016: Nil).

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, 28 August 2017

Other Information

Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares of the Company and its Associated Corporations

As at 30 June 2017, the interests and short positions of the directors and chief executives of the Company in the shares and underlying shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 of the Listing Rules (the "Model Code") are set out below:

Directors' Interests in Shares of the Company (Long Positions)

Ordinary shares of HK$0.01 each of the Company

	Number of issued ordinary shares held			Percentage of the issued share capital of
Name of Director	Personal interest	Corporate interest	Total	the Company
Mr. Lam Kwok Hing	3,474,667	250,516,500 (Note)	253,991,167	59.56%
Mr. Nam Kwok Lun	–	201,995,834 (Note)	201,995,834	47.37%

Note: The 250,516,500 shares composed of 48,520,666 shares and 201,995,834 shares of the Company that were held by Medusa Group Limited ("Medusa") and Karfun Investments Limited ("Karfun") respectively. Medusa is a company wholly owned by Mr. Lam Kwok Hing. Karfun is substantially owned by J & A Investment Limited. The entire issued share capital of J & A Investment Limited is beneficially owned as to 80% by Mr. Lam Kwok Hing and 20% by Mr. Nam Kwok Lun.

Save as disclosed above, except for nominee shares in certain subsidiaries held in trust for the Company by certain directors, none of the directors, the chief executives or their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the directors and chief executive were deemed or taken to have under provisions of the SFO), or which were required to be and are recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code as at 30 June 2017.

Substantial Shareholders and Persons who have Interests or Short Positions which are Discloseable under the Securities and Futures Ordinance

As at 30 June 2017, the following persons (other than the directors of the Company) had interests or short positions in the shares and underlying shares of the Company which has been disclosed to the Company pursuant to Part XV of the SFO, or which have been recorded in the register of interests required to be kept under Section 336 of the SFO.

Substantial Shareholders' Interests in Shares of the Company (Long Positions)

Ordinary shares of HK$0.01 each of the Company

Name of shareholders	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Karfun	Interest of controlled corporation	201,995,834	47.37%
Medusa	Interest of controlled corporation	48,520,666	11.38%

Please refer to the note under the section heading "Directors' Interests in Shares of the Company" above.

Save as disclosed above, as at 30 June 2017, no person (other than the directors of the Company whose interests are set out under the heading "Directors' Interests in Shares of the Company" above) had an interest or a short position in the shares and underlying shares of the Company that was required to be recorded in the register under Section of 336 of SFO.

Share Option Scheme

At the annual general meeting of the Company held on 12 June 2015, the shareholders of the Company approved the adoption of a new share option scheme (the "New Scheme") and the termination of the old share option scheme (the "Old Scheme"). The Old Scheme was adopted by the Company and remained in force for a period of ten years from the date of its adoption. Pursuant to the Old Scheme, the Company had never grant options under the Old Scheme and no option was outstanding under the Old Scheme.

The New Scheme is in line with the prevailing requirements of Chapter 17 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") in relation to share option schemes. The Company had no share options in issue under the New Scheme during the period and up to date of this report.

Corporate Governance

The Company has complied with the Corporate Governance Code and Corporate Governance Report (the "CG Code") as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2017, with deviations from code provisions A.2.1 and A.4.2 of the CG Code in respect of the separate roles of chairman and chief executive officer, and rotation of directors.

Code Provision A.2.1

Under the code provision A.2.1, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

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

Under the code provision A.4.2, every Director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

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 comprises three independent non-executive directors, Mr. Cheung Kin Wai, Mr. Kwan Wang Wai, Alan and Mr. Ng Chi Kin, David. The Audit Committee has reviewed with the management of the Company the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters.

The international auditor of the Company, Messrs. Deloitte Touche Tohmatsu have reviewed the financial statements for the period under review and have issued a report on review of interim financial information. In accordance with the requirements of paragraph 39 of Appendix 16 of the Listing Rules, the Audit Committee has reviewed together with management the accounting principles and practices adopted by the Company and discussed auditing, internal control and financial report matters including the review of the unaudited interim financial statements for the six months ended 30 June 2017.

Remuneration Committee

The remuneration committee of the Company (the "Remuneration Committee") is composed of three directors, namely Messrs. Nam Kwok Lun, Kwan Wang Wai Alan and Ng Chi Kin David. The principal functions of the Remuneration Committee include determining the policy for the remuneration of executive directors, assessing performance of executive directors and approving the terms of executive directors' service contracts; making recommendations to the Board on the Company's policy and structure for all remuneration of directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration and to place recommendations before the Board concerning the total remuneration and/or benefits granted to the Directors from time to time.

Nomination Committee

The nomination committee of the Company (the "Nomination Committee") is 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.

Review of Accounts

The Audit Committee has reviewed with the Company's management and external auditor the accounting principles and practices adopted by the Group and discussed auditing, internal controls, and financial reporting matters including the review of the unaudited interim financial statements for the period under review. The external auditor has reviewed the interim financial information for the six months ended 30 June 2017 in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

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 to 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 throughout the six months ended 30 June 2017.

Directors' rights to acquire shares or debentures

Apart from as disclosed under the heading "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares of the Company and its Associated Corporations" above, at no time during the period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

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 six months ended 30 June 2017.

Events after the reporting period

There is no material subsequent event undertaken by the Company or by the Group after 30 June 2017 and up to the date of this interim report.

Publication of Results on the Websites of the Stock Exchange and the Company

The Interim Report 2017, containing the relevant information required by the Rules Governing the Listing of Securities on the Stock Exchange, has been published on the websites of the Stock Exchange and the Company.

Report on Review of Condensed Consolidated Financial Statements

Deloitte. 德勤

TO THE BOARD OF DIRECTORS OF

ASIA TELE-NET AND TECHNOLOGY CORPORATION LIMITED

(incorporated in Bermuda with limited liability)

Introduction

We have reviewed the condensed consolidated financial statements of Asia Tele-Net and Technology Corporation Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 28 to 50, which comprise the condensed consolidated statement of financial position as of 30 June 2017 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six months then ended and certain explanatory notes. The Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
28 August 2017

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

FOR THE SIX MONTHS ENDED 30 JUNE 2017

	NOTES	Six months ended 30 June	
		2017	2016
		HK$'000	*HK$'000*
		(unaudited)	(unaudited)
Revenue	3	**505,471**	308,114
Cost of sales		**(420,892)**	(242,384)
Gross profit		**84,579**	65,730
Other income		**11,814**	865
Selling and distribution costs		**(10,281)**	(9,931)
Administrative expenses		**(50,206)**	(38,305)
Gain on change in fair value of other asset	9	**138,674**	–
Other gains or losses		**(11,639)**	(9,691)
Share of results of associates		**(202)**	174
Finance costs		**(567)**	–
Profit before taxation		**162,172**	8,842
Taxation	4	**(34,783)**	(3,110)
Profit for the period	5	**127,389**	5,732
Other comprehensive income (expense)			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operations			
– subsidiaries		**30,256**	(4,129)
– associate		**949**	717
Other comprehensive income (expense) for the period		**31,205**	(3,412)
Total comprehensive income for the period		**158,594**	2,320

	NOTE	Six months ended 30 June **2017** ***HK$'000*** **(unaudited)**	 2016 *HK$'000* (unaudited)
Profit for the period attributable to:			
Owners of the Company		**127,277**	5,620
Non-controlling interests		**112**	112
		127,389	5,732
Total comprehensive income attributable to:			
Owners of the Company		**158,470**	2,188
Non-controlling interests		**124**	132
		158,594	2,320
Earnings per share	7		
Basic		**HK29.84 cents**	HK1.32 cents

Condensed Consolidated Statement of Financial Position

AT 30 JUNE 2017

	NOTES	**30.6.2017** ***HK$'000*** **(unaudited)**	31.12.2016 *HK$'000* (audited)
Non-current assets			
Property, plant and equipment	8	**41,157**	28,742
Interests in associates		**3,944**	3,196
Other asset	9	**1,138,775**	958,215
Loan receivable	10	**60,000**	–
		1,243,876	990,153
Current assets			
Inventories		**85,403**	63,954
Amounts due from customers for contract work		**53,568**	78,441
Debtors, bills receivables and prepayments	11	**279,827**	149,594
Held-for-trading investments	12	**37,723**	42,342
Amounts due from associates		**21**	21
Taxation recoverable		**3**	54
Pledged bank deposits	13	**911**	30,516
Bank balances and cash		**293,551**	277,181
		751,007	642,103
Current liabilities			
Creditors, bills payables and accrued charges	14	**391,103**	264,161
Warranty provision		**32,049**	29,013
Amounts due to customers for contract work		**34,517**	9,789
Amounts due to associates		**59**	34
Taxation payable		**28,664**	16,206
		486,392	319,203
Net current assets		**264,615**	322,900
Total assets less current liabilities		**1,508,491**	1,313,053

	NOTES	**30.6.2017**	31.12.2016
		HK$'000	*HK$'000*
		(unaudited)	(audited)
Capital and reserves			
Share capital	15	**4,265**	4,265
Reserves		**1,172,904**	1,014,434
Equity attributable to owners of the Company		**1,177,169**	1,018,699
Non-controlling interests		**486**	362
Total equity		**1,177,655**	1,019,061
Non-current liabilities			
Provision	14	**38,442**	29,854
Warranty provision		**3,385**	4,304
Deferred taxation		**289,009**	259,834
		330,836	293,992
		1,508,491	1,313,053

Condensed Consolidated Statement of Changes in Equity

FOR THE SIX MONTHS ENDED 30 JUNE 2017

	Attributable to owners of the Company											
	Share capital HK$'000	Share premium HK$'000	Property revaluation reserve HK$'000	Legal reserves HK$'000	Currency translation reserve HK$'000	Contributed surplus HK$'000	Capital contribution HK$'000	Retained profits HK$'000	Amounts recognised in other comprehensive expense and accumulated in equity relating to disposal group classified as held-for-sale HK$'000	Sub-total HK$'000	Attributable to non-controlling interests HK$'000	Total HK$'000
At 1 January 2016 (audited)	4,265	28,500	13,253	14,336	29,391	48,937	1,206	159,358	–	299,246	2,317	301,563
Exchange difference arising on translation of foreign operations												
– subsidiaries	–	–	–	–	(4,149)	–	–	–	–	(4,149)	20	(4,129)
– associate	–	–	–	–	717	–	–	–	–	717	–	717
Profit for the period	–	–	–	–	–	–	–	5,620	–	5,620	112	5,732
Total comprehensive (expense) income for the period	–	–	–	–	(3,432)	–	–	5,620	–	2,188	132	2,320
Transfer to amounts recognised in other comprehensive expense and accumulated in equity relating to disposal group classified as held-for-sale	–	–	–	–	3,375	–	–	–	(3,375)	–	–	–
At 30 June 2016 (unaudited)	4,265	28,500	13,253	14,336	29,334	48,937	1,206	164,978	(3,375)	301,434	2,449	303,883
At 1 January 2017 (audited)	**4,265**	**28,500**	**13,253**	**14,336**	**(13,152)**	**48,937**	**1,206**	**921,354**	**–**	**1,018,699**	**362**	**1,019,061**
Exchange difference arising on translation of foreign operations												
– subsidiaries	**–**	**–**	**–**	**–**	**30,244**	**–**	**–**	**–**	**–**	**30,244**	**12**	**30,256**
– associate	**–**	**–**	**–**	**–**	**949**	**–**	**–**	**–**	**–**	**949**	**–**	**949**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**127,277**	**–**	**127,277**	**112**	**127,389**
Total comprehensive income for the period	**–**	**–**	**–**	**–**	**31,193**	**–**	**–**	**127,277**	**–**	**158,470**	**124**	**158,594**
At 30 June 2017 (unaudited)	**4,265**	**28,500**	**13,253**	**14,336**	**18,041**	**48,937**	**1,206**	**1,048,631**	**–**	**1,177,169**	**486**	**1,177,655**

Condensed Consolidated Statement of Cash Flows

FOR THE SIX MONTHS ENDED 30 JUNE 2017

	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Net cash used in operating activities	**(2,772)**	(17,148)
Net cash from (used in) investing activities:		
Purchase of property, plant and equipment	**(12,064)**	(404)
Placement of pledged bank deposits	**–**	(28,183)
Withdrawal of pledged bank deposits	**29,605**	21,339
Repayment of loan receivable	**–**	35,910
Prepayment for acquisition of land	**–**	(35,910)
Other investing cash flows	**1,601**	381
	19,142	(6,867)
Net increase (decrease) in cash and cash equivalents	**16,370**	(24,015)
Cash and cash equivalents at the beginning of the period	**277,181**	128,602
Cash and cash equivalents at the end of the period	**293,551**	104,587
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	**293,551**	84,530
Bank balances and cash included in a disposal group held-for-sale	**–**	20,057
	293,551	104,587

Notes to the Condensed Consolidated Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2017

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

During the current interim period, the Group entered into two supplement agreements ("Supplemental Agreements") to amend certain terms associated with the arrangement of Re-development plan (as defined in note 9). With the effective of the Supplemental Agreements, the Group recognises a gain on change in fair value of the Other Asset (as defined in note 9) of approximately HK$138,674,000 and imputed interest of approximately HK$9,479,000 in profit or loss during the six months ended 30 June 2017. The details of the Supplemental Agreements are set out in note 9.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis, except for certain buildings and financial instruments, which are measured at fair values.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2017 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2016.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are mandatorily effective for the current interim period.

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

The application of the above amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in the condensed consolidated financial statements.

3. REVENUE AND SEGMENT INFORMATION

Revenue

The Group's revenue from electroplating machinery business for the six months ended 30 June 2017 and 2016 analysed by principal activity is as follows:

	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
Construction contracts in respect of design, manufacturing and sale of custom-built electroplating machinery and other industrial machinery	**455,758**	281,566
Sale of spare parts of electroplating machinery	**13,313**	8,926
Provision of services – repairs and maintenance	**36,400**	17,622
	505,471	308,114

3. REVENUE AND SEGMENT INFORMATION *(CONTINUED)*

Segment information

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

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

	Electroplating equipment	
	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
Segment revenue	**505,471**	308,114
Segment profit	**34,359**	28,282
Intra-group management fee charged to operating segment	**3,133**	3,001
Other income	**11,407**	528
Central corporate expenses	**(17,512)**	(10,863)
Gain on change in fair value of Other Asset (Note 9)	**138,674**	–
Other gains or losses	**(7,322)**	(12,106)
Imputed interest expense on non-current portion of provision	**(567)**	–
Profit before taxation	**162,172**	8,842

3. REVENUE AND SEGMENT INFORMATION *(CONTINUED)*

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 interest income from loan receivable, unallocated interest income, dividend income, sundry income, imputed interest income of Other Asset, central corporate expenses including auditor's remuneration and directors' emoluments, gain on change in fair value of Other Asset, unallocated net exchange gain or loss, adjustment on non-current portion of provision, net change in fair value of held-for-trading investments and imputed interest expense on non-current portion of provision. This is the measure reported to the chief operating decision maker in order to assess segment performance.

There has been no material change in the total segment assets and total segment liabilities from the amounts disclosed in the last annual financial statements of the electroplating equipment segment. Accordingly, no such information has been disclosed.

4. TAXATION

	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
Taxation comprises:		
Current tax – overseas taxation charge for the period	**13,868**	3,110
Deferred tax charge	**20,915**	–
	34,783	3,110

No provision for Hong Kong Profits Tax has been made of the six months ended 30 June 2017 and 2016 as there is no assessable profit for both periods.

Taxation arising in other jurisdictions (including the People's Republic of China (excluding Hong Kong) ("PRC") enterprise income tax) is calculated at the rates prevailing in the relevant jurisdictions.

5. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
Profit for the period has been arrived at after charging (crediting):		
Reversal of allowance for slow moving inventories (included in cost of sales)	**(388)**	(640)
Depreciation of property, plant and equipment	**2,891**	1,639
Release of prepaid lease payments	**–**	624
Imputed interest expense on non-current portion of provision (Note 14)	**567**	–
Included in other income		
Interest income from loan receivable	**(670)**	(41)
Interest income from bank deposits	**(690)**	(381)
Imputed interest income of Other Asset (Note 9)	**(9,479)**	–
Included in other gains or loss		
Loss on disposal of property, plant and equipment	**254**	134
Net exchange loss (gain)	**3,787**	(2,434)
Net change in fair value of held-for-trading investments	**4,731**	13,337
Adjustment on non-current portion of provision (Note 14)	**2,335**	–

6. DIVIDEND

No dividends were paid, declared or proposed during either period. The directors do not recommend the payment of an interim dividend.

7. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the Group's profit for the period attributable to owners of the Company of HK$127,277,000 (six months ended 30 June 2016: HK$5,620,000) and the number of ordinary shares of 426,463,400 (six months ended 30 June 2016: 426,463,400) in issue.

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

8. PROPERTY, PLANT AND EQUIPMENT

During the period from 1 January 2017 to 30 June 2017, the Group spent approximately HK$12,064,000 (six months ended 30 June 2016: approximately HK$404,000) on acquisition of property, plant and equipment.

9. OTHER ASSET

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

9. OTHER ASSET *(CONTINUED)*

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

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.

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 gains in profit or loss during the year ended 31 December 2016. The valuation is dependent on certain significant inputs that involve judgements, including market unit rate and lack of marketability discount rate. The Other Asset is initially recognised at its fair value and subsequently carries at cost less impairment.

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

9. OTHER ASSET *(CONTINUED)*

On 4 January 2017, the Group, the Counter Party and the Project Company entered the 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 pre-sales 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 valuation performed by Avista. Pursuant to Supplemental Agreements, the deadline for the Project Company to obtain the pre-sales certificate is on or before 30 June 2019. The Directors 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$138,674,000 in profit or loss during the six months ended 30 June 2017. As GCC is carried at amortised cost, imputed interest of approximately HK$9,479,000 is recognised as other income in profit or loss during the six months ended 30 June 2017.

As at 30 June 2017, the carrying amount of the Other Asset is approximately HK$1,138,775,000.

10. LOAN RECEIVABLE

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

	30.6.2017	31.12.2016
	HK$'000	*HK$'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 (the "Borrower"), 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 30 June 2017, a loan of HK$60,000,000 (31 December 2016: nil)) was drawn by the Borrower 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.

11. DEBTORS, BILLS RECEIVABLES AND PREPAYMENTS

	30.6.2017	31.12.2016
	HK$'000	*HK$'000*
Trade debtors and bills receivables	**244,123**	106,771
Other debtors and prepayments	**35,704**	42,823
	279,827	149,594

As at 30 June 2017, the trade debtors balance includes trade debts due from associates of approximately HK$1,282,000 (31 December 2016: 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.

11. DEBTORS, BILLS RECEIVABLES AND PREPAYMENTS *(CONTINUED)*

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:

	30.6.2017	31.12.2016
	HK$'000	*HK$'000*
0 – 60 days	**228,634**	100,241
61 – 120 days	**10,053**	3,714
121 – 180 days	**2,273**	1,120
Over 180 days	**3,163**	1,696
	244,123	106,771

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

	30.6.2017	31.12.2016
	HK$'000	*HK$'000*
Past due by:		
1 – 60 days	**10,053**	3,714
61 – 120 days	**2,273**	1,120
121 – 180 days	**19**	308
Over 180 days	**3,144**	1,388
	15,489	6,530

12. HELD-FOR-TRADING INVESTMENTS

Held-for-trading investments as at 30 June 2017 and 31 December 2016 represent equity securities listed in Hong Kong. The fair values of the investments are determined based on the quoted market bid prices available on the Stock Exchange. The fair value of held-for-trading investments is classified as Level 1 of the fair value hierarchy.

13. PLEDGED BANK DEPOSITS

The pledged bank deposits represent deposits pledged to banks to secure banking facilities granted to the Group, and will be released upon settlement of the relevant bank borrowing or upon expiry of the relevant banking facilities. During the current interim period, the Group does not have any placement of pledged bank deposits (six months ended 30 June 2016: approximately HK$28,183,000). During the current interim period, the Group made the withdrawal of pledged bank deposits of approximately HK$29,605,000 (six months ended 30 June 2016: approximately HK$21,339,000).

14. CREDITORS, BILLS PAYABLES AND ACCRUED CHARGES

	30.6.2017	31.12.2016
	HK$'000	*HK$'000*
Trade creditors	**249,825**	168,292
Bills payables	**6,850**	3,741
Accrued staff costs	**18,080**	19,759
Commission payables to sales agents	**22,960**	15,662
Other creditor, accrued charges and provision (Note)	**120,730**	72,117
Advances received from customers for contract work	**2,937**	6,307
Advances received from customers for services	**8,163**	8,137
	429,545	294,015
Less: Non-current portion of provision (Note)	**(38,442)**	(29,854)
	391,103	264,161

Note: As at 30 June 2017, the non-current payable portion of provision of approximately HK$38,442,000 (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. An imputed interest expense of approximately HK$567,000 (six months ended 30 June 2016: nil) is charged to profit or loss during the current period. 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 (six months ended 30 June 2016: nil) is charged to profit or loss during the current period.

14. CREDITORS, BILLS PAYABLES AND ACCRUED CHARGES *(CONTINUED)*

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

	30.6.2017	31.12.2016
	HK$'000	*HK$'000*
0 – 60 days	**100,018**	81,470
61 – 120 days	**70,960**	25,589
121 – 180 days	**37,793**	22,556
Over 180 days	**47,904**	42,418
	256,675	172,033

15. SHARE CAPITAL

	Number of shares	**Amount**
	'000	*HK$'000*
Shares of HK$0.01 each		
Authorised		
At 1 January 2016, 2017 and at 30 June 2017	20,000,000	200,000
Issued and fully paid:		
At 1 January 2016, 2017 and at 30 June 2017	426,463	4,265

16. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis.

ACC as included in the Group's Other Asset classified as derivative financial instrument is measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined. On particular, the valuation technique and inputs used, as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial assets	Fair value as at 30 June 2017	Fair value as at 31 December 2016	Fair value hierarchy	Valuation technique and key inputs	Significant unobservable inputs
(1) ACC as included in other asset classified as derivative financial instruments	Assets – HK$199,796,000	Nil	Level 3	Discount cash flow method The key inputs are average unit rate, discount rate and timing of cash flow of ACC	The average unit rate of RMB31,667 to RMB54,714 per square meter and the discount rate of 15.79%
(2) Investments in equity securities listed in Hong Kong classified as held-for-trading investments	Assets – HK$37,723,000	Assets – HK$42,342,000	Level 1	Quoted bid prices in active market	Not applicable

16. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS *(CONTINUED)*

Reconciliation of Level 3 fair value measurements of financial assets

	ACC as included in Other Asset (Note 9)	
	30.6.2017	31.12.2016
	HK$'000	*HK$'000*
At 1 January	**–**	–
Recognition	**193,657**	–
Change in fair value	**2,117**	–
Currency realignment	**4,022**	–
At 30 June	**199,796**	–

There were no transfers between levels of the fair value hierarchy.

Fair value measurements and valuation processes

In estimating the fair value of an asset or a liability, where Level 1 inputs are not available, the management of the Group work closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model.

The qualified external valuers were engaged to perform the valuations of the options required for financial reporting purposes, including Level 3 fair value measurements of derivative financial instruments.

17. RELATED PARTY TRANSACTION

During the current interim period, the Group entered into the following transactions with associates:

Trade sales and service rendered		Trade purchase		Warranty expense		Installation expense	
2017	2016	**2017**	2016	**2017**	2016	**2017**	2016
HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
1,243	2,724	**–**	61	**50**	156	**689**	936

Details of the outstanding balances with associates are set out in the condensed consolidated statement of financial position and note 11.

During the interim period 30 June 2016, the Group paid commission expense and other securities dealing expense from securities dealing of approximately HK$31,000 to Karl-Thomson Securities Company Limited, which is a wholly owned subsidiary of Hoifu.

During the current interim period, the Group received interest income and handling fee income of approximately HK$670,000 and HK$390,000 respectively (six months ended 30 June 2016: nil) from the Borrower. Details of the loan receivable due from the Borrower are set out in the condensed consolidated statement of financial position and note 10.

During the current interim period, the Group received rental income of approximately HK$81,000 (six months ended 30 June 2016: HK$81,000) and management income of approximately HK$132,000 (six months ended 30 June 2016: HK$134,000) from BioEm Air Sanitizing Technology Company Limited ("BioEm"). During the current interim period, the Group also paid to BioEm for their products at a value of approximately HK$13,000 (six months ended 30 June 2016: HK$2,000) which was recorded as administrative expense. Mr. Lam Kwok Hing, an executive director and a substantial shareholder of the Company, through his private investment vehicle, Excel Dragon Investment Company Limited, holds 40% indirect interest in BioEm and acts as a corporate director of BioEm.

The remuneration of key management during the period was approximately HK$12,901,000 (six months ended 30 June 2016: approximately HK$7,250,000). The amount included approximately HK$72,000 (six months ended 30 June 2016: approximately HK$81,000) as mandatory provident fund.