Annual Report

2011

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)

Contents

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)

COMPANY SECRETARY

Lui Choi Yiu Angela

AUTHORISED REPRESENTATIVES

Lam Kwok Hing
Nam Kwok Lun

AUDITOR

Deloitte Touche Tohmatsu

REGISTERED OFFICE

Clarendon House
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
Fax: (852) 2664 0717

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Ltd
Taishin International Bank
Citibank, N.A

SHARE REGISTRARS AND TRANSFER OFFICES

PRINCIPAL REGISTRARS AND TRANSFER OFFICE:

Butterfield Corporate Service Limited
Rosebank Centre
11 Bermudiana Road
Pembroke HM08
Bermuda

HONG KONG BRANCH REGISTRARS AND TRANSFER OFFICE:

Tricor Secretaries Limited
26/F, Tesburg Centre
28 Queen's Road East
Hong Kong

CORPORATE WEBSITE

www.atnt.biz

Chairman's Statement and Management Discussions

FINANCIAL RESULTS

The Group revenue increased by approximately HK$20,477,000 or 3.5% for the year ended 31st December, 2011 ("the Period under Review") from approximately HK$585,945,000 for the year ended 31st December, 2010 ("the Previous Period") to approximately HK$606,422,000 for the year ended 31st December, 2011. Despite increase in revenue, the Group reported loss attributable to owners of the Company of approximately HK$37,660,000 for the Period Under Review compared to the profit attributable to owners of the Company of approximately HK$31,078,000 for the Previous Period. The main factors causing loss attributable to owners of the Company include, inter alia, (i) the gross profit margin for the Period under Review has depleted by 4.8%; and (ii) the slow down of orders in last quarter of 2011; and (iii) net change in fair value of held-for trading investments of HK$12,154,000. A review of the performance of the Group is further elaborated in the following sections.

The basic loss per share for the Period under Review was HK$8.83 cents compared to the basic earning per share of HK$7.29 cents for the Previous Period.

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

The revenue for the Period under Review was approximately HK$606,422,000 or 3.5% more than the Previous Period. Marginally higher revenue reported during the Period under Review was mainly due to strong order backlogs captured from previous financial year as a result of modest recovery in the broad economic environment since 2010. Approximately 67% of the revenue was generated from PCB sector (the Previous Period: approximately 71%), approximately 23% came from surface finishing sector (the Previous Period: approximately 13%) and approximately 10% derived from solar cell sector (the Previous Period: approximately 16%). In terms of machines installation base, the revenue composition during the Period under Review was 42% machines in PRC, 13% in Taiwan, 7% in Turkey, 7% in Korea, 7% in USA and 24% in rest of the world.

In 2011, we witnessed escalation in material prices as well as labor costs increase which were driven by the appreciation of Renminbi and general price increase in commodities. And, we were not able to transfer the material and operating costs increase in the Period under Review to our customers as major order backlogs to customers were booked in previous year. Thus, the gross profit margin for the Period under Review has depleted.

The continuing uncertainty in Euro-zone and sluggish recovery in US economy were directly hurting our performance. Customers were more cautious and tended to defer delivery, put on hold the orders and demand for lower price in current business environment.

Chairman's Statement and Management Discussions

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 was approximately HK$385,360,000 compared to HK$354,090,000 in Previous Period. We benefited from the strong demands for certain consumer electronic products mainly i-Phone, i-Pad, smartphones and tablet PC as the demand on these products has prompted our end customers such as Tripod, Kinsus and Compeq to expand their production capacity.

However, the PCB business is cyclical and vulnerable to economic uncertainties. The general concern on Euro-zone debt crisis has temporarily slow down our customers from embarking on fixed asset investment in the last quarter of the Period under Review. The tightening of liquidity seen in the PRC, Europe and US in the second half of the Period under Review has added hurdle to any investment plan our customer may have.

Despite the current tough operating environment, we still believe that once the worries and uncertainties on Euro-zone economy are cleared, the demand for our equipment will rebound gradually. The PCB segment mainly HDI will continue to grow and be driven mainly by the demand for smartphones and internet mobile devices such as i-Phone 5 and Intel Ultrabooks. And PAL having a strong worldwide sale networks and design and development capabilities to work with its customer in developing advanced electroplating machine which can plate to their required specification and capitalize on the coming economic recovery.

Electroplating Equipment-Surface Finishing ("SF") Sector

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

The revenue of the SF sector has significantly increased from HK$67,372,000 in the Previous Period to HK$129,130,000 for the Period under Review. The surge of HK$61,758,000 in revenue was mainly boosted by better market sentiment during first half of the Period under Review, PSTS established brand name and strong customer portfolio.

Since 2007, our brand name and reputation have drawn more new European and American customers from automobile, sanitary, mint factories, electronic device, aerospace, communication and tools industries.

In the current fragile economic situations, the revenue stream from the automobile and mint industries remains relatively stable as the consumers in these industries are relatively resilient. Subsequent to year end, we have successfully secured a sizeable order from a new customer in Mint industry. We believe that the SF revenue will continue to grow gradually overtime.

However, as mentioned in our interim report, the business in this segment remains highly competitive. Stiff competition from the European rivals due to our longer delivery (shipping time from Asia to Europe) time and higher shipping cost originated from the high crude oil price remain as our main challenges.

In order to combat these challenges, the Group have built a dedicated design team for SF and recruited new design talents from oversea to further enhance our engineering and designing capability and at the same time, we also explored to find partners to complement the turn-key projects under negotiation.

We believe that, in the long term, these measures will help us to reduce our production costs and delivery lead time and further enhance our competitiveness.

Electroplating Equipment – Photo Voltaic ("Solar") Sector

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

At the end of 2011, there were estimated to be about 50,000 megawatts of manufacturing capacity of Solar energy around the world compared with only about 100 megawatts production capacity in year 2000. The significant increase in the global production capacity was mainly due to strong financial support given by the Chinese government to its manufacturers. As a result of increase in supplies and current economic crisis, the Solar panel prices have tumbled sharply and our customers have deferred their fixed assets capital spending. This in turn has reduced the revenue of Solar segment by HK$19,269,000 or 24.8% from HK$77,719,000 in Previous Period to HK$58,450,000 during the Period under Review.

However, we believe that Solar panel installations would continue to grow in the next few years as its prices become more competitive against coal or gas and following the nuclear disaster in Japan, people are turning to cleaner and safer energy. The China Solar market is growing so rapidly as Chinese government awards subsidies for setting pilot plants in different provinces. The Group will benefit in long run as we have a strong foot print in here. During the Period under Review, we have successfully sold our equipment to a new customer in China.

The global Solar panel market remains highly competitive. In 2011, we witnessed price erosion and consolidation in the industry. Solar panel manufacturer continued to demand for cheaper capital expenditure for new rollout and expansion. Thus, we face depleting profit margin pressure as the global demand for Solar panels is greatly affected by local government energy policy and the module prices tend to drop when the supply increases. PAL will continue to work together with its current and potential customers to enhance the product technology that will help its customers to reduce operating and capital expenditure.

Net Change in Fair Value of Held-For-Trading Investments

The Group has invested in held for trading investments. These investments represent equity securities listed in Hong Kong at market value. During the Period under Review, a net decrease on fair value of HK$12,154,000 arose on the listed securities investment made by the Group due to the decline in value of the equity securities listed in Hong Kong in the midst of market downturn.

Outlook

Overall, the Group existing business remains challenging and there is no clear visibility amid the continuing global economic uncertainties. The worries on the continuing global economic uncertainties particularly the Euro-zone debt crisis, have decelerated the global inventory restocking activities and the fixed assets investment. These have adversely affected our business as the customers tend to scale down or defer their investment plan.

However, in long term, we believe that once the global economic uncertainties are cleared, the business sentiments will improve gradually. Hence, we will continue to focus on PCB, SF and Solar segments and reinforce our core strength in these business areas through product reengineering, realignment of business units and costs controlled measures.

Chairman's Statement and Management Discussions

The PCB segment is expected to remain as the major revenue source to our Group and its growth will continue to be driven by the demand on consumer electronics products.

The demand of SF equipment on the other hand will continue to be driven by the slowly recovered investment sentiment in US. This can be seen from the improved unemployment rate and real gross domestic product ("GDP"). The real GDP showed an annualized increase of 3% in the fourth quarter of 2011 which primarily reflected an upturn in private inventory investment. The unemployment rate has dropped from 9.1% from early last year to 8.3% in February 2012. Although the cost of doing business in China is not cheap any more, we are given to understand that our customers in the West are still considering investments in China.

And on 2nd August, 2011, China' National Development Reform Commission ("NDRC") announced the national tariff Solar policy, we believe that a new wave of demand for Solar products will be in China but the quantum and period depend largely on the government policy and global economic conditions.

As a whole, we believe that our business operating environment in 2012 is more challenging than 2011 because the general economy environment is uncertain. However, we believe that we are able to weather the storm and we will remain prudent and cautious in the management of our business and continue with the effort of realignment of business units, developing standardized machines, product reengineering, and costs control measures to improve our operating profit in the future.

MAJOR ACQUISITIONS AND DISPOSALS DURING THE PERIOD

The Board announces that on 7th August, 2011, Process Automation (Shenzhen) Ltd ("PASL"), a wholly-owned subsidiary of the Group, entered into an agreement (the "Agreement") under which PASL has agreed to vacate from the two parcels of industrial lands located in Bao An District (the "Land") and demolish existing buildings and structures built or erected thereon the Land (the "Buildings"), and Shenzhen Warmsun Real Estate Development Company Ltd ("Shenzhen Warmsun") has agreed to re-develop the Land and compensate PASL by paying to PASL (i) a relocation compensation of RMB50,000,000 (equivalent to approximately HK$61,000,000); and (ii) the title of 41,000 sq.m. of residential properties which is estimated to represent a monetary value ranging from RMB615,000,000 to RMB820,000,000 (equivalent to approximately HK$750,000,000 to HK$1,000,000,000). The prevailing market prices of residential properties in Bao An District range from RMB15,000 per sq.m. to RMB20,000 per sq.m. In addition, Shenzhen Warmsun will provide all fund required in (i) seeking relevant governmental approvals for the redevelopment; (ii) paying additional land premium; and (iii) developing the Land including but not limited to the cost of design and construction.

The Agreement and the transactions contemplated thereunder have been approved by the shareholders at an extraordinary general meeting (the "EGM") on 13th October, 2011. The re-development plan itself is also subject to the approval by the relevant government authorities in the PRC. PASL has already received RMB40,000,000 (equivalent to approximately HK$48,880,000) from Shenzhen Warmsun as at 31st December, 2011 (the "Deposit").

The Land is currently used as a production base of the Group for the manufacturing of electroplating equipment. At the date of this report, PASL is reviewing options to either acquiring a new parcel of land to build a new building on its own or to rent a ready-for-use factory. Although PASL is required to cease to carry on its existing production on the Land at a certain time in the future, the Directors are of the view that the Agreement will not have an adverse impact to the Group's operation and principal business activities as there will be sufficient time for PASL to either acquire a new parcel of land to build a new building on its own or to rent a ready-for-use factory before the due date. After the title of the 41,000 sq.m. residential properties is transferred to PASL, the Group intends to on-sell the properties to third parties or rent the properties out as long term investment, depending on the then market conditions and policies in the PRC. Further announcement shall be in accordance with the Listing Rules when circumstance arises.

Further details can be referred to the announcement issued on 23rd August, 2011 and circular issued on 19th September, 2011.

As at the date of the report, PASL has already submitted an application for re-development of the Property under the "Shenzhen city town re-development formulated plan" (深圳市城市更新單元規劃制定計劃). There are several governmental departments involved and Shenzhen Warmsun is closely following up with the government officials on the progress.

FINANCIAL REVIEW

Capital Structure, Liquidity and Financial Resources

As at 31st December, 2011, the Group had equity attributable to owners of the Company of approximately HK$281,809,000 (31st December, 2010: HK$312,119,000). The gearing ratio was approximately 2% (31st December, 2010: 12%). 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 31st December, 2011, the Group had approximately HK$160,788,000 of cash on hand (31st December, 2010: HK$139,007,000).

As at 31st December, 2011, the Group pledged deposits of approximately HK$9,215,000 (31st December, 2010: HK$7,187,000) to banks to secure bank guarantees issued to customers. The Group has banking facilities of approximately HK$71,415,000 (31st December, 2010: HK$52,092,000) to the Company. Out of the secured facilities available, the Group has utilized approximately HK$8,215,000 as the issuance of bank's guarantee under which customers retain right to claim refund of purchase deposits received by the Group as at 31st December, 2011 (31st December, 2010: HK$6,187,000). As at 31st December, 2011, the total bank borrowings was approximately HK$4,557,000 (31st December, 2010: HK$38,372,000) in relation to discounted export bills negotiated during the relevant period.

Most of the bank borrowing is charged at prevailing prime rate in the countries where the Company's subsidiaries are operating in.

Chairman's Statement and Management Discussions

Most of the assets and liabilities in the Group were mainly denominated in US dollars, HK dollars, Euro and Renminbi. However, in view of the anticipated currency appreciation in Renminbi, there will be certain risk associated with the material cost and overhead cost for the factories in China.

Contingent Liabilities

As at 31st December, 2011, the Company had guarantees of approximately HK$72,945,000 (31st December, 2010: HK$62,100,000) to banks in respect of banking facilities granted to subsidiaries of the Company. The amount utilized by the subsidiaries was approximately HK$8,215,000 (31st December, 2010: HK$6,187,000).

Employee and Remuneration Policies

As at 31st December, 2011, the Group has approximately 810 employees. Employees are remunerated based on performance, experience and industry practice. Performance related bonus granted on discretionary basis. Other employee benefits included fund, insurance and medical cover.

FINAL DIVIDEND

The Board does not recommend payment of any final dividend for the year ended 31st December 2011 (2010: Nil).

APPRECIATION

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

By Order of the Board
Lam Kwok Hing
Chairman and Managing Director

Hong Kong, 27th March, 2012

Directors & Senior Management Profile

EXECUTIVE DIRECTORS

Mr. Lam Kwok Hing, aged 48, is the Chairman and Managing Director of Asia Tele-Net and Technology Corporation Limited ("ATNT") and joined the Group in 1995. He is also the Chairman of Karl Thomson Holdings Ltd ("KTH"), a company whose shares are listed on The Stock Exchange of Hong Kong Limited ("the Stock Exchange"). KTH is the ultimate holding company of Karfun Investment Ltd ("Karfun") which is the controlling shareholder of the Company. Mr. Lam has over 26 years experience in securities, financial investment and property business. Mr. Lam is the brother of Mr. Nam Kwok Lun, the Deputy Chairman and Executive Director of the Company.

Mr. Nam Kwok Lun, aged 53, is the Deputy Chairman of ATNT and joined the Group in 2005. Mr. Nam is also the Deputy Chairman and Executive Director of KTH and is responsible for overall strategic planning, day to day operations, execution and further development. He is a member of the Hong Kong Securities Institute. Mr. Nam is the brother of Mr. Lam Kwok Hing, the Chairman, Executive Director and Managing Director of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Kwan Wang Wai Alan, aged 49, joined the Group in 1996 as Non-executive Director of ATNT. He was redesignated as Independent Non-executive Director of ATNT in April 2005. He holds a Bachelor degree in Engineering Science and a Master of Arts degree from the University of Oxford and has over 22 years of experience in the consumer electronics field. Mr. Kwan is also an Independent Non-executive Director of KTH.

Mr. Ng Chi Kin David, aged 50, is an Independent Non-executive Director of ATNT and joined the Group in 1995. He is a professional accountant, fellow member of the Hong Kong Institute of Certified Public Accountants and member of CPA Australia, the Hong Kong Institute of Company Secretaries and the Institute of Chartered Secretaries and Administrators in the United Kingdom. Mr. Ng is also an Independent Non-executive Director of KTH.

Mr. Cheung Kin Wai, aged 56, is an Independent Non-executive Director of ATNT and joined the Group in 1998. He holds a Bachelor of Social Science degree from the Chinese University of Hong Kong and a MBA degree from the University of California, Riverside. Mr. Cheung has worked for over 24 years with various international banking and brokerage firms. He has extensive securities and financial investment experience.

Directors & Senior Management Profile

SENIOR MANAGEMENT

HOLDINGS COMPANY

Ms. Yung Wai Ching Ada, aged 46, is the Deputy General Manager of ATNT and joined the Group in 1998. She holds a Bachelor degree in Accountancy from the City University of Hong Kong. She is a member of ACCA and the Hong Kong Institute of Company Secretaries. Before joining the Group, she has over 24 years of finance experience in various industries including telecommunication, trading, manufacturing and system integration.

ELECTROPLATING EQUIPMENT BUSINESS

Mr. Wong Kwok Wai, aged 47, is the Managing Director of Process Automation International Limited ("PAL") and has worked with the Group in 1985. Mr. Wong holds a degree in Chemical Technology from Hong Kong Polytechnic University and has over 26 years of experience in the electroplating industry. He is responsible for the overall business development of our electroplating equipment group.

Mr. Wong Chi Wing, aged 54, is the Director of PAL and joined the Group in 1980. He holds a degree in Mechanical Engineering from National Taiwan University and has over 31 years of experience in the electroplating industry. He is mainly responsible for the engineering development.

Mr. Chan Chi Wai, aged 55, is the Director of PAL and joined the Group in 1981. He has over 31 years of experience in the electroplating industry. He is mainly responsible for managing our production bases.

Mr. Geoffrey F. Paterson, aged 64, is the non-executive Director of PAL and joined the Group in 1987. He holds a degree in Chemistry from the University of Aberdeen and prior to joining the Group, he had over 11 years of experience in the PCB manufacturing industry in the United Kingdom.

COMPANY SECRETARY

Ms. Lui Choi Yiu Angela, aged 37, is the Company Secretary of the Group and joined the Group in 2009. She graduated with a Bachelor of Science degree in Accounting from Azusa Pacific University in California, USA and a Postgraduate Diploma in Corporate Administration from Hong Kong Polytechnic University. She is currently a member of the American Institute of Certified Public Accountants and a member of the Hong Kong Institute of Certified Public Accountants. Ms.Lui is also the Financial Controller and Company Secretary of KTH.

Directors' Report

The Directors present their annual report and the audited consolidated financial statements for the year ended 31st December, 2011.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its principal subsidiaries and associates are set out in notes 38 and 18 respectively to the consolidated financial statements.

RESULTS AND APPORTIONS

The results of the Group for the year ended 31st December, 2011 are set out in the consolidated statement of comprehensive income on pages 27 to 28.

The Directors do not recommend the payment of a dividend.

SHARE CAPITAL

Details of the share capital of the Company are set out in note 30 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

The five largest customers of the Group together accounted for approximately 40% of the Group's turnover, with the largest customer accounted for approximately 10%. The aggregate purchases attributable to the Group's five largest suppliers were less than 11% of the Group's purchases.

At no time during the year did a Director, an associate of a Director or a shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the Company's share capital) have an interest in any of the Group's five largest customers.

RESERVES

Under The Companies Act 1981 of Bermuda, the Company's contributed surplus account is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus, if:

(a) it is, or would after the payment be, unable to pay its liabilities as they become due; or

(b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium account.

In the opinion of the Directors, the Company's reserves available for distribution to its shareholders as at 31st December, 2011 are approximately HK$192,707,000, being the contributed surplus of approximately HK$78,447,000 and retained profits of approximately HK$114,260,000.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group are set out in note 16 to the consolidated financial statements.

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

Executive Directors:

Mr. Lam Kwok Hing *(Chairman and Managing Director)*
Mr. Nam Kwok Lun *(Deputy Chairman)*

Independent Non-executive Directors:

Mr. Ng Chi Kin David
Mr. Cheung Kin Wai
Mr. Kwan Wang Wai Alan

In accordance with Clause 87(2) of the Company's Bye-laws, one-third of the Directors for the time being shall retire from office by rotation at each annual general meeting and pursuant to A.4.3 of the Corporate Governance Code, any further appointment of an Independent Non-executive Director in excess of nine years should subject to a separate resolution to be approved by shareholders. Therefore, Messrs. Cheung Kin Wai, Kwan Wang Wai Alan and Ng Chi Kin David should retire and re-election at the forthcoming annual general meeting.

Each of the Independent Non-executive Directors has signed a letter of appointment for a term of three years until terminated by not less than three months' notice in writing served by the Independent Non-executive Director on the Company or in accordance with the terms set out in the respective letters of appointment. Each of the Independent Non-executive Directors is entitled to a director's fee.

The Director being proposed for re-election at the forthcoming annual general meeting does not have a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

The Company has received from each of the Independent Non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The Company considers all of the Independent Non-executive Directors are independent.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors had a service contract with the Company. These service contracts continued unless and until terminated by either the Company or the Directors giving to the other party 6 months' notice in writing.

DIRECTORS' REMUNERATION

The remuneration committee of the Board considers and recommends to the Board the remuneration and other benefits paid by the Company to the Directors. The remuneration of all Directors is subject to regular monitoring by the remuneration committee to ensure that the levels of their remuneration and compensation are appropriate. Details of the Directors' remuneration are set out in note 13 to the financial statements.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY AND ITS ASSOCIATED CORPORATION

At 31st December, 2011, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") which are required 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 they were taken or deemed to have under such provisions of the SFO) or which are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange were as follows:

Long position

Ordinary shares of HK$0.01 each of the Company

Name of director	Number of issued ordinary shares held: Personal interest	Number of issued ordinary shares held: Corporate interest	Total	Percentage of the issued share capital of the Company
Mr. Lam Kwok Hing	3,474,667	250,516,500 (Note)	253,991,167	59.56%

Note: The amount composed of 48,520,666 and 201,995,834 shares of the Company that were held by Medusa Group Limited ("Medusa") and Karfun respectively. Medusa is a company wholly owned by Mr. Lam Kwok Hing. Karfun is a wholly owned subsidiary of KTH, a company in which Mr. Lam Kwok Hing is a controlling shareholder.

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 executive or their associates had any interests or short positions in any shares 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 31st December, 2011.

CONNECTED TRANSACTION

During the year, the Group has paid approximately HK$26,076 as brokerage commission to Karl-Thomson Securities Company Limited, which is a wholly owned subsidiary of KTH in which Mr. Lam Kwok Hing is a controlling shareholder.

DIRECTORS' INTEREST IN CONTRACTS OF SIGNIFICANCE

Other than as disclosed under the heading "connected transactions" above, there was no other transaction which need to be disclosed as a connected transaction in accordance with the requirements of the Listing Rules and no contract of significance to which the Company, its ultimate holding company or any subsidiaries of its ultimate holding company was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 31st December, 2011, none of the Directors or their respective associates had any business or interests in business, apart from the business of the Group, which competes or is likely to compete, either directly or indirectly, with the business of the Group.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than as disclosed above, at no time during the year was the Company or any of its subsidiaries, a party to any arrangement to enable the Directors of the Company or their respective spouses or children under the age of 18 to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31st December, 2011, the following persons (other than the Directors of the Company) had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

Long positions in the ordinary shares of HK$0.01 each of the Company

Name of shareholder	Capacity	Number of issued ordinary shares held	Percentage of Company's issued share capital
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' and Chief Executive's Interests and short Positions in Shares and Underlying shares of the Company and its Associated Corporation" above.

Save as disclosed above, as at 31st December, 2011, no person (other than the Directors of the Company whose interests are set out under the heading "Directors' and Chief Executive's Interests and short Positions in Shares and Underlying shares of the Company and its Associated Corporation" above) had an interest or a short position in the shares and underlying shares of the Company that was required to be recorded under Section 336 of SFO.

SHARE OPTIONS

A summary of the Share Option Scheme (the "Scheme") which came into effect from 13th June, 2005, disclosed in accordance with the Listing Rules is as follows:

(1) Purpose of the Scheme

The purpose of the Scheme is to enable the Company to grant option to the eligible participants as incentives and rewards for their contributions to the Company or such subsidiaries.

(2) Participants of the Scheme

The Board may, at its discretion, to grant options to any employees (whether full time or part time), executives or officers of the Company or any of the subsidiaries (including executive and non-executive Directors) and any business consultants, agents, financial or legal advisers who will contribute or have contributed to the Company or any of the subsidiaries.

(3) Total number of shares available for issue under the Scheme and % of issued share capital at 31st December, 2011

The number of shares available for issue under the Scheme was 42,646,340 shares representing 10% of the issued share capital at 31st December, 2011.

(4) Maximum entitlement of each participant under the Scheme

The maximum number of shares issuable under the Scheme to each participant in any 12-month period up to the date of grant shall not exceed 1% of the shares unless it is approved by shareholders in a general meeting of the Company. Any share options granted a substantial shareholder or an independent non-executive director of the Company or to any of their associates, in excess of 0.1% of the shares in issue and with an aggregate value (based on the closing price of the shares at the date of the grant) in excess of HK$5 million, in any 12-month period, are subject to shareholders' approval in general meeting of the Company.

(5) The period within which the shares must be taken up under an option

The period during which an option may be exercised will be determined by the Board at its absolute discretion, save that no option may be exercised more than 10 years after it has been granted.

(6) The minimum period for which an option must be held before it can be exercised

There is no general requirement that an option must be held for any minimum period before it can be exercised but the Board is empowered to impose as its discretion any such minimum period at the time of grant of any particular option.

(7) The amount payable upon acceptance of option

HK$1.00 is payable by each eligible participant to the Company on acceptance of the option on or before the 30th day after the option is offered.

(8) The basis of determining the exercise price

The exercise price must be at least the higher of:

(i) the closing price of the share as stated in the Stock Exchange's daily quotations sheet on the date of grant which must be a business day;

(ii) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotations sheet for the five business days immediately preceding the date of grant; and

(iii) the nominal value of a share.

(9) The remaining life of the Scheme

The Scheme will expire at the close of business of 12th June, 2015.

RETIREMENT SCHEME

The Group operates a Mandatory Provident Fund Scheme ("MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution retirement scheme administered by independent trustees. Under the MPF Scheme, each of the employer and employee are required to make contributions of 5% of the employees' relevant income to the scheme, subject to a cap of monthly relevant income of HK$20,000. Contributions made to the scheme are vested immediately.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws, or the law of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance practices. Information on the corporate governance practices of the Company is set out in the "Corporate Governance Report" on pages 18 to 24.

SUFFICIENCY OF PUBLIC FLOAT

At the latest practicable date prior to the issue of this report, based on the information that is publicly available to the Company and within the knowledge of its Directors, the Company has maintained sufficient public floats as required under the Listing Rules throughout the year ended 31st December, 2011.

AUDITOR

A resolution will be submitted to the annual general meeting of the Company to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

Lam Kwok Hing
Chairman and Managing Director

Hong Kong, 27th March, 2012

Corporate Governance Report

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

The Company's corporate governance practices are based on the principles and the code provisions ("Code Provisions") as set out in the CG Code of the Listing Rules. The Company has, throughout the year ended 31st December, 2011 and up to the date of publication of the annual report, applied and complied with most of the Code Provisions save for certain deviations from the Code Provisions in respect of code provisions A.2.1 and A.4.2, details of which are explained below.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules. The Company has made specific enquiry of all Directors regarding any non-compliance with the Model Code during the year under review and they have all confirmed that they had fully complied with the required standard set out in the Model Code.

BOARD OF DIRECTORS

The Board comprises of two Executive Directors, being Mr. Lam Kwok Hing (Chairman and Managing Director) and Mr. Nam Kwok Lun (Deputy Chairman); three Independent Non-executive Directors, being Mr. Cheung Kin Wai, Mr. Kwan Wang Wai Alan and Mr. Ng Chi Kin David. Biographical details, which include relationships among members of the Board, are provided in the "Directors and Senior Management Profile" section of the Annual Report. The composition of the Board is well balanced with the Directors having sound industry knowledge, extensive corporate and strategic planning experience and/or expertise relevant to the business of the Group. The Executive Directors and Independent Non-executive Directors bring a variety of experience and expertise to the Company.

There is a clear division of responsibilities between the Board and the management. The Board is responsible for providing high-level guidance and effective oversight of management while day-to-day management of the Group is delegated to the management team of each respective subsidiary. Generally speaking the Board is responsible for:

- Formulating the Group's long term strategy and monitoring the implementation thereof
- Approval of interim and year end dividend
- Reviewing and approving the annual and interim reports
- Ensuring good corporate governance and compliance
- Monitoring the performance of the management
- Reviewing and approving any material acquisition and assets disposal

The Board delegates the authority and responsibility for implementing day-to-day operations, business strategies and management of the Group's businesses to the Executive Directors, senior management and certain specific responsibilities to the Board committees.

All Directors have given sufficient time and attention to the affairs of the Group. Each Executive Director is suitably qualified for his position, and has sufficient experience to hold the position so as to carry out his duties effectively and efficiently.

The Board meets regularly at least four times a year and additional meetings or telephone conference are convened as and when the Board considers necessary. In 2011, four board meetings were held. Details of the Directors' attendance record in the year are as follows:

Directors	**Attendance**
Mr. Lam Kwok Hing	4/4
Mr. Nam Kwok Lun	4/4
Mr. Cheung Kin Wai	4/4
Mr. Kwan Wang Wai Alan	4/4
Mr. Ng Chi Kin David	4/4

The Board complied with the Rules 3.10(1) and (2) of the Listing Rules relating to the appointment of at least three independent non-executive directors and one of the independent non-executive directors has appropriate professional qualifications or accounting or related finance management expertise. All three Independent Non-Executive Directors are appointed for a specific term of three years. They are subject to retirement by rotation and re-election provisions of the Bye-laws.

Messrs. Cheung Kin Wai, Kwan Wang Wai Alan and Ng Chi Kin David have served as an Independent Non-executive Director for more than nine years. The Directors are of the opinion that they remain independent, notwithstanding their length of tenure. They continue to demonstrate the attributes of an Independent Non-Executive Director noted above and there is no evidence that their tenure has had any impact on his independence. The Board believes that their detailed knowledge and experience of the Group's business and their external experience continue to be of significant benefit to the Company, and that they maintain an independent view of its affairs. Pursuant to A.4.3 of the Corporate Governance Code, any further appointment of an Independent Non-Executive Director in excess of nine years should subject to a separate resolution to be approved by shareholders. Therefore, Messrs. Cheung Kin Wai, Kwan Wang Wai Alan and Ng Chi Kin David should retire and re-election at the forthcoming annual general meeting.

Each of the Independent Non-executive Directors has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company is of the view that all Independent Non-executive Directors meet the independence guidelines set out in Rule 3.13 of the Listing Rules.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Code Provision A.2.1 stipulates that 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 positions of both Chairman and MD are currently held by Mr. Lam Kwok Hing. 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. The balance of power and authorities is ensured by the operation of the senior management and the Board, which comprises experienced and high caliber individuals. 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.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Code Provision A.4.2 stipulates that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the next following annual general meeting after their appointment, and every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

According to the Bye-laws of the Company, the Chairman or Managing Director is not subject to retirement by rotation or taken into account on determining the number of Directors to retire. This constitutes a deviation from the CG Code. As continuation is a key factor to the successful implementation of any long-term business plans, the Board believes that, 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.

REMUNERATION OF DIRECTORS

The Company established the Remuneration Committee in February 2005 with terms of reference substantially the same as those contained in paragraph B.1.3 of the CG Code. The written terms of reference which describe the authority and duties of the Remuneration Committee were adopted in 2005 and revised on March 2012 to conform to the provisions of the Code, a copy of which is posted on the Company's website. A majority of the members of the Remuneration Committee is Independent Non-executive Directors and members of the Committee are listed as below.

In determining the emolument payable to directors, the Remuneration Committee takes into consideration factors such as salaries paid by comparable companies, time commitment and responsibilities of the directors, employment conditions elsewhere in the Group and the desirability of performance-based remuneration.

The Remuneration Committee is primarily responsible for the following duties:

- to determine the policy for the remuneration of executive directors, assessing performance of executive directors and approving the terms of executive directors' service contracts;

- to make 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;

- to review and approve the senior management's remuneration proposals with reference to the corporate goals and objectives resolved by the Board from time to time;

- to performs an advisory role to the Board and to make recommendations to the Board on the remuneration packages of individual executive directors and senior management, with the Board retaining the final authority to approve executive directors' and senior management's remuneration;

- to make recommendations to the Board on the remuneration on non-executive directors

- to review and approve the compensation payable to executive directors and senior management in connection with any loss or termination of their office or appointment to ensure that such compensation is determined in accordance with relevant contractual terms and that such compensation is otherwise fair and not excessive; and

- to review and approve compensation arrangements relating to dismissal or removal of directors for misconduct to ensure that such arrangements are determined in accordance with relevant contractual terms and that any compensation payment is otherwise reasonable and appropriate

The overriding objective of the remuneration policy is to ensure that the Company is able to attract, retain, and motivate a high-calibre team which is essential to the success of the Company.

The Remuneration Committee will meet at least once each year. During the year under review, one meeting was held to consider and approve the remuneration of all Directors and senior management.

Committee member		**Attendance**
Mr. Kwan Wang Wai Alan	(Independent Non-executive Director & Chairman of the Remuneration Committee)	1/1
Mr. Ng Chi Kin David	(Independent Non-executive Director)	1/1
Mr. Nam Kwok Lun	(Executive Director)	1/1

NOMINATION OF DIRECTORS

During the year, the Board adopted the role and function of a nomination committee. Where vacancies exist at the Board or additional directors are considered necessary by the Board, candidates are proposed and put forward to the Board for consideration. In considering the nomination of a new Director, the Board will take into account the qualification, ability, working experience, leadership and professional ethics of the candidates. In determining the independence of directors, the Board follows the requirements set out in the Listing Rules.

The Company established a nomination committee ("Nomination Committee") on 27 March 2012. The Nomination Committee comprises of two independent non-executive directors and one executive director, namely Mr. Lam Kwok Hing (Chairman of the Nomination Committee), Mr. Cheung Kin Wai and Mr. Ng Chi Kin David. The primary duties of the Nomination Committee are to review the structure, size and composition (including the skills, knowledge and experience) of the Board and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy; to identify and nominate qualified individuals for appointment as additional directors or to fill Board vacancies as and when they arise, and to make recommendations to the Board on matters relating to the appointment or re-appointment of directors and succession plan for directors, in particular the Chairman and the Chief Executive Officer.

AUDITOR REMUNERATION

During the year, the auditor of the Company, Messrs. Deloitte Touche Tohmatsu received approximately HK$1,100,000 for statutory audit services. Payments made by the Company for non-audit services to the auditor was made during the year were:

- HK$160,000 for review of the unaudited financial statements for the six months ended 30th June, 2011;
- HK$196,458 for review of the working capital sufficiency of the Group for the purpose of the issue of a circular of a very substantial disposal; and
- HK$6,000 for audit of provident scheme fund.

AUDIT COMMITTEE

The Audit Committee was established in 1999 and comprises three Board members, all of whom are Independent Non-executive Directors. The Audit Committee has adopted the same term of reference, which describes the authority and duties of the Committee, as quoted under code provision C.3.3 of the CG Code. The written terms of reference which describe the authority and duties of the Audit Committee were adopted in 1999 and revised on March 2012 to conform to the provisions of the Code, a copy of which is posted on the Company's website.

The Audit Committee is primarily responsible for the following duties:

- to make recommendation to the Board on the appointment, reappointment and removal of the external auditor, and to approve the audit fees and the terms of engagement of the external auditor, and any questions of their resignation or dismissal.
- monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards, and to discuss with the external auditor the nature and scope of the audit and reporting obligations before the audit commences.
- to monitor integrity of the Company's financial statements, annual report, accounts and the half-year report, and to review significant financial reporting judgments contained in them.

- to oversee the Company's financial reporting system and internal control procedures.
- to review compliance with regulatory and legal requirements by the Company.

The Audit Committee will meet at least twice each year. In 2011, the Audit Committee met twice considering the annual results of the Group for the financial year ended 31st December, 2011 and the interim results of the Group for the 6 months ended 30th June, 2011, assessing any changes in accounting policies and practices, major judgmental areas and compliance with applicable legal and accounting requirements and standards, discussing with the auditor of the Company on internal control and the re-appointment of the external auditor. The Audit Committee also provides in important link between the Board and the Company's auditors in matters coming within the scope of its terms of reference and keeps under review the independence and objectivity of the auditors.

Details of Committee members and their attendance records are listed as below:

Committee member		**Attendance**
Mr. Kwan Wang Wai Alan	(Independent Non-executive Director & Chairman of the Audit Committee)	2/2
Mr. Ng Chi Kin David	(Independent Non-executive Director)	2/2
Mr. Cheung Kin Wai	(Independent Non-executive Director)	2/2

LIABILITY INSURANCE OF DIRECTORS AND SENIOR MANAGEMENT

The Company has appropriate "Directors and Officers Liability Insurance" in place for its Directors and senior management, in order to safeguard them from any legal and compensation liabilities arising in the course of discharging their duties.

DIRECTOR'S RESPONSIBILITIES FOR THE FINANCIAL STATEMENT

The Board acknowledges that it is their responsibilities for:

(i) overseeing the preparation of the financial statements of the Group with a view to ensuring such financial statements give a true and fair view of the state of affairs of the Group, and

(ii) selecting suitable accounting policies and applying the selected accounting policies consistently with the support of reasonable and prudent judgement and estimates.

A statement by the auditor about his reporting responsibilities is set out on pages 25 to 26 of this Annual Report.

INTERNAL CONTROLS

A sound and effective internal control system is important to safeguard the shareholders' investment and the Company's assets. During the year, the Board reviewed the effectiveness of the internal control system of the Group. The review covers all material controls, including financial, operational and compliance controls and risk management functions of the Group.

SHAREHOLDER COMMUNICATION AND INVESTOR RELATIONS

The Board is responsible for ensuring shareholder communications are adequate and appropriate and based on transparency and sound corporate governance principles. The Company will communicate to shareholders through written information and electronic communication by annual and interim reports, disclosure made to the Stock Exchange, notice and circular of general meetings, annual general meeting and corporate website. The Company aim to present a clear, balanced and comprehensive assessment of our financial position and operational status by providing shareholders and other stakeholders with information in a timely and transparent manner.

Independent Auditor's Report

Deloitte.
德勤

TO THE MEMBERS OF
ASIA TELE-NET AND TECHNOLOGY CORPORATION LIMITED
(incorporated in Bermuda with limited liability)

We have audited the 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 27 to 93, which comprise the consolidated statement of financial position as at 31st December, 2011, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

Independent Auditor's Report

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31st December, 2011 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
27th March, 2012

Consolidated Statement of Comprehensive Income

For the year ended 31st December, 2011

	NOTES	**2011 HK$'000**	2010 HK$'000 (restated)
Continuing operations			
Revenue	7	**606,422**	585,945
Cost of sales		**(486,918)**	(442,632)
Gross profit		**119,504**	143,313
Other gains and losses	8	**(22,828)**	1,441
Bad debts recovered		**945**	4,117
Other income		**1,634**	1,672
Selling and distribution costs		**(17,146)**	(16,360)
Administrative expenses		**(114,193)**	(96,764)
Allowance for bad and doubtful debts		**(2,910)**	(1,280)
Finance costs	9	**(781)**	(1,117)
Share of results of associates		**1,149**	(542)
(Loss) profit before taxation		**(34,626)**	34,480
Taxation	10	**(1,227)**	(475)
(Loss) profit for the year from continuing operations		**(35,853)**	34,005
Discontinued operation			
Loss for the year from discontinued operation	11	**(2,016)**	(2,898)
(Loss) profit for the year	12	**(37,869)**	31,107
Other comprehensive income (expense)			
Exchange difference arising on translation of foreign operations			
– subsidiaries		**7,330**	9,540
– associate		**(4)**	86
Recognition of actuarial (loss) gain on defined benefit plan		**(188)**	209
Other comprehensive income for the year		**7,138**	9,835
Total comprehensive (expense) income for the year		**(30,731)**	40,942

Consolidated Statement of Comprehensive Income

For the year ended 31st December, 2011

	NOTE	2011 HK$'000	2010 HK$'000 (restated)
(Loss) profit for the year attributable to owners of the Company:			
– from continuing operations		**(35,644)**	33,976
– from discontinued operation		**(2,016)**	(2,898)
		(37,660)	31,078
(Loss) profit for the year attributable to non-controlling interests from continuing operations		**(209)**	29
		(37,869)	31,107
Total comprehensive (expense) income attributable to:			
Owners of the Company		**(30,310)**	40,734
Non-controlling interests		**(421)**	208
		(30,731)	40,942
(Loss) earnings per share	14		
– from continuing and discontinued operations			
Basic		**HK(8.83) cents**	HK7.29 cents
– from continuing operations			
Basic		**HK(8.36) cents**	HK7.97 cents

Consolidated Statement of Financial Position

At 31st December, 2011

	NOTES	2011 HK$'000	2010 HK$'000
Non-current assets			
Property, plant and equipment	16	**95,791**	92,408
Prepaid lease payments	17	**8,511**	8,535
Interests in associates	18	**1,622**	477
Available-for-sale investments	19	**95**	95
Loans receivable	20	**3,455**	3,170
Deposits for acquisition of property, plant and equipment		**–**	5,675
		109,474	110,360
Current assets			
Inventories	21	**54,708**	55,851
Retirement benefit assets	37	**–**	62
Amounts due from customers for contract work	22	**73,967**	96,801
Loans receivable	20	**4,588**	2,729
Debtors, bills receivables and prepayments	23	**79,128**	143,331
Prepaid lease payments	17	**299**	289
Held-for-trading investments	24	**26,425**	28,840
Amounts due from associates	25	**1,154**	954
Taxation recoverable		**1,058**	20
Pledged bank deposits	26	**9,215**	7,187
Bank balances and cash	26	**151,573**	131,820
		402,115	467,884
Current liabilities			
Creditors, bills payables and accrued charges	27	**142,455**	201,758
Deposit received for re-development of the land	16	**48,880**	–
Retirement benefit obligations	37	**68**	–
Warranty provision	28	**10,080**	6,405
Amounts due to customers for contract work	22	**10,528**	7,521
Amounts due to associates	25	**26**	25
Bank borrowings	29	**4,557**	38,372
Taxation payable		**1,227**	291
		217,821	254,372
Net current assets		**184,294**	213,512
Total assets less current liabilities		**293,768**	323,872

Consolidated Statement of Financial Position

At 31st December, 2011

	NOTES	2011 HK$'000	2010 HK$'000
Capital and reserves			
Share capital	30	**4,265**	4,265
Reserves		**277,544**	307,854
Equity attributable to owners of the Company		**281,809**	312,119
Non-controlling interests		**4,110**	4,531
Total equity		**285,919**	316,650
Non-current liabilities			
Warranty provision	28	**3,534**	2,907
Deferred taxation	31	**4,315**	4,315
		7,849	7,222
		293,768	323,872

The consolidated financial statements on pages 27 to 93 were approved and authorised for issue by the Board of Directors on 27th March, 2012 and are signed on its behalf by.

LAM KWOK HING
CHAIRMAN AND MANAGING DIRECTOR

NAM KWOK LUN
DEPUTY CHAIRMAN

Consolidated Statement of Changes in Equity

For the year ended 31st December, 2011

	Attributable to owners of the Company									
	Share capital HK$'000	Share premium HK$'000	Property revaluation reserve HK$'000	Legal reserve HK$'000 (note a)	Currency translation reserve HK$'000	Contributed surplus HK$'000 (note b)	Retained profits HK$'000	Subtotal HK$'000	Attributable to non-controlling interests HK$'000	Total HK$'000
Balance at 1st January, 2010	4,265	28,500	32,383	11,450	22,117	48,937	123,733	271,385	4,323	275,708
Profit for the year	–	–	–	–	–	–	31,078	31,078	29	31,107
Exchange difference arising on translation of foreign operations										
– subsidiaries	–	–	–	–	9,361	–	–	9,361	179	9,540
– associate	–	–	–	–	86	–	–	86	–	86
Recognition of actuarial gain on defined benefits plan	–	–	–	–	–	–	209	209	–	209
Total comprehensive income for the year	–	–	–	–	9,447	–	31,287	40,734	208	40,942
Balance at 31st December, 2010	4,265	28,500	32,383	11,450	31,564	48,937	155,020	312,119	4,531	316,650
Loss for the year	–	–	–	–	–	–	(37,660)	(37,660)	(209)	(37,869)
Exchange difference arising on translation of foreign operations										
– subsidiaries	–	–	–	–	7,542	–	–	7,542	(212)	7,330
– associate	–	–	–	–	(4)	–	–	(4)	–	(4)
Recognition of actuarial loss on defined benefit plan	–	–	–	–	–	–	(188)	(188)	–	(188)
Total comprehensive income (expense) for the year	–	–	–	–	7,538	–	(37,848)	(30,310)	(421)	(30,731)
Balance at 31st December, 2011	4,265	28,500	32,383	11,450	39,102	48,937	117,172	281,809	4,110	285,919

Notes:

(a) In accordance with statutory requirements in the PRC (as defined on note 6 to the consolidated financial statements), a subsidiary registered in the PRC had transferred a certain percentage of its annual net income from retained profits to legal reserve. No such transfer is required for the years ended 31st December, 2011 and 2010 as the subsidiary has no retained profits for both years. The legal reserve is not distributable.

(b) The contributed surplus arose as a result of the capital reconstruction on 23rd April, 2004.

Consolidated Statement of Cash Flows

For the year ended 31st December, 2011

	2011 HK'000	2010 HK'000 (restated)
OPERATING ACTIVITIES		
(Loss) profit before taxation		
– Continuing operations	**(34,626)**	34,480
– Discontinued operation	**(2,016)**	(2,898)
	(36,642)	31,582
Adjustments for:		
Share of results of associates	**(1,149)**	542
Interest income, other than interest income from loans receivable	**(460)**	(323)
Finance costs	**781**	1,117
Dividend income	**(254)**	(334)
Depreciation	**10,799**	10,130
Release of prepaid lease payments	**299**	289
Allowance for slow moving inventories	**692**	1,868
Allowance for bad and doubtful debts	**3,411**	3,262
Loss on disposal of property, plant and equipment	**125**	184
Net change in fair value of held-for-trading investments	**12,154**	(2,751)
Impairment loss on available-for-sales investments	**–**	18
Warranty provision	**15,889**	7,282
Net exchange loss (gain)	**5,758**	(323)
Operating cash flows before movements in working capital	**11,403**	52,543
(Increase) decrease in held-for-trading investments	**(9,739)**	10,734
Decrease (increase) in inventories	**2,053**	(23,700)
Decrease (increase) in amounts due from customers for contract work	**23,306**	(72,266)
(Increase) decrease in loans receivable	**(2,144)**	3,036
Decrease (increase) in debtors, bills receivables and prepayments	**61,457**	(80,038)
(Decrease) increase in creditors, bills payables and accrued charges	**(60,674)**	118,596
Utilisation of warranty provision	**(11,587)**	(7,332)
Increase (decrease) in amounts due to customers for contract work	**3,007**	(1,680)
Increase in retirement benefits obligations	**(58)**	(16)
Cash from (used in) operations	**17,024**	(123)
Overseas income tax paid	**(1,345)**	(177)
Hong Kong and overseas income tax refunded	**6**	91
NET CASH FROM (USED IN) OPERATING ACTIVITIES	**15,685**	(209)

Consolidated Statement of Cash Flows

For the year ended 31st December, 2011

	Notes	2011 HK'000	2010 HK'000 (restated)
INVESTING ACTIVITIES			
Withdrawal of pledged bank deposits		**5,761**	1,174
Placement of pledged bank deposits		**(7,789)**	(6,187)
Proceeds on disposal of property, plant and equipment		**61**	450
Deposits paid for acquisition of property, plant and equipment		**–**	(5,675)
Deposit received for re-development of the land	16	**48,880**	–
Dividend received from investments		**254**	334
Interest received		**460**	323
Purchase of property, plant and equipment		**(7,020)**	(15,640)
Advance to associates		**(200)**	(1,144)
Disposal of a subsidiary	32	**–**	(121)
NET CASH FROM (USED IN) INVESTING ACTIVITIES		**40,407**	(26,486)
FINANCING ACTIVITIES			
Net (decrease) increase in bank borrowings		**(33,815)**	38,372
Interest paid		**(781)**	(1,117)
Repayment to associates		**–**	(73)
Repayment of obligations under finance leases		**–**	(227)
NET CASH (USED IN) FROM FINANCING ACTIVITIES		**(34,596)**	36,955
NET INCREASE IN CASH AND CASH EQUIVALENTS		**21,496**	10,260
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**131,820**	116,171
EFFECT ON FOREIGN EXCHANGE RATE CHANGES		**(1,743)**	5,389
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		**151,573**	131,820
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS			
Bank balances and cash		**151,573**	131,820

1. GENERAL

The Company is incorporated in Bermuda under The Companies Act 1981 of Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the registered office and principal place of business of the Company are disclosed in the "Corporation Information" section of the annual report.

The consolidated financial statements are presented in Hong Kong Dollars ("HKD"), which is the same as the functional currency of the Company.

The Company is an investment holding company and its principal subsidiaries are mainly engaged in electroplating equipment business. The details of principal activities of its principal subsidiaries are set out in note 38.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied, for the first time, a number of new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") that are mandatorily effective for the Company's consolidated financial statements for the year ended 31st December, 2011.

The application of these new and revised HKFRSs in the current year has had no material effect on the amounts reported in these consolidated financial statements and/or disclosures set out in these consolidated financial statements.

The Group has not early applied the following new or revised HKFRSs that have been issued but are not yet effective:

Amendments to HKFRS 7	Disclosures – Transfers of financial assets[1]
Amendments to HKFRS 7	Disclosures – Offsetting financial assets and financial liabilities[2]
Amendments to HKFRS 9 and HKFRS 7	Mandatory effective date of HKFRS 9 and transition disclosures[3]
HKFRS 9	Financial instruments[3]
HKFRS 10	Consolidated financial statements[2]
HKFRS 11	Joint arrangements[2]
HKFRS 12	Disclosure of interests in other entities[2]
HKFRS 13	Fair value measurement[2]
Amendments to HKAS 1	Presentation of items of other comprehensive income[5]
Amendments to HKAS 12	Deferred tax – Recovery of underlying assets[4]
HKAS 19 (as revised in 2011)	Employee benefits[2]
HKAS 27 (as revised in 2011)	Separate financial statements[2]
HKAS 28 (as revised in 2011)	Investments in associates and joint ventures[2]
Amendments to HKAS 32	Offsetting financial assets and financial liabilities[6]
HK(IFRIC) – INT 20	Stripping costs in the production phase of a surface mine[2]

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

[1] Effective for annual periods beginning on or after 1st July, 2011.
[2] Effective for annual periods beginning on or after 1st January, 2013.
[3] Effective for annual periods beginning on or after 1st January, 2015.
[4] Effective for annual periods beginning on or after 1st January, 2012.
[5] Effective for annual periods beginning on or after 1st July, 2012.
[6] Effective for annual periods beginning on or after 1st January, 2014.

HKFRS 9 "Financial Instruments"

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described as follows:

- HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 "Financial instruments: Recognition and measurement" to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the presentation of changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Currently, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

The directors of the Company anticipate that the adoption of HKFRS 9 in the future will have impact on the classification and measurement in respect of the Group's available-for-sale investments and other financial assets but not on the Group's financial liabilities.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSS") *(Continued)*

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

The amendments to HKAS 1 are effective for annual periods beginning on or after 1st July, 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

Other than as described above, the directors of the Company anticipate that the application of the other new or revised HKFRSs will have no material impact on the results and the financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared on the historical cost basis except for certain buildings and financial instruments, which are measured at revalued amounts or fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used in line with those used by other members of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance (effective from 1st January, 2010 onwards).

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted (the carrying amount of the net assets attributable to the non-controlling interests) and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, it (i) derecognises the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost, (ii) derecognises the carrying amount of any non-controlling interests in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them), and (iii) recognises the aggregate of the fair value of the consideration received and the fair value of any retained interest, with any resulting difference being recognise as a gain or loss in profit or loss attributable to the Group. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 "Financial instruments: Recognition and measurement" or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

Interests in associates

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Interests in associates *(Continued)*

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, interests in associates are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associates. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment is tested for impairment in accordance with HKAS 36 "Impairment of Assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Where a group entity transacts with its associate, profits and losses resulting from transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of the interests in the associate that are not related to the Group.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

Revenue from the sale of goods is recognised when goods are delivered and title was passed.

Service income is recognised when the services are rendered.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rates applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to the asset's net carrying amount on initial recognition.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established, provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

Construction contracts

When the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of reporting period, as measured by the proportion that contract costs incurred for work performed to date relative to estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Construction contracts *(Continued)*

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as an amount due to customers for contract work. Amounts received before the related work is performed are included in the consolidated statement of financial position, as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer are included in the consolidated statement of financial position under debtors, bills receivables and prepayments.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average cost method.

Property, plant and equipment

Property, plant and equipment includes land (classified as finance leases) and buildings held for use on the production or supply of goods and services, or for administrative purposes (other than construction in progress as described below) are stated in the consolidated statement of financial position at cost or fair value less subsequent accumulated depreciation and accumulated impairment losses, if any.

Advantage has been taken of the transitional relief provided by paragraph 80A of HKAS 16 "Property, Plant and Equipment" from the requirement to make regular revaluations of the Group's buildings which had been revalued prior to 30th September, 1995. Prior to 30th September, 1995, the revaluation increase arising on the revaluation of these assets was credited to the revaluation reserve. Any future decreases in value of these assets will be dealt with as an expense to the extent that they exceed the balance, if any, on the revaluation reserve relating to a previous revaluation of the same asset. On the subsequent sale or retirement of a revalued asset, the corresponding revaluation surplus is transferred to retained profits.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment *(Continued)*

Depreciation is recognised so as to write off the cost or fair value of items of property, plant and equipment other than properties under construction less their residual values over their estimated useful lives, using straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives is recognised as a reduction of rental expense on a straight-line basis.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases, in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

For a leasehold land classified as operating lease, whilst the building element is classified as finance lease, interest in leasehold land is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment, unless it is clear that both elements are operating leases, in which case the entire lease is classified as an operating lease.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of currency translation reserve (attributable to non-controlling interests as appropriate).

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

Deferred tax is recognised on temporary differences between the carrying amount of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each of the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Retirement benefit costs

Payments to defined contribution retirement benefits scheme/state-managed retirement benefits schemes/ the Mandatory Provident Fund Scheme ("MPF Scheme") are charged as an expense when employees have rendered service entitling them to the contributions.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Retirement benefit costs *(Continued)*

For defined benefit retirement benefits scheme, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of the reporting period. All actuarial gains and losses of defined benefit plans are recognised immediately in other comprehensive income in the period in which they occur. Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the amended benefits become vested.

The retirement benefit obligation recognised in the consolidated statement of financial position represents the present value of the defined benefits obligation as adjusted for unrecognised past service cost, and as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to unrecognised past service cost, plus the present value of available refunds and reductions in future contributions to the schemes.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into one of three categories, including held-for-trading investments, loans and receivables and available-for-sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Held-for-trading investments

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not a designated and effective as a hedging instrument.

Held-for-trading investments are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the year in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including loans receivable and debtors, bills receivables, amounts due from associates, pledged bank deposits and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as held-for– trading investments, loans and receivables or held-to-maturity investments. The Group designated investments in equity securities as available-for-sale financial assets.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at the end of the reporting period (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

Financial assets, other than held-for-trading investments, are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Impairment of financial assets *(Continued)*

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial assets, such as debtors, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of debtors could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30 days and other observable changes in national or local economic conditions that correlate with default on debtors.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial assets original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of debtors, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a debtor is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial assets. Such impairment loss will not be reversed in subsequent periods.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments *(Continued)*

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received net of direct issue costs.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities including creditors, bills payables, accrued charges and amounts due to associates and bank borrowings, are subsequently measured at amortised cost, using the effective interest method.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognize the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liability when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment losses of non-financial assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately in profit or loss, unless the relevant asset is carried at revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under that standard.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at revalued amount under another standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that standard.

Provision for warranties

Provision for warranties are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Allowances for bad and doubtful debts

When there is objective evidence that loans receivable, trade debtors and other debtors may be impaired, the Group estimates the future cash flows of those balances. The amount of the impairment loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial assets' original effective interest rate (i.e. the effective interest rate computed on initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31st December, 2011, the carrying amount of loans receivable was HK$8,043,000 (2010: HK$5,899,000) with no allowance for bad and doubtful debts, trade debtors was HK$62,245,000 (2010: HK$120,752,000) (net of allowance for bad and doubtful debts of HK$28,261,000 (2010: HK$27,976,000)), and other debtors was HK$9,317,000 (2010: HK$14,644,000) (net of allowance for bad and doubtful debts of HK$8,302,000 (2010: HK$7,552,000)) and amounts due from associates was HK$1,154,000 (2010: HK$954,000) (net of allowance for bad and doubtful debts of HK$3,906,000 (2010: HK$3,906,000)).

Provision for warranties

The provision of warranties of the Group is determined based on the management's best estimate of the Group's liabilities under a 1-2 years warranty period granted for the electroplating products based on its past experience. The actual settlement may differ from the estimation made by the management. If the amounts are settled for an amount greater than management's estimation, a future charge will be recognised in profit or loss when the amounts are settled. Likewise, if the amounts are settled for an amount that is less than management's estimation, a future credit to profit or loss will be recognised in profit or loss when the amounts are settled. As at 31st December 2011, the carrying amount of provision of warranties was HK$13,614,000 (2010: HK$9,312,000).

4. KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Allowance for inventories

Management of the Group reviews an aging analysis at the end of the reporting period, and makes allowance for obsolete and slow moving inventory items identified that are not suitable for use in current production. Management estimates the net realisable value for raw materials based primarily on the latest invoice prices and current market conditions. However, given the competitiveness of the industry, these prices may subsequently be affected. The Group carries out an inventory review on an item-by-item basis at the end of the reporting period and makes allowance for these items. As at 31st December, 2011, the carrying amount of inventories was HK$54,708,000 (2010: HK$55,851,000). Allowance for slow moving inventories of HK$692,000 was made during the year ended 31st December, 2011 (2010: HK$1,868,000).

Revenue recognition of construction contracts

Revenue from construction contracts in respect of design, manufacturing and sales of custom-built electroplating machinery and other industrial machinery is recognised on the percentage of completion method, measured by reference to the proportion of the contract costs incurred for the work performed to date over the estimated total contract costs. Accordingly, any changes to the estimated total contract cost may have material impact on the contract revenue recognised in each accounting period over the contract term.

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged for both years.

The capital structure of the Group consists of debt, which includes the bank borrowings disclosed in note 29, and equity attributable to owners of the Company, comprising issued share capital and reserves. The directors of the Company review the capital structure on a continuous basis. As part of this review, the directors consider the cost of capital and the risks associates with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends and issuance of new shares as well as the addition of new borrowings.

6. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2011 HK$'000	2010 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**232,064**	277,433
Available-for-sale investments	**95**	95
Held-for-trading investments	**26,425**	28,840
Financial liabilities		
Amortised cost	**190,638**	222,266

Financial risk management objectives and policies

The Group's major financial instruments include loans receivable, debtors and bills receivables, available-for-sale investments, held-for-trading investments, amounts due from associates, pledged bank deposits, bank balances, creditors, bills payables, accrued charges, amounts due to associates and bank borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Currency risk

Several subsidiaries of the Group have foreign currency sales and purchases. The Group is therefore exposed to foreign currency risk. In addition, certain debtors, pledged bank deposits, bank balances, creditors, bills payables and bank borrowings are denominated in currencies other than the functional currency of the respective group entities. The Group currently does not have a foreign currency hedging policy. However, management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

6. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Currency risk *(Continued)*

The carrying amounts of the group's entities' foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Assets		Liabilities	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Australian Dollars ("AUD")	**144**	267	**–**	–
Euro ("EUR")	**17,387**	9,146	**9,299**	14,410
Sterling Pound ("GBP")	**4,812**	864	**374**	1,210
Taiwan Dollars ("NTD")	**49,686**	66,208	**1,882**	1,152
United States Dollars ("USD")	**52,015**	137,424	**37,541**	80,182
Philippine Peso ("PESO")	**131**	103	**–**	–
Japanese Yen ("JPY")	**–**	–	**869**	4,012
Renminbi ("RMB")	**1,073**	–	**–**	–

The carrying amounts of inter-company balances of certain group entities which were denominated in foreign currency are as follows:

	Assets	
	2011	2010
	HK$'000	HK$'000
HKD	**114,810**	94,467

The Directors of the Company expect the foreign exchange exposure on USD against HKD to be minimal because HKD is pegged with USD.

6. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Currency risk *(Continued)*

Sensitivity analysis

The following table details the Group's sensitivity to a 10% (2010: 10%) increase and decrease in AUD, EUR, GBP, NTD, HKD, JPY, PESO and RMB against the functional currency of the relevant group entities. 10% (2010: 10%) is the sensitivity rate used that represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 10% (2010: 10%) change in foreign currency rates. A positive number below indicates a decrease in post-tax loss for the year (2010: an increase in post-tax profit) where relevant currencies strengthen 10% (2010: 10%) against the functional currency of the relevant group entities. For a 10% (2010: 10%) weakening of relevant currencies against the functional currency of the relevant group entities, there would be an equal and opposite impact on the result.

	Profit and loss	
	2011	2010
	HK$'000	HK$'000
AUD	**14**	27
EUR	**809**	(526)
GBP	**444**	(35)
NTD	**4,780**	6,506
HKD	**(11,481)**	(9,447)
JPY	**(87)**	(401)
PESO	**13**	10
RMB	**107**	–

Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate loans receivable as at 31st December, 2011 and 2010 (see note 20 for details). It is the Group's policy to keep its loans receivable at floating rate of interests so as to minimise the fair value interest rate risk.

The Group is also exposed to fair value interest rate risk in relation to fixed-rate pledged bank deposits and time deposits placed with banks (see note 26 for details) as well as its fixed-rate bank borrowings. The Group has not used any derivative contracts to hedge this exposure to interest rate risk. The Directors of the Company consider that the Group's exposure to fair value interest rate risk is not significant as the fixed-rate pledged bank deposits, time deposits and bank borrowings are with short maturity period.

6. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Interest rate risk *(Continued)*

The Group currently does not have interest rate hedging policy. However, management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

Sensitivity analysis

The sensitivity analyses below has been determined based on the exposure to interest rates for the variable-rate loans receivable at the end of the reporting period. The analysis is prepared assuming the amount of loans receivable outstanding at the end of the reporting period was outstanding for the whole year. A 100 basis points (2010: 100 basis points) increase or decrease represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 basis points (2010: 100 basis points) higher/lower and all other variables were held constant, the Group's post-tax loss for the year ended 31st December, 2011 would decrease/increase by HK$80,000 (2010: increase/decrease of the Group's post-tax profit by HK$59,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate loans receivable.

Equity price risk

The Group is exposed to potential loss in market value resulting from an adverse change in prices through its quoted held-for-trading investments. Management manages this exposure by closely monitoring the performance of the investments and market conditions. Management will consider diversifying the portfolio of investments as they consider appropriate.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risks for held-for-trading investments at the end of the reporting period.

If the prices of the respective equity instruments had been 10% (2010: 10%) higher/lower the Group's post-tax loss for the year ended 31st December, 2011 would decrease/increase by HK$2,642,000 (2010: Group's post-tax profit would increase/decrease by HK$2,884,000) as a result of the changes in fair value of held-for-trading investments.

In the management's opinion, the above sensitivity analysis is unrepresentative of the inherent risk as the year end exposure does not reflect the exposure during the year.

6. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk

The Group's credit risk are primarily attributable to loans receivable, trade debtors, and bills receivables, amounts due from associates, pledged bank deposits and bank balances.

The Group's maximum exposure to credit risk in the event of the counterparties' failure to discharge their obligations as at 31st December, 2011 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. The management closely monitors the subsequent settlement of the debts and does not grant long credit period to customers. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group's pledged bank deposits and bank balances are deposited with banks in Hong Kong, the People's Republic of China (excluding Hong Kong) ("PRC") and Taiwan. The Group had concentration of credit risk as 33% and 39% of the total bank balances as at 31st December, 2011 was placed in the banks in Taiwan and the PRC respectively (2010: 50% and 10%). The credit risk on liquid funds is limited because the counterparties are banks with good credit-rating.

The Group had concentration of credit risk as 41% of the total trade debtors and bills receivables as at 31st December, 2011 was due from the Group's five largest trade debtors (2010: 62%) and 40% of the total loans receivable as at 31st December, 2011 was due from the Group's largest borrower (2010: 55%). In order to minimise the credit risk of those receivables, management closely monitored the recoverability of the amounts due. In this regard, the Directors of the Company consider that the Group's credit risk is significantly reduced.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

As at 31st December, 2011, the Group has unutilised banking facilities of HK$63,200,000 (2010: HK$45,905,000).

6. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Liquidity risk *(Continued)*

The following table details the Group's remaining contractual maturity for its financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

Liquidity risk tables

	Weighted average effective interest rate	On demand and less than 1 month	1 – 3 months	3 months to 1 year	Total undiscounted cash flows	Carrying amount
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2011						
Creditors, bills payables and accrued charges	**–**	**29,959**	**69,473**	**37,743**	**137,175**	**137,175**
Deposit received for re-development of the land	**–**	**48,880**	**–**	**–**	**48,880**	**48,880**
Amounts due to associates	**–**	**26**	**–**	**–**	**26**	**26**
Bank borrowings	**4.55**	**–**	**–**	**4,694**	**4,694**	**4,557**
		78,865	**69,473**	**42,437**	**190,775**	**190,638**
2010						
Creditors, bills payables and accrued charges	–	38,069	39,688	106,112	183,869	183,869
Amounts due to associates	–	25	–	–	25	25
Bank borrowings	2.81	–	27,719	11,096	38,815	38,372
		38,094	67,407	117,208	222,709	222,266

6. FINANCIAL INSTRUMENTS *(Continued)*

Fair value

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of held-for-trading investments (listed in Hong Kong) are determined with reference to the quoted market bid prices available on the relevant exchange; and

- the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their fair values.

Fair value measurement recognised in the consolidated statement of financial position

Held-for-trading investments are measured subsequent to initial recognition at fair value and are grouped into Level 1. Level 1 fair value measurements are those derived from quoted prices in active market for identical assets or liabilities.

There were no transfers between level 1 and 2 in the current and prior years.

7. REVENUE AND SEGMENT INFORMATION

Revenue

The Group's revenue from continuing operations for the years ended 31st December, 2011 and 2010 analysed by principal activity is as follows:

	2011	2010
	HK$'000	HK$'000
Revenue from electroplating machinery business:		
Construction contracts in respect of design, manufacturing and sale of custom-built electroplating machinery and other industrial machinery	**564,421**	544,112
Sale of spare parts of electroplating machinery	**26,243**	28,910
Provision of services – repairs and maintenance	**15,758**	12,923
	606,422	585,945

7. REVENUE AND SEGMENT INFORMATION *(Continued)*

Segment information

Information reported to the chief operating decision maker, the chairman of the board of directors who is also the managing director of the Group, for the purposes of resources allocation and performance assessment, focuses on (1) Electroplating equipment: the overall performance of the electroplating equipment business as a whole, which includes the design, manufacturing and sale of custom-built electroplating equipment, sale of spare parts of electroplating machinery and provision of repairs and maintenance services and (2) Energy saving: the performance of the manufacture and sale of energy saving home automation products.

The energy saving segment was discontinued during the current year. The segment information reported on this note does not include any amounts for these discontinued operation, which are described more details in note 11.

Segment revenue and results

The operating segment revenue from electroplating equipment segment contributes the entire revenue of the continuing operations of the Group. Reconciliation of the operating segment (loss) profit from continuing operations to (loss) profit before taxation as follows:

	Electroplating equipment	
	2011	2010
	HK$'000	HK$'000
Continuing operations		
Revenue	**606,422**	585,945
Segment (loss) profit	**(1,332)**	44,248
Intra-group management fee charged to operating segment	**5,226**	4,690
Other income	**974**	5,810
Central corporate expenses	**(26,794)**	(22,459)
Allowance for bad and doubtful debts	**(1,695)**	–
Net change in fair value of held-for-trading investments	**(12,154)**	2,751
Share of results of associates	**1,149**	(542)
Impairment loss on available-for-sale investments	**–**	(18)
(Loss) profit before taxation	**(34,626)**	34,480

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment (loss) profit represents the gross profit of the electroplating equipment segment and other income and expenses directly attributable to the segment activity (including intra-group management fee) but excluding interest income from loans receivable, dividend income and sundry income, central administration costs including auditor's remuneration and directors' emoluments, net change in fair value of held-for-trading investments, share of results of associates and impairment loss on available-for-sale investments. This is the measure reported to the chief operating decision maker in order to allocate resources to segments and to assess segment performance.

7. REVENUE AND SEGMENT INFORMATION *(Continued)*

Segment information *(Continued)*

Segment assets and liabilities

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

	2011	2010
	HK$'000	HK$'000
Segment assets – electroplating equipment (continuing operations)	**304,806**	387,608
Assets relating to discontinued operation	**–**	5,052
Property, plant and equipment (for corporate)	**4,197**	5,597
Interests in associates	**1,622**	477
Available-for-sale investments	**95**	95
Loans receivable	**8,043**	5,899
Other debtors, deposits and prepayments (for corporate)	**3,401**	4,695
Held-for-trading investments	**26,425**	28,840
Amounts due from associates	**1,154**	954
Taxation recoverable	**1,058**	20
Pledged bank deposits	**9,215**	7,187
Bank balances and cash	**151,573**	131,820
Consolidated total assets	**511,589**	578,244
Segment liabilities – electroplating equipment (continuing operations)	**164,755**	214,896
Liabilities relating to discontinued operation	**–**	1,995
Other creditors and accrued charges (for corporate)	**50,790**	1,700
Amounts due to associates	**26**	25
Deferred taxation	**4,315**	4,315
Bank borrowings	**4,557**	38,372
Taxation payable	**1,227**	291
Consolidated total liabilities	**225,670**	261,594

7. REVENUE AND SEGMENT INFORMATION *(Continued)*

Segment information *(Continued)*

Segment assets and liabilities *(Continued)*

For the purposes of monitoring segments performances and allocating resources to the segments:

- All assets are allocated to operating segments other than assets relating to discontinued operation, interests in associates, available-for-sale investments, loans receivable, held-for-trading investments, amounts due from associates, taxation recoverable, pledged bank deposits and bank balances and cash of the Group and corporate assets of the Group.

- All liabilities are allocated to operating segments other than liabilities relating to discontinued operation amounts due to associates, deferred taxation, bank borrowings and taxation payable of the Group, and corporate liabilities of the Group.

Other segment information

	Electroplating equipment	
	2011	2010
	HK$'000	HK$'000
Continuing operations		
Amounts included in the measure of segment result or segment assets:		
Allowance for bad and doubtful trade debtors	**1,215**	294
Allowance for slow moving inventories	**692**	1,053
Bad debts recovered	**945**	4,117
Loss on disposal of property, plant and equipment	**125**	171
Depreciation	**10,413**	9,495
Release of prepaid lease payments	**299**	289
Provision for warranty	**15,889**	7,282
Capital additions	**12,694**	15,590

7. REVENUE AND SEGMENT INFORMATION *(Continued)*

Segment information *(Continued)*

Other segment information *(Continued)*

	Unallocated	
	2011	2010
	HK$'000	HK$'000
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets:		
Allowance for bad and doubtful other receivables	**1,695**	–
Allowance for amounts due from associates	**–**	986
Finance costs	**781**	1,117
Capital additions	**1**	50
Loss on disposal of property, plant and equipment	**–**	6
Depreciation	**386**	635
Interest income	**706**	680

Geographical information

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

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

7. REVENUE AND SEGMENT INFORMATION *(Continued)*

Geographical information *(Continued)*

	2011 HK$'000	2010 HK$'000
PRC	**252,399**	227,350
Europe	**41,477**	48,922
Taiwan	**79,516**	117,886
India	**–**	2,480
Mexico	**7,133**	1,114
Hong Kong	**25,935**	18,971
Singapore	**5,576**	9,934
The United States of America	**39,908**	38,260
Australia	**3,617**	1,608
The Philippines	**3,458**	3,021
Japan	**–**	2,623
Malaysia	**32,797**	91,084
Korea	**42,933**	21,647
Turkey	**39,818**	–
Russia	**30,129**	–
Others	**1,726**	1,045
	606,422	585,945

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

	2011 HK$'000	2010 HK$'000
Hong Kong	**36,267**	39,645
PRC	**67,465**	66,829
Others	**2,192**	621
	105,924	107,095

7. REVENUE AND SEGMENT INFORMATION *(Continued)*

Information about major customers

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

	2011 HK$'000	2010 HK$'000
Customer A	N/A[1]	74,137
Customer B	61,303	N/A[1]

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

8. OTHER GAINS AND LOSSES

	2011 HK$'000	2010 HK$'000
Continuing operations		
Net change in fair value of held-for-trading investments	(12,154)	2,751
Impairment loss on available-for-sale investments	–	(18)
Net exchange loss	(9,824)	(1,005)
Loss on disposal of property, plant and equipment	(125)	(177)
Other losses	(725)	(110)
	(22,828)	1,441

9. FINANCE COSTS

	2011 HK$'000	2010 HK$'000
Continuing operations		
Interest on:		
Bank borrowings wholly repayable within five years	**781**	1,093
Finance leases	**–**	24
	781	1,117

10. TAXATION

Continuing operations

The taxation charge comprises:

	2011 HK$'000	2010 HK$'000
Overseas taxation		
Charge for the year	**1,227**	475

No tax is payable on the profit for both years arising in Hong Kong for certain group entities since the assessable profit is wholly absorbed by tax loss brought forward.

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

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

On 16th March, 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the "New Law") by Order No.63 of the President of the PRC. On 6th December, 2007, the State Council of the PRC issued Implementation Regulations of the New Law. The New Law and Implementation Regulations changes the PRC Enterprise Income Tax rate to 25% and affect the PRC subsidiaries of the Group from 1st January, 2008.

On 16th December, 2007, the State Council of the PRC issued a circular on the implementation of transitional preferential policies for PRC enterprise income tax. The subsidiaries that are currently entitled to preferential tax rate under the old PRC Enterprise Income Tax Law can gradually transit to the new tax rate of 25% within 5 years after the enforcement of the New Law at a tax rate of 18%, 20%, 22%, 24% and 25% in year 2008, 2009, 2010, 2011 and 2012 respectively.

10. TAXATION *(Continued)*

The tax charge for the year can be reconciled to the (loss) profit before taxation from continuing operations per the consolidated statement of comprehensive income as follows:

	2011 HK$'000	2010 HK$'000
(Loss) profit before taxation	**(34,626)**	34,480
Taxation at the income tax rate of 16.5%	**(5,713)**	5,689
Tax effect of share of results of associates	**(190)**	89
Tax effect of expenses not deductible for tax purpose	**656**	338
Tax effect of income not taxable for tax purpose	**(52)**	(868)
Tax effect of tax losses not recognised	**9,848**	1,985
Tax effect of deductible temporary differences not recognised	**311**	600
Tax effect of utilisation of tax losses previously not recognised	**(4,065)**	(6,998)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**432**	(286)
Others	**–**	(74)
Taxation for the year	**1,227**	475

11. LOSS FOR THE YEAR FROM DISCONTINUED OPERATION

During the year, the Group discontinued the energy saving operation which represents the energy saving segment through the disposal of a subsidiary engaged in this operation to an independent third party at a consideration of HK$1. The disposal was completed on 15th June, 2011, on which date control of that subsidiary passed to the acquirer. The consolidated statement of comprehensive income for the year ended 31st December, 2010 has been restated accordingly.

The loss from the discontinued operation, which represented the loss of the energy saving operation for the year and gain on disposal of a subsidiary, was HK$2,016,000 (2010: HK$2,898,000).

11. LOSS FOR THE YEAR FROM DISCONTINUED OPERATION *(Continued)*

The results of the energy saving operation for the period from 1st January, 2011 to 15th June, 2011, which have been included in the consolidated statement of comprehensive income, were as follows:

	Period ended 15.6.2011 HK$'000	Year ended 31.12.2010 HK$'000
Revenue	**156**	15,417
Cost of sales	**(1,202)**	(13,468)
Gross (loss) profit	**(1,046)**	1,949
Other gains and losses	**–**	(2)
Other income	**73**	74
Selling and distribution costs	**–**	(9)
Administrative expenses	**(752)**	(2,928)
Allowance for bad and doubtful debts	**(501)**	(1,982)
Loss for the year	**(2,226)**	(2,898)
Gain on disposal of a subsidiary	**210**	–
Loss for the year from discontinued operation	**(2,016)**	(2,898)
Loss for the year from discontinued operation include the following:		
Auditor's remuneration	**10**	40
Allowance for slow moving inventories	**–**	815
Staff costs	**468**	1,980
Loss on disposal of property, plant and equipment	**–**	7
Interest income	**–**	74

No taxation charge or credit arose on loss on discontinuance of the operation.

The net cash flows attributable to the operating, investing and financing activities of the energy saving operation was not significant for both years.

There was no significant assets and liabilities of the energy saving operation at the date of disposal.

12. (LOSS) PROFIT FOR THE YEAR

	2011 HK$'000	2010 HK$'000
(Loss) profit for the year has been arrived at after charging (crediting):		
Continuing operations		
Auditor's remuneration	**894**	1,114
Cost of inventories recognised as expenses (including allowance for slow moving inventories of HK$692,000 (2010: HK$1,053,000))	**348,843**	295,305
Depreciation of property, plant and equipment	**10,799**	10,130
Release of prepaid lease payments	**299**	289
Operating lease payments in respect of rented premises	**1,735**	2,446
Staff costs:		
Directors' fee (note 13)	**180**	180
Directors' salaries, other benefits and performance related incentive payments (note 13)	**8,756**	7,200
Salaries and allowances	**110,296**	83,833
Retirement benefits schemes expenses	**(33)**	37
Contributions to retirement contributions schemes	**2,428**	1,585
	121,627	92,835
Interest income from loans receivable	**(550)**	(349)
Interest income from an associate	**(110)**	(82)
Investment income		
Interest earned on bank deposits	**(321)**	(87)
Other interest income from overdue trade debtors	**(139)**	(162)
Dividend income from		
– Held-for-trading investments (listed equity securities)	**(146)**	(334)
– Available-for-sale investments (unlisted equity securities)	**(108)**	–
	(714)	(583)

13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Directors' emoluments

The emoluments paid or payable to each of the five (2010: five) Directors were as follows:

For the year ended 31st December, 2011

	Lam Kwok Hing HK$'000	Nam Kwok Lun HK$'000	Kwan Wang Wai, Alan HK$'000	Ng Chi Kin, David HK$'000	Cheung Kin Wai HK$'000	Total 2011 HK$'000
Executive Directors						
Other emoluments						
Salaries and other benefits	**3,600**	**3,600**	**–**	**–**	**–**	**7,200**
Contributions to retirement benefits schemes	**12**	**12**	**–**	**–**	**–**	**24**
Performance related incentive payments (note)	**778**	**778**	**–**	**–**	**–**	**1,556**
Independent Non-Executive Directors						
Fees	**–**	**–**	**60**	**60**	**60**	**180**
Total emoluments	4,390	4,390	60	60	60	8,960

For the year ended 31st December, 2010

	Lam Kwok Hing HK$'000	Nam Kwok Lun HK$'000	Kwan Wang Wai, Alan HK$'000	Ng Chi Kin, David HK$'000	Cheung Kin Wai HK$'000	Total 2010 HK$'000
Executive Directors						
Other emoluments						
Salaries and other benefits	3,600	3,600	–	–	–	7,200
Contributions to retirement benefits schemes	12	12	–	–	–	24
Independent Non-Executive Directors						
Fees	–	–	60	60	60	180
Total emoluments	3,612	3,612	60	60	60	7,404

Note: The performance related incentive payments of Mr. Lam Kwok Hing and Mr. Nam Kwok Lun are determined by reference to the Group performance and according to pre-determined percentage approved by Remuneration Committee.

No compensation was paid to the above Directors of the Company during the current and prior years for the loss of office as or as an inducement to join or upon joining the Company. None of the above directors of the Company has waived any emoluments during the current and prior years.

13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(Continued)*

Employees' emoluments

Of the five individuals with the highest emoluments in the Group, two (2010: two) were directors of the Company whose emoluments are included above. The emoluments of the remaining three (2010: three) individuals were as follows:

	2011 HK$'000	2010 HK$'000
Salaries and other benefits	4,323	2,619
Contributions to retirement benefits schemes	39	46
	4,362	2,665

Their emoluments were within the following bands:

	Number of employees	
	2011	2010
Nil – HK$1,000,000	–	2
HK$1,000,001 – HK$1,500,000	2	1
HK$1,500,001 – HK$2,000,000	1	–

14. (LOSS) EARNINGS PER SHARE

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

	Continuing and discontinued operations		Continuing operations	
	2011 HK$'000	2010 HK$'000	2011 HK$'000	2010 HK$'000
The Group's (loss) profit for the year attributable to owners of the Company	(37,660)	31,078	(35,644)	33,976
Number of ordinary shares	426,463,400	426,463,400	426,463,400	426,463,400

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

Basic loss per share for the discontinued operation is HK0.47 cent per share (2010: HK0.68 cent), based on the loss for the year from the discontinued operation of HK$2,016,000 (2010: HK$2,898,000) and the denominators detailed above.

15. DIVIDEND

No dividend was paid or proposed during 2011, nor has any dividend been proposed since the end of reporting period (2010: nil).

16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings	Construction in progress	Furniture and fixtures	Leasehold improvements	Plant, machinery and equipment	Motor vehicles	Computer software	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
COST OR VALUATION								
At 1st January, 2010	98,817	–	8,826	12,046	50,621	11,669	3,691	185,670
Currency realignment	2,004	–	244	92	943	165	–	3,448
Additions	–	9,725	765	2,574	2,075	392	109	15,640
Disposals	–	–	(132)	–	(1,997)	(1,081)	–	(3,210)
At 31st December, 2010	100,821	9,725	9,703	14,712	51,642	11,145	3,800	201,548
Currency realignment	1,587	312	203	152	719	116	–	3,089
Additions	–	3,707	636	556	7,526	270	–	12,695
Disposals	–	–	(40)	(39)	(936)	–	–	(1,015)
Transfer	11,926	(11,926)	–	–	–	–	–	–
At 31st December, 2011	114,334	1,818	10,502	15,381	58,951	11,531	3,800	216,317
COMPRISING								
At cost	27,909	1,818	10,502	15,381	58,951	11,531	3,800	129,892
At valuation								
– 31st March, 1992	35,712	–	–	–	–	–	–	35,712
– 31st March, 1994	50,713	–	–	–	–	–	–	50,713
	114,334	1,818	10,502	15,381	58,951	11,531	3,800	216,317
DEPRECIATION, AMORTISATION AND IMPAIRMENT								
At 1st January, 2010	34,901	–	6,766	6,583	41,769	9,287	583	99,889
Currency realignment	646	–	199	90	659	103	–	1,697
Provided for the year	1,876	–	614	3,262	2,735	1,170	473	10,130
Eliminated on disposals	–	–	(88)	–	(1,585)	(903)	–	(2,576)
At 31st December, 2010	37,423	–	7,491	9,935	43,578	9,657	1,056	109,140
Currency realignment	546	–	164	107	519	80	–	1,416
Provided for the year	3,435	–	753	2,567	2,753	816	475	10,799
Eliminated on disposals	–	–	(36)	(2)	(791)	–	–	(829)
At 31st December, 2011	41,404	–	8,372	12,607	46,059	10,553	1,531	120,526
CARRYING AMOUNTS								
At 31st December, 2011	72,930	1,818	2,130	2,774	12,892	978	2,269	95,791
At 31st December, 2010	63,398	9,725	2,212	4,777	8,064	1,488	2,744	92,408

16. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The above items of property, plant and equipment other than construction in progress are depreciated on a straight-line basis at the following rates per annum:

Leasehold land and buildings	20 – 50 years
Furniture and fixtures	25%
Leasehold improvements	over the shorter of 25% or the term of the lease
Plant, machinery and equipment	$12\frac{1}{2}$% to $33\frac{1}{3}$%
Motor vehicles	$33\frac{1}{3}$%
Computer software	$12\frac{1}{2}$%

As at 31st December, 2011, had the revalued leasehold land and buildings been carried at cost less accumulated depreciation, the carrying value of the leasehold land and buildings would have been stated at approximately HK$38,116,000 (2010: HK$39,239,000).

	2011	2010
	HK$'000	HK$'000
The Group's leasehold land and buildings comprise buildings on:		
Medium-term leasehold land in Hong Kong	**29,176**	30,977
Medium-term leasehold land in the PRC	**43,754**	32,421
	72,930	63,398

On 7th August, 2011, a wholly-owned subsidiary of the Company entered into an agreement (the "Agreement") 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 ("Land") from industrial land into residential properties for resale. Pursuant to the 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 compensate the Group by paying a relocation compensation of RMB50 million (approximately HK$61 million) to the Group and transferring title of 41,000 sq.m. residential properties to the Group upon completion of the Re-development. According to the Agreement, the Counter Party is responsible for the Re-development (including but not limited to application to relevant responsible bodies of the PRC government, payment of additional land premium if any, provision of all required fund, design and construction of re-developed properties, sales of the re-developed properties, as well as obtaining a "sale of land use rights contract" (土地使用權出讓合同書) from the relevant responsible bodies of the PRC government) and set up a project company ("Project Company") for the purpose of Re-development. The Project Company was established by the Counter Party in August 2011.

16. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

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 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") by the earlier of (i) two years after the signing of the Re-development Contract; or (ii) 26 months of the date of the Agreement.

Under the Relocation Compensation Agreement, the Group shall have completed all the demolition work on the Land and deliver the Land to the Project Company within six months upon receiving (i) the full payment of relocation compensation of RMB50 million (The Group has received RMB40 million as deposit up to 31st December, 2011 and the balancing amount of RMB10 million shall be paid to the Group within 30 days upon Completion of Registration); and (ii) written notice from the Counter Party.

Pursuant to the Agreement, if either the Group or the Counter Party fails to perform or observe the terms set forth under the Agreement, the non-defaulting party may, depending on the nature of the breach, terminate the Agreement, forfeit or return the deposit received by the Group or pay for liquidated damages (as the case may be) as stipulated under the Agreement. If the approval of the Re-development by the relevant responsible bodies of the PRC government cannot be obtained which is not due to the default of the Group or the Counter Party (including the Project Company), both the Group or the Counter Party can terminate the Agreement and return the assets (including the deposit received by the Group) transferred under the Agreement.

The carrying amount of the Land and existing buildings built or erected on the Land was HK$52,564,000 as at 31st December, 2011. As at the end of the reporting period, the Group received the relocation deposit of RMB40 million (approximately HK$49 million) pursuant to the Agreement. As at the date of the report, the Re-development is subjected to the approval by the relevant responsible bodies of the PRC government and the Group is working with the Project Company in applying the re-development of the Land. The Land and existing buildings are used by the Group for production purpose. In the opinion of the Directors of the Company, the Re-development is still at early stage and the approval by the relevant responsible bodies of the PRC government may or may not be obtained. Hence, the deposit received amounted to RMB40 million is included in current liability and there is not other significant financial impact on the Group at this stage. The details of the Agreement are set out in the Company's circular dated 19th September, 2011.

17. PREPAID LEASE PAYMENTS

	2011 HK$'000	2010 HK$'000
The Group's prepaid lease payments comprise:		
Medium-term leasehold land in the PRC	**8,810**	8,824
Analysed for reporting purposes as:		
Current asset	**299**	289
Non-current asset	**8,511**	8,535
	8,810	8,824

18. INTERESTS IN ASSOCIATES

	2011 HK$'000	2010 HK$'000
Cost of investment in associates		
Unlisted	**3,285**	3,285
Impairment loss made	**(1,709)**	(1,709)
	1,576	1,576
Share of post-acquisition losses	**(38)**	(1,187)
Share of currency translation reserve	**84**	88
Share of net assets	**1,622**	477

Details of the Group's principal associates as at 31st December, 2011 and 2010 are as follows:

Name of associate	Form of business structure	Country of incorporation	Proportion of nominal value of issued capital held by the Group 2011	Proportion of nominal value of issued capital held by the Group 2010	Principal activities
Asia Vigour (Holdings) Limited	Incorporated	British Virgin Islands	**49%**	49%	Investment holding
Process Automation (Sea) Pte Limited	Incorporated	Singapore	**36%**	36%	Sale of electroplating machines and spare parts

18. INTERESTS IN ASSOCIATES *(Continued)*

The summarised financial information in respect of the Group's associates is set out below:

	2011 HK$'000	2010 HK$'000
Total assets	32,932	27,580
Total liabilities	(28,428)	(26,256)
Net assets	4,504	1,324
Group's share of net assets of associates	1,622	477
Turnover	26,888	22,443
Profit (loss) for the year	2,741	(2,156)
Group's shares of results of associates for the year	1,149	(542)
Group's share of other comprehensive income of associates	(4)	86

During the year, the Group discontinued recognition of its share of losses of certain associates. The unrecognised share of losses of those associates, extracted from the relevant management accounts of associates, both for the year and cumulatively, are as follows:

	2011 HK$'000	2010 HK$'000
Unrecognised share of losses of associates for the year	119	197
Accumulated unrecognised share of losses of associates	1,963	1,844

19. AVAILABLE-FOR-SALE INVESTMENTS

	2011	2010
	HK$'000	HK$'000
Equity securities:		
Unlisted investments		
– Cost	**805**	805
– Impairment loss made	**(710)**	(710)
	95	95

The above unlisted investments represent investments in unlisted equity securities issued by private entities incorporated in Taiwan and British Virgin Islands. They are measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the Directors of the Company are of the opinion that their fair values cannot be measured reliably. There was no impairment recognised during the year. During the year ended 31st December, 2010, the Directors of the Company determined that there was an additional impairment loss of HK$18,000.

20. LOANS RECEIVABLE

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

	2011	2010
	HK$'000	HK$'000
Repayable within 3 months	**3,564**	2,421
Repayable after 3 months but within 6 months	**333**	211
Repayable after 6 months but within 1 year	**691**	97
Total repayable within 1 year	**4,588**	2,729
Repayable after 1 year, but not exceeding 2 years	**3,455**	3,170
Total	**8,043**	5,899

The loans receivable are secured and interest-bearing. The range of effective interest rates, which are equal to contractual interest rates, on the Group's loans receivable is from Hong Kong prime rate minus 2% to Hong Kong prime rate plus 3% (2010: Hong Kong prime rate minus 2% to Hong Kong prime rate plus 3%).

As at 31st December, 2011, loans receivable of HK$491,000 (2010: HK$618,000) were past due over four years (2010: over three years) but not impaired as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group holds certain properties as collateral over these balances and the Directors consider that the fair value of the properties is adequate to cover the past due amounts. Accordingly, the Directors believe that no provision for impairment is required.

21. INVENTORIES

	2011 HK$'000	2010 HK$'000
Raw materials	**54,708**	55,851

22. AMOUNTS DUE FROM (TO) CUSTOMERS FOR CONTRACT WORK

	2011 HK$'000	2010 HK$'000
Contracts in progress at the end of the reporting period:		
Contract costs incurred	**540,735**	386,190
Recognised profits less recognised losses	**110,529**	100,828
	651,264	487,018
Progress billings	**(587,825)**	(397,738)
	63,439	89,280
Represented by:		
Due from customers included in current assets	**73,967**	96,801
Due to customers included in current liabilities	**(10,528)**	(7,521)
	63,439	89,280

At the end of the reporting period, there were no retention monies held by customers for contract work performed (2010: nil). At 31st December, 2011, advances received from customers for contract work amounted to HK$4,895,000 (2010: HK$11,561,000) which were included in creditors, bills payables and accrued charges.

23. DEBTORS, BILLS RECEIVABLES AND PREPAYMENTS

	2011 HK$'000	2010 HK$'000
Trade debtors and bills receivables	**90,506**	148,728
Less: Allowance for bad and doubtful debts	**(28,261)**	(27,976)
	62,245	120,752
Other debtors and prepayments	**16,883**	22,579
	79,128	143,331

As at 31st December, 2011, the trade debtors balance included trade debts due from associates of HK$5,819,000 (2010: HK$4,292,000).

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:

	2011 HK$'000	2010 HK$'000
1 – 60 days	**44,388**	87,274
61 – 120 days	**4,773**	16,933
121 – 180 days	**1,562**	7,455
Over 180 days	**11,522**	9,090
	62,245	120,752

The Group allows a general credit period of one month 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 one year 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.

As at 31st December, 2011, the trade debtors and bills receivables of HK$44,388,000 (2010: HK$86,035,000) were neither past due nor impaired. No significant counterparty default was noted in the past.

As at 31st December, 2011, trade debtors of HK$17,857,000 (2010: HK$34,717,000) were past due but not impaired as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances. Bills receivables of HK$4,557,000 (2010: HK$33,325,000) were discounted for bank borrowings with full recourse. The average age of these trade receivables is 85 days (2010: 89 days) as at 31st December, 2011.

23. DEBTORS, BILLS RECEIVABLES AND PREPAYMENTS *(Continued)*

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

	2011	2010
	HK$'000	HK$'000
1 – 60 days	**4,773**	17,231
61 – 120 days	**1,562**	5,353
121 – 180 days	**9,985**	9,939
Over 180 days	**1,537**	2,194
	17,857	34,717

Movement in the allowance for bad and doubtful debts

	2011	2010
	HK$'000	HK$'000
Balance at beginning of the year	**27,976**	31,785
Currency realignment	**15**	–
Impairment losses recognised on trade debtors	**1,716**	1,331
Bad debts recovered	**(945)**	(4,117)
Written off as against trade debtors	**(501)**	(1,023)
Balance at end of the year	**28,261**	27,976

Included in the allowance for doubtful debts of HK$28,261,000 (2010: HK$27,976,000) are individually impaired trade debtors, which were in severe financial difficulties. The Group has provided fully for these debts.

In determining the recoverability of a trade debtor, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the statement of financial position date. The trade debtors past due but not impaired for were either subsequently settled or with no historical default of payments by the respective customers. Accordingly, the Directors believe that there is no further credit provision required in excess of the allowance for doubtful debts.

During the year ended 31st December, 2011, the Directors of the Company determined that there was impairment loss of HK$1,695,000 (2010: HK$945,000) for other debtors in which the Directors considered the amount is uncollectible.

The Group received HK$21,000 (2010: HK$162,000) as interest from overdue trade debtors.

23. DEBTORS, BILLS RECEIVABLES AND PREPAYMENTS *(Continued)*

Movement in the allowance for bad and doubtful debts *(Continued)*

The trade debtors that are denominated in currencies other than the functional currency of the relevant group entities are set out below:

	NTD	GBP	USD	EUR	PESO
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 31st December, 2011	**–**	**1**	**39,414**	**8,275**	**131**
As at 31st December, 2010	206	373	119,437	8,550	103

24. HELD-FOR-TRADING INVESTMENTS

	2011	2010
	HK$'000	HK$'000
Equity securities listed in Hong Kong	**26,425**	28,840

25. AMOUNTS DUE FROM AND TO ASSOCIATES

	2011	2010
	HK$'000	HK$'000
Amounts due from associates		
Interest-bearing at Hong Kong prime rate plus 2% per annum	**4,957**	4,778
Less: Allowance for bad and doubtful debts	**(3,906)**	(3,906)
	1,051	872
Non-interest bearing	**103**	82
	1,154	954

The above balances are unsecured and repayable on demand. The amounts due to associates are unsecured, interest-free and repayable on demand.

26. PLEDGED BANK DEPOSITS AND BANK BALANCES

Bank balances carry interest at market rates ranging from 0.001% to 5.8% per annum (2010: 0.001% to 0.1% per annum). The pledged deposits carry fixed interest rate of 0.6% per annum (2010: 0.1% per annum). The pledged bank deposits represents deposits pledged to banks to secure banking facilities granted to the Group, and will be released upon the settlement of the relevant bank borrowings or upon expiry of the relevant banking facilities. Included in the bank balances and cash of the Group is amount denominated in RMB of HK$60,070,000 (2010: HK$14,439,000), which are not freely convertible into other currencies.

The bank balances and pledged deposits that are denominated in currencies other than the functional currency of the relevant group entities are set out below:

	USD HK$'000	AUD HK$'000	GBP HK$'000	EUR HK$'000	NTD HK$'000	RMB HK$'000
As at 31st December, 2011	**12,601**	**144**	**4,811**	**9,112**	**49,686**	**1,073**
As at 31st December, 2010	17,987	267	491	596	66,002	–

27. CREDITORS, BILLS PAYABLES AND ACCRUED CHARGES

	2011 **HK$'000**	2010 HK$'000
Trade creditors	**76,483**	115,327
Bills payables	**4,368**	10,821
Accrued staff costs	**14,137**	14,932
Commission payables to sales agents	**19,610**	18,113
Other accrued charges	**22,962**	31,004
Advances received from customers for contract work	**4,895**	11,561
	142,455	201,758

27. 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 which is based on the invoice dates of the amounts due:

	2011 **HK$'000**	2010 HK$'000
0 – 60 days	**29,961**	96,119
61 – 120 days	**28,683**	24,153
121 – 180 days	**14,675**	3,357
Over 180 days	**7,532**	2,519
	80,851	126,148

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

The trade creditors and bills payables that are denominated in currencies other than the functional currency of the relevant group entities are set out below:

	USD HK$'000	**GBP** HK$'000	**EUR** HK$'000	**NTD** HK$'000	**JPY** HK$'000
As at 31st December, 2011	**37,541**	**374**	**9,299**	**1,882**	**869**
As at 31st December, 2010	46,020	1,210	12,926	1,152	4,012

28. WARRANTY PROVISION

	2011 HK$'000	2010 HK$'000
At 1st January	**9,312**	9,362
Additional provision in the year	**15,889**	7,282
Utilisation of provision	**(11,587)**	(7,332)
At 31st December	**13,614**	9,312
Analysed for reporting purposes as:		
Current	**10,080**	6,405
Non-current	**3,534**	2,907
	13,614	9,312

The warranty provision represents management's best estimation of the Group's liability under 1 to 2 years warranty granted on electroplating products, based on prior experience and industry averages for defective products.

29. BANK BORROWINGS

	2011 HK$'000	2010 HK$'000
Trust receipt loans	**–**	5,047
Other bank loans	**4,557**	33,325
	4,557	38,372

Other bank loans represent the loans from discounting of bills receivable with full recourse.

The Group's bank borrowings are secured borrowings and carrying interest at market rate.

The range of effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings are approximately 2.76% to 4.55% (2010: 2.78% to 4.55%) per annum.

29. BANK BORROWINGS *(Continued)*

The bank borrowings are denominated in currencies other than the functional currency of the relevant group entities are set out below:

	USD HK'000	EUR HK'000
As at 31st December, 2011	**4,557**	**–**
As at 31st December, 2010	34,162	1,484

30. SHARE CAPITAL

	Number of shares	Amount HK$'000
Shares of HK$0.01 each		
Authorised:		
At 1st January, 2010, 31st December, 2010 and 31st December, 2011	20,000,000,000	200,000
Issued and fully paid:		
At 1st January, 2010, 31st December, 2010 and 31st December, 2011	426,463,400	4,265

31. DEFERRED TAXATION

The following is the deferred tax liabilities recognised and movements thereon during the current and prior reporting periods:

	Accelerated tax depreciation HK$'000	Revaluation of properties HK$'000	Total HK$'000
At 1st January, 2010, 31st December, 2010 and 31st December, 2011	1,239	3,076	4,315

31. DEFERRED TAXATION *(Continued)*

At 31st December, 2011, the Group had estimated unused tax losses of HK$301,894,000 (2010: HK$267,442,000) and other deductible temporary differences of HK$23,231,000 (2010: HK$21,344,000) available for offset against future profits. No deferred tax asset has been recognised due to the uncertainty of future profits streams. The tax losses may be carried forward indefinitely.

Starting from 1st January, 2008, the tax law of the PRC requires withholding tax upon the distribution of undistributed retained profits earned by the PRC subsidiaries to the overseas shareholders. Deferred tax has not been provided for in the consolidated financial statements in respect of the temporary differences attributable to the profits after 1st January, 2008 amounting to approximately HK$27,923,000 (2010: HK$24,051,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

32. DISPOSAL OF A SUBSIDIARY

During the year ended 31st December, 2010, the Group disposed of a subsidiary, ESIC Control Limited.

The net assets of the subsidiary at the date of disposal were as follows:

	HK$'000
NET ASSETS DISPOSED OF	
Debtors, bills receivables and prepayments	4,450
Bank balances and cash	121
Creditors, bills payables and accrued charges	(4,548)
	23
SATISFIED BY	
Consideration – other debtors	23
Cash outflow arising on disposal	
Bank balances and cash disposed of	(121)

The subsidiary disposed of during the year ended 31st December, 2010 did not have material effect on the Group's revenue, profit before taxation and cash flow.

33. SHARE OPTION SCHEMES

Pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 13th June, 2005, the Company adopted a share option scheme (the "Scheme") which became effective on 13th June, 2005.

The purpose of the Scheme is to enable the Company to grant option to the eligible participants as incentives and rewards for their contribution to the Company or its subsidiaries.

The subscription price for a share in respect of any particular option granted under the Scheme (which shall be payable upon exercise of the option) shall be such prices as the directors in its absolute discretion shall determine, save that such price will not be less than the highest of (a) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; (b) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotations sheet for the five business days immediately preceding the date of grant; and (c) the nominal value of a share.

Upon acceptance of the option, the grantee shall pay HK$1 to the Company by way of consideration for the grant.

The maximum number of shares which may be issued upon exercise of all options to be granted under the Scheme and any other option scheme(s) of the Company must not exceed 10% of the shares in issue, i.e. 42,646,340 shares, on the date of approval and adoption of the Scheme by the shareholders.

The total number of shares issued and which may fall to be issued upon exercise of options granted under the Scheme and any other option scheme(s) of the Company (including exercised, cancelled and outstanding options) to each eligible participant in any 12-month period up the date of grant shall not exceed 1% of the shares in issue as at the date of grant.

The Scheme shall be valid and effective for a period of 10 years commencing from the date of its adoption.

No share options has been granted or exercised under the Scheme since its adoption.

34. OPERATING LEASE COMMITMENTS

The Group as lessee

At the end of the reporting period, the Group had commitment for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2011 **HK$'000**	2010 HK$'000
Within one year	**519**	937
In the second to fifth years inclusive	**256**	1,233
	775	2,170

Operating lease payments represent rentals payable by the Group for its factory premises and staff quarters in the PRC. Leases are negotiated for five years and rentals are fixed for the leased period.

35. CAPITAL COMMITMENTS

	2011 **HK$'000**	2010 HK$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**–**	1,939

36. PLEDGE OF ASSETS

As at 31st December, 2011, the Group pledged bank deposits of HK$9,215,000 (2010: HK$7,187,000) to secure general banking facilities granted to the Group. As at 31st December, 2011, apart from the bank borrowings as described in note 29, the Group utilised approximately HK$8,215,000 (2010: HK$6,187,000) as the issuance of bank's guarantee for (1) customers retain right to claim refund of machine acceptance payment and purchase deposits received by the Group, and (2) as shipping guarantee to the suppliers of the Group.

37. RETIREMENT BENEFITS SCHEMES

Since 1st December, 2000, the Group has operated pension schemes under the rules and regulations of the Mandatory Provident Fund Schemes Ordinance for all qualifying employees in Hong Kong. The assets of the MPF Scheme are held separately in an independently managed fund. The Group has followed the minimum statutory contribution requirements of 5% of eligible employees' relevant aggregate income with a maximum monthly contribution of HK$1,000 per person. The contributions are charged to profit or loss as incurred.

The relevant PRC subsidiaries are required to make contributions to the state-managed schemes in the PRC based on a certain percentage of the monthly salaries of their current employees to fund the benefits. The employees are entitled to retirement pension calculated with reference to their basic salaries on retirement and their length of service in accordance with the relevant government regulations. The PRC government is responsible for the pension liability to these retired staff.

In addition, a subsidiary in Hong Kong operates funded defined benefits pension scheme (the "ORSO Scheme") for all its qualifying employees. The assets of the scheme are held separately from those of the Group in funds under the control of trustees.

The most recent actuarial valuation of plan assets and liabilities of the ORSO Scheme was carried out at 31st December, 2011 by qualified staff of HSBC Life (International) Limited, who are members of the Society of Actuaries of the United States of America. The present value of the defined benefit obligation under ORSO Scheme and the related current service cost were measured using the projected unit credit method. The main actuarial assumptions used were as follows:

	2011	2010
Discount rate	**1.50% per annum**	3.00% per annum
Expected return on ORSO Scheme assets	**4.20% per annum**	5.50% per annum
Expected salary increase rate	**2.00% per annum**	3.25% per annum

The actuarial valuation showed that the market value of ORSO Scheme assets was HK$1,245,000 (2010: HK$1,287,000) and that the actuarial value of these assets represented 95% (2010: 105%) of the benefits that had accrued to members.

37. RETIREMENT BENEFITS SCHEMES *(Continued)*

Amount recognised in respect of the ORSO Scheme is as follows:

	2011 HK$'000	2010 HK$'000
Current service cost	–	69
Interest cost	37	43
Expected return on plan assets	(71)	(77)
Administrative cost and group life premium deducted from contribution	1	2
(Income) expense recognised in profit or loss	(33)	37

The (credit) charge for the year has been included in staff costs in profit or loss.

The amount included in the consolidated statement of financial position arising from the Group's obligations in respect of the ORSO Scheme is as follows:

	2011 HK$'000	2010 HK$'000
Present value of funded defined benefit obligations	1,313	1,225
Fair value of plan assets	(1,245)	(1,287)
Net liability (asset) arising from defined benefit obligation	68	(62)

Movements in the present value of the defined benefit obligations in the current year were as follows:

	2011 HK$'000	2010 HK$'000
At 1st January	1,225	2,043
Current service cost	–	69
Interest cost	37	43
Actuarial loss (gain) on obligation due to change in assumptions	36	(66)
Benefits paid	–	(744)
Actuarial loss (gain) on obligation due to experience adjustment	15	(120)
At 31st December	1,313	1,225

37. RETIREMENT BENEFITS SCHEMES *(Continued)*

Movements in the fair value of the plan assets in the current year were as follows:

	2011 HK$'000	2010 HK$'000
At 1st January	**1,287**	1,880
Expected return on plan assets	**71**	77
Actuarial (loss) gains	**(137)**	23
Contributions from the employer	**24**	51
Benefits paid	**–**	(744)
At 31st December	**1,245**	1,287

The major categories of plan assets, and the expected rate of return at the end of the reporting period for each category, is as follows:

	Expected return		Fair value of plan assets	
	2011 %	2010 %	**2011 HK$'000**	2010 HK$'000
Equity instruments	**0.67**	2.47	**199**	579
Debt instruments	**3.15**	2.70	**934**	631
Cash	**0.38**	0.33	**112**	77
Weighted average expected return	**4.20**	5.50	**1,245**	1,287

The overall expected rate of return is a weighted average of the expected returns of the various categories of plan assets held. The directors' assessment of the expected returns is based on historical return trends and analysts' predictions of the market for the asset in the next twelve months.

The actual loss on plan assets was HK$66,000 (2010: actual return of HK$100,000).

The plan assets do not include ordinary shares of the Company or any property occupied by the Company.

37. RETIREMENT BENEFITS SCHEMES *(Continued)*

The history of experience adjustments is as follows:

	2011	2010
	HK$'000	HK$'000
Experience adjustment on plan assets	**(15)**	120

The Group expects to make a contribution of nil (2010: HK$30,000) to the defined benefit plans during the next financial year.

The Group recognised actuarial loss amounted to HK$188,000 for the year ended 31st December, 2011 (2010: actuarial gain of HK$209,000) directly in retained profits. The cumulative amount of actuarial loss recognised directly in other comprehensive income amounted to HK$488,000 (2010: HK$300,000) as at 31st December, 2011.

38. PRINCIPAL SUBSIDIARIES

Details of the principal subsidiaries as at 31st December, 2011 and 2010 are as follows:

Name of subsidiary	Place/country of incorporation/ registration	Issued and fully paid up ordinary share capital/ registered capital	Proportion of nominal value of issued capital/ registered capital held by the Company		Principal activities
			2011 %	2010 %	
ATNT Global Investments Company Limited	Hong Kong	HK$2	100	100	Securities trading
ATNT Group Management Limited	Hong Kong	HK$2	100	100	Management services
Beijing Golden PAL Plating Equipment Company Limited (Sino-foreign equity joint venture)	PRC	US$1,291,500	52	52	Design, manufacture and sale of electroplating machines and other automated equipment
台灣亞洲自動化設備份有限公司	Taiwan	TWD10,000,000	100	100	Installation of electroplating machines and after sales service
ESIC Technology Limited**	Hong Kong	HK$2	–	100	Manufacture and sale of energy saving home automation products
Fairway Int'l Limited	British Virgin Islands*	US$1	–	100	Investment holding
Golden Rainbow Investments Limited	British Virgin Islands*	US$1	100	100	Property investment
Happy Win Resources Limited	British Virgin Islands*	US$1	100	100	Investment holding
Longfaith Holdings Limited	British Virgin Islands*	US$1	100	100	Investment holding

38. PRINCIPAL SUBSIDIARIES *(Continued)*

Name of subsidiary	Place/country of incorporation/ registration	Issued and fully paid up ordinary share capital/ registered capital	Proportion of nominal value of issued capital/ registered capital held by the Company		Principal activities
			2011 %	2010 %	
Palcon International Limited	British Virgin Islands*	US$100	60	60	Investment holding
PAL Automated Equipment Limited	Hong Kong	HK$2	100	100	Sale of electroplating machines
PAL Control Sdn. Bhd.	Malaysia	MYR2	60	60	Software development
PAL Europe Limited	Hong Kong	HK$2	100	100	Sale of electroplating machines
PAL Finance Limited	Hong Kong	HK$2	100	100	Money lending
PAL Properties Investment Limited	British Virgin Islands*	US$1	100	100	Investment holding
PAL SEA Limited	British Virgin Islands*	US$100	100	100	Investment holding
PAL (Sea) Sdn. Bhd.	Malaysia	MYR300,000	60	60	Sale of electroplating machines
PAL Service Sdn. Bhd.	Malaysia	MYR50,002	60	60	Sale of electroplating machines and spare parts
PAL Reel to Reel Technology Company Limited	Hong Kong	HK$10,000	85	85	Sale of electroplating machines
PAL Surface Treatment Systems Limited	Hong Kong	HK$10,000	100	100	Sale of electroplating machines and spare parts

38. PRINCIPAL SUBSIDIARIES *(Continued)*

Name of subsidiary	Place/country of incorporation/ registration	Issued and fully paid up ordinary share capital/ registered capital	Proportion of nominal value of issued capital/ registered capital held by the Company		Principal activities
			2011 %	2010 %	
Process Automation (BVI) Limited	British Virgin Islands*	HK$110,000	100#	100#	Investment holding
Process Automation (China) Limited (Wholly foreign-owned enterprise ("WFOE"))	PRC	HK$8,500,000	100	100	Design, manufacture and sale of electroplating machines
Process Automation (Europe) Limited	The United Kingdom	GBP1	100	100	Sale of electroplating machines
Process Automation International Limited ("PAIL")	Hong Kong	HK$2 (Note)	100	100	Design, manufacture and sale of electroplating machines
Process Automation (Shenzhen) Limited ("WFOE")	PRC	HK$18,000,000	100	100	Design, manufacture and sale of electroplating machines
Rich Town Properties Limited	British Virgin Islands*	US$2	100	100	Property investment

* The subsidiaries operate in Hong Kong. The remaining subsidiaries operate in their places of incorporation.

** ESIC Technology Limited is disposed of in 2011 and result in the cessation of the energy saving operation as set out in note 11.

\# The proportion of nominal value of issued share capital directly held by the Company. The proportion of nominal value of issued capital/registered capital of the remaining subsidiaries are indirectly held by the Company.

Note: At 31st December, 2011, PAIL had outstanding 11,000,000 non-voting deferred shares of HK$1 each which were held by Process Automation (BVI) Limited. The deferred shares carry no rights to dividends or to receive notice of or to attend or vote at any general meeting of PAIL and practically carry no rights to participate in any distribution on winding up.

38. PRINCIPAL SUBSIDIARIES *(Continued)*

None of the subsidiaries had any debt securities outstanding at the end of the year or at any time during the year.

The above table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

39. RELATED PARTY TRANSACTION

During the year, the Group entered into the following transactions with related parties:

	Trade sales		Trade purchases		Interest income		Commission expense		Warranty expense	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Associates	**5,464**	6,636	**501**	216	**110**	82	**–**	1,236	**853**	–

During the year, the Group paid commission expense and other securities dealing expense from securities dealing of HK$26,000 (2010: HK$40,000) to Karl-Thomson Securities Company Limited, which is a wholly owned subsidiary of Karl Thomson Holdings Limited ("KTH"). Mr. Lam Kwok Hing, an executive director and a controlling shareholder of the Company, is an executive director and a controlling shareholder of KTH.

The remuneration of directors and other members of key management of the Group during the year is as follows:

	2011	2010
	HK$'000	HK$'000
Salaries and other short-term employee benefits	**18,991**	13,857
Retirement benefits costs	**145**	129
	19,136	13,986

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trend.

Financial Summary

RESULTS

	Year ended 31st December,				
	2007 HK$'000	2008 HK$'000	2009 HK$'000	2010 HK$'000 (restated)	**2011 HK$'000**
Revenue	520,511	481,497	195,359	585,945	**606,422**
Profit (loss) for the year attributable to:					
Owners of the Company	15,233	22,447	(54,277)	31,078	**(37,660)**
Non-controlling interests	73	1,186	(2,026)	29	**(209)**
	15,306	23,633	(56,303)	31,107	**(37,869)**

ASSETS AND LIABILITIES

	At 31st December,				
	2007 HK$'000	2008 HK$'000	2009 HK$'000	2010 HK$'000	**2011 HK$'000**
Total assets	583,121	525,646	383,742	578,244	**511,589**
Total liabilities	(282,779)	(193,034)	(108,034)	(261,594)	**(225,670)**
	300,342	332,612	275,708	316,650	**285,919**
Equity attributable to owners of the Company	293,595	324,637	271,385	312,119	**281,809**
Non-controlling interests	6,747	7,975	4,323	4,531	**4,110**
	300,342	332,612	275,708	316,650	**285,919**

Note: The Group's revenue for the two years ended 31st December, 2008 are restated as a consequence of the adoption of HKAS 1 (Revised 2007).