亞洲聯網科技有限公司

Asia Tele-Net and Technology Corporation Limited

(Incorporated in Bermuda with limited liability)

Stock code : 0679

Interim Report **2008**

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Chairman's Statement

Financial Results

The Group's unaudited consolidated turnover for the six months ended 30 June 2008 ("the Period Under Review") was approximately HK$299,746,000 representing an increase of 28.6% compared to the six months ended 30 June 2007 ("the Previous Period") which was HK$233,133,000. The operating net profit was approximately HK$60,723,000 for the Period Under Review compared to HK$10,439,000 for the Pervious Period. The increase in turnover and operating net profit is further explained in following sections.

The basic earnings per share for the Period Under Review was HK14.2 cents (the Previous Period: basic earnings per share HK2.5 cents).

Interim Dividend

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2008 (the Previous Period: Nil).

Management Discussion and Analysis

Business Review

(A) Electroplating equipment (under the trade name of "PAL")

The turnover for the Period Under Review is approximately HK$299,700,000 which is 28.6% more than year 2007. 70.5% turnover came from PCB sector, 17.3% turnover came from surface finishing sector and 12.2% turnover came from solar cell sector. Under the PCB sector, 62% orders were from Taiwan, then 15.4% from Hong Kong and China and followed by Europe and US which accounts for 12.5%.

The gross margin for the Period Under Review was decreased from 19% to 17%. We have re-classed commission expenses from selling expenses to cost of sales starting from this year and the corresponding figures of last year were also adjusted for better comparison.

The surge in commodities prices, especially for oil and copper, drove prices of mild steel, DC cable and copper bar up by 8-9% on year to year basis. With the collective effort, from material price negotiation to the change of engineering design, we have managed to control the drop in gross margin by 2% only. We still have a tough job ahead but we are doing our utmost to control the damage to the minimal.

Electroplating equipment – Printed Circuits Board ("PCB") sector

The strong revenue from Taiwan was a direct result from the buoyant market seen in the second half of last year. One interesting phenomenon we noticed is Taiwanese PCB makers seem to stop or slow down their expansion plan in China in response to the stringent environment regulations, ever increasing operating cost due to the appreciation of reminbi and the launch of latest labor laws. They decided instead to expand their capacity in Taiwan.

We expect the sales to PCB sector will be more or less as last year, approximately HK$330,000,000. However, we expect slower activities in second half due to the recent financial crisis and therefore the annual turnover this year will only be more or less as last year.

With the dampening investment environment, our strategy is to offer advanced technologies which help our customers to increase their electroplating capability but at a reduced cost. We have launched two new products early this year. One of them will offer double output to our customers but is sold at a less proportional price. The other one offers desmear process but at a reduced maintenance cost compared to traditional horizontal plater.

Electroplating equipment – Surface Finishing ("SF") sector

Sales to SF sector has increased from HK$28,600,000 to HK$43,100,000 representing 51% increase for the Period Under Review. Sales to SF sector on annual basis is expected to increase from HK$75,000,000 to HK$104,000,000 representing 39% increase. Despite the strong Euro, our European customers in general are doing quite well. A few big Euro orders are confirmed in around June and July.

The Group has adopted a strategy to widen its product range by setting up co-operations with various prestigious companies. Through these co-operations, the Group now has products which can plate or paint various form of parts – as small as fasteners, as big as automobile bumpers and as irregular-shape as water taps.

We sold plating machines to first tier subcontractors who build automobile parts and to bathroom fittings manufacturers directly. Our plating machines plate parts for car manufacturers such as BMW, Benz, Toyota and for manufacturers of sanitary wares such as Roca and Hansgrohe.

In order to further develop this business, we set up a new subsidiary named PAL Surface Treatment Systems Ltd in August 2008.

Same as PCB, SF is also faced with shrinkage of gross margin due to the up surge of material cost. As electroplating machine for SF customer consumes more metal parts than for PCB customer, SF is hit harder than in PCB. We are now internally reviewing our machine design and are looking for a new design which will consume less material but will perform the same functions.

Electroplating equipment – Photo Voltaic ("Solar") sector

The photo voltaic sector is dominated by two major technologies – (i) crystalline – Si wafer-based cell and (ii) thin film cell. Most of the crystalline – Si wafer-based cell manufacturers use screen printing for the metallization process and is having on average efficiency of 13% to 18%. One of the cell manufacturers have thought of applying electroplating instead of screen printing for efficiency improvement. They came to us and we worked together on how to use our electroplating equipment on the wafer plating. This manufacturer has in fact succeeded in improving the efficiency and the cells they made can produce 22% to 24% efficiency.

PAL has supplied so far eight electroplating machines to this cell manufacturer. With the blooming demand of solar cells, we expect a continuous growth in this sector.

(B) Businesses operated by major associated companies and the subsequent disposal

The contributed losses of the associated companies towards the operating net profit for the Period Under Review was approximately HK$4,800,000. The contribution represents the Group's share of losses in Intech Machine Company Ltd ("IML") for the period from January to March 2008 of approximately HK$3,800,000 and the impairment loss of the investment cost in Asia Vigour Production Ltd.

On 25 January 2008, the Company entered into a share purchase agreement pursuant to which the Company has conditionally agreed to participate in a tender offer to sell its shareholding in IML at NT$37 per share. The purchaser, Manz Automation AG, through its subsidiary has launched a tender offer on 28 January 2008 to acquire at least 35% but not more than 70% shareholding in IML ("Tender Offer"). On 7 April 2008, the Group has disposed 15,944,630 shares to a German listed company Manz Automation AG and has retained 783,813 shares in IML (represents approximately 1.3% of total number of shares in issue).

The net consideration received after payment of the expenses is approximately HK$150,000,000. The gain on disposal was approximately HK$102,000,000.

Further to the disposal, the remaining investment in IML will be recorded as non-current assets “available-for-sales investment”. The Group will record further income from IML when they declare dividend in the future.

(C) Outlook

Looking ahead, the next twelve months will remain as challenging as ever. The outbreak of subprime crisis in US in the last quarter of 2007 uncovered and triggered a series of negative chain effects on credit crunch in capital market, slide in property market and huge write-off of financial industry. The poor macroeconomic situation and the accelerating inflation squeezed up a likely trend towards stagflation. The investment confidence has dropped to the lowest point and we expect our customers will be more cautious in their short term expansion plan. On the other hands, we will keep a close watch over the receivable management in case the chain effect will spread from the financial industry to the others and we will not lose sight of cost control either.

The Group is cash rich further to the sales of interest in associated company. We will apply part of the fund to upgrade our engineering software and management information system to facilitate the long term development of our electroplating business and to improve our operational efficiency. Any surplus fund left should be retained within the group for working capital. In view of the current financial crisis and its potential negative impact on other industries, the outlook of macro-economies is very uncertain for the moment. Our core operation did not generate any net cash inflow for the Period Under Review. Retaining cash within the Group is the best strategy to defend any possible credit crunch and any possible decline in economies.

Financial Review

Capital structure, liquidity and financial resources

As at 30 June 2008, the Group had net assets of approximately HK$366,778,000 (31 December 2007: HK$293,595,000). The gearing ratio was 42.7% (31 December 2007: 48.5%). The gearing ratio is calculated by dividing total liabilities of HK$277,791,000 (31 December 2007: HK$282,779,000) over total assets of HK$650,888,000 (31 December 2007: HK$583,121,000).

As at 30 June 2008, the Group had approximately HK$202,994,000 of cash on hand, net current assets value being approximately HK$271,273,000, short-term bank loan amounted to HK$34,709,000 and obligations under finance leases approximately HK$3,035,000. The total borrowing was therefore HK$37,744,000, a decrease of HK$7,394,000 from last year of HK$45,138,000.

As at 30 June 2008, the Group pledged a bank deposits of HK$7,000,000 (31 December 2007: HK$7,000,000) to a bank to secure banking facilities of approximately HK$125,973,000 (31 December 2007: HK$117,550,000) to the Company. Out of the secured facilities available, the Group has utilized approximately HK$34,709,000 as at 30 June 2008 (31 December 2007: HK$42,134,000).

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

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

Contingent Liabilities

As at 30 June 2008, the Company had guarantees of approximately HK$134,078,000 (31 December 2007: HK$124,050,000) to banks in respect of banking facilities granted to a subsidiary of the Company. The amount utilised by the subsidiary was approximately HK$34,709,000 (31 December 2007: HK$42,134,000). The Company has also guaranteed approximately HK$8,296,000 to a finance lease company in respect of finance lease granted to a subsidiary of the Company.

Employee and remuneration policies

As at 30 June 2008, the Group has approximately 900 employees. Employees are remunerated based on performance, experience and industry practice. Performance related bonus granted on discretionary basis. Other employee benefits included pension fund, insurance and medical cover.

Appreciation

On behalf of the Board, I would like to thank our customers, bankers, suppliers and friends for their continued confidence in and support for the Company. In particular, I would like to extend our warmest thank to our staff at all levels for working with our Management teams to achieve the present results.

By order of the Board
Lam Kwok Hing
Chairman

Hong Kong, 26 September 2008

Other Information

Directors' Interests in Shares

As at 30 June 2008, the interests and short positions of the directors and chief executive in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of 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 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 Positions

Ordinary shares of HK$0.01 each of the Company

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

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 Investments Limited ("Karfun") respectively. Medusa is a company wholly owned by Mr. Lam Kwok Hing. Karfun is a wholly-owned subsidiary of Karl Thomson Holdings Limited, a company in which Mr. Lam Kwok Hing is a major 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 30 June 2008.

Share Option Scheme

At the annual general meeting of the Company held on 13 June 2005, the shareholders of the Company approved the adoption of a new share option scheme (the “New Scheme”) and the termination of the old share option scheme (the “Old Scheme”) was adopted by the Company on 1 January 2001. The Old scheme was adopted by the Company on 1 January 2001 and remained in force for a period of ten years from the date of its adoption. Pursuant to the Old Scheme, the Company granted options on 30 August 2001 but all options have been lapsed before the termination of the Old Scheme and no option was outstanding under the Old Scheme.

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

Substantial Shareholders

As at 30 June 2008, the following persons (other than the directors of the Company) had interests or short positions in the shares and underlying shares of the Company representing 5% or more of voting power at any general meeting of the Company as recorded in the register required to be kept under Section 336 of the SFO.

Long positions

Ordinary shares of HK$0.01 each of the Company

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

Please refer to the note under the section heading “Directors’ Interests in Shares” above.

Save as disclosed above, as at 30 June 2008, no person (other than the directors of the Company whose interests are set out under the heading “Directors’ Interests in Shares” above) had an interest or a short position in the shares and underlying shares of the Company that was required to be recorded in the register under Section of 336 of SFO.

Corporate Governance

The Company has complied with the Code of Corporate Governance Practices (the “GC Code”) as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2008, with deviations from code provisions A.2.1 and A.4.2 of the GC Code in respect of the separate roles of chairman and chief executive officer, and rotation of directors.

Code Provision A.2.1

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

The Company does not at present have any officer with the title of Chief Executive Officer (“CEO”) but instead the duties of a CEO are performed by the Managing Director (“MD”). The Company does not have a separate Chairman and MD and Mr. Lam Kwok Hing currently holds both positions. The Board believes that vesting the roles of both Chairman and MD in the same person provides the Group with strong and consistent leadership and allows for more effective planning and execution of long-term business strategies. In addition, through the supervision of the Board which comprised of three independent non-executive directors, representing more than half of the Board, the interests of the shareholders are adequately and fairly represented.

Code Provision A.4.2

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

According to Bye-laws of the Company, the Chairman or MD are not subject to retirement by rotation or taken into account on determining the number of directors to retire. This constitutes a deviation from code provision A.4.2 of the GC Code. As continuation is a key factor to the successful implementation of any long term business plans, the Board believes, together with the reasons for deviation from code provision A.2.1, that the present arrangement is most beneficial to the Company and the shareholders as a whole.

Audit Committee

The Audit Committee comprises three independent non-executive directors, Mr. Cheung Kin Wai, Mr. Kwan Wang Wai, Alan and Mr. Ng Chi Kin, David. The Audit Committee has reviewed with the management of the Company the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including the review of the unaudited interim financial statements for the six months ended 30 June 2008.

Model Code for Securities Transaction by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") set out in Appendix 10 of the Listing Rules. Upon enquiry by the Company, all directors of the Company have confirmed that they have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2008.

Purchase, Sale or Redemption of Listed Securities of the Company

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during six months ended 30 June 2008.

Board of Directors

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

Condensed Consolidated Income Statement

FOR THE SIX MONTHS ENDED 30 JUNE 2008

	NOTES	Six months ended 30 June 2008 *HK$'000* (unaudited)	2007 *HK$'000* (unaudited)
Revenue		**299,746**	233,133
Cost of sales		**(247,914)**	(189,635)
Gross profit		**51,832**	43,498
Other income		**7,849**	4,442
Distribution and selling costs		**(2,471)**	(1,837)
Administrative expenses		**(64,463)**	(56,078)
Other expenses		**(3,661)**	(119)
Allowance for bad and doubtful debts		**(8,543)**	(5,896)
Net change in fair value of held-for-trading investments		**(16,064)**	19,752
Share of results of associates		**(3,370)**	9,077
Gain on disposal of an associate	4	**102,097**	–
Interest expenses		**(1,083)**	(846)
Impairment loss recognised in respect of goodwill		**–**	(2,488)
Profit before taxation		**62,123**	9,505
Taxation	5	**(1,400)**	934
Profit for the period	6	**60,723**	10,439
Attributable to:			
Equity holders of the parent		**60,845**	10,570
Minority interest		**(122)**	(131)
		60,723	10,439
Earnings per share	8		
Basic		**HK14.2 cents**	HK2.5 cents

Condensed Consolidated Balance Sheet

AT 30 JUNE 2008

	NOTES	**30.6.2008** ***HK$'000*** **(unaudited)**	31.12.2007 *HK$'000* (audited)
Non-current assets			
Property, plant and equipment	9	**91,636**	89,442
Prepaid lease payments		**12,524**	12,646
Interests in associates		**368**	56,979
Available-for-sale investments		**5,267**	515
Loans receivable	10	**–**	44
		109,795	159,626
Current assets			
Inventories		**58,830**	57,233
Retirement benefit assets		**264**	264
Amounts due from customers for contract work		**51,499**	23,634
Loans receivable	10	**5,208**	4,741
Debtors, deposits and prepayments	11	**184,272**	206,595
Prepaid lease payments		**244**	244
Held-for-trading investments		**25,896**	44,428
Amounts due from associates		**6,023**	2,844
Taxation recoverable		**5,863**	3,755
Pledged bank deposits		**7,000**	7,000
Bank balances and cash		**195,994**	72,757
		541,093	423,495
Current liabilities			
Creditors, bills payable and accrued charges	12	**218,117**	208,011
Warranty provision		**12,299**	12,764
Amounts due to customers for contract work		**1,685**	5,305
Amounts due to associates		**9**	20
Taxation payable		**279**	43
Bank borrowings due within one year	13	**34,709**	42,134
Obligations under finance leases due within one year		**2,722**	2,272
		269,820	270,549
Net current assets		**271,273**	152,946
Total assets less current liabilities		**381,068**	312,572

	NOTES	**30.6.2008**	31.12.2007
		HK$'000	*HK$'000*
		(unaudited)	(audited)
Capital and reserves			
Share capital	14	**4,265**	4,265
Reserves	15	**362,513**	289,330
Equity attributable to equity holders of the parent		**366,778**	293,595
Minority interests	15	**6,319**	6,747
Total equity		**373,097**	300,342
Non-current liabilities			
Warranty provision		**3,341**	7,175
Obligations under finance leases due after one year		**313**	732
Deferred taxation		**4,317**	4,323
		7,971	12,230
		381,068	312,572

Condensed Consolidated Statement of Recognised Income and Expense

FOR THE SIX MONTHS ENDED 30 JUNE 2008

	Six months ended 30 June	
	2008	2007
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Increase in fair value changes on available-for-sale investments	**2,123**	–
Release of translation reserve upon disposal of an associate	**(4,893)**	–
Exchange differences arising on translation of operations of foreign subsidiaries and associate	**14,802**	1,369
Net income and expenses recognised directly in equity	**12,032**	1,369
Profit for the period	**60,723**	10,439
Total recognised income for the period	**72,755**	11,808
Attributable to:		
Equity holders of the parent	**73,183**	11,797
Minority interests	**(428)**	11
	72,755	11,808

Condensed Consolidated Cash Flow Statement

FOR THE SIX MONTHS ENDED 30 JUNE 2008

	Six months ended 30 June	
	2008	2007
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Net cash (used in) from operating activities	**(9,796)**	6,867
Net cash from (used) in investing activities:		
Proceeds on disposal of an associate	**150,510**	–
Purchase of property, plant and equipment	**(3,452)**	(2,097)
Other investing cash flows	**(4,112)**	(170)
	142,946	(2,267)
Net cash used in financing activities:		
New bank borrowings raised	**34,709**	88,273
Repayments of bank borrowings	**(42,134)**	(91,371)
Other financing cash flows	**(1,752)**	(1,632)
	(9,177)	(4,730)
Net increase (decrease) in cash and cash equivalents	**123,973**	(130)
Cash and cash equivalents at the beginning of the period	**72,021**	63,144
Cash and cash equivalents at the end of the period	**195,994**	63,014
Analysis of the balances of cash and cash equivalents representing bank balances and cash	**195,994**	63,014

Notes to the Condensed Consolidated Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2008

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2007.

In the current interim period, the Group has applied, for the first time, the following new interpretations (“new HKFRSs”) issued by the HKICPA, which are effective for the Group’s financial year beginning on 1 January 2008.

HK(IFRIC) – INT 11	HKFRS 2 – Group and treasury share transactions
HK(IFRIC) – INT 12	Service concession arrangements
HK(IFRIC) – INT 14	HKAS 19 – The limit on a defines benefit asset, minimum funding requirements and their interaction

The adoption of these new HKFRSs had no material effect on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been made.

The Group has not early applied the following new and revised standards, amendments and interpretation that have been issued but are not yet effective.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

HKAS 1 (Revised)	Presentation of financial statements[1]
HKAS 23 (Revised)	Borrowing costs[1]
HKAS 27 (Revised)	Consolidated and separate financial statements[2]
HKAS 32 & 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation[1]
HKFRS 2 (Amendment)	Vesting conditions and cancellations[1]
HKFRS 3 (Revised)	Business combinations[2]
HKFRS 8	Operating segments[1]
HK(IFRIC) – INT 13	Customer loyalty programmes[3]
HK(IFRIC) – INT 15	Agreements for the construction of real estate[1]
HK(IFRIC) – INT 16	Hedges of a net investment in a foreign operation[4]

1 *Effective for accounting periods beginning on or after 1 January 2009.*

2 *Effective for accounting periods beginning on or after 1 July 2009.*

3 *Effective for accounting periods beginning on or after 1 July 2008.*

4 *Effective for accounting periods beginning on or after 1 October 2008.*

The adoption of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions.

The Directors of the Company anticipate that the application of these standards, amendments and interpretation will have no material impact on the results and financial position of the Group.

3. SEGMENT INFORMATION

Business segments

The Group is mainly engaged in electroplating equipment business 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. This business is the basis on which the Group reports its primary segment information.

Segment information is presented below.

For the six months ended 30 June 2008

	Electroplating equipment	Other operations	Elimination	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
TURNOVER				
External sales	**299,472**	**274**	**–**	**299,746**
RESULTS				
Segment results	**(10,488)**	**551**	**1,289**	**(8,648)**
Unallocated corporate expenses				**(10,809)**
Net change in fair value of held-for-trading investments				**(16,064)**
Share of results of associates				**(3,370)**
Gain on disposal of an associate				**102,097**
Interest expenses				**(1,083)**
Profit before taxation				**62,123**
Taxation				**(1,400)**
Profit for the period				**60,723**

3. SEGMENT INFORMATION *(Continued)*

Business segments *(Continued)*

For the six months ended 30 June 2007

	Electroplating equipment	Other operations	Elimination	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
TURNOVER				
External sales	232,383	750	–	233,133
RESULTS				
Segment results	(10,400)	(562)	600	(10,362)
Unallocated corporate expenses				(8,116)
Net change in fair value of held-for-trading investments				19,752
Share of results of associates				9,077
Interest expenses				(846)
Profit before taxation				9,505
Taxation credit				934
Profit for the period				10,439

4. GAIN ON DISPOSAL OF AN ASSOCIATE

Pursuant to an agreement dated 25 January 2008 entered into between the Company and an independent third party, the Group disposed of 15,944,630 shares in Intech Machines Company Limited ("IML") at a net cash consideration of approximately NT$588,200,000 (equivalent to approximately HK$150,510,000). The disposal was completed on 7 April 2008. An aggregate gain of HK$102,097,000 was resulted from the disposal. Immediately after the disposal, the Group's remaining 783,813 shares in IML (representing approximately 1.27% of the issued share capital of IML) with carrying amount of HK$2,629,000 was reclassified to available-for-sales investments.

5. TAXATION

	Six months ended 30 June	
	2008	2007
	HK$'000	*HK$'000*
The taxation comprises:		
Hong Kong Profits Tax		
Underprovision in prior years	**–**	(94)
Overseas taxation		
Charge for the period	**(1,406)**	–
Overprovision in prior years	**–**	236
	(1,406)	236
	(1,406)	142
Deferred taxation	**6**	792
	(1,400)	934

No provision for Hong Kong Profits Tax has been made as there is no assessable profit for the both periods. In June 2008, the Hong Kong Profits Tax rate was decreased from 17.5% to 16.5% with effect from the year of assessment 2008/09.

Taxation arising in other jurisdictions (including PRC enterprise income tax) is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year.

On 16 March 2007, the People's Republic of China (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 6 December 2007, the State Council of the PRC issued Implementation Regulation of the New Law. The New Law and the Implementation Regulation have changed the tax rate from 33% to 25% for the Group's subsidiaries from 1 January 2008.

6. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2008	2007
	HK$'000	*HK$'000*
Profit for the period has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	**4,731**	4,095
Loss (gain) on disposal of property, plant and equipment	**139**	(25)

7. DIVIDEND

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

8. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the Group's profit for the period attributable to equity holders of the parent of HK$60,845,000 (six months ended 30 June 2007: HK$10,570,000) and the number of ordinary shares of 426,463,400 (six months ended 30 June 2007: 426,463,400) in issue.

No diluted earnings per share have been presented as there were no potential ordinary shares to be issued in both periods.

9. PROPERTY, PLANT AND EQUIPMENT

During the period from 1 January 2008 to 30 June 2008, the Group spent HK$3,452,000 (six months ended 30 June 2007: HK$2,097,000) on acquisition of property, plant and equipment and entered into finance lease arrangements in respect of property, plant and equipment with a total capital value at the inception of the leases of HK$1,425,000 (six months ended 30 June 2007: HK$2,275,000).

10. LOANS RECEIVABLE

The following is the maturity profile of loans receivable at the balance sheet date:

	30.6.2008	31.12.2007
	HK$'000	*HK$'000*
Repayable within 3 months	**5,121**	2,621
Repayable after 3 months but within 6 months	**43**	1,972
Repayable after 6 months but within 1 year	**44**	148
	5,208	4,741
Repayable after 1 year	**–**	44
Total	**5,208**	4,785

11. DEBTORS, DEPOSITS AND PREPAYMENTS

	30.6.2008	31.12.2007
	HK$'000	*HK$'000*
Trade debtors and bills receivable	**163,096**	178,904
Other debtors and prepayments	**21,176**	27,691
	184,272	206,595

The Group allows a general credit period of one month to its trade customers except construction contracts where the Group allows staged payments. In general, credit will be offered to customers in accordance with their financial creditabilities and established payment records.

11. DEBTORS, DEPOSITS AND PREPAYMENTS *(Continued)*

The following is an aged analysis of trade debtors and bills receivable as at the balance sheet date:

	30.6.2008	31.12.2007
	HK$'000	*HK$'000*
Current	**144,175**	108,238
Overdue by:		
0 – 60 days	**11,348**	49,494
61 – 120 days	**5,773**	4,622
121 – 180 days	**1,089**	6,909
Over 180 days	**711**	9,641
	163,096	178,904

12. CREDITORS, BILLS PAYABLE AND ACCRUED CHARGES

	30.6.2008	31.12.2007
	HK$'000	*HK$'000*
Trade creditors	**89,545**	111,613
Bills payable	**8,250**	3,407
Other creditors and accrued charges	**120,322**	92,991
	218,117	208,011

12. CREDITORS, BILLS PAYABLE AND ACCRUED CHARGES *(Continued)*

The following is an aged analysis of trade creditors and bills payable as at the balance sheet date:

	30.6.2008	31.12.2007
	HK$'000	*HK$'000*
0 – 60 days	**56,721**	65,991
61 – 120 days	**26,047**	24,591
121 – 180 days	**8,238**	10,776
Over 180 days	**6,789**	13,662
	97,795	115,020

13. BANK BORROWINGS DUE WITHIN ONE YEAR

During the period, the Group obtained new bank loans amounting to HK$34,709,000. The loans bear interest at market rates and are repayable within one year. The proceeds were used to finance the working capital of the Group.

14. SHARE CAPITAL

	Number of shares	**Amount**
	'000	*HK$'000*
Shares of HK$0.01 each		
Authorised		
At 1 January 2008 and at 30 June 2008	20,000,000	200,000
Issued and fully paid:		
At 1 January 2008 and at 30 June 2008	426,463	4,265

15. SHARE PREMIUM AND RESERVES

	Share premium	Property revaluation reserve	Statutory reserves	Investments revaluation reserve	Currency translation reserve	Contributed surplus	Retained profits	Total	Minority interest
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2007	28,500	32,383	11,450	–	1,794	48,937	140,826	263,890	6,070
Exchange difference arising on translation of operations of foreign subsidiaries and associate recognised directly in equity	–	–	–	–	1,227	–	–	1,227	142
Profit (loss) for the period	–	–	–	–	–	–	10,570	10,570	(131)
Total recognised income for the period	–	–	–	–	1,227	–	10,570	11,797	11
At 30 June 2007	28,500	32,383	11,450	–	3,021	48,937	151,396	275,687	6,081
Exchange difference arising on translation of operations of foreign subsidiaries and associate	–	–	–	–	8,906	–	–	8,906	462
Recognition of actuarial gain on defined benefits plans	–	–	–	–	–	–	74	74	–
Net income recognised directly in equity	–	–	–	–	8,906	–	74	8,980	462
Profit for the period	–	–	–	–	–	–	4,663	4,663	204
Total recognised income for the period	–	–	–	–	8,906	–	4,737	13,643	666
At 31 December 2007	28,500	32,383	11,450	–	11,927	48,937	156,133	289,330	6,747
Increase in air value change on available-for-sales investments	–	–	–	2,123	–	–	–	2,123	–
Release of translation reserve upon partial disposal of an associate	–	–	–	–	(4,893)	–	–	(4,893)	–
Exchange difference arising on translation of operations of foreign subsidiaries and associate	–	–	–	–	15,108	–	–	15,108	(306)
Net income and expenses recognised directly in equity	–	–	–	2,123	10,215	–	–	12,338	(306)
Profit (loss) for the period	–	–	–	–	–	–	60,845	60,845	(122)
Total recognised income (expense) for the period	–	–	–	2,123	10,215	–	60,845	73,183	(428)
At 30 June 2008	28,500	32,383	11,450	2,123	22,142	48,937	216,978	362,513	6,319

16. RELATED PARTY TRANSACTION

The remuneration of key management during the period was HK$7,454,000 (six months ended 30 June 2007: HK$6,650,000).

17. COMMITMENTS

As at 30 June 2008, the Group was committed to capital expenditure of HK$1,265,000 (31.12.2007: HK$2,684,000) for the renovation of its office premises.

18. POST BALANCE SHEET EVENT

For the period from 1 July 2008 to the report date, the net decrease of fair value of held-for-trading investments of the Group is approximately HK$7,207,000.