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 **2009**

CONTENTS

Chairman's Statement

Financial Results

The Group's unaudited consolidated turnover for the six months ended 30 June 2009 ("the Period Under Review") was approximately $113,045,000 representing a decrease of 62.3% compared to the six months ended 30 June 2008 ("the Previous Period") which was HK$299,746,000. The operating net loss was approximately HK$27,650,000 for the Period Under Review compared to net operating profit of approximately HK$60,723,000 for the Pervious Period. The decrease in turnover and change from operating net profit to operating net loss is further explained in following sections.

The basic loss per share for the Period Under Review was HK6.4 cents (the Previous Period: basic earnings per share HK14.2 cents).

Interim Dividend

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2009 (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$113,045,000 which is 62.3% less than year 2008. 74% turnover came from PCB sector and 26% turnover came from surface finishing sector. Under the PCB sector, 50.2% orders were from Taiwan, then 43.3% from Europe and US and followed by Hong Kong and China which accounts for 4.1%.

The gross margin for the Period Under Review was decreased from 18% to 16.7%. From the financial year 2008 onwards, we have re-classed marketing expenses from cost of sales to selling expenses. The corresponding figures of last year were adjusted for a fair comparison.

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

After going through a radical change in material prices movement, a sharp rise in mid of last year to a moderate fall in early this year, our customers then face another radical change but this times their order books. Due to the invisibility of orders since late last year, most of our customers have not just withheld their expansion plan on production capacity, a range of measures were implemented early this year to eliminate the idle capacity. Measures include a lengthy Chinese New Year holidays followed by a period of mandatory no-pay leave, staff retrenchment, reduced pay and closing part of the facilities etc.

Starting from late April, we saw some signs showing that the activities are ramping up again. Our customers are increasing their productivity gradually, although still not yet in full production.

Since June, more positive signs are seen. First of all, as expected by some analysts, the global demand for smartphones rose and hence the demand of PCB which is built in the phones. The competition between non Microsoft Windows-based smartphones such as Apple and RIM and Microsoft Windows-based smartphones such as Nokia and HTC is indeed good news to our customers and equipment supplier like us. The competition has brought demand of PCB in various forms. Secondly, the wide spread use of Netbook and the price drop in Notebook also drive up the demand of PCBs.

Unfortunately, our customers are getting more and more price conscious. Price negotiation is indeed a major work task now. At the same time, our customers also expect a quicker turnaround time. It is because although their orders are improving, it is not as visible as it had been before in year 2007 and 2008. Currently, they will purchase new electroplating machinery only when they get a confirmed order. Unlike before, they will purchase machinery from us based on forecast orders. With this price pressure over our head, our gross profit margin was indeed more or less same as last year even though the material prices are slightly reduced.

To meet both ends of price reduction and short delivery, our strategy is to standardize our machine design and offer standard products.

As mentioned repeatedly in our various MD&A published before, we position ourselves a technology company. Our strategy is to offer advanced technologies which help our customers to increase their electroplating capability but at a reduced cost. Today, most of our customers need an increased number of layers in a PCB. This however, does not mean that the PCBs are getting much thicker, rather image a change from 2.0 to about 2.4mm. The line width is getting thinner and thinner as well. This precise plating is where our development team focuses on at the moment.

Electroplating equipment – Surface Finishing ("SF") sector traded under PAL Surface Treatments Systems Limited

Sale to SF sector has decreased from HK$43,100,000 to HK$18,567,000 representing 57% decrease for the Period Under Review. Sale to SF sector on annual basis is expected to decrease from HK$84,500,000 to HK$54,900,000 representing 35% decrease.

As widely known, other than the low priced automotive sold in mainland China, the market for automotive is and will continue to see a steep decline in the current year. The 'cash for clunker' schemes do bring a short term demand on new cars. Instead of restarting a full production line, car makers choose to reduce their inventory level. For this reason, the schemes do no not bring any immediate benefits to us. We expect that unless the merge and consolidation process of major industrial players is completed, car markers will remain conservative and are hesitated in any expansion plan.

This year we placed our attention to the emerged market such as India and China. When everyone is surprised at the number of cars sold in China, India has in fact outpaced China in terms of number of cars exported.

The SF team shall continue its strategy to widen its product range by setting up co-operations with various prestigious companies.

Comparatively speaking, the electroplating machine for SF customer consumes more metal parts than for PCB customer. With the stabilized crude oil price, the price of metal parts is stabilized as well. This helps us on controlling the gross margin better.

Electroplating equipment – Photo Voltaic ("Solar") sector

The photo voltaic sector has experienced a radical change as well since the financial turmoil. The spot price of Poly-Silicon has dropped from its high US$400 in October last year to the recent spot price of US$60. The sharp fall in material price does not benefit most of solar cell manufacturers this year as they have stocked high level of high-cost wafers in last year. Added with the drop in the average selling price per watt, half of the solar cell manufacturers were running at losses for the first half of this year.

The positive side is that green energy is still a long term trend pursued by various countries. Investments in solar cell farm will not stop but will be at a reduced pace. How to reduce the conversion costs per watt is still the key to be standing out in this market. Together with the customers, our development team continues to modify our design for both cost and functional issues.

(B) Outlook

Like in many other industries, we see an obvious shift of focus to the China market. Enquires from Western customers have reduced substantially this year. China's industrial economy has been on the recovery track, but still faces some problems, according to the summer report on the country's industrial economic operation published in August. The slowdown in industrial growth has bottomed out, and the overall industrial economy has been improving because of the country's stimulus policies. The growth rate from January to July declined 8.6 percentage points compared to the figure during the same period last year. On a month-to-month basis, however, industrial growth has bottomed out and generally maintained upward trend. The report revealed that the decline in profits has begun to slow down, and many industries have seen increases. Industrial economic recovery in the eastern and central regions has stepped up, and the western regions have sustained rapid growth. Light industries' operations remain stable and heavy industries are recovering, according to the report. The report further re-confirmed the thought that domestic demand has become a major force of industrial growth while exports have declined substantially. All these are positive notes to encourage our customers to invest in order to capture this uprising domestic demand in China.

The award of the long-awaited licenses for third generation (3G) mobile networks to three telephone operators in January this year also help to stimulate demand of PCBs in short and medium term.

Our biggest challenge ahead is price erosion. We are hoping that through internal engineering and sourcing effort, we continue to provide the state of art equipment at a reasonable cost to our customers.

Financial Review

Capital structure, liquidity and financial resources

As at 30 June 2009, the Group had net assets of approximately HK$304,317,000 (31 December 2008: HK$332,612,000). The gearing ratio was 0.4% (31 December 2008: 0.7%). The gearing ratio is calculated by dividing the aggregate amount of bank borrowings and other interest-bearing loans of HK$1,241,000 (31 December 2008: HK$2,271,000) over the amount of equity attributable to the equity holders of the Company of HK$296,651,000 (31 December 2008: HK$324,637,000).

As at 30 June 2009, the Group had approximately HK$131,361,000 of cash on hand, net current assets value being approximately HK$207,355,000 and obligations under finance leases approximately HK$1,241,000. The total borrowing was therefore HK$1,241,000, a decrease of HK$1,030,000 from last year of HK$2,271,000.

As at 30 June 2009, the Group pledged bank deposits of HK$3,622,000 (31 December 2008: HK$10,711,000) to banks to secure banking facilities of approximately HK$45,600,000 (31 December 2008: HK$107,900,000) to the Company. Out of the secured facilities available, the Group has utilized approximately HK$2,622,000 as the issuance of bank's guarantee under which customers retain right to claim refund of purchase deposits received by the Group as at 30 June 2009 (31 December 2008: HK$5,239,000).

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 2009, the Company had guarantees of approximately HK$62,745,000 (31 December 2008: HK$133,861,000) to banks in respect of banking facilities granted to a subsidiary of the Company. The amount utilised by the subsidiary was approximately HK$2,622,000 (31 December 2008: HK$5,239,000). 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 2009, the Group has approximately 730 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.

By order of the Board
Lam Kwok Hing
Chairman

Hong Kong, 24 September 2009

Other Information

Directors' Interests in Shares

As at 30 June 2009, 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

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 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 2009.

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"). 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 2009, 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 2009, 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 2009, 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 2009.

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 2009.

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 2009.

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 Statement of Comprehensive Income

FOR THE SIX MONTHS ENDED 30 JUNE 2009

	NOTES	Six months ended 30 June	
		2009	2008
		HK$'000	*HK$'000*
		(unaudited)	(unaudited)
Revenue		**113,045**	299,746
Cost of sales		**(94,138)**	(245,795)
Gross profit		**18,907**	53,951
Other income		**1,431**	7,849
Distribution and selling costs		**(2,087)**	(4,590)
Administrative expenses		**(45,818)**	(58,986)
Other expenses		**(4,246)**	(9,138)
Allowance for bad and doubtful debts		**(3,604)**	(8,543)
Net change in fair value of held-for-trading investments		**7,880**	(16,064)
Share of results of associates		**67**	(3,370)
Gain on disposal of an associate	4	**–**	102,097
Interest expenses		**(125)**	(1,083)
(Loss) profit before taxation		**(27,595)**	62,123
Taxation	5	**(55)**	(1,400)
(Loss) profit for the period	6	**(27,650)**	60,723
Other comprehensive income (expense)			
Increase in fair value of available-for-sale investments		**104**	2,123
Release of translation reserve upon disposal of an associate		**–**	(4,893)
Exchange differences arising on translation of foreign subsidiaries and associate		**(749)**	14,802
Other comprehensive (expense) income for the period		**(645)**	12,032
Total comprehensive (expense) income for the period		**(28,295)**	72,755

	NOTES	Six months ended 30 June **2009** ***HK$'000*** **(unaudited)**	 2008 *HK$'000* (unaudited)
(Loss) profit for the period attributable to:			
Owners of the Company		**(27,371)**	60,845
Minority interests		**(279)**	(122)
		(27,650)	60,723
Total comprehensive (expense) income attributable to:			
Owners of the Company		**(27,986)**	73,183
Minority interests		**(309)**	(428)
		(28,295)	72,755
(Loss) earnings per share	8		
Basic		**HK(6.42) cents**	HK14.27 cents

Condensed Consolidated Statement of Financial Position

AT 30 JUNE 2009

	NOTES	**30.6.2009**	31.12.2008
		HK$'000	*HK$'000*
		(unaudited)	(audited)
Non-current assets			
Property, plant and equipment	9	**80,759**	84,567
Prepaid lease payments		**16,340**	16,508
Interests in associates		**574**	541
Available-for-sale investments		**2,477**	2,373
Loans receivable	10	**3,264**	307
		103,414	104,296
Current assets			
Inventories		**35,110**	38,404
Amounts due from customers for contract work		**6,648**	9,999
Loans receivable	10	**6,917**	8,032
Debtors, deposits and prepayments	11	**105,961**	185,239
Prepaid lease payments		**349**	349
Held-for-trading investments		**21,538**	13,681
Amounts due from associates		**823**	620
Taxation recoverable		**345**	3,610
Pledged bank deposits		**3,622**	10,711
Bank balances and cash		**127,739**	150,705
		309,052	421,350
Current liabilities			
Creditors, bills payable and accrued charges	12	**83,265**	156,141
Retirement benefit obligations		**711**	711
Warranty provision		**10,348**	10,842
Amounts due to customers for contract work		**6,040**	15,474
Amounts due to associates		**92**	–
Obligations under finance leases due within one year		**1,241**	2,251
		101,697	185,419
Net current assets		**207,355**	235,931
Total assets less current liabilities		**310,769**	340,227

	NOTES	30.6.2009	31.12.2008
		HK$'000	*HK$'000*
		(unaudited)	(audited)
Capital and reserves			
Share capital	13	**4,265**	4,265
Reserves		**292,386**	320,372
Equity attributable to owners of the Company		**296,651**	324,637
Minority interests		**7,666**	7,975
Total equity		**304,317**	332,612
Non-current liabilities			
Warranty provision		**2,135**	3,278
Obligations under finance leases due after one year		**–**	20
Deferred taxation		**4,317**	4,317
		6,452	7,615
		310,769	340,227

Condensed Consolidated Statement of Changes in Equity

FOR THE SIX MONTHS ENDED 30 JUNE 2009

	Share capital	Share premium	Property revaluation reserve	Statutory reserves	Investments revaluation reserve	Currency translation reserve	Contributed surplus	Retained profits	Attributable to owners of the Company	Minority interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2008 (audited)	4,265	28,500	32,383	11,450	–	11,927	48,937	156,133	293,595	6,747	300,342
Increase in fair value of available-for-sale investments	–	–	–	–	2,123	–	–	–	2,123	–	2,123
Release of translation reserve upon disposal of an associate	–	–	–	–	–	(4,893)	–	–	(4,893)	–	(4,893)
Exchange difference arising on translation of foreign subsidiaries and associate	–	–	–	–	–	15,108	–	–	15,108	(306)	14,802
Profit (loss) for the period	–	–	–	–	–	–	–	60,845	60,845	(122)	60,723
Total comprehensive income (expense) for the period	4,265	–	–	–	2,123	10,215	–	60,845	73,183	(428)	72,755
At 30 June 2008 (unaudited)	4,265	28,500	32,383	11,450	2,123	22,142	48,937	216,978	366,778	6,319	373,097
At 1 January 2009 (audited)	**4,265**	**28,500**	**32,383**	**11,450**	**–**	**21,629**	**48,937**	**177,473**	**324,637**	**7,975**	**332,612**
Increase in fair value of available-for-sale investments	**–**	**–**	**–**	**–**	**104**	**–**	**–**	**–**	**104**	**–**	**104**
Exchange difference arising on translation of foreign subsidiaries and associate	**–**	**–**	**–**	**–**	**–**	**(719)**	**–**	**–**	**(719)**	**(30)**	**(749)**
Loss for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(27,371)**	**(27,371)**	**(279)**	**(27,650)**
Total comprehensive income (expense) for the period	**–**	**–**	**–**	**–**	**104**	**(719)**	**–**	**(27,371)**	**(27,986)**	**(309)**	**(28,295)**
At 30 June 2009 (unaudited)	**4,265**	**28,500**	**32,383**	**11,450**	**104**	**20,910**	**48,937**	**150,102**	**296,651**	**7,666**	**304,317**

Condensed Consolidated Statement of Cash Flows

FOR THE SIX MONTHS ENDED 30 JUNE 2009

	Six months ended 30 June	
	2009	2008
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Net cash used in operating activities	**(26,117)**	(9,796)
Net cash from investing activities:		
Proceeds on disposal of an associate	**–**	150,510
Purchase of property, plant and equipment	**(2,839)**	(3,452)
Decrease in pledged bank deposits	**7,089**	–
Other investing cash flows	**(36)**	(4,112)
	4,214	142,946
Net cash used in financing activities:		
New bank borrowings raised	**–**	34,709
Repayments of bank borrowings	**–**	(42,134)
Other financing cash flows	**(1,063)**	(1,752)
	(1,063)	(9,177)
Net (decrease) increase in cash and cash equivalents	**(22,966)**	123,973
Cash and cash equivalents at the beginning of the period	**150,705**	72,021
Cash and cash equivalents at the end of the period	**127,739**	195,994
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	**127,739**	195,994

Notes to the Condensed Consolidated Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2009

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 2008.

In the current interim period, the Group has applied, for the first time, the following new interpretations ("new and revised HKFRSs") issued by the HKICPA, which are effective for the Group's financial year beginning on 1 January 2009.

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning on or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39
HKAS 1 (Revised)	Presentation of financial statements
HKAS 23 (Revised)	Borrowing costs
HKAS 32 & 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a subsidiary, jointly controlled entity or associate

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

HKFRS 2 (Amendment)	Vesting conditions and cancellations
HKFRS 7 (Amendment)	Improving disclosures about financial instruments
HKFRS 8	Operating segments
HK(IFRIC) – INT 9 & HKAS 39 (Amendments)	Embedded derivatives
HK(IFRIC) – INT 13	Customer loyalty programmes
HK(IFRIC) – INT 15	Agreements for the construction of real estate
HK(IFRIC) – INT 16	Hedges of a net investment in a foreign operation

HKAS 1 (Revised) has introduced a number of terminology changes, (including revised titles for the condensed consolidated financial statements) and has resulted in a number of changes in presentation and disclosure. However, HKAS 1 (Revised) has had no impact on the reported results or financial position of the Group.

HKFRS 8 is a disclosure Standard that requires the identification of operating segments to be performed on the same basis as financial information that is reported internally for the purpose of allocating resources between segments and assessing their performance. The predecessor Standard, HKAS 14 "Segment Reporting", required the identification of two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group's primary reporting format was business segments. The application of HKFRS 8 has resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14 (see note 3).

HKAS 23 (Revised) removes the option available under the previous version of the standard to recognise all borrowing costs as expenses immediately and requires all such borrowing costs to be capitalised as part of the cost of the qualifying asset. The Group has applied the transitional requirements in HKAS 23 (Revised) and applied the revised accounting policy to borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009. As the Group did not incurred borrowing costs for the qualifying assets in current period, the change has had no impact on amounts reported in prior and current accounting periods.

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

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

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

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of improvements to HKFRS issued in 2008 [1]
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 [2]
HKAS 27 (Revised)	Consolidated and separate financial statements [1]
HKAS 39 (Amendment)	Eligible hedged items [1]
HKFRS 1 (Amendment)	Additional exemptions for first-time adopters [3]
HKFRS 2 (Amendment)	Group cash-settled share-based payment transactions [3]
HKFRS 3 (Revised)	Business combinations [1]
HK(IFRIC) – INT 17	Distributions of non-cash assets to owners [1]
HK(IFRIC) – INT 18	Transfers of assets from customers [4]

[1] *Effective for annual periods beginning on or after 1 July 2009.*

[2] *Amendments that are effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate.*

[3] *Effective for annual periods beginning on or after 1 January 2010.*

[4] *Effective for transfers on or after 1 July 2009.*

The adoption of HKFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition date is on or after 1 January 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary. The directors of the Company anticipate that the application of other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. **SEGMENT INFORMATION**

The Group has adopted HKFRS 8 "Operating Segments" with effect from 1 January 2009. HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to segment and to assess its performance. In the past, the Group's primary reporting format was business segments. The application of HKFRS 8 has resulted in a re-designation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14.

In prior years, primary segment information was analysed on the basis of business segments, comprising of electroplating equipment and other operations. However, 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 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. Accordingly, under HKFRS 8, the Group has only one operating segment.

The reportable segment revenue from electroplating equipment contribute the entire revenue of the Group. Reconciliation of the reportable segment loss to (loss) profit before tax is as follows:

	Six months ended 30 June	
	30.6.2009	30.6.2008
	HK$'000	*HK$'000*
Segment loss	**(27,381)**	(11,571)
Intra-group management fee charged to operating segment	**1,208**	1,289
Other income	**792**	551
Central corporate expenses	**(10,161)**	(10,809)
Net change in fair value of held-for-trading investments	**7,880**	(16,064)
Share of results of associates	**67**	(3,370)
Gain on disposal of an associate	**–**	102,097
(Loss) profit before taxation	**(27,595)**	62,123

3. **SEGMENT INFORMATION** *(Continued)*

Reportable segment loss represents the gross profit of the segment plus its own segment's other income and expenses (including intra-group management fee). This is the measure reported to the chief operating decision maker in order to allocate resources to segments and to assess segment performance.

Reportable assets

	30.6.2009	31.12.2008
	HK$'000	*HK$'000*
Segment assets	**232,734**	322,784

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 an associate, Intech Machines Company Limited ("IML"), for 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 interests 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-sale investments.

5. TAXATION

	Six months ended 30 June	
	2009	2008
	HK$'000	*HK$'000*
The taxation comprises:		
Overseas taxation		
Charge for the period	**(55)**	(1,406)
Deferred taxation	**–**	6
	(55)	(1,400)

No provision for Hong Kong Profits Tax has been made as there is no assessable profit for both periods.

Taxation arising in other jurisdictions (including People's Republic of China 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.

6. (LOSS) PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2009	2008
	HK$'000	*HK$'000*
(Loss) profit for the period has been arrived at after charging:		
Depreciation of property, plant and equipment	**5,304**	4,731
Loss on disposal of property, plant and equipment	**304**	139

7. DIVIDEND

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

8. (LOSS) EARNINGS PER SHARE

The calculation of the basic (loss) earnings per share is based on the Group's loss for the period attributable to owners of the Company of HK$27,371,000 (six months ended 30 June 2008: profit of HK$60,845,000) and the number of ordinary shares of 426,463,400 (six months ended 30 June 2008: 426,463,400) in issue.

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

9. PROPERTY, PLANT AND EQUIPMENT

During the period from 1 January 2009 to 30 June 2009, the Group spent HK$2,839,000 (six months ended 30 June 2008: HK$3,452,000) 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 nil (six months ended 30 June 2008: HK$1,425,000).

10. LOANS RECEIVABLE

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

	30.6.2009	31.12.2008
	HK$'000	*HK$'000*
Repayable within 3 months	**6,872**	6,168
Repayable after 3 months but within 6 months	**14**	–
Repayable after 6 months but within 1 year	**31**	1,864
	6,917	8,032
Repayable after 1 year	**3,264**	307
Total	**10,181**	8,339

11. DEBTORS, DEPOSITS AND PREPAYMENTS

	30.6.2009	31.12.2008
	HK$'000	*HK$'000*
Trade debtors and bills receivable	**86,887**	163,881
Other debtors and prepayments	**19,074**	21,358
	105,961	185,239

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 credit abilities and established payment records.

The following is an aged analysis of trade debtors and bills receivable by age, presented based on the payment due date, net of allowance for bad and doubtful debts:

	30.6.2009	31.12.2008
	HK$'000	*HK$'000*
Current	**75,268**	129,063
Overdue by:		
0 – 60 days	**3,902**	19,308
61 – 120 days	**1,815**	7,933
121 – 180 days	**333**	2,151
Over 180 days	**5,569**	5,426
	86,887	163,881

12. CREDITORS, BILLS PAYABLE AND ACCRUED CHARGES

	30.6.2009	31.12.2008
	HK$'000	*HK$'000*
Trade creditors	**39,837**	86,756
Bills payable	**4,074**	222
Other creditors and accrued charges	**39,354**	69,163
	83,265	156,141

The following is an aged analysis of trade creditors and bills payable by age, presented based on the invoice date:

	30.6.2009	31.12.2008
	HK$'000	*HK$'000*
0 – 60 days	**16,391**	36,922
61 – 120 days	**2,931**	19,236
121 – 180 days	**9,333**	17,057
Over 180 days	**15,256**	13,763
	43,911	86,978

13. SHARE CAPITAL

	Number of shares *'000*	Amount *HK$'000*
Shares of HK$0.01 each		
Authorised		
At 1 January 2009 and at 30 June 2009	20,000,000	200,000
Issued and fully paid:		
At 1 January 2009 and at 30 June 2009	426,463	4,265

14. RELATED PARTY TRANSACTION

The remuneration of key management during the period was HK$6,545,000 (six months ended 30 June 2008: HK$7,454,000).

15. COMMITMENTS

As at 30 June 2009, the Group was committed to capital expenditure of HK$305,000 (31.12.2008: HK$652,000) for the renovation of its office premises.