亞洲聯網科技有限公司

Asia Tele-Net & Technology Corporation Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 0679)

Annual Report 2009

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

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's audited consolidated revenue for the year ended 31st December, 2009 ("the Period Under Review") was approximately HK$195,359,000 representing a decrease of 59% compared to the year ended 31st December, 2008 ("the Previous Period") which was approximately HK$481,497,000. The loss attributable to owners of the Company was approximately HK$54,277,000 for the Period Under Review compared to the profit attributable to owners of the Company of approximately HK$22,447,000 for the Pervious Period. The decrease in revenue and the loss attributable to owners of the Company are further explained in following sections.

The basic loss per share for the Period Under Review was HK12.73 cents. The basic earnings per share for the Period Under Review was HK5.26 cents.

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

The revenue for the Period Under Review is approximately HK$196,000,000 which is 59% less than in the Previous Period. Approximately 61% revenue came from PCB sector (the Previous Period: approximately 69%), approximately 39% revenue came from surface finishing sector (the Previous Period: approximately 18%) and 0% revenue came from solar cell sector (the Previous Period: approximately 13%). In terms of installation base, 29% machines were installed in PRC, 19% were installed in Taiwan, 13% were installed in India, 14% were installed in Spain, 8% in Mexico and 17% were in rest of the world.

The gross margin for the Period Under Review has dropped by 4%. It was largely due to the drop in selling price because of the increased competition when the market was in general lack of investment sentiments during the first three quarters.

(a) Electroplating equipment – printed circuit boards ("PCB") sector

This sector is traded through our subsidiary Process Automation International Ltd.

As reported in last interim report, due to the invisibility of orders, most of our customers have not just withheld their expansion plan on production capacity, a range of measures were implemented in early 2009 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. We have also implemented several corresponding actions internally to cope with this radical change including the lowering of the inventory level, reducing the headcount moderately and employed a tighter control over receivables.

Signs showing gradual recovery were seen since June 2009. Customers would modify their existing machines to fit for their new products and buy new machinery for moderate productivity expansion. Overall speaking, the production volume for all PCB markets in 2009 was reduced by various percentages. The China PCB production volume, even with the progressive launch of RMB 4 trillion economic stimulus plans by the Chinese government, has decreased by 18.2% as estimated by a research institution "Frost & Sullivan". It was believed that the Taiwan PCB production volume has dropped by more than 20%.

(b) Electroplating equipment – Surface Finishing ("SF") sector

This sector is traded through our subsidiary PAL Surface Treatment Systems Ltd.

The Group has adopted a horizontal marketing strategy to widen its market share by branching into various industrial sectors. We first entered the automobile sector, then bathroom fittings sector and subsequently communication devices. We focus on the first tier customers in each sector who normally produce luxury and high-end products. This strategy is very successful until when the financial tsunami hit the world in late 2008. It was widely reported in the news that all automobile companies have severe drop in sales in 2009 and pictures of numerous unsold cars were shown all over the places. Construction activities were less and it also affected the bathroom fittings sector. Because of these facts, most of our SF customers have put off their expansion plans.

(c) Electroplating equipment – Photo Voltaic ("Solar") sector

This sector is traded through our subsidiary Process Automation International Ltd.

Although there was no sale to the photo voltaic sector this year, we received a few orders in late 2009 which will be delivered in 2010.

(d) Outlook

After a tough year and going into year 2010, we expect that out customers would benefit from the increasing demand of smart phone and the growth of all communication products. The appreciation of Yen would make Japanese PCB makers less competitive when comparing to those of Taiwan and China. As we have strong presence in the latter markets, our group will be benefited as well.

As far as SF sector is concerned, some of the automobile players have gradually come out from the doldrums of the financial tsunami. A good recent example is General Motor who is able to repay the loan to the Government. At the same time, several enquiries which were on hold in 2009 have resumed negotiation. The growth of all communication products also benefits the SF sector, in particular the cellular antenna.

We expect the photo voltaic sector will continue to grow and will soon become a steady income stream for the Group.

Appropriate R&D resources are being invested to keep up with the product development pace of our customers.

We are conservatively optimistic that the market and general economies are recovering. It will not be a strong bounce back but a gradual improvement. In order to seize the coming opportunities, internally we have refined our product specifications so that our products can fit for various tiers of customer and hence expand our market shares. We are in process of identifying potential suppliers who would become our allies and work with us towards offering a competitive product package to our customers. The management team is determined and it putting great effort in turning around the financial performance of the Group!

Chairman's Statement and Management Discussions

DIVIDEND

No interim dividend (2008: nil) was recommended during the year. The Board does not recommend a final dividend for this year (2008: nil).

FINANCIAL REVIEW

(a) Capital structure, liquidity and financial resources

As at 31st December, 2009, the Group had net assets of approximately HK$275,708,000 (31st December, 2008: HK$332,612,000). The gearing ratio was 0.1% (31st December, 2008: 0.7%). The gearing ratio is calculated by dividing the aggregate amount of bank borrowings and other interest-bearing loans of HK$227,000 (31st December, 2008: HK$2,271,000) over the amount of equity attributable to the equity holders of the Company of HK$271,385,000 (31st December, 2008: HK$324,637,000).

As at 31st December, 2009, the Group had approximately HK$118,345,000 (31st December, 2008: HK$161,416,000) of cash on hand, net current assets value being approximately HK$182,578,000 (31st December, 2008: HK$235,931,000) and obligations under finance leases approximately HK$227,000 (31st December, 2008: HK$2,271,000).

As at 31st December, 2009, the Group pledged bank deposits of approximately HK$2,174,000 (31st December, 2008: HK$10,711,000) to a bank to secure bank guarantees issued to customers. The Group has banking facilities of approximately HK$52,092,000 (31st December, 2008: HK$107,900,000) and has utilized approximately HK$1,174,000 as at 31st December, 2009 (31st December, 2008: HK$5,239,000).

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

Most of the assets and liabilities in the Group were denominated 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 material purchased and the overhead cost for the factories in China.

(b) Contingent Liabilities

As at 31st December, 2009, the Company had guarantees of approximately HK$62,100,000 (31st December, 2008: HK$133,861,000) to banks in respect of banking facilities granted to subsidiaries of the Company. The amount utilised by the subsidiaries was approximately HK$1,174,000 (31st December, 2008: HK$5,239,000). The Company has also guaranteed approximately HK$227,000 to a finance lease company in respect of finance lease granted to a subsidiary of the Company.

Chairman's Statement and Management Discussions

EMPLOYEE AND REMUNERATION POLICIES

As at 31st December, 2009, the Group has approximately 740 employees. During the first quarter of 2009, the Group has reduced its headcount by about 20%. 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 over the year.

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

Hong Kong, 26th April, 2010

Directors & Senior Management Profile

EXECUTIVE DIRECTORS

Mr. Lam Kwok Hing, aged 46, 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 24 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 51, 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 47, 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 20 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 48, 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 Society of Accountants and member of CPA Australia, the Hong Kong Institute of Company Secretaries & 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 54, 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 22 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 44, 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 14 years of finance experience in various industries including telecommunication, trading, manufacturing and system integration.

ELECTROPLATING EQUIPMENT BUSINESS

Mr. Geoffrey F. Paterson, aged 63, is the Managing Director of Process Automation International Limited ("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 10 years of experience in the PCB manufacturing industry in the United Kingdom.

Mr. Wong Kwok Wai, aged 45, is the Deputy Managing Director of 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 20 years of experience in the electroplating industry.

Mr. Wong Chi Wing, aged 55, 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 20 years of experience in the electroplating industry.

Mr. Chan Chi Wai, aged 53, is the Director of PAL and joined the Group in 1981. He has over 20 years of experience in the electroplating industry.

COMPANY SECRETARY

Ms. Lui Choi Yiu Angela, aged 36, 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, 2009.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its principal subsidiaries and associates are set out in notes 39 and 18 respectively to the consolidated financial statements.

RESULTS

The results of the Group for the year ended 31st December, 2009 are set out in the consolidated statement of comprehensive income on page 23.

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 41% of the Group's turnover, with the largest customer accounted for approximately 13%. The aggregate purchases attributable to the Group's five largest suppliers were less than 30% 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, 2009 are approximately HK$204,966,000, being the contributed surplus of approximately HK$78,447,000 and retained profits of approximately HK$126,519,000.

Directors' Report

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, Mr. Cheung Kin Wai retires and, being eligible, offers himself for re-election.

The terms of office of each Independent Non-executive Director are the period up to their retirement by rotation in accordance with the above clause.

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 ("Listing Rules") on the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). 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' Report

DIRECTORS' INTERESTS IN SHARES

At 31st December, 2009, 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

	Number of issued ordinary shares held			Percentage of the issued share
	Personal	Corporate		capital of
Name of director	**interest**	**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 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, 2009.

CONNECTED TRANSACTION

During the year, the Group has paid approximately HK$1,073 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.

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

As at 31st December, 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 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 "Director's Interests in Shares" above.

Save as disclosed above, as at 31st December, 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 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, 2009

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, 2009.

(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.

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 16 to 20.

Directors' Report

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, 2009.

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
26th April, 2010

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, 2009 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.

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 authorizes the management to carry out the strategies that have been approved.

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 2009, 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	3/4
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. Each of the independent non-executive director 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. 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 GC 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. A majority of the members of the Remuneration Committee is Independent Non-executive Directors and members of the Committee are listed as below.

The Remuneration Committee is primarily responsible for the following duties:

- 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 the policy on such remuneration;
- to have the delegated responsibilities to determine the specific remuneration packages of all Executive Directors and senior management;
- to review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time;
- 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 for the Company;
- 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; and
- to ensure that no Director or any of his/her associates is involved in deciding his/her own remuneration.

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. Ng Chi Kin David	(Independent Non-executive Director & chairman of the Remuneration Committee)	1/1
Mr. Cheung Kin Wai	(Independent Non-executive Director)	1/1
Mr. Kwan Wang Wai Alan	(Independent Non-executive Director)	0/1
Mr. Lam Kwok Hing	(Executive Director)	1/1
Mr. Nam Kwok Lun	(Executive Director)	1/1

NOMINATION OF DIRECTORS

Currently, the Company does not have a nomination committee, and the Board will identify individuals suitably qualified to become board members when necessary. The Board will give due consideration to the suitability of a candidate for directorship after taking into account of his/her experience, qualification and other relevant factors. All candidates must also meet the standards as set forth in Rules 3.08 and 3.09 of the Listing Rules. A candidate who is to be appointed as an Independent Non-executive Director should also meet the independence criteria set out in Rule 3.13 of the Listing Rules.

AUDITOR REMUNERATION

During the year, the auditor of the Company, Messrs. Deloitte Touche Tohmatsu received approximately HK$790,000 for statutory audit services. Payments made by the Company for non-audit services to the auditor was made during the year were:

- HK$150,000 for review of the unaudited financial statements for the six months ended 30th June, 2009
- HK$5,000 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 GC Code.

The Audit Committee is primarily responsible for the following duties:

(a) to review the financial statements and reports and consider any significant or unusual items raised by the qualified accountant or external auditor.

(b) to review the relationship with the external auditor by reference to the work performed by the auditor, their fees and terms of engagement, and make recommendation to the Board on the appointments, re-appointment and removal of external auditor.

(c) to review the adequacy and effectiveness of the Company's financial reporting system, internal control system and risk management system and associated procedures.

The Audit Committee will meet at least twice each year. In 2009, the Audit Committee met twice considering the annual results of the Group for the financial year ended 31st December, 2009 and the interim results of the Group for the 6 months ended 30th June, 2009, 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. Details of Committee members and their attendance records are listed as below:

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

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 21 to 22 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.

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 23 to 89, which comprise the consolidated statement of financial position as at 31st December, 2009, 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 notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements 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. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 as to whether the consolidated financial statements are free from material misstatement.

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 and true and fair presentation of the consolidated financial statements 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, 2009 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
26th April, 2010

Consolidated Statement of Comprehensive Income

For the year ended 31st December, 2009

	NOTES	2009 HK$'000	2008 HK$'000
Revenue	7	**195,359**	481,497
Direct costs		**(160,593)**	(379,935)
Gross profit		**34,766**	101,562
Other gains and losses	8	**6,176**	65,290
Bad debts recovered		**4,111**	1,384
Other income		**2,787**	4,194
Selling and distribution costs		**(14,081)**	(18,985)
Administrative expenses		**(80,987)**	(111,071)
Allowance for bad and doubtful debts		**(9,275)**	(14,486)
Finance costs	9	**(222)**	(1,620)
Share of results of associates		**397**	(1,825)
(Loss) profit before taxation		**(56,328)**	24,443
Taxation	10	**25**	(810)
(Loss) profit for the year	11	**(56,303)**	23,633
Other comprehensive income (expense)			
Increase in fair value of available-for-sale investments		**412**	1,474
Exchange difference arising on translation of foreign subsidiaries and associate		**493**	14,637
Reclassification of translation reserve upon disposal of an associate		**–**	(4,893)
Reclassification of revaluation reserve upon disposal of available-for-sale investments		**(412)**	(1,474)
Recognition of actuarial gain (loss) on defined benefits plan		**537**	(1,107)
Other comprehensive income for the year		**1,030**	8,637
Total comprehensive (expense) income for the year		**(55,273)**	32,270
(Loss) profit for the year attributable to:			
Owners of the Company		**(54,277)**	22,447
Minority interests		**(2,026)**	1,186
		(56,303)	23,633
Total comprehensive (expense) income attributable to:			
Owners of the Company		**(53,252)**	31,042
Minority interests		**(2,021)**	1,228
		(55,273)	32,270
(Loss) earnings per share – Basic	14	**HK(12.73) cents**	HK5.26 cents

Consolidated Statement of Financial Position

At 31st December, 2009

	NOTES	2009 HK$'000	2008 HK$'000
Non-current assets			
Property, plant and equipment	16	**78,002**	84,567
Prepaid lease payments	17	**16,175**	16,508
Interests in associates	18	**933**	541
Available-for-sale investments	19	**113**	2,373
Loans receivable	20	**3,234**	307
		98,457	104,296
Current assets			
Inventories	21	**31,659**	38,404
Amounts due from customers for contract work	22	**22,941**	9,999
Loans receivable	20	**5,701**	8,032
Debtors, deposits and prepayments	23	**68,563**	185,239
Prepaid lease payments	17	**349**	349
Held-for-trading investments	24	**36,823**	13,681
Amounts due from associates	25	**796**	620
Taxation recoverable		**108**	3,610
Pledged bank deposits	26	**2,174**	10,711
Bank balances and cash	26	**116,171**	150,705
		285,285	421,350
Current liabilities			
Creditors, bills payable and accrued charges	27	**84,668**	156,141
Retirement benefit obligations	37	**163**	711
Warranty provision	28	**8,350**	10,842
Amounts due to customers for contract work	22	**9,201**	15,474
Amounts due to associates	25	**98**	–
Obligations under finance leases due within one year	29	**227**	2,251
		102,707	185,419
Net current assets		**182,578**	235,931
Total assets less current liabilities		**281,035**	340,227

Consolidated Statement of Financial Position

At 31st December, 2009

	NOTES	2009 HK$'000	2008 HK$'000
Capital and reserves			
Share capital	30	**4,265**	4,265
Reserves		**267,120**	320,372
Equity attributable to owners of the Company		**271,385**	324,637
Minority interests		**4,323**	7,975
Total equity		**275,708**	332,612
Non-current liabilities			
Warranty provision	28	**1,012**	3,278
Obligations under finance leases due after one year	29	**–**	20
Deferred taxation	31	**4,315**	4,317
		5,327	7,615
		281,035	340,227

The consolidated financial statements on pages 23 to 89 were approved and authorised for issue by the Board of Directors on 26th April, 2010 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, 2009

	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)	Available-for-sale investments reserve HK$'000	Currency translation reserve HK$'000	Contributed surplus HK$'000 (note b)	Retained profits HK$'000	Total HK$'000	Minority interests HK$'000	Total HK$'000
Balance at 1st January, 2008	4,265	28,500	32,383	11,450	–	11,927	48,937	156,133	293,595	6,747	300,342
Profit for the year	–	–	–	–	–	–	–	22,447	22,447	1,186	23,633
Increase in fair value on available-for-sale investments	–	–	–	–	1,474	–	–	–	1,474	–	1,474
Exchange difference arising on translation of foreign operations											
– subsidiaries	–	–	–	–	–	13,290	–	–	13,290	42	13,332
– associate	–	–	–	–	–	1,305	–	–	1,305	–	1,305
Recognition of actuarial loss on defined benefits plan	–	–	–	–	–	–	–	(1,107)	(1,107)	–	(1,107)
Reclassification upon disposal of available-for-sale investments	–	–	–	–	(1,474)	–	–	–	(1,474)	–	(1,474)
Reclassification of translation reserve upon disposal of an associate	–	–	–	–	–	(4,893)	–	–	(4,893)	–	(4,893)
Total comprehensive income for the year	–	–	–	–	–	9,702	–	21,340	31,042	1,228	32,270
Balance at 31st December, 2008	4,265	28,500	32,383	11,450	–	21,629	48,937	177,473	324,637	7,975	332,612
Loss for the year	–	–	–	–	–	–	–	(54,277)	(54,277)	(2,026)	(56,303)
Increase in fair value on available-for-sale investments	–	–	–	–	412	–	–	–	412	–	412
Exchange difference arising on translation of foreign operations											
– subsidiaries	–	–	–	–	–	493	–	–	493	5	498
– associate	–	–	–	–	–	(5)	–	–	(5)	–	(5)
Recognition of actuarial gain on defined benefits plan	–	–	–	–	–	–	–	537	537	–	537
Reclassification upon disposal of available-for-sale investments	–	–	–	–	(412)	–	–	–	(412)	–	(412)
Total comprehensive income (expense) for the year	–	–	–	–	–	488	–	(53,740)	(53,252)	(2,021)	(55,273)
Dividend paid by a subsidiary to its minority shareholder	–	–	–	–	–	–	–	–	–	(1,633)	(1,633)
Capital contribution from a minority shareholder of a subsidiary	–	–	–	–	–	–	–	–	–	2	2
Balance at 31st December, 2009	4,265	28,500	32,383	11,450	–	22,117	48,937	123,733	271,385	4,323	275,708

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, 2009 and 2008 as the subsidiary incurred losses 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, 2009

	2009 HK$'000	2008 HK$'000
OPERATING ACTIVITIES		
(Loss) profit before taxation	**(56,328)**	24,443
Adjustments for:		
Share of results of associates	**(397)**	1,825
Interest income, other than interest income from loans receivable	**(291)**	(710)
Finance costs	**222**	1,620
Dividend income	**(753)**	(774)
Depreciation	**10,997**	8,863
Release of prepaid lease payments	**350**	303
Allowance for slow moving inventories	**3,917**	182
Allowance for bad and doubtful debts	**9,275**	14,486
Loss (gain) on disposal of property, plant and equipment	**767**	(3,188)
Net change in fair value of held-for-trading investments	**(23,609)**	28,309
Impairment loss on investments in associates	**–**	1,013
Impairment loss on available-for-sale investments	**182**	2,274
Gain on disposal of available-for-sale investments	**(412)**	(1,474)
Gain on disposal of an associate	**–**	(102,097)
Warranty provision	**2,114**	6,848
Net exchange loss	**2,195**	7,915
Operating cash flows before movements in working capital	**(51,771)**	(10,162)
Decrease in held-for-trading investments	**467**	2,438
Decrease in inventories	**2,892**	21,679
(Increase) decrease in amounts due from customers for contract work	**(12,942)**	15,315
Increase in loans receivable	**(596)**	(3,554)
Decrease in debtors, deposits and prepayments	**108,917**	9,594
Decrease in creditors, bills payable and accrued charges	**(71,469)**	(54,015)
Decrease in warranty provision	**(6,872)**	(12,667)
(Decrease) increase in amounts due to customers for contract work	**(6,273)**	10,169
Decrease in retirement benefits obligations	**(11)**	(132)
Cash used in operations	**(37,658)**	(21,335)
Overseas income tax paid	**(10)**	(1,026)
Hong Kong and overseas income tax refunded	**3,536**	313
NET CASH USED IN OPERATING ACTIVITIES	**(34,132)**	(22,048)

Consolidated Statement of Cash Flows

For the year ended 31st December, 2009

	2009 HK$'000	2008 HK$'000
INVESTING ACTIVITIES		
Decrease (increase) in pledged bank deposits	**8,537**	(3,711)
Proceeds on disposal of property, plant and equipment	**161**	12,098
Proceeds on disposal of an associate	**–**	150,510
Dividend received from unlisted investments	**753**	774
Interest received	**291**	710
Purchase of property, plant and equipment	**(4,613)**	(9,613)
Payment of prepaid lease	**–**	(4,212)
Proceeds on disposal of available-for-sales investments	**2,780**	4,100
Purchase of available-for-sales investments	**(290)**	(4,129)
(Advance to) repayment from associates	**(176)**	134
Acquisition of additional interest in an associate	**–**	(1,013)
Acquisition of interest in an associate	**–**	(18)
NET CASH FROM INVESTING ACTIVITIES	**7,443**	145,630
FINANCING ACTIVITIES		
New borrowings raised, other than bank overdrafts	**–**	124,474
Repayment of borrowings	**–**	(165,666)
Capital contribution from a minority shareholder of a subsidiary	**2**	–
Dividend paid by a subsidiary to its minority shareholder	**(1,633)**	–
Interest paid	**(222)**	(1,620)
Advance from (repayment to) associates	**98**	(20)
Repayment of obligations under finance leases	**(2,691)**	(2,765)
NET CASH USED IN FINANCING ACTIVITIES	**(4,446)**	(45,597)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(31,135)**	77,985
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**150,705**	72,021
EFFECT ON FOREIGN EXCHANGE RATE CHANGES	**(3,399)**	699
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	**116,171**	150,705
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	**116,171**	150,705

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2009

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 39.

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

In the current year, the Group has applied the following new and revised Standards, Amendments and Interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

HKAS 1 (Revised 2007)	Presentation of financial statements
HKAS 23 (Revised 2007)	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
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
HK(IFRIC) – INT 18	Transfers of assets from customers
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning or after 1st July, 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

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

Except as described below, the adoption of the new and revised HKFRSs has had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

HKAS 1 (Revised 2007) Presentation of Financial Statements

HKAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the consolidated financial statements) and changes in the format and content of the consolidated financial statements.

The restatement (see note 38) represents reclassification of certain items of the consolidated statement of comprehensive income for the year ended 31st December, 2008 for comparative purpose and have no impact on the financial position as at 31st December, 2008 and as at 1st January, 2008. Accordingly the consolidated statement of financial position as at 1st January, 2008 is not presented.

HKFRS 8 Operating Segments

HKFRS 8 is a disclosure standard that has resulted in a redesignation of the Group's operating segments (see note 7).

Amendments to HKFRS 7 – Financial Instruments: Disclosures

The amendments to HKFRS 7 expand the disclosures required in relation to fair value measurements in respect of financial instruments which are measured at fair value. The Group has not provided comparative information for the expanded disclosures in accordance with the transitional provision set out in the amendments.

HKAS 23 (Revised 2007) Borrowing Costs

In previous years, the Group expensed all borrowing costs when they were incurred. HKAS 23 (Revised 2007) removes the option previously available to expense all borrowing costs when incurred. The adoption of HKAS 23 (Revised 2007) has resulted in the Group changing its accounting policy to capitalise all such borrowing costs as part of the cost of the qualifying asset. The revised accounting policy does not have a material effect on the reported results and financial position of the Group for the current or prior accounting periods.

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

The Group has not early applied the following new and 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 HKFRSs 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKAS 24 (Revised)	Related party disclosures[6]
HKAS 27 (Revised)	Consolidated and separate financial statements[1]
HKAS 32 (Amendment)	Classification of rights issues[4]
HKAS 39 (Amendment)	Eligible hedged items[1]
HKFRS 1 (Amendment)	Additional exemptions for first-time adopters[3]
HKFRS 1 (Amendment)	Limited exemption from comparative HKFRS 7 disclosures for first-time adopters[5]
HKFRS 2 (Amendments)	Group cash-settled share-based payments transactions[3]
HKFRS 3 (Revised)	Business combinations[1]
HKFRS 9	Financial instruments[7]
HK(IFRIC) – INT 14 (Amendment)	Prepayments of a minimum funding requirement[6]
HK(IFRIC) – INT 17	Distributions of non-cash assets to owners[1]
HK(IFRIC) – INT 19	Extinguishing financial liabilities with equity instrument[5]

1 Effective for annual periods beginning on or after 1st July, 2009.

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

3 Effective for annual periods beginning on or after 1st January, 2010.

4 Effective for annual periods beginning on or after 1st February, 2010.

5 Effective for annual periods beginning on or after 1st July, 2010.

6 Effective for annual periods beginning on or after 1st January, 2011.

7 Effective for annual periods beginning on or after 1st January, 2013.

The application of HKFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition date is on or after 1st January, 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary.

HKFRS 9 "Financial Instruments" introduces new requirements for the classification and measurement of financial assets and will be effective from 1st January, 2013, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" to be measured at either amortised cost or fair value. Specially, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 will affect the classification and measurement of the Group's financial assets.

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

In addition, as part of "Improvements to HKFRSs 2009", HKAS 17 "Leases" has been amended in relation to the classification of leasehold land. The amendments will be effective from 1st January, 2010, with earlier application permitted. Before the amendments to HKAS 17, leases were required to classify leasehold land as operating leases and presented as prepaid lease payments in the consolidated statement of financial position. The amendments have removed such a requirement. Instead, the amendments require the classification of leasehold land to be based on the general principles set out in HKAS 17, that are based on the extent to which risk and rewards incidental to ownership of a leased asset lie with the lessor or the lessee. The application of the amendments to HKAS 17 might affect the classification and measurement of the Group's leasehold land at revalued amount.

The directors of the Company anticipate that the application of the other new or revised Standards, Amendments or Interpretations will have no material impact on the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

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.

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 Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

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.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

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.

The results, 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 carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any identified impairment loss. 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. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

The use of equity method of accounting would be discontinued from the date that the Group ceases to have significant influence over the associate. From that date, the investment is accounted for in accordance with the requirements of HKAS 39 "Financial Instruments: Recognition and Measurement" as issued by the HKICPA ("HKAS 39"), provided that the associate has not become a subsidiary or a joint venture. The carrying amount of the investment at the date that it ceases to be an associate will be its deemed cost of the purpose of the application of HKAS 39.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

Sales of goods are recognised when goods are delivered and title has passed.

Revenue from services rendered is recognised when the services are rendered.

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 including financial assets at fair value through profit or loss is recognised when the Group's right to receive payment has been established.

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 bear 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.

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 an amount 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 trade and other receivables.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Property, plant and equipment

Property, plant and equipment includes land and buildings held for use on the production or supply of goods and services, or for administrative purposes are stated at cost or fair value less subsequent accumulated depreciation and accumulated impairment losses.

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.

The cost or valuation of land and buildings is depreciated over their estimated useful lives using the straight-line method.

Depreciation is provided to write off the cost of items of plant and equipment over their estimated useful lives and after taking into account their estimated residual values, using straight-line method.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets of the Group or, where shorter, the term of the relevant lease.

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 derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the profit or loss in the period in which the item is derecognised.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leasing *(Continued)*

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss.

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Leasehold land and building

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification, unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is generally treated as a finance lease and accounted for as property, plant and equipment. To the extent the allocation of the lease payments can be made reliably, leasehold interests in land are accounted for as operating leases and amortised over the lease term on a straight-line basis.

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 the 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. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies *(Continued)*

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 (the currency translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

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 for which the commencement date for capitalisation is on or after 1st January, 2009 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 periods and it further excludes consolidated statement of comprehensive income 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.

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, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

Deferred tax liabilities are recognised for taxable temporary differences arising on 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 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 is calculated 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. 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 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.

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 amount 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments

Financial assets and financial liabilities are recognised in the 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 except for an available-for-sale investment reclassified from the interests in associates in which the carrying amount of the investment at the date that it ceases to be an associate is regarded as the deemed cost on initial measurement. 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. 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. The accounting policies adopted in respect of each category of financial assets are set out below.

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, 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. Available-for-sale financial assets are measured at fair value at the end of the reporting period. Changes in fair value are recognised in other comprehensive income and accumulated in investment revaluation reserve, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss (see accounting policy on impairment loss on financial assets below).

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).

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

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 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 impacted.

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.

For all other financial assets, objective evidence of impairment includes:

- significant financial difficulty of the issuer or counterparty; or
- 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, each debtor that is individually significant is assessed for indication of impairment at the end of the reporting period. Debtors that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. In determining whether there is any impairment for a portfolio of debtors, the Group considers past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days and other observable changes in national or local economic conditions that correlate with default on debtors.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Impairment of financial assets *(Continued)*

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.

Impairment losses on available-for-sale equity investments will not be reversed in profit and loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in other comprehensive income and accumulated in investment revaluation reserve.

Derecognition of financial assets

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, 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 directly in other comprehensive income is recognised in profit or loss.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of a group entity after deducting all of its liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

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 through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity *(Continued)*

Financial liabilities

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

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derecognition of financial liabilities

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

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 the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset 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 in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverse, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, such 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 in prior years. A reversal of an impairment loss is recognised as income immediately in profit or loss, unless the relevant asset is carried at revalued amount in which case the impairment loss is treated as a revaluation increase.

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. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the end of the reporting period, and are discounted to present value where the effect 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 and receivables, trade debtors and other debtors may be impaired, the Group estimates the future cash flows of the these 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, 2009, the carrying amount of loans receivable is HK$8,935,000 (2008: HK$8,339,000) with no allowance for bad and doubtful debts, trade debtors is HK$50,866,000 (2008: HK$163,881,000) (net of allowance for bad and doubtful debts of HK$31,785,000 (2008: HK$33,357,000)), and other debtors is HK$9,177,000 (2008: HK$12,504,000) (net of allowance for bad and doubtful debts of HK$6,607,000 (2008: HK$2,090,000)).

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 year 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 to the consolidated statement of comprehensive income 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 consolidated statement of comprehensive income will be recognised in profit or loss when the amounts are settled.

Allowance for inventories

The 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. The 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, 2009, the carrying amount of inventories is HK$31,659,000 (2008: HK$38,404,000). Allowance for slow moving inventories of HK$3,917,000 was made in consolidated statement of comprehensive income during the year ended 31st December, 2009 (2008: HK$182,000).

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 obligations under finance leases disclosed in note 29, and equity attributable to equity holders 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 and the repayment of existing obligations under finance leases.

6. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2009 **HK$'000**	2008 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**200,756**	345,342
Available-for-sale investments	**113**	2,373
Held-for-trading investments	**36,823**	13,681
Financial liabilities		
Amortised cost	**83,829**	152,634

Financial risk management objectives and policies

The Group's major financial instruments include loans receivable, debtors, available-for-sale investments, held-for-trading investments, amounts due from associates, pledged bank deposits, bank balances, creditors, bills payable, accrued charges and amounts due to associates. 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.

6. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

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 and bills payable 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, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

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

	Assets		**Liabilities**	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Australian Dollar ("AUD")	**277**	2,404	**–**	–
Euro ("EUR")	**23,181**	50,748	**2,390**	3,007
Sterling Pound ("GBP")	**1,694**	467	**62**	164
Taiwan Dollars ("NTD")	**61,285**	104,452	**1,637**	2,352
United States Dollars ("USD")	**41,653**	113,060	**28,702**	54,028

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

	Liabilities	
	2009	2008
	HK$'000	HK$'000
Renminbi ("RMB")	**71,306**	82,738

The Directors of the Company expect the foreign exchange exposure on USD against HKD to be minimal because HKD are 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% (2008: 10%) increase and decrease in AUD, EUR, GBP, NTD and RMB against the functional currency of the relevant group entities. 10% (2008: 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% (2008: 10%) change in foreign currency rates. A positive number below indicates a decrease in post-tax loss for the year (2008: an increase in post-tax profit) where relevant currencies strengthen 10% (2008: 10%) against the functional currency of the relevant group entities. For a 10% (2008: 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 and the balances below would be negative.

	Profit and loss	
	2009	2008
	HK$'000	HK$'000
AUD	**28**	240
EUR	**2,079**	4,774
GBP	**163**	30
NTD	**5,965**	10,210
RMB	**(7,131)**	(8,274)

Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate loans receivable as at 31st December, 2009 and 2008 (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 of pledged bank deposits placed with financial institutions (see note 26 for details) and fixed-rate of obligations under finance leases (see note 29 for details). 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 placed with financial institutions are with short maturity period and the carrying amount of obligations under finance leases is not significant.

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

6. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Interest rate risk *(Continued)*

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 asset outstanding at the end of the reporting period was outstanding for the whole year. A 100 basis points (2008: 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 (2008: 100 basis points) higher/lower and all other variables were held constant, the Group's post-tax loss for the year ended 31st December, 2009 would decrease/increase by HK$89,000 (2008: increase/decrease of the Group's post-tax profit by HK$83,000). 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 available-for-sale investments and held-for-trading investments. The management manages this exposure by closely monitoring the performance of the investments and market conditions. The 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 and quoted available-for-sale investments at the end of the reporting period.

If the prices of the respective equity instruments had been 10% (2008: 10%) higher/lower:

- Group's post-tax loss for the year ended 31st December, 2009 would decrease/increase by HK$3,682,000 (2008: Group's post-tax profit would increase/decrease by HK$1,368,000) as a result of the changes in fair value of held-for-trading investments.

- Group's post-tax profit for the year ended 31st December, 2008 would increase/decrease by HK$288,000 as a result of the changes in fair value of quoted available-for-sale 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 receivables, debtors, 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, 2009 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 bank balances and cash are deposited with banks in Hong Kong and the People's Republic of China (excluding Hong Kong) ("PRC") and the Group has limited the exposure to any single financial institution. The Group does not have any significant concentration of credit risk on bank balances. The credit risk on liquid funds is limited because the counterparties are banks with good credit-rating.

The Group does not have any significant concentration of credit risk on loans receivable and trade debtors, with exposure spread over a number of counterparties and customers.

Liquidity risk

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

The following table details the Group's remaining contractual maturity for its financial liabilities based on the agreed repayment terms. For financial liabilities, 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.

6. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Liquidity risk *(Continued)*

Liquidity risk tables

	Weighted average effective interest rate	Less than 1 month	1 – 3 months	3 months to 1 year	1 – 5 years	5 + years	Total undiscounted cash flows	Carrying amount
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2009								
Non interest bearing								
Creditors, bills payable and accrued charges	**–**	**16,314**	**39,104**	**28,086**	**–**	**–**	**83.504**	**83,504**
Amounts due to associates	**–**	**–**	**–**	**98**	**–**	**–**	**98**	**98**
		16,314	**39,104**	**28,184**	**–**	**–**	**83,602**	**83,602**
Interest bearing								
Obligations under finance leases	**2.78**	**119**	**127**	**–**	**–**	**–**	**246**	**227**
2008								
Non interest bearing								
Creditors, bills payable and accrued charges	–	35,305	44,867	70,191	–	–	150,363	150,363
Interest bearing								
Obligations under finance leases	2.78	247	492	1,649	22	–	2,410	2,271

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) and available-for-sale listed equity investments 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 statement of financial position

Held-for-trading investments are measured subsequent to initial recognitions 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.

7. REVENUE AND SEGMENT INFORMATION

Revenue

The Group's revenue for the years ended 31st December, 2009 and 2008 analysed by principal activity is as follows:

	2009 **HK$'000**	2008 HK$'000
Revenue from electroplating machinery business:		
Construction contracts in respect of design, manufacturing and sale of custom-built electroplating machinery and other industrial machinery	**167,306**	422,761
Sale of spare parts of electroplating machinery	**20,258**	28,270
Provision of services – repairs and maintenance	**7,795**	30,466
	195,359	481,497

7. REVENUE AND SEGMENT INFORMATION *(Continued)*

Segment information

The Group has adopted HKFRS 8 "Operating Segments" with effect from 1st 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 segments and to assess its performance. In contrast, the predecessor standard, HKAS 14 "Segment Reporting" required an entity to identify two sets of segments (business and geographical) using a risk and return approach. 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 operating segments as compared with the primary segments determined in accordance with HKAS 14.

In prior years, primary segment information was analysed on the basis of business segments, comprising 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. Information regarding the above segment is reported below. Amounts reported for the prior year have been restated to conform to the requirement of HKFRS 8.

7. REVENUE AND SEGMENT INFORMATION *(Continued)*

Segment information *(Continued)*

Segment revenues and results

The following is an analysis of the Group's revenue and results by operating segment:

	2009 HK$'000	2008 HK$'000
Revenue from electroplating equipment	**195,359**	481,497
Segment loss	**(55,822)**	(24,254)
Intra-group management fee charged to operating segment	**2,242**	2,813
Other income	**2,168**	2,767
Central corporate expenses	**(29,152)**	(27,033)
Net change in fair value of held-for-trading investments	**23,609**	(28,309)
Gain on disposal of an associate	**–**	102,097
Share of results of associates	**397**	(1,825)
Impairment loss on investment in associates	**–**	(1,013)
Impairment loss on available-for-sale investments	**(182)**	(2,274)
Gain on disposal of available-for-sale investments	**412**	1,474
(Loss) profit before taxation	**(56,328)**	24,443

The accounting policies of the operating segment are the same as the Group's accounting policies described in note 3. Segment loss represents the gross profit of the segment plus its own segment's other income and expenses (including intra-group management fee) without allocation of interest income from loans receivables, dividend income and sundry income, central administration costs including auditor's remuneration, net change in fair value of held-for-trading investments, gain on disposal of associate, share of results of associates, impairment loss on investment in associates, impairment loss on available-for-sale investments and gain on disposal of 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 segments liabilities that are regularly reviewed by the chief operating decision maker:

	2009 HK$'000	2008 HK$'000
Segment assets	**208,080**	322,784
Property, plant and equipment (for corporate)	**1,007**	1,860
Prepaid lease payments (for corporate)	**5,180**	5,180
Interests in associates	**933**	541
Available-for-sale investments	**113**	2,373
Loans receivable	**8,935**	8,339
Other debtors, deposits and prepayments (for corporate)	**3,422**	5,242
Held-for-trading investments	**36,823**	13,681
Amounts due from associates	**796**	620
Taxation recoverable	**108**	3,610
Pledged bank deposits	**2,174**	10,711
Bank balances and cash	**116,171**	150,705
Consolidated total assets	**383,742**	525,646
Segment liabilities	**101,576**	183,086
Other creditors and accrued charges (for corporate)	**1,818**	3,360
Amounts due to associates	**98**	–
Obligations under finance leases	**227**	2,271
Deferred taxation	**4,315**	4,317
Consolidated total liabilities	**108,034**	193,034

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

- All assets are allocated to segment other than interests in associates, available-for-sale investments, loans receivable, held-for-trading investments, amount 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 segment other than amounts due to associates, obligations under finance leases and deferred taxation of the Group, and corporate liabilities of the Group.

7. REVENUE AND SEGMENT INFORMATION *(Continued)*

Segment information *(Continued)*

Other segment information

	Segment	
	2009	2008
	HK$'000	HK$'000
Amounts included in the measure of segment result or segment assets:		
Allowance for bad and doubtful debts for trade and other debtors	**9,275**	12,396
Allowance for slow moving inventories	**3,917**	182
Bad debts recovered	**4,071**	343
Finance costs	**222**	1,620
Capital additions	**5,232**	9,888
Loss (gain) on disposal of property, plant and equipment	**767**	(3,188)
Payment of prepaid lease	**–**	4,212
Depreciation	**10,117**	8,306
Release of prepaid lease payments	**350**	303
Provision for warranty	**2,114**	6,848

	Unallocated	
	2009	2008
	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 debts for other receivables	**–**	2,090
Bad debts recovered	**40**	1,041
Capital additions	**28**	1,757
Depreciation	**880**	557
Interest income	**839**	1,304

7. REVENUE AND SEGMENT INFORMATION *(Continued)*

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.

The following table provides an analysis of the Group's revenue by location of external customers.

	2009 HK$'000	2008 HK$'000
PRC	**75,861**	140,206
Europe	**29,691**	66,216
Taiwan	**26,570**	121,462
India	**21,540**	1,241
Mexico	**11,755**	–
Hong Kong	**7,468**	48,513
Singapore	**5,392**	2,470
The United States of America	**5,016**	14,555
Australia	**4,912**	3,421
United Arab Emirates	**2,208**	–
Philippines	**1,855**	60,578
Japan	**523**	7,261
Malaysia	**–**	1,015
Other South East Asia countries	**2,145**	10,298
Others	**423**	4,261
	195,359	481,497

7. REVENUE AND SEGMENT INFORMATION *(Continued)*

Geographical information *(Continued)*

The following is the information about non-current assets other than financial instruments by the geographical area in which the assets are located:

	2009	2008
	HK$'000	HK$'000
Hong Kong	**43,761**	46,718
PRC	**49,948**	53,757
Others	**1,401**	1,141
	95,110	101,616

Information about major customers

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

	2009	2008
	HK$'000	HK$'000
Customers A	**25,056**	–[1]
Customers B	–[1]	59,498

[1] The corresponding revenue did not contributed over 10% of total sales of the Group.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2009

8. OTHER GAINS AND LOSSES

	2009 HK$'000	2008 HK$'000
Net change in fair value of held-for-trading investments	**23,609**	(28,309)
Gain on disposal of an associate	**–**	102,097
Impairment loss on investments in associates	**–**	(1,013)
Impairment loss on available-for-sale investments	**(182)**	(2,274)
Gain on disposal of available-for-sale investments	**412**	1,474
Net exchange loss	**(12,662)**	(8,210)
(Loss) gain on disposal of property plant and equipment	**(767)**	3,188
Other losses	**(4,234)**	(1,663)
	6,176	65,290

9. FINANCE COSTS

	2009 HK$'000	2008 HK$'000
Interest on:		
Bank borrowings wholly repayable within five years	**–**	1,387
Finance leases	**222**	233
	222	1,620

10. TAXATION

The taxation (credit) charge comprises:

	2009 HK$'000	2008 HK$'000
Overseas taxation		
Charge for the year	–	816
Overprovision in prior years	**(23)**	–
Deferred taxation (note 31)	**(2)**	(6)
Taxation attributable to the Company and its subsidiaries	**(25)**	810

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the Group has no assessable profit for the both years.

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

Pursuant to the relevant laws and regulations in the PRC, a PRC subsidiary of the Group charged under preferential tax rate is exempted from PRC enterprise income tax for the first two years commencing from its first profit-making year of operation and thereafter, that PRC subsidiary will be entitled to a 50% relief for PRC enterprise income tax for the following two years ("Tax preference"). The reduced tax rate for the relief period is 10% (2008: 9%). The charge of PRC enterprise income tax for the years has been provided for after taking these tax incentives into account.

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 subsidiary that is 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.

The subsidiary that originally enjoys the tax preference can continue enjoying the tax preference based on the tax rate stated above until after the expiration of the tax preference. The Directors consider that the effect on the deferred tax balance is insignificant.

For the year ended 31st December, 2009

10. TAXATION *(Continued)*

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

	2009	2008
	HK$'000	HK$'000
(Loss) profit before taxation	**(56,328)**	24,443
Tax at the income tax rate of 16.5%	**(9,294)**	4,033
Tax effect of share of results of associates	**(65)**	301
Tax effect of expenses not deductible for tax purpose	**2,234**	868
Tax effect of income not taxable for tax purpose	**(370)**	(17,095)
Tax effect of tax losses not recognised	**11,051**	15,315
Tax effect of deductible temporary difference not recognised	**1,087**	518
Utilisation of tax losses previously not recognised	**(4,035)**	(1,283)
Effect of tax relief grant to a PRC subsidiary	**–**	(1,167)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(703)**	(637)
Overprovision in prior years	**(23)**	–
Others	**93**	(43)
Taxation for the year	**(25)**	810

11. (LOSS) PROFIT FOR THE YEAR

	2009 HK$'000	2008 HK$'000
(Loss) profit for the year has been arrived at after charging (crediting):		
Auditor's remuneration:		
– Current year	**1,225**	1,293
– Underprovision in prior years	**71**	275
	1,296	1,568
Cost of inventories recognised as expenses (including allowance for slow moving inventories of HK$3,917,000 (2008: HK$182,000))	**99,198**	303,514
Depreciation of property, plant and equipment	**10,997**	8,863
Release of prepaid lease payments	**350**	303
Operating lease payments in respect of rented premises	**1,912**	2,813
Staff costs:		
Directors' fee (note 12)	**180**	180
Directors' salaries and other benefits (note 12)	**8,386**	7,962
Salaries and allowances	**54,081**	89,110
Retirement benefits schemes expenses	**46**	94
Contributions to retirement contributions schemes	**1,558**	1,852
	64,251	99,198
Interest income from loans receivable	**(548)**	(594)
Investment income		
Interest earned on bank deposits	**(171)**	(544)
Other interest income from overdue trade debtors	**(120)**	(166)
Dividend income from		
– Held-for-trading investments (listed equity securities)	**(14)**	(449)
– Available-for-sale investments (unlisted equity securities)	**(739)**	(325)
	1,044	(1,484)

12. DIRECTORS' EMOLUMENTS

Directors' emoluments

The emoluments paid or payable to each of the five (2008: five) Directors were as follows:

For the year ended 31st December, 2009

	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$'000	Total 2009 HK$'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	**593**	**593**	**–**	**–**	**–**	**1,186**
Independent Non-executive Directors						
Fees	**–**	**–**	**60**	**60**	**60**	**180**
Total emoluments	**4,205**	**4,205**	**60**	**60**	**60**	**8,590**

For the year ended 31st December, 2008

	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$'000	Total 2008 HK$'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	381	381	–	–	–	762
Independent Non-executive Directors						
Fees	–	–	60	60	60	180
Total emoluments	3,993	3,993	60	60	60	8,166

No compensation was paid to the above Directors of the Company during the current and prior years for the loss of office has 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. EMPLOYEES' EMOLUMENTS

Employees' emoluments

Of the five individuals with the highest emoluments in the Group, two (2008: two) were Directors of the Company whose emoluments are included in note 12. The emoluments of the remaining three (2008: three) individuals were as follows:

	2009	2008
	HK$'000	HK$'000
Salaries and other benefits	**2,700**	3,642
Contributions to retirement benefits schemes	**48**	74
	2,748	3,716

Their emoluments were within the following bands:

	Number of employees	
	2009	2008
Nil – HK$1,000,000	**2**	1
HK$1,000,001 – HK$1,500,000	**1**	1
HK$1,500,001 – HK$2,000,000	**–**	1

14. (LOSS) EARNINGS PER SHARE

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

	2009	2008
	HK$'000	HK$'000
(Loss) earnings for the purposes of basic (loss) earnings per share ((Loss) profit for the year attributable to owners of the Company)	**(54,277)**	22,447
	'000	'000
Number of ordinary shares for the purpose of basic (loss) earnings per share	**426,463**	426,463

15. DIVIDEND

No dividend was paid or proposed during 2009, nor has any dividend been proposed since the statement end of reporting period (2008: nil).

16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold Land and Buildings HK$'000	Furniture and fixtures HK$'000	Leasehold improvements HK$'000	Plant, machinery and equipment HK$'000	Motor vehicles HK$'000	Antenna and antenna control equipment HK$'000	Computer software HK$'000	Total HK$'000
COST OR VALUATION								
At 1st January, 2008	93,194	9,036	7,927	60,994	11,653	8,247	–	191,051
Currency realignment	1,542	297	68	65	299	–	–	2,271
Additions	–	830	3,439	1,769	1,916	–	3,691	11,645
Disposals	(10,852)	(2,186)	(2,061)	(12,643)	(467)	(8,247)	–	(36,456)
At 31st December, 2008	83,884	7,977	9,373	50,185	13,401	–	3,691	168,511
Currency realignment	86	9	4	52	21	–	–	172
Additions	–	1,062	2,987	1,200	11	–	–	5,260
Disposals	(820)	(222)	(318)	(816)	(1,764)	–	–	(3,940)
At 31st December, 2009	83,150	8,826	12,046	50,621	11,669	–	3,691	170,003
COMPRISING								
At cost	5,938	8,826	12,046	50,621	11,669	–	3,691	92,791
At valuation								
– 31st March, 1992	35,712	–	–	–	–	–	–	35,712
– 31st March, 1994	41,500	–	–	–	–	–	–	41,500
	83,150	**8,826**	**12,046**	**50,621**	**11,669**	**–**	**3,691**	**170,003**
DEPRECIATION, AMORTISATION AND IMPAIRMENT								
At 1st January, 2008	25,387	7,715	5,152	47,113	7,995	8,247	–	101,609
Currency realignment	566	182	21	58	191	–	–	1,018
Provided for the year	1,804	556	1,512	3,413	1,457	–	121	8,863
Eliminated on disposals	(2,204)	(2,176)	(2,061)	(12,391)	(467)	(8,247)	–	(27,546)
At 31st December, 2008	25,553	6,277	4,624	38,193	9,176	–	121	83,944
Currency realignment	26	8	3	33	2	–	–	72
Provided for the year	1,796	639	2,258	4,177	1,665	–	462	10,997
Eliminated on disposals	(362)	(158)	(302)	(634)	(1,556)	–	–	(3,012)
At 31st December, 2009	27,013	6,766	6,583	41,769	9,287	–	583	92,001
CARRYING AMOUNTS								
At 31st December, 2009	56,137	2,060	5,463	8,852	2,382	–	3,108	78,002
At 31st December, 2008	58,331	1,700	4,749	11,992	4,225	–	3,570	84,567

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

The above items of property, plant and equipment 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	$12^1/_2$% to $33^1/_3$%
Motor vehicles	$33^1/_3$%
Antenna and antenna control equipment	10% to $12^1/_2$%
Computer software	$12^1/_2$%

Certain leasehold interest in land cannot be allocated reliably between the leasehold land and buildings elements, the leasehold interest in land continues to be accounted for as property, plant and equipment.

The carrying value of property, plant and equipment in respect of assets held under finance leases is HK$2,347,000 (2008: HK$4,036,000).

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$32,584,000 (2008: HK$33,636,000).

	2009 **HK$'000**	2008 HK$'000
The Group's leasehold land and buildings comprise:		
Medium-term leasehold land in Hong Kong	**23,984**	24,698
Medium-term leasehold land in the PRC	**32,153**	33,633
	56,137	58,331

17. PREPAID LEASE PAYMENTS

	2009 **HK$'000**	2008 HK$'000
The Group's prepaid lease payments comprise:		
Medium-term leasehold land in Hong Kong	**7,779**	7,851
Medium-term leasehold land in the PRC	**8,745**	9,006
	16,524	16,857
Analysed for reporting purposes as:		
Current asset	**349**	349
Non-current asset	**16,175**	16,508
	16,524	16,857

18. INTERESTS IN ASSOCIATES

	2009	2008
	HK$'000	HK$'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	**(645)**	(1,042)
Share of currency translation reserve	**2**	7
Share of net assets	**933**	541

Details of the Group's significant associates as at 31st December, 2009 and 2008 are as follows:

Name of associate	**Form of business structure**	**Place of incorporation**	**Proportion of nominal value of issued capital held by the Group**		**Principal activities**
			2009	2008	
Asia Vigour (Holdings) Limited	Incorporated	British Virgin Islands	**49.00%**	49.00%	Investment holding
Process Automation (Sea) Pte Ltd	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:

	2009	2008
	HK$'000	HK$'000
Total assets	**17,627**	11,228
Total liabilities	**(15,035)**	(9,726)
Net assets	**2,592**	1,502
Group's share of net assets of associates	**933**	541
Turnover	**18,439**	178,247
Profit (loss) for the year	**1,768**	(7,240)
Group's shares of results of associates for the year	**397**	(1,825)

During the year, the Group has 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:

	2009	2008
	HK$'000	HK$'000
Unrecognised share of losses of associates for the year	**76**	21
Accumulated unrecognised share of losses of associates	**1,647**	1,571

Pursuant to an agreement dated 25th January, 2008 entered into between the Company and an independent third party, the Group partially disposed of a then 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 7th 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.

19. AVAILABLE-FOR-SALE INVESTMENTS

	2009	2008
	HK$'000	HK$'000
Equity securities:		
Unlisted shares		
– Cost	**805**	515
– Impairment loss made	**(692)**	(510)
	113	5
Quoted shares in Taiwan	**–**	2,368
	113	2,373

The above unlisted investments represent investments in unlisted equity securities issued by private entities incorporated in Sweden, British Virgin Islands and Taiwan. 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. During the year ended 31st December, 2009, the Directors of the Company determined that there is an impairment loss of HK$182,000 (2008: HK$510,000).

The Directors of the Company determined that there is an impairment on the above investment in quoted shares in Taiwan with the significant decline in the fair value as at 31st December, 2008. An impairment loss of HK$1,764,000 was recognised in consolidated statement of comprehensive income during the year ended 31st December, 2008.

20. LOANS RECEIVABLE

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

	2009	2008
	HK$'000	HK$'000
Repayable within 3 months	**5,656**	6,168
Repayable after 3 months but within 6 months	**15**	–
Repayable after 6 months but within 1 year	**30**	1,864
Total repayable within 1 year	**5,701**	8,032
Repayable after 1 year, but not exceeding 2 years	**3,234**	307
Total	**8,935**	8,339

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 to Hong Kong prime rate plus 3% (2008: Hong Kong prime rate to Hong Kong prime rate plus 3%).

As at 31st December, 2009, loans receivable of HK$649,000 (2008: HK$649,000) were past due over two years (2008: over one year) 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 there is no provision for impairment required.

21. INVENTORIES

	2009	2008
	HK$'000	HK$'000
Raw materials	**31,659**	38,404

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

	2009 HK$'000	2008 HK$'000
Contracts in progress at the end of the reporting period:		
Contract costs incurred	**93,899**	62,442
Recognised profits less recognised losses	**21,649**	25,904
	115,548	88,346
Progress billings	**(101,808)**	(93,821)
	13,740	(5,475)
Represented by:		
Due from customers included in current assets	**22,941**	9,999
Due to customers included in current liabilities	**(9,201)**	(15,474)
	13,740	(5,475)

At the end of the reporting period, there were no retention monies held by customers for contract work performed. At 31st December, 2009, advances received from customers for contract work amounted to HK$1,164,000 (2008: HK$5,778,000) which were included in creditors, bills payable and accrued charges.

23. DEBTORS, DEPOSITS AND PREPAYMENTS

	2009 HK$'000	2008 HK$'000
Trade debtors	**82,651**	197,238
Less: Allowance for bad and doubtful debts	**(31,785)**	(33,357)
	50,866	163,881
Other debtors and prepayments	**17,697**	21,358
	68,563	185,239

As at 31st December, 2009, the trade debtors balance included trade debts due from associates of HK$5,142,000 (2008: HK$2,470,000).

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

The following is an aged analysis of trade debtors net of allowance for bad and doubtful debts at the end of the reporting period:

	2009	2008
	HK$'000	HK$'000
Within the payment terms	**30,264**	129,063
Overdue by:		
1 – 60 days	**7,916**	19,308
61 – 120 days	**2,792**	7,933
121 – 180 days	**2,679**	2,151
Over 180 days	**7,215**	5,426
	50,866	163,881

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, 2009, trade debtors of HK$20,602,000 (2008: HK$34,818,000) 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. The average age of these trade receivables is 103 days (2008: 89 days) as at 31st December, 2009.

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

	2009	2008
	HK$'000	HK$'000
1 – 60 days	**7,916**	19,308
61 – 120 days	**2,792**	7,933
121 – 180 days	**2,679**	2,151
Over 180 days	**7,215**	5,426
	20,602	34,818

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

Movement in the allowance for bad and doubtful debts

	2009	2008
	HK$'000	HK$'000
Balance at beginning of the year	**33,357**	21,304
Impairment losses recognised on trade debtors	**2,668**	12,396
Bad debt recovered	**(4,071)**	(343)
Written off as against trade debtors	**(169)**	–
Balance at end of the year	**31,785**	33,357

Included in the allowance for doubtful debts of HK$31,785,000 (2008: HK$33,357,000) 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 end of the reporting period. The trade debtors past due but not impaired for were either subsequently settled or no historical default of payments by the respective customers. The concentration of credit risk is limited due to the customer base being large and unrelated. 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, 2009, the Directors of the Company determined that there was impairment loss of HK$6,607,000 (2008: HK$2,090,000) for other debtors in which the Directors considered the amount is uncollectible.

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**
	HK$'000	HK$'000	HK$'000	HK$'000
As at 31st December, 2009	**–**	**209**	**37,191**	**12,551**
As at 31st December, 2008	189	63	110,137	38,277

24. HELD-FOR-TRADING INVESTMENTS

	2009 HK$'000	2008 HK$'000
Equity securities listed in Hong Kong	**36,823**	13,681

25. AMOUNTS DUE FROM/TO ASSOCIATES

	2009 HK$'000	2008 HK$'000
Amounts due from associates		
Interest-bearing at Hong Kong prime rate plus 2% per annum	**721**	216
Non-interest bearing	**75**	404
	796	620

The above balances are unsecured and repayable on demand.

The amounts due to associates were 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 0.2% per annum (2008: 0.01% to 0.25% per annum). The pledged deposits carry fixed interest rate of 0.15% per annum (2008: 1.875% 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.

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

	USD	**AUD**	**GBP**	**EUR**	**NTD**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 31st December, 2009	**4,462**	**277**	**1,485**	**10,630**	**61,285**
As at 31st December, 2008	2,923	2,404	404	12,471	104,263

27. CREDITORS, BILLS PAYABLE AND ACCRUED CHARGES

	2009	2008
	HK$'000	HK$'000
Trade creditors	**50,507**	86,756
Bills payable	**–**	222
Accrued staff costs	**9,536**	21,132
Commission payables and sales agents	**10,381**	29,310
Other accrued charges	**13,080**	12,943
Advances received from customers for contract work	**1,164**	5,778
	84,668	156,141

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

The following is an aged analysis of trade creditors and bills payable as at the end of the reporting period in which is based on the invoice dates of the amounts due:

	2009	2008
	HK$'000	HK$'000
0 – 60 days	**28,431**	36,922
61 – 120 days	**3,231**	19,236
121 – 180 days	**5,932**	17,057
Over 180 days	**12,913**	13,763
	50,507	86,978

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

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

	USD	**NTD**	**GBP**	**EUR**
	HK$'000	HK$'000	HK$'000	HK$'000
As at 31st December, 2009	**28,702**	**1,637**	**62**	**2,390**
As at 31st December, 2008	24,718	2,352	164	3,007

28. WARRANTY PROVISIONS

	2009 HK$'000	2008 HK$'000
At 1st January	**14,120**	19,939
Additional provision in the year	**2,114**	6,848
Utilisation of provision	**(6,872)**	(12,667)
At 31st December	**9,362**	14,120
Analysed for reporting purposes as:		
Current	**8,350**	10,842
Non-current	**1,012**	3,278
	9,362	14,120

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

29. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amounts payable under finance leases:				
Within one year	**246**	2,439	**227**	2,251
In the second to fifth year inclusive	**–**	22	**–**	20
	246	2,461	**227**	2,271
Less: Future finance charges	**(19)**	(190)	**–**	–
Present value of lease obligations	**227**	2,271	**227**	2,271
Less: Amount due for settlement within one year (shown under current liabilities)			**(227)**	(2,251)
Amount due for settlement after one year			**–**	20

It is the Group's policy to lease certain of its plant and equipment under finance leases. The lease term is 3 years. For the current year, the effective borrowing rates ranged from 2.7% to 2.85% (2008: 2.7% to 2.85%) per annum. Interest rate is fixed at the contract date. All leases are on a fixed repayment basis and no arrangement has been entered into for contingent rental payments.

The Group's obligations under finance leases are secured by the lessor's charge over the leased assets.

30. SHARE CAPITAL

	Number of shares	Amount HK$'000
Shares of HK$0.01 each		
Authorised:		
At 1st January, 2008, 31st December, 2008 and 31st December, 2009	20,000,000,000	200,000
Issued and fully paid:		
At 1st January, 2008, 31st December, 2008 and 31st December, 2009	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, 2008	1,247	3,076	4,323
Charge to profit or loss for the year (note 10)	(6)	–	(6)
At 31st December, 2008	1,241	3,076	4,317
Charge to profit or loss for the year (note 10)	(2)	–	(2)
At 31st December, 2009	1,239	3,076	4,315

At 31st December, 2009, the Group has estimated unused tax losses of HK$295,859,000 (2008: HK$253,338,000) and other deductible temporary differences of HK$17,709,000 (2008: HK$11,124,000) 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.

31. DEFERRED TAXATION *(Continued)*

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$11,542,000 (2008: HK$11,542,000) 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. 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") and 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 were granted or exercised under the Scheme since its adoption.

33. MAJOR NON-CASH TRANSACTION

During the year ended 31st December, 2009, the Group entered into finance lease arrangements in respect of assets with a total capital value at the inception of lease of HK$647,000 (2008: HK$2,032,000).

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:

	2009	2008
	HK$'000	HK$'000
Within one year	**640**	610
In the second to fifth years inclusive	**260**	399
	900	1,009

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

	2009	2008
	HK$'000	HK$'000
Capital expenditure in respect of the renovation of office premises contracted for but not provided in the consolidated financial statements	**–**	652
Capital expenditure in respect of the acquisition of property and equipment anthorised but not contracted for	**9,770**	–

36. PLEDGE OF ASSETS

As at 31st December, 2009 and 2008, the Group has pledged certain bank deposits of HK$2,174,000 (2008: HK$10,711,000) to secure general banking facilities granted to the Group. As at 31st December, 2009 and 2008, the Group has not drawn any bank borrowings but has utilised approximately HK$1,174,000 (2008: HK$5,239,000) 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, 2009 and 31st December, 2008 respectively.

37. RETIREMENT BENEFITS SCHEMES

Since 1st December, 2000, the Group has operated pension schemes under the rules and regulations of the Mandatory Provident Fund Scheme Ordinance for all qualifying employees in Hong Kong. The assets of the Mandatory Provident Fund 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 the consolidated income statement 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, 2009 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:

	2009	2008
Discount rate	**2.60% per annum**	1.15% per annum
Expected return on ORSO Scheme assets	**5.00% per annum**	5.50% per annum
Expected salary increase rate	**3.25% per annum**	3.25% per annum

The actuarial valuation showed that the market value of ORSO Scheme assets was HK$1,880,000 (2008: HK$1,556,000) and that the actuarial value of these assets represented 92.0% (2008: 68.8%) of the benefits that had accrued to members.

37. RETIREMENT BENEFITS SCHEMES *(Continued)*

Amount recognised in the consolidated statement of comprehensive income in respect of the ORSO Scheme is as follows:

	2009	2008
	HK$'000	HK$'000
Current service cost	**106**	139
Interest cost	**26**	57
Expected return on plan assets	**(88)**	(111)
Administrative cost and group life premium deducted from contribution	**2**	9
Expense recognised in the consolidated statement of comprehensive income	**46**	94

The 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:

	2009	2008
	HK$'000	HK$'000
Present value of funded defined benefit obligations	**2,043**	2,277
Fair value of plan assets	**(1,880)**	(1,566)
Net liability arising from defined benefit obligation	**163**	711

37. RETIREMENT BENEFITS SCHEMES *(Continued)*

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

	2009	2008
	HK$'000	HK$'000
At 1st January	**2,277**	1,790
Current service cost	**106**	139
Interest cost	**26**	57
Actuarial (gain) loss on obligation due to change in assumptions	**(361)**	566
Benefits paid	**–**	(295)
Actuarial (gain) loss on obligation due to experience adjustment	**(5)**	20
At 31st December	**2,043**	2,277

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

	2009	2008
	HK$'000	HK$'000
At 1st January	**1,566**	2,054
Expected return on plan assets	**88**	111
Actuarial gains (losses)	**171**	(521)
Contributions from the employer	**55**	217
Benefits paid	**–**	(295)
At 31st December	**1,880**	1,566

37. RETIREMENT BENEFITS SCHEMES *(Continued)*

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	
	2009	2008	**2009**	2008
	%	%	**HK$'000**	HK$'000
Equity instruments	**1.85**	1.77	**696**	504
Debt instruments	**2.61**	3.08	**983**	877
Cash	**0.54**	0.65	**201**	185
Weighted average expected return	**5.00**	5.50	**1,880**	1,566

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 return on plan assets was HK$259,000 (2008: actual loss of HK$410,000).

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

The history of experience adjustments is as follows:

	2009	2008
	HK$'000	HK$'000
Experience adjustment on plan liabilities	**(5)**	20

The Group expects to make a contribution of HK$54,000 (2008: HK$53,000) to the defined benefit plans during the next financial year.

The Group recognised actuarial gain amounted to HK$537,000 for the year ended 31st December, 2009 (2008: actuarial loss amounted to HK$1,107,000) directly in retained profits. The cumulative amount of actuarial loss recognised directly in statement of changes in equity amounted to HK$509,000 (2008: HK$1,046,000) as at 31st December, 2009.

38. COMPARATIVE FIGURES

Certain comparative figures of the consolidated statement of comprehensive income have been reclassified to conform with the current year's presentation. Details are set out as follows:

	As previously reported	Reclassification	As restated
	HK$'000	HK$'000	HK$'000
Revenue [1]	482,091	(594)	481,497
Other gains and losses [2][3][4]	–	65,290	65,290
Other income [1][3]	6,788	(2,594)	4,194
Net change in fair value of held-for-trading investments [2]	(28,309)	28,309	–
Gain on disposal of an associate [2]	102,097	(102,097)	–
Impairment loss on investments in associates [2]	(1,013)	1,013	–
Impairment loss on available-for-sale investments [2]	(2,274)	2,274	–
Gain on disposal of available-for-sale investments [2]	1,474	(1,474)	–
Other expenses [4]	(9,873)	9,873	–

(1) The restatement represents reclassification of interest income from money lending from revenue to other income.

(2) The restatement represents reclassification of net change in fair value of held-for-trading investments, gain on disposal of an associate, impairment loss on investments in associates, impairment loss on available-for-sale investments and gain on disposal of available-for-sale investment to other gains and losses.

(3) The restatement represents reclassification of gain on disposal of property, plant and equipment form other income to other gains and losses.

(4) The restatement represents reclassification of net exchange loss and other losses from other expenses to other gains and losses.

39. PRINCIPAL SUBSIDIARIES

Details of the principal subsidiaries as at 31st December, 2009 and 2008 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
			Directly %	Indirectly %	
ATNT Global Investments Company Limited	Hong Kong	HK$2	–	100	Securities trading
ATNT Group Management Limited	Hong Kong	HK$2	–	100	Management services
Beijing Golden PAL Plating Equipment Company Limited (Sino-foreign equity joint venture)	PRC	US$1,291,500	–	52	Design, manufacture and sale of electroplating machines and other automated equipment
Dragon Will Investment Limited	British Virgin Islands*	US$1	–	100	Investment holding
Fairway Int'l Limited	British Virgin Islands*	US$1	–	100	Investment holding
Golden Rainbow Investments Limited	British Virgin Islands*	US$1	–	100	Property investment
Happy Win Resources Limited	British Virgin Islands*	US$1	100	–	Investment holding
Hovington Agents Limited	British Virgin Islands*	US$1	–	100	Investment holding
Longfaith Holdings Limited	British Virgin Islands*	US$1	–	100	Investment holding

39. 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
			Directly %	Indirectly %	
Palcon International Limited	British Virgin Islands*	US$100	–	60	Investment holding
PAL Control Sdn. Bhd	Malaysia	MYR2	–	60	Software development
PAL Europe Limited	Hong Kong	HK$2	–	100	Sale of electroplating machines
PAL Finance Limited	Hong Kong	HK$2	–	100	Money lending
PAL Properties Investment Limited	British Virgin Islands*	US$1	–	100	Investment holding
PAL SEA Limited	British Virgin Islands*	US$100	–	100	Investment holding
PAL (Sea) Sdn. Bhd.	Malaysia	MYR300,000	–	60	Sale of electroplating machines
PAL Service Sdn. Bhd.	Malaysia	MYR50,002	–	60	Sale of electroplating machines and spare parts
PAL Surface Treatment Systems Limited	Hong Kong	HK$10,000	–	100	Sale of electroplating machines and spare parts
Process Automation (BVI) Limited	British Virgin Islands*	HK$110,000	100	–	Investment holding

39. 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
			Directly %	Indirectly %	
Process Automation (China) Limited (Wholly foreign-owned enterprise ("WFOE"))	PRC	HK$8,500,000	–	100	Design, manufacture and sale of electroplating machines
Process Automation (Europe) Limited	The United Kingdom	GBP1	–	100	Sale of electroplating machines
Process Automation International Limited ("PAIL")	Hong Kong	HK$2 (note)	–	100	Design, manufacture and sale of electroplating machines
Process Automation (Shenzhen) Limited ("WFOE")	PRC	HK$18,000,000	–	100	Design, manufacture and sale of electroplating machines
Rich Town Properties Limited	British Virgin Islands*	US$2	–	100	Property investment
Strength Hope Limited	British Virgin Islands*	US$1	100	–	Investment holding

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

Note: At 31st December, 2009, 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.

39. 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. There was no change on the proportion of nominal value of issued capital/registered capital held, both directly and indirectly, by the Company on the subsidiaries for both years.

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.

40. RELATED PARTY TRANSACTION

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

	Trade sales		**Trade purchases**		**Interest income**		**Commission expense**	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Associates	**5,392**	2,470	**179**	–	**104**	374	390	–

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

	2009	2008
	HK$'000	HK$'000
Salaries and other short-term employee benefits	**14,374**	15,386
Retirement benefits costs	**144**	170
	14,518	15,556

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,				
	2005	2006	2007	2008	**2009**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Revenue	429,072	630,970	520,511	481,497	**195,359**
Profit (loss) for the year attributable to					
Owners of the Company	13,413	20,079	15,233	22,447	**(54,277)**
Minority interest	(277)	(272)	73	1,186	**(2,206)**
	13,136	19,807	15,306	23,633	**(56,483)**

ASSETS AND LIABILITIES

	At 31st December,				
	2005	2006	2007	2008	**2009**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Total assets	462,716	585,247	583,121	525,646	**383,742**
Total liabilities	(212,099)	(311,022)	(282,779)	(193,034)	**(108,034)**
	250,617	274,225	300,342	332,612	**275,708**
Equity attributable to owners of the Company	243,644	268,155	293,595	324,637	**271,385**
Minority interests	6,973	6,070	6,747	7,975	**4,323**
	250,617	274,225	300,342	332,612	**275,708**

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