亞洲聯網科技有限公司

Asia Tele-Net and Technology Corporation Limited

(Incorporated in Bermuda with limited liability)

(Stock Code : 0679)

Interim Report 2010

CONTENTS

Chairman's Statement

Financial Results

The unaudited consolidated turnover of Asia Tele-Net and Technology Corporation Limited and its subsidiaries (the "Group") for the six months ended 30 June 2010 ("the Period Under Review") was approximately HK$219,431,000 representing an increase of 94% compared to the six months ended 30 June 2009 ("the Previous Period") which was HK$113,045,000. The operating net profit was approximately HK$5,526,000 for the Period Under Review compared to net operating loss of approximately HK$27,650,000 for the Pervious Period. The increase in turnover and turnaround from operating net loss to operating net profit is further explained in following sections.

The basic earnings per share for the Period Under Review was HK1.29 cents (the Previous Period: basic loss per share HK6.42 cents).

Interim Dividend

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2010 (the Previous Period: Nil).

Management Discussion and Analysis

Business Review

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

The turnover for the Period Under Review is approximately HK$219,431,000 which is 94% more than year 2009. 74% turnover came from Printed Circuits Board ("PCB") sector, 12% turnover came from surface finishing sector and 14% came from solar sector. Under the PCB sector, 40% orders were from China, 35% from Taiwan, then 14% from Korea and followed by Europe and US which accounts for 11%. The gross margin for the Period Under Review was increased from 16.7% to 25.9%.

Electroplating equipment – PCB sector

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

After a watch and see period in 2009, in about April this year, we saw signs of recovery in almost all PCB markets worldwide:–

- IPC has announced in June the PCB Industry growth rates in North America. The shipment values for first five month for rigid PCB and rigid PCBs and flexible circuits combined PCBs were up by 18% and 16.2% respectively. Although the shipment value for flexible circuit was down by 2.6%, the bookings were up 16.7%.

- Handset PCB makers, Unimicron and Compeq who are our long standing customers in Taiwan, have posted strong revenue gains for July 2010 due to strong demand for HDI boards from the handset sector.

- The global automotive PCB market is expected to grow at a compound annual growth rate of 8% in the next three years compared to a 3-6% growth projected for IT and communications boards, according to Unimicron chairman Tze-chang Tzeng. At the moment, the use of electronic technology in the car is very wide – engine system, chassis, steering system, security system – to name a few. In view of this, a number of Taiwan-based PCB makers including Unimicron, Unitech Printed Circuit Board and Tripod Technology, are venturing into the production of automotive PCBs.

- The production value of the global PCB industry is expected to grow 12.4% on year to US$46.316 billion in 2010 after posting a decline of 14.8% in 2009, according to the managing partner at market research firm Prismark Partners.

PAL, having a global sales network and a strong engineering team, has benefited from this wave of recovery. Our order book has improved since quarter two. On the other hands, our customers are getting more and more price conscious. Price negotiation is indeed a major work task now. At the same time, our customers also expect a quicker turnaround time. To meet both ends of price reduction and short delivery, our strategy is to standardize our machine design and offer standard products.

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

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

Sale to SF sector has slightly increased from HK$18,600,000 to HK$21,702,000 for the Period Under Review.

Our SF customers include automobile parts manufacturers, sanitary ware manufacturers, mint factories and electronic device manufacturers.

The consumer sentiment was so poor after the Financial Tsunami that our SF customers have called a stop to any expansion plans which were under discussions then. We also saw signs of improvement in SF sector but it only comes recently. Since the order negotiation period is usually longer in SF sector, we expect when some of the orders are materialized, they will fall into next year turnover.

One of the problems faced by SF sector is competition from Euro players due to the depreciation of Euro. Our sourcing team and engineering team are working diligently on cost rationalization to combat this problem.

Electroplating equipment – Photo Voltaic ("Solar") sector

Market research firm Solarbuzz believes the solar industry will experience rapid growth in 2010, with global PV demand expected to reach 4GW in the second quarter. According to Solarbuzz, the fourth quarter of 2009 saw the PV market reach 2.9GW, 453% times larger than first quarter of 2009, a new record high. The end market strength was driven principally by Germany, Italy and the Czech Republic, while Germany actually accounted for 52% of the global solar demand in the fourth quarter.

According to predictions from the German Solar Industry Association, sales of solar installations in Germany will experience clear double-digit percentage growth rates this year. The significant market growth has been triggered by the extraordinary amendment to the Renewable Energies Act (EEG) recently passed by the German Bundestag. The amendment provides for a substantial reduction in solar feed-in tariff starting from 1 July 2010. Many consumers and investors are currently trying to take advantage of the old subsidies.

Taking advantages of this buoyant market, equipment sales to solar sector this year is expected to be good. We have shipped two lines in April and are expected to ship another two in August.

Growth in the worldwide demand for solar panels is still entirely dependent on, and limited by, local subsidy programmes. Added with the over supply issue, the module prices are expected to continue to decline gradually. PAL as an equipment supplier will support our solar customers as best as we could in providing state-of-art equipment at a reasonable price so that our customers will remain competitive in this industry.

(B) Outlook

Based on the order books, we know our sales this year will be at least double that of last year. Given that the turnover of 2009 was so low, we are not satisfied yet. We are driving to outgrow the sales of 2008. Cost down and efficiency improvement will remain our focus for the remainder of 2010. Whilst fully aware of global economic uncertainties – the talk of governments pulling back various stimulation plans and, the continued credit crisis amongst Euro countries – we are cautiously optimistic that this year as a whole will be a fruitful year.

Capital Structure, Liquidity and Financial Resources

As at 30 June 2010, the Group had equity attributable to owners of the Company of approximately HK$278,899,000 (31 December 2009: HK$271,385,000). The gearing ratio was nil (31 December 2009: nil). The gearing ratio is calculated by dividing the aggregate amount of bank borrowings and other interest-bearing loans over the amount of equity attributable to the equity holders of the Company.

As at 30 June 2010, the Group had approximately HK$107,734,000 of cash on hand (31 December 2009: HK$118,345,000) and net current assets value being approximately HK$190,771,000 (31 December 2009: HK$182,507,000).

As at 30 June 2010, the Group pledged bank deposits of HK$3,371,000 (31 December 2009: HK$2,174,000) to banks to secure bank guarantees issued to customers. The Group has banking facilities of approximately HK$52,092,000 (31 December 2009: HK$52,092,000) to the Company. Out of the secured facilities available, the Group has utilized approximately HK$2,371,000 as the issuance of bank's guarantee under which customers retain right to claim refund of purchase deposits received by the Group as at 30 June 2010 (31 December 2009: HK$1,174,000).

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

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

Contingent Liabilities

As at 30 June 2010, the Company had guarantees of approximately HK$62,100,000 (31 December 2009: HK$62,100,000) to banks in respect of banking facilities granted to a subsidiary of the Company. The amount utilised by the subsidiary was approximately HK$11,010,000 (31 December 2009: HK$1,174,000).

Employee and Remuneration Policies

As at 30 June 2010, the Group has approximately 740 employees. Employees are remunerated based on performance, experience and industry practice. Performance related bonus granted on discretionary basis. Other employee benefits included pension fund, insurance and medical cover.

By Order of the Board
Lam Kwok Hing
Chairman

Hong Kong, 27 August 2010

Other Information

Directors' Interests in Shares

As at 30 June 2010, the interests and short positions of the directors and chief executive in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of SFO) or which are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange were as follows:

Long Positions

Ordinary shares of HK$0.01 each of the Company

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

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

Save as disclosed above, except for nominee shares in certain subsidiaries held in trust for the Company by certain directors, none of the directors, the chief executives or their associates had any interests or short positions in any shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the directors and chief executive were deemed or taken to have under provisions of the SFO), or which were required to be and are recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code as at 30 June 2010.

Share Option Scheme

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

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

Substantial Shareholders

As at 30 June 2010, the following persons (other than the directors of the Company) had interests or short positions in the shares and underlying shares of the Company representing 5% or more of voting power at any general meeting of the Company as recorded in the register required to be kept under Section 336 of the SFO.

Long positions

Ordinary shares of HK$0.01 each of the Company

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

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

Save as disclosed above, as at 30 June 2010, no person (other than the directors of the Company whose interests are set out under the heading “Directors’ Interests in Shares” above) had an interest or a short position in the shares and underlying shares of the Company that was required to be recorded in the register under Section of 336 of SFO.

Corporate Governance

The Company has complied with the Code of Corporate Governance Practices (the “GC Code”) as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2010, with deviations from code provisions A.2.1 and A.4.2 of the GC Code in respect of the separate roles of chairman and chief executive officer, and rotation of directors.

Code Provision A.2.1

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

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

Code Provision A.4.2

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

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

Audit Committee

The Audit Committee comprises three independent non-executive directors, Mr. Cheung Kin Wai, Mr. Kwan Wang Wai, Alan and Mr. Ng Chi Kin, David. The Audit Committee has reviewed with the management of the Company the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including the review of the unaudited interim financial statements for the six months ended 30 June 2010.

Model Code for Securities Transaction by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") set out in Appendix 10 of the Listing Rules. Upon enquiry by the Company, all directors of the Company have confirmed that they have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2010.

Purchase, Sale or Redemption of Listed Securities of the Company

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during six months ended 30 June 2010.

Board of Directors

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

Report on Review of Interim Financial Information

Deloitte.
德勤

TO THE BOARD OF DIRECTORS OF

ASIA TELE-NET AND TECHNOLOGY CORPORATION LIMITED

(incorporated in Bermuda with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 15 to 30, which comprises the condensed consolidated statement of financial position of Asia Tele-Net and Technology Corporation Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") as of 30 June 2010 and the related condensed consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
27 August 2010

Condensed Consolidated Statement of Comprehensive Income

FOR THE SIX MONTHS ENDED 30 JUNE 2010

		Six months ended 30 June	
	NOTES	**2010**	2009
		HK$'000	*HK$'000*
		(unaudited)	(unaudited)
Revenue		**219,431**	113,045
Cost of sales		**(162,708)**	(94,138)
Gross profit		**56,723**	18,907
Other income		**917**	1,431
Selling and distribution costs		**(6,987)**	(6,300)
Administrative expenses		**(42,748)**	(41,605)
Other losses		**(1,270)**	(4,246)
Allowance for bad and doubtful debts		**(105)**	(3,604)
Net change in fair value of held-for-trading investments		**(640)**	7,880
Share of results of associates		**(179)**	67
Finance costs		**(51)**	(125)
Profit (loss) before taxation		**5,660**	(27,595)
Taxation	4	**(134)**	(55)
Profit (loss) for the period	5	**5,526**	(27,650)

	NOTES	Six months ended 30 June 2010 HK$'000 (unaudited)	2009 HK$'000 (unaudited)
Other comprehensive income (expense)			
Increase in fair value of available-for-sale investments		–	104
Exchange difference arising on translation of foreign operations			
– subsidiaries		**2,020**	(715)
– associate		**4**	(34)
Other comprehensive income (expense) for the period		**2,024**	(645)
Total comprehensive income (expense) for the period		**7,550**	(28,295)
Profit (loss) for the period attributable to:			
Owners of the Company		**5,500**	(27,371)
Non-controlling interests		**26**	(279)
		5,526	(27,650)
Total comprehensive income (expense) attributable to:			
Owners of the Company		**7,514**	(27,986)
Non-controlling interests		**36**	(309)
		7,550	(28,295)
Earnings (loss) per share	7		
Basic		**HK1.29 cents**	HK(6.42) cents

Condensed Consolidated Statement of Financial Position

AS AT 30 JUNE 2010

	NOTES	**30.6.2010** **HK$'000** **(unaudited)**	31.12.2009 HK$'000 (audited and restated)
Non-current assets			
Property, plant and equipment	8	**86,085**	85,781
Prepaid lease payments		**8,401**	8,467
Interests in associates		**750**	933
Available-for-sale investments		**95**	113
Loans receivable	9	**3,202**	3,234
		98,533	98,528
Current assets			
Inventories		**36,831**	31,659
Amounts due from customers for contract work		**51,116**	22,941
Loans receivable	9	**4,045**	5,701
Debtors, deposits and prepayments	10	**96,514**	68,563
Prepaid lease payments		**280**	278
Held-for-trading investments		**31,424**	36,823
Amounts due from associates		**1,858**	796
Taxation recoverable		**18**	108
Pledged bank deposits		**3,371**	2,174
Bank balances and cash		**104,363**	116,171
		329,820	285,214
Current liabilities			
Creditors, bills payable and accrued charges	11	**115,686**	84,668
Retirement benefit obligations		**163**	163
Warranty provision		**6,730**	8,350
Amounts due to customers for contract work		**16,372**	9,201
Amounts due to associates		**98**	98
Obligations under finance leases due within one year		**–**	227
		139,049	102,707
Net current assets		**190,771**	182,507
Total assets less current liabilities		**289,304**	281,035

	NOTES	**30.6.2010**	31.12.2009
		HK$'000	*HK$'000*
		(unaudited)	(audited and restated)
Capital and reserves			
Share capital	12	**4,265**	4,265
Reserves		**274,634**	267,120
Equity attributable to owners of the Company		**278,899**	271,385
Non-controlling interests		**4,359**	4,323
Total equity		**283,258**	275,708
Non-current liabilities			
Warranty provision		**1,731**	1,012
Deferred taxation		**4,315**	4,315
		6,046	5,327
		289,304	281,035

Condensed Consolidated Statement of Changes in Equity

FOR THE SIX MONTHS ENDED 30 JUNE 2010

	Attributable to owners of the Company										
	Share capital	Share premium	Property revaluation reserve	Statutory reserves	Available-for-sale investments reserve	Currency translation reserve	Contributed surplus	Retained profits	Sub-total	Attributable to non-controlling interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2009 (audited)	4,265	28,500	32,383	11,450	–	21,629	48,937	177,473	324,637	7,975	332,612
Increase in fair value of available-for-sale investments	–	–	–	–	104	–	–	–	104	–	104
Exchange difference arising on translation of foreign operations											
– subsidiaries	–	–	–	–	–	(685)	–	–	(685)	(30)	(715)
– associate	–	–	–	–	–	(34)	–	–	(34)	–	(34)
Loss for the period	–	–	–	–	–	–	–	(27,371)	(27,371)	(279)	(27,650)
Total comprehensive income (expense) for the period	–	–	–	–	104	(719)	–	(27,371)	(27,986)	(309)	(28,295)
At 30 June 2009 (unaudited)	4,265	28,500	32,383	11,450	104	20,910	48,937	150,102	296,651	7,666	304,317
At 1 January 2010 (audited)	**4,265**	**28,500**	**32,383**	**11,450**	**-**	**22,117**	**48,937**	**123,733**	**271,385**	**4,323**	**275,708**
Exchange difference arising on translation of foreign operations											
– subsidiaries	**-**	**-**	**-**	**-**	**-**	**2,010**	**-**	**-**	**2,010**	**10**	**2,020**
– associate	**-**	**-**	**-**	**-**	**-**	**4**	**-**	**-**	**4**	**-**	**4**
Profit for the period	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**5,500**	**5,500**	**26**	**5,526**
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**-**	**2,014**	**-**	**5,500**	**7,514**	**36**	**7,550**
At 30 June 2010 (unaudited)	**4,265**	**28,500**	**32,383**	**11,450**	**-**	**24,131**	**48,937**	**129,233**	**278,899**	**4,359**	**283,258**

Condensed Consolidated Statement of Cash Flows

FOR THE SIX MONTHS ENDED 30 JUNE 2010

	Six months ended 30 June	
	2010	2009
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Net cash used in operating activities	**(4,871)**	(26,117)
Net cash (used in) from investing activities:		
Purchase of property, plant and equipment	**(4,441)**	(2,839)
(Increase) decrease in pledged bank deposits	**(1,197)**	7,089
Other investing cash flows	**(1,021)**	(36)
	(6,659)	4,214
Net cash used in financing activities	**(278)**	(1,063)
Net decrease in cash and cash equivalents	**(11,808)**	(22,966)
Cash and cash equivalents at the beginning of the period	**116,171**	150,705
Cash and cash equivalents at the end of the period	**104,363**	127,739
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	**104,363**	127,739

Notes to the Condensed Consolidated Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2010

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2009 except as described below.

In the current interim period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the HKICPA.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008
HKFRSs (Amendments)	Improvements to HKFRSs 2009
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 39 (Amendment)	Eligible Hedged Items
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised)	Business Combinations
HK(IFRIC) – INT 17	Distributions of Non-cash Assets to Owners

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

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

The Group applies HKFRS 3 (Revised) "Business Combinations" prospectively to business combinations for which the acquisition date is on or after 1 January 2010. The requirements in HKAS 27 (Revised) "Consolidated and Separate Financial Statements" in relation to accounting for changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on or after 1 January 2010.

As there was no transaction during the current interim period in which HKFRS 3 (Revised) and HKAS 27 (Revised) are applicable, the application of HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to other HKFRSs had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

Results of the Group in future periods may be affected by future transactions for which HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to the other HKFRSs are applicable.

Amendment to HKFRS 17 "Lease"

As part of Improvements to HKFRSs issued in 2009, HKAS 17 "Leases" has been amended in relation to the classification of leasehold land. Before the amendment to HKAS 17, leasees were required to classify leasehold land as operating leases and presented as prepaid lease payments in the consolidated statement of financial position. The amendment has removed such a requirement. Instead, the amendment requires 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 substantially all the risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Amendment to HKFRS 17 "Lease" *(Continued)*

In accordance with the transitional provisions of HKAS 17 "Leases", the Group reassessed the classification of land elements of unexpired leases at 1 January 2010 based on information which existed at the inception of these leases. Leasehold lands which met finance lease classification have been reclassified from prepaid lease payments to property, plant and equipment retrospectively, resulting in a reclassification of prepaid lease payments with previous carrying amount of HK$7,851,000 as 1 January 2009 as property, plant and equipment that are measured at cost model.

Summary of the effect of the above changes in accounting policies

The effect of changes in accounting policies described above on the financial positions of the Group as at 31 December 2009 is as follows:

	As at 31.12.2009 (originally stated)	Adjustments	As at 31.12.2009 (restated)
	HK$'000	*HK$'000*	*HK$'000*
Property, plant and equipment	78,002	7,779	85,781
Prepaid lease payments	16,524	(7,779)	8,745
Total effects on net assets		–	

The above restatement did not result in financial impact for the current and prior accounting periods.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

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

HKFRSs (Amendments)	Improvements to HKFRSs 2010[1]
HKAS 24 (Revised)	Related Party Disclosures[4]
HKAS 32 (Amendment)	Classification of Rights Issues[2]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[3]
HKFRS 9	Financial Instruments[5]
HK(IFRIC) – INT 14 (Amendment)	Prepayments of a Minimum Funding Requirement[4]
HK(IFRIC) – INT 19	Extinguishing Financial Liabilities with Equity Instruments[3]

1 Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate

2 Effective for annual periods beginning on or after 1 February 2010

3 Effective for annual periods beginning on or after 1 July 2010

4 Effective for annual periods beginning on or after 1 January 2011

5 Effective for annual periods beginning on or after 1 January 2013

HKFRS 9 "Financial Instruments" introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The Standard requires all recognized 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. Specifically, 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 might affect the classification and measurement of the Group's financial assets.

The directors of the Company anticipate that the application of other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. SEGMENT INFORMATION

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

	Six months ended 30 June	
	2010	2009
	HK$'000	*HK$'000*
Segment profit (loss)	**16,049**	(27,381)
Intra-group management fee charged to operating segment	**993**	1,208
Other income	**474**	792
Central corporate expenses	**(11,037)**	(10,161)
Net change in fair value of held-for-trading investments	**(640)**	7,880
Share of results of associates	**(179)**	67
Profit (loss) before taxation	**5,660**	(27,595)

Segment profit (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, net change in fair value of held-for-trading investments and share of results of associates. This is the measure reported to the chief operating decision maker in order to allocate resources to segments and to assess segment performance.

	30.6.2010	31.12.2009
	HK$'000	*HK$'000*
Segment assets	**266,626**	208,080

4. TAXATION

	Six months ended 30 June	
	2010	2009
	HK$'000	*HK$'000*
Taxation comprises:		
Overseas taxation		
Charge for the period	**(134)**	(55)

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

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

5. PROFIT (LOSS) FOR THE PERIOD

	Six months ended 30 June	
	2010	2009
	HK$'000	*HK$'000*
		(restated)
Profit (loss) for the period has been arrived at after (crediting) charging:		
(Reversal of) allowance for slow moving inventories	**(150)**	671
Depreciation of property, plant and equipment	**4,425**	5,340
Loss on disposal of property, plant and equipment	**72**	304

6. DIVIDEND

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

7. EARNINGS (LOSS) PER SHARE

The calculation of the basic earnings (loss) per share is based on the Group's profit for the period attributable to owners of the Company of HK$5,500,000 (six months ended 30 June 2009: loss of HK$27,371,000) and the number of ordinary shares of 426,463,400 (six months ended 30 June 2009: 426,463,400) in issue.

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

8. PROPERTY, PLANT AND EQUIPMENT

During the period from 1 January 2010 to 30 June 2010, the Group spent HK$4,441,000 (six months ended 30 June 2009: HK2,839,000) on acquisition of property, plant and equipment.

9. LOANS RECEIVABLE

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

	30.6.2010	31.12.2009
	HK$'000	*HK$'000*
Repayable within 3 months	**3,998**	5,656
Repayable after 3 months but within 6 months	**15**	15
Repayable after 6 months but within 1 year	**32**	30
Total repayable within 1 year	**4,045**	5,701
Repayable after 1 year, but not exceeding 2 years	**3,202**	3,234
Total	**7,247**	8,935

10. DEBTORS, DEPOSITS AND PREPAYMENTS

	30.6.2010	31.12.2009
	HK$'000	*HK$'000*
Trade debtors and bills receivable	**78,046**	50,866
Other debtors and prepayments	**18,468**	17,697
	96,514	68,563

The Group allows a general credit period of one month to its trade customers except construction contracts where the Group allows staged 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.

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

	30.6.2010	31.12.2009
	HK$'000	*HK$'000*
Within the payment terms	**57,986**	30,264
Overdue by:		
0 – 60 days	**11,088**	7,916
61 – 120 days	**3,400**	2,792
121 – 180 days	**1,217**	2,679
Over 180 days	**4,355**	7,215
	78,046	50,866

11. CREDITORS, BILLS PAYABLE AND ACCRUED CHARGES

	30.6.2010	31.12.2009
	HK$'000	*HK$'000*
Trade creditors	**79,742**	50,507
Bills payable	**2,293**	–
Accrued staff costs	**7,852**	9,536
Commission payables to sales agents	**10,935**	10,381
Other accrued charges	**13,868**	13,080
Advances received from customers for contract work	**996**	1,164
	115,686	84,668

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

	30.6.2010	31.12.2009
	HK$'000	*HK$'000*
0 – 60 days	**54,434**	28,431
61 – 120 days	**19,373**	3,231
121 – 180 days	**5,850**	5,932
Over 180 days	**2,378**	12,913
	82,035	50,507

12. SHARE CAPITAL

	Number of shares	Amount
	'000	*HK$'000*
Shares of HK$0.01 each		
Authorised		
At 1 January 2010 and at 30 June 2010	20,000,000	200,000
Issued and fully paid:		
At 1 January 2010 and at 30 June 2010	426,463	4,265

13. RELATED PARTY TRANSACTION

The remuneration of key management during the period was HK$6,520,000 (six months ended 30 June 2009: HK$6,545,000).

14. COMMITMENTS

	30.6.2010	31.12.2009
	HK$'000	*HK$'000*
Capital expenditure in respect of the acquisition of property and equipment authorised but not contracted for	**6,899**	9,770