Asia Tele-Net and Technology Corporation Limited

亞 洲 聯 網 科 技 有 限 公 司

(Incorporated in Bermuda with limited liability)

(於百慕達註冊成立之有限公司)

Stock Code 股份代號 : 679

INTERIM REPORT 2011

CONTENTS

Chairman's Statement

Financial Results

The Group recorded approximately HK$386,463,000 in revenue for the six months ended 30 June 2011 ("the Period Under Review") representing an increase of approximately HK$167,032,000 or 76% compared to corresponding period of previous year ended 30 June 2010 ("the Previous Period") which was approximately HK$219,431,000. The profit attributable to owners of the Company was about HK$6,839,000 for the Period Under Review compared to the profit attributable to owners of the Company of about HK$5,500,000 for the Previous Period. The increase in revenue and profit attributable to owners of the Company are further elaborated in the Management Discussion and Analysis.

The basic earnings per share from continuing and discontinued operation for the Period Under Review was HK$1.60 cents compared to the basic earning per share from continuing and discontinued operation of HK$1.29 cents for the Previous Period.

Interim Dividend

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2011 (the Previous Period: Nil).

Management Discussion and Analysis

Business Review

Electroplating Equipment (Under the Trade Name of "PAL")

The revenue for the Period Under Review was approximately HK$386,463,000 or 76% more than the Previous Period. Higher revenue reported during the Period Under Review was mainly boosted by strong order backlogs captured from previous financial year as a result of modest recovery in the broad economic environment since 2010. Approximately 65% of the revenue was generated from PCB sector (the Previous Period: approximately 74%), approximately 21% came from surface finishing sector (the Previous Period: approximately 12%) and approximately 14% derived from solar cell sector (the Previous Period: 14%). In terms of machines installation base, the revenue composition during the Period Under Review was 37 % machines in PRC, 16 % in Taiwan, 14 % in Malaysia, 12% in Korea and 21% in rest of the world.

However, the gross profit margin for the Period Under Review has dropped by 6.4%. This was mainly due to the further increase in global commodity price in the Period Under Review while major order backlogs to customers were booked in previous year. Thus, we were not able to transfer the material price increase to our customers. Besides that, appreciation in Renminbi, and higher labor costs in China due to general salary increase in 2011 had also contributed to the slide in our gross profit margin.

Electroplating Equipment – Printed Circuit Boards ("PCB") Sector

This sector is traded through our subsidiary PAL.

We witnessed the global PCB markets recovery that began in previous year continuing into 2011 throughout the Period Under Review. The overwhelming demand for certain consumer electronic products mainly i-Phone, i-Pad, smartphones and tablet PC have continued to power the growth in the PCB markets. This robust demand from the end consumers has prompted our end customers to expand their production capacity. This is evidenced by strong revenue reported by our end customers such as Tripod, Kinsus and Compeq for the first 6 months of 2011.

According to Priskmark, the global PCB production CAAGR from 2011- 2015 would be about 6.5%. Asia, America and Europe are the main PCB production markets and Asia alone has accounted for more than 80% of the global PCB production.

PAL having a strong sale networks in these regions, will continue to strengthen our research and development works to improve our technology and ride on the wave of recovery in the PCB segments.

Even though PCB is the cornerstone of the electronics industry, we remain cautious in this market segment as the PCB business is prone to economic uncertainties and the cyclical nature of the electronics industry.

Electroplating Equipment – Surface Finishing ("SF") Sector

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

The revenue of the SF sector has significantly increased from HK$21,702,000 in the Previous Period to HK$75,532,000 for the Period Under Review. The rise of HK$53,830,000 in revenue was mainly due to higher customer demand as a result of improvement in the market sentiment and the established brand name of PSTS. Our SF customer base has grown gradually over the years since we ventured into this market segment in 2007. Today, its customer portfolio includes those from automobile, sanitary, mint factories, electronic device, aerospace, communication and tools industries.

Our brand name and reputation have continued to help us drawing new European and American customers from the automotive and mints industries during the Period Under Review.

However, stiff competition from the European rivals due to our longer delivery (shipping time from Asia to Europe) time and higher shipping cost originated from the high crude oil price remain as our main challenges.

In order to combat these challenges, we have built a dedicated design team for SF in China and recruited new design talents from oversea to further enhance our engineering and designing capability. In long run, this will not only enable us to cut down the design lead time and product costs but also will help us to improve our product efficiency.

Electroplating Equipment – Photo Voltaic ("Solar") Sector

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

As reported in Bloomberg New Energy Finance, Solar is renewable energy's fastest-growing sector with photovoltaic installation climbing 140% in 2010. In the Bloomberg New Energy Finance Summit 2011, industry analysts and executives predicted that solar panel installations would surge in the next two years as prices become competitive with coal. By 2013, Solar photovoltaic installations will almost double to 32.6 gigawatts from 18.6 gigawatts last year. The market believes that the nuclear disaster in Japan will further enhance and accelerate the demand for all forms of clean energy particularly Solar due to its price competitive with other forms of renewable energy.

During the Period Under Review, Solar reported HK$49,693,000 compared with HK$24,428,000 in Previous Period. The increase of HK$25,265,000 in revenue was mainly due to strong demand from our end customer, Sunpower.

We believe that the revenue and customer base in this segment might grow steadily moving forwards in view of the increasing global demand for the renewable energy. Subsequent to Period Under Review, we have successfully secured an order from a new solar customer.

However, we face depleting profit margin pressure as the global demand for solar panels is greatly affected by local government energy policy and the module prices tend to decline gradually when the market is over supply. In many market, solar is already competitive with peak electricity prices such as in California and Japan. PAL will continue to enhance its product technology and efficiency to support our customers in this competitive market.

Outlook

The growth momentums of consumer electronics products mainly the mobile internet devises, smart handset and tablets are set to continue in 2011 if the global economy could continue to pick up steadily. That will spur global inventory restocking and fixed asset investment and lead to demand of PAL equipment in PCB segment. Thus, the PCB segment is expected to remain as the major revenue source to our group in 2011.

However, we will remain cautious as Europe and USA are still mired with sovereign debt crisis and unemployment issues. An abrupt change in the economic environment in these regions will definitely halt all fixed asset investment and scale down our SF revenue growth.

We also expect the Solar sector will continue to grow over the years as the demand on the clean energy has increased. This is evidenced following 2011 Japan nuclear accident, Germany formally announced plans to abandon nuclear power within 11 years and replace with a clean, renewable and safe energy like solar and wind energy. And on 2 August 2011, China' National Development Reform Commission ("NDRC") announced the national tariff solar policy. This will likely create a new wave of demand for solar products in China. Corresponding to these global needs, PAL will allocate more resources in its research and development works in this segment.

Even though the net profit for the first 6 months of 2011 is a marginally better performing period for us compared to Previous Period, as a whole we believe that our business operating environment in 2011 is more challenging than 2010 as amid appreciations in Renminbi, the sustainable recovery in the general economy environment is uncertain and the commodity inflationary pressure is mounting. This kind of operating environment has lifted our operating costs and depleted our gross profit margin. Thus, we will remain prudent and cautious in the management of our business and continue with the effort of developing standardized machines to improve our operating profit in the future.

Major Acquisitions and Disposals During the Period

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

The Agreement and the transactions contemplated thereunder are conditional upon getting approval from the shareholders at an extraordinary general meeting (the "EGM") to be convened within 70 days of the date of the Agreement. The re-development plan itself is also subject to the approval by the relevant government authorities in the PRC. PASL has already received RMB30,000,000 (equivalent to approximately HK$36,585,000) from Shenzhen Warmsun at the date of the Agreement (the "Deposit'). Such Deposit shall not be used unless and until approval from the shareholders at the EGM is obtained. If the EGM cannot be convened within 70 days of the date of the Agreement or if such shareholders approval cannot be obtained at the EGM, Shenzhen Warmsun is entitled to terminate the Agreement and PASL is obliged to refund the Deposit to Shenzhen Warmsun without interest within (i) one working day after receiving notice of termination of the Agreement from Shenzhen Warmsun; or (ii) if Shareholders approval cannot be obtained at the EGM, two working days after the EGM, as the case may be.

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

The actual will depend on (i) the net book value of the existing Land and buildings as at the date of demolishment; (ii) the actual costs and expenses to be incurred in connection with the Agreement, including the relocation and demolishment costs, which are yet to be determined and (iii) the actual costs and expenses to be incurred with either the disposal of the residential properties or the letting out of the residential properties which are also yet to be determined.

Further details can be referred to the announcement issued on 23 August 2011.

Financial Review

Capital Structure, Liquidity and Financial Resources

As at 30 June 2011, the Group had equity attributable to owners of the Company of approximately HK$322,078,000 (31 December 2010: HK$312,119,000). The gearing ratio was approximately 6% (31 December 2010: 12%). The gearing ratio is calculated by dividing the aggregate amount of bank borrowings and other interest-bearing loans over the amount of equity attributable to the owners of the Company.

As at 30 June 2011, the Group had approximately HK$109,177,000 of cash on hand (31 December 2010: HK$139,007,000).

As at 30 June 2011, the Group pledged deposits of approximately HK$9,573,000 (31 December 2010: HK$7,187,000) to banks to secure bank guarantees issued to customers. The Group has banking facilities of approximately HK$69,718,000 (31 December 2010: HK$52,092,000) to the Company. Out of the secured facilities available, apart from the bank borrowings as described below, the Group has utilized approximately HK$8,573,000 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 2011 (31 December 2010: HK$6,187,000). As at 30 June 2011, the total bank borrowings was approximately HK$18,476,000 (31 December 2010: HK$38,372,000) in relation to certain trust receipt loan and discounted export bills negotiated during the relevant period.

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

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

Contingent Liabilities

As at 30 June 2011, the Company had guarantees of approximately HK$70,955,000 (31 December 2010: HK$62,100,000) to banks in respect of banking facilities granted to subsidiaries of the Company. The amount utilized by the subsidiaries was approximately HK$8,573,000 (31 December 2010: HK$6,187,000).

Employee and Remuneration Policies

As at 30 June 2011, the Group has approximately 837 employees. Employees are remunerated based on performance, experience and industry practice. Performance related bonus granted on discretionary basis. Other employee benefits included fund, insurance and medical cover.

By Order of the Board
Lam Kwok Hing
Chairman

Hong Kong, 25 August 2011

Other Information

Directors' Interests in Shares

As at 30 June 2011, 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

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

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

Save as disclosed above, except for nominee shares in certain subsidiaries held in trust for the Company by certain directors, none of the directors, the chief 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 2011.

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 2011, the following persons (other than the directors of the Company) had interests or short positions in the shares and underlying shares of the Company 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 2011, 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 2011, 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 2011.

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 2011.

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 2011.

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 17 to 34, 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 2011 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 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants (the "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
25 August 2011

Condensed Consolidated Statement of Comprehensive Income

FOR THE SIX MONTHS ENDED 30 JUNE 2011

	NOTES	Six months ended 30 June	
		2011	2010
		HK$'000	*HK$'000*
		(unaudited)	(unaudited)
			(restated)
Continuing operation			
Revenue		**386,463**	219,431
Cost of sales		**(311,185)**	(162,708)
Gross profit		**75,278**	56,723
Other income		**782**	917
Selling and distribution costs		**(8,600)**	(6,987)
Administrative expenses		**(57,715)**	(42,016)
Other gains or losses		**1,635**	(756)
Allowance for bad and doubtful debts		**(1,204)**	(105)
Share of results of associates		**988**	(179)
Finance costs		**(221)**	(51)
Profit before taxation		**10,943**	7,546
Taxation	4	**(1,027)**	(134)
Profit for the period from continuing operations		**9,916**	7,412
Discontinued operation			
Loss for the period from discontinued operation	5	**(2,016)**	(1,886)
Profit for the period	6	**7,900**	5,526

	NOTE	Six months ended 30 June **2011** ***HK$'000*** **(unaudited)**	 2010 *HK$'000* (unaudited) (restated)
Other comprehensive income			
Exchange difference arising on translation of foreign operations			
– subsidiaries		**3,044**	2,020
– associate		**48**	4
Other comprehensive income for the period		**3,092**	2,024
Total comprehensive income for the period		**10,992**	7,550
Profit for the period attributable to:			
Owners of the Company		**6,839**	5,500
Non-controlling interests		**1,061**	26
		7,900	5,526
Total comprehensive income attributable to:			
Owners of the Company		**9,959**	7,514
Non-controlling interests		**1,033**	36
		10,992	7,550
Earnings per share	8		
From continuing and discontinued operation			
Basic		**HK1.60 cents**	HK1.29 cents
From continuing operation			
Basic		**HK2.08 cents**	HK1.73 cents

Condensed Consolidated Statement of Financial Position

AT 30 JUNE 2011

	NOTES	**30.6.2011** ***HK$'000*** **(unaudited)**	31.12.2010 *HK$'000* (audited)
Non-current assets			
Property, plant and equipment	9	**94,516**	92,408
Prepaid lease payments		**8,532**	8,535
Interests in associates		**1,513**	477
Available-for-sale investments		**95**	95
Loans receivable	10	**4,017**	3,170
Deposits for acquisition of property, plant and equipment		**1,792**	5,675
		110,465	110,360
Current assets			
Inventories		**54,787**	55,851
Retirement benefit assets		**62**	62
Amounts due from customers for contract work		**113,249**	96,801
Loans receivable	10	**5,453**	2,729
Debtors, bills receivables and prepayments	11	**145,210**	143,331
Prepaid lease payments		**294**	289
Held-for-trading investments		**42,442**	28,840
Amounts due from associates		**1,064**	954
Taxation recoverable		**25**	20
Pledged bank deposits		**9,573**	7,187
Bank balances and cash		**99,604**	131,820
		471,763	467,884
Current liabilities			
Creditors, bills payables and accrued charges	12	**216,264**	201,758
Warranty provision		**8,186**	6,405
Amounts due to customers for contract work		**2,196**	7,521
Amounts due to associates		**26**	25
Bank borrowings		**18,476**	38,372
Taxation payable		**600**	291
		245,748	254,372
Net current assets		**226,015**	213,512
Total assets less current liabilities		**336,480**	323,872

	NOTE	**30.6.2011** ***HK$'000*** **(unaudited)**	31.12.2010 *HK$'000* (audited)
Capital and reserves			
Share capital	13	**4,265**	4,265
Reserves		**317,813**	307,854
Equity attributable to owners of the Company		**322,078**	312,119
Non-controlling interests		**5,564**	4,531
Total equity		**327,642**	316,650
Non-current liabilities			
Warranty provision		**4,523**	2,907
Deferred taxation		**4,315**	4,315
		8,838	7,222
		336,480	323,872

Condensed Consolidated Statement of Changes in Equity

FOR THE SIX MONTHS ENDED 30 JUNE 2011

	Attributable to owners of the Company									
	Share capital *HK$'000*	Share premium *HK$'000*	Property revaluation reserve *HK$'000*	Legal reserves *HK$'000*	Currency translation reserve *HK$'000*	Contributed surplus *HK$'000*	Retained profits *HK$'000*	Sub-total *HK$'000*	Attributable to non-controlling interests *HK$'000*	Total *HK$'000*
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
At 1 January 2011 (audited)	**4,265**	**28,500**	**32,383**	**11,450**	**31,564**	**48,937**	**155,020**	**312,119**	**4,531**	**316,650**
Exchange difference arising on translation of foreign operations										
– subsidiaries	**-**	**-**	**-**	**-**	**3,072**	**-**	**-**	**3,072**	**(28)**	**3,044**
– associate	**-**	**-**	**-**	**-**	**48**	**-**	**-**	**48**	**-**	**48**
Profit for the period	**-**	**-**	**-**	**-**	**-**	**-**	**6,839**	**6,839**	**1,061**	**7,900**
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**3,120**	**-**	**6,839**	**9,959**	**1,033**	**10,992**
At 30 June 2011 (unaudited)	**4,265**	**28,500**	**32,383**	**11,450**	**34,684**	**48,937**	**161,859**	**322,078**	**5,564**	**327,642**

Condensed Consolidated Statement of Cash Flows

FOR THE SIX MONTHS ENDED 30 JUNE 2011

	Six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Net cash used in operating activities	**(5,992)**	(4,871)
Net cash used in investing activities:		
Purchase of property, plant and equipment	**(7,622)**	(4,441)
Placement of pledged bank deposits	**(8,147)**	(1,197)
Withdrawal of pledged bank deposits	**5,761**	–
Other investing cash flows	**3,900**	(1,021)
	(6,108)	(6,659)
Net cash used in financing activities:		
Net decrease on bank borrowings	**(19,896)**	–
Other financing cash flows	**(220)**	(278)
	(20,116)	(278)
Net decrease in cash and cash equivalents	**(32,216)**	(11,808)
Cash and cash equivalents at the beginning of the period	**131,820**	116,171
Cash and cash equivalents at the end of the period	**99,604**	104,363
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	**99,604**	104,363

Notes to the Condensed Consolidated Financial Information

FOR THE SIX MONTHS ENDED 30 JUNE 2011

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 (the "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 and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2011 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2010.

In the current interim period, the Group has applied, for the first time, a number of new or revised Standards and Interpretations ("new and revised HKFRSs") issued by the HKICPA.

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

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

The Group has not early applied new or revised Standards that have been issued but are not yet effective. The following new or revised Standards have been issued after the date of the consolidated financial statements for the year ended 31 December 2010 were authorised for issuance and are not yet effective.

HKFRS 10	Consolidated financial statements[1]
HKFRS 11	Joint arrangements[1]
HKFRS 12	Disclosure of interests in other entities[1]
HKFRS 13	Fair value measurement[1]
HKAS 1 (Amendments)	Presentation of items of other comprehensive income[2]
HKAS 19 (as revised in 2011)	Employee benefits[1]
HKAS 27 (as revised in 2011)	Separate financial statements[1]
HKAS 28 (as revised in 2011)	Investments in associates and joint ventures[1]

[1] Effective for annual periods beginning on or after 1 January 2013.

[2] Effective for annual periods beginning on or after 1 July 2012.

The directors of the Company anticipate these new or revised Standards will be adopted in the Group's consolidated financial statements for the period beginning on 1 January 2013. The directors of the Company are in the process of assessing the potential impact of these new or revised Standards.

3. SEGMENT INFORMATION

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

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

The energy saving segment was discontinued during the six months ended 30 June 2011. The details of the results of energy saving segment are set out in note 5.

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

	Electroplating equipment	
	Six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
Continuing Operation		
Revenue	**386,463**	219,431
Segment profit	**15,417**	16,049
Intra-group management fee charged to operating segment	**2,587**	993
Other income	**363**	474
Central corporate expenses	**(13,679)**	(9,151)
Net change in fair value of held-for-trading investments	**5,267**	(640)
Share of results of associates	**988**	(179)
Profit before taxation	**10,943**	7,546

Segment profit represents the gross profit from the electroplating equipment segment and other income and expenses directly attributable to the segment activity (including intra-group management fee) but excluding interest income from loans receivables, dividend income and sundry income, central corporate expenses including auditor's remuneration, 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 for resources allocation and assessing performance.

4. TAXATION

	Six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
Continuing operation:		
Taxation comprises:		
Overseas taxation		
Charge for the period	**(1,027)**	(134)

No tax is payable on the profit for the six months ended 30 June 2011 arising in Hong Kong since the assessable profit is wholly absorbed by tax loss brought forward. No provision for Hong Kong Profits Tax was made for the six months ended 30 June 2010 as there was no assessable profit for the period.

Taxation arising in other jurisdictions (including the People's Republic of China (excluding Hong Kong) ("PRC") enterprise income tax) is calculated at the rates prevailing in the relevant jurisdictions.

5. DISCONTINUED OPERATION

During the period, the Group discontinued the energy saving operation which represents the energy saving segment through the disposal of a subsidiary engaged in this operation. The condensed consolidated statement of comprehensive income for the six months ended 30 June 2010 has been restated accordingly.

The loss from the discontinued operation, which represented the loss of the energy saving operation for the period and gain on disposal of a subsidiary, was HK$2,016,000 (six months ended 30 June 2010: HK$1,886,000).

5. DISCONTINUED OPERATION *(Continued)*

The results of the energy saving operation was as follows:

	Six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Revenue	**156**	2,402
Cost of sales	**(1,202)**	(3,556)
Gross loss	**(1,046)**	(1,154)
Other income	**73**	–
Administrative expenses	**(752)**	(732)
Allowance for bad and doubtful debts	**(501)**	–
Loss for the period	**(2,226)**	(1,886)
Gain on disposal of a subsidiary	**210**	–
Loss for the period from discontinued operation	**(2,016)**	(1,886)

There was no significant assets or liabilities of the energy saving operation at the date of disposal. The net cash flows attributable to the operating, investing and financing activities of the energy saving operation was not significant for both periods.

6. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
Profit for the period has been arrived at after charging (crediting):		
Allowance for (reversal of allowance) slow moving inventories	**1,396**	(150)
Depreciation of property, plant and equipment	**6,119**	4,425
Loss on disposal of property, plant and equipment	**286**	72
Net exchange loss	**3,317**	2,474
Interest income from loans receivables	**(210)**	(214)
Interest income from an associate	**(88)**	(26)
Interest income from bank deposits	**(97)**	(62)
Net change in fair value of held-for-trading investments	**(5,267)**	640

7. DIVIDEND

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

8. EARNINGS PER SHARE

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

	Continuing and discontinued operations		Continuing operation	
	Six months ended		Six months ended	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
The Group's profit for the period attributable to owners of the Company	**6,839**	5,500	**8,855**	7,386
Number of ordinary shares	**426,463,400**	426,463,400	**426,463,400**	426,463,400

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

9. PROPERTY, PLANT AND EQUIPMENT

During the period from 1 January 2011 to 30 June 2011, the Group spent HK$7,622,000 (six months ended 30 June 2010: HK$4,441,000) on acquisition of property, plant and equipment.

10. LOANS RECEIVABLE

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

	30.6.2011	31.12.2010
	HK$'000	*HK$'000*
Repayable within 3 months	**4,469**	2,421
Repayable after 3 months but within 6 months	**318**	211
Repayable after 6 months but within 1 year	**666**	97
Total repayable within 1 year	**5,453**	2,729
Repayable after 1 year, but not exceeding 2 years	**4,017**	3,170
Total	**9,470**	5,899

11. DEBTORS, BILLS RECEIVABLES AND PREPAYMENTS

	30.6.2011	31.12.2010
	HK$'000	*HK$'000*
Trade debtors and bills receivables	**117,175**	120,752
Other debtors and prepayments	**28,035**	22,579
	145,210	143,331

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.

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

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

	30.6.2011	31.12.2010
	HK$'000	*HK$'000*
0 – 60 days	**91,808**	87,274
61 – 120 days	**11,922**	16,933
121 – 180 days	**3,049**	7,455
Over 180 days	**10,396**	9,090
	117,175	120,752

12. CREDITORS, BILLS PAYABLES AND ACCRUED CHARGES

	30.6.2011	31.12.2010
	HK$'000	*HK$'000*
Trade creditors	**114,049**	115,327
Bills payables	**12,374**	10,821
Accrued staff costs	**11,570**	14,932
Commission payables to sales agents	**22,218**	18,113
Other accrued charges	**32,034**	31,004
Advances received from customers for contract work	**24,019**	11,561
	216,264	201,758

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

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

	30.6.2011	31.12.2010
	HK$'000	*HK$'000*
0 – 60 days	**70,823**	96,119
61 – 120 days	**39,766**	24,153
121 – 180 days	**12,345**	3,357
Over 180 days	**3,489**	2,519
	126,423	126,148

13. SHARE CAPITAL

	Number of shares	**Amount**
	'000	*HK$'000*
Shares of HK$0.01 each		
Authorised		
At 1 January 2011 and at 30 June 2011	20,000,000	200,000
Issued and fully paid:		
At 1 January 2011 and at 30 June 2011	426,463	4,265

14. RELATED PARTY TRANSACTION

During the period, the Group entered into the following transactions with associates:

	Trade sales		Trade purchases		Interest income		Commission expense	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
	2,437	1,829	**662**	–	**88**	26	**–**	1,236

During the period, the Group paid commission expense and other securities dealing expense from securities dealing of HK$21,000 (six months ended 30 June 2010: HK$20,000) to Karl-Thomson Securities Company Limited, which is a wholly owned subsidiary of Karl Thomson Holdings Limited ("KTH"). Mr. Lam Kwok Hing, an executive director and a controlling shareholder of the Company, is an executive director and a controlling shareholder of KTH.

The remuneration of key management during the period was HK$7,705,000 (six months ended 30 June 2010: HK$6,520,000). The amount included HK$167,000 (six months ended 30 June 2010: nil) as performance related incentive payments.

15. COMMITMENTS

	30.6.2011	31.12.2010
	HK$'000	*HK$'000*
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial information	**2,688**	1,939

16. EVENT AFTER THE REPORTING PERIOD

On 7 August 2011, a wholly-owned subsidiary of the Company entered into an agreement (the "Agreement") with an independent third party ("Counter Party") in relation to a re-development plan ("Re-development") of two parcels of industrial land located in Bao An District, Shenzhen, the PRC, of the Group ("Land"). Pursuant to the Agreement, the Group has agreed to vacate from the Land and demolish the existing buildings and structures built or erected thereon the Land at its own cost and the Counter Party has agreed to (i) seek relevant governmental approvals; (ii) pay additional land premium as required; (iii) provision of all required fund in the design and construction; (iv) pay a relocation compensation of RMB50 million (approximately HK$61 million) to the Group and (v) transfer title of 41,000 sq.m. residential property to the Group upon completion of the Re-development. The Agreement and the transactions contemplated thereunder are subject to the shareholders' approval to be obtained at an extraordinary general meeting to be convened within 70 days of the date of the Agreement. The Re-development is subject to approval by relevant government authorities in PRC. The carrying amount of the Land and existing buildings and structures built or erected thereon the Land was HK$52,764,000 as at 30 June 2011. As at the date of the report, the Counter Party is in the process of forming a project company as part of the agreed actions under the Agreement. The details of the Agreement are set out in the Company's announcement dated 23 August 2011.