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 2012

CONTENTS

FINANCIAL RESULTS

During the period ended 30 June 2012 ("the Period Under Review"), the Group recorded loss attributable to owners of the Company of about HK$26,972,000 compared to the profit attributable to owners of the Company of about HK$6,839,000 for the period ended 30 June 2011 ("the Previous Period"). The Group's loss attributable to owners of the Company during the Period Under Review was primarily due to fall in revenue from HK$386,463,000 in the Previous Period to HK$149,361,000 in the Period Under Review and a net change in fair value of HK$6,265,000 arose from the held-for-trading investments in the listed securities. The performance of the Group is further reviewed and elaborated in the following sections.

The basic loss per share for the Period Under Review was HK$6.32 cents compared to the basic earnings per share of HK$1.60 cents for the Previous Period.

MANAGEMENT DISCUSSION AND ANALYSIS

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

The revenue for the Period Under Review was about HK$149,361,000 or 61% less than the Previous Period. Lower revenue reported during the Period Under Review was mainly due to soft order backlogs captured since the quarter end of 2011. The on-going economic crisis in Euro-zone and sluggish recovery in US economy continued to hurt our reporting revenue as customers remained cautious and tended to defer delivery and scale back their capital investments in uncertain economic environment.

In term of business segment, about 86% of the revenue was generated from PCB sector (the Previous Period: approximately 65%), approximately 13% came from surface finishing sector (the Previous Period: approximately 21%) and approximately 1% derived from solar cell sector (the Previous Period: approximately 14%). From the aspect of machines geographical installation base, the revenue composition during the Period Under Review was 40% machines in PRC, 32% in Korea, 13 % in Scotland, 8 % in Germany, 4% in USA and 3% in rest of the world.

Our costs control measures implemented since the economic crisis started have produced results. The operating costs declined from HK$66,315,000 during the Previous Review to HK$53,977,000 during the Period Under Review. Coupled with operation efficiency, the Group's gross profit margin remained about the same despite general inflation in raw material and labour costs.

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

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

The PCB business is cyclical and vulnerable to economic uncertainties. The general concern on Euro-zone debt crisis has temporarily slow down our customers from embarking on fixed asset investments in the Period Under Review. The tightening of credit control in China and Europe during the Period Under Review has also deferred our customer investment plans.

Thus, during the Period Under Review, the revenue in this business area dropped to HK$107,306,000 from HK$234,720,000 in Previous Period. Despite the current tough operating environment, we still believe that once the worries and uncertainties on Euro-zone economy subdues, the demand for our equipment will pick up gradually. This is because the emergence of mobile internet has continued to propel the demand of handheld computing devices such as tablets and smartphones. General consumers continue to change and buy these devices even though business consumers stop or reduce spending during current economic crisis as these electronic devices have become fashionable products. According to IDC forecast, the smartphone is expected to grow from 660 million units in 2012 to 1.16 billion units in 2016 and tablet is forecasted to grow from 69 million units in 2011 to 198 million units in 2016. The growth will be driven by Asia/ Pacific countries especially China. PAL as a main player in PCB segment will definitely benefit from this as the demand on these devices will certainly boost the demand of HDI PCB. Thus, PAL with a strong global presence and design and development capabilities is able to work with its customer in developing advanced electroplating machine according to their requirements and specifications and ride on the coming recovery.

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 decreased from HK$75,532,000 in the Previous Period to HK$15,855,000 for the Period Under Review. The slide was mainly attributable to customers cutting back or put on hold their capital investments amid global economic crisis. However, some orders on hand are scheduled to deliver subsequent to this interim reporting period. Taking this into accounts, we believe that the drop in this segment would be narrowed down by year end. Since 2007, PAL's brand name, reputation and financial strength have established strong profile in the industry. Despite the current weak market sentiment, we continue to receive enquiries from prominent customers from mining, aerospace and automobile industries in US, Mexico and Middle East during the Period Under Review. Thus, we remain positive that SF revenue will rebound once the global economy recovers.

Electroplating Equipment - Photo Voltaic ("Solar") Sector

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

It is forecasted that the demand remaining strong for solar product during the next five years. Continued government subsidies and increasing renewable energy demand will cause consumers to invest in the products. However, during the Period Under Review, the Solar panel prices have dwindled significantly and customers have stopped capacity investments due to increasing competition from manufacturers in China and reduced subsidies given by European and US governments amid global economic crisis. As a result, the Group reported revenue for the segment has dropped sharply from HK$49,693,000 in Previous Period to HK$1,008,000 in the Period Under Review.

But the landscape of the business environments has changed following the US government imposed import tariff on Chinese solar panels. We witnessed the revenue of customer located outside China started to pick up slowly subsequent to Period Under Review and enquiries on new equipment resume. Even though, the China Solar market is temporarily set back following the US's sanction, we believe it will grow gradually as Chinese government continue to award subsidies for setting pilot plants in different provinces and the demand for a clean and renewable energy is an unavoidable trend. The Group thereby remains positive that it would able to regain its revenue in this segment subsequently when the industry revives later.

However, the global Solar panel market remains highly competitive. To succeed in this environment, PAL would direct our attention on new technology and costs cutting as the customers have continued to demand for cheaper capital expenditure on their new investments. Thus, we encounter depleting profit margin pressure as the PV price are likely to drop when manufacturing capacity doubles over the next three to five years .

Net Change in Fair Value of Held-For-Trading Investments

The Group has invested in held-for-trading investments. These investments represent equity securities listed in Hong Kong at market value. During the Period Under Review, a net change in fair value of HK$6,265,000 arose on the listed securities investment made by the Group due to the decline in value of the equity securities listed in Hong Kong in the midst of market downturn.

Outlook

Looking ahead, barring a significant change in the overall economic environment, the spiralling Euro-zone crisis would continue to drag on global economy and our Group existing business remains challenging for the second half of the year as the consumers tend to be risk averse and scale down spending on equipment in the face of global economic uncertainties. But so far, the overall economic slowdown in Asia has been relatively gentle and central banks have reacted cautiously to maintain and stimulate growth. Thus, we are cautiously optimistic that customers would resume their investment plan once business sentiments improve.

Hence, PAL would continue to focus on our core business in PCB, SF and Solar segments and reinforce our core strength through product reengineering, research and development and costs cutting measures.

The overwhelming demand on the consumer electronic products particularly smartphone and tablets would continue to propel the growth of our PCB business.

Meanwhile, our major SF customers who are willing to pay a higher premium for PAL branded and quality products are mainly located in Europe and US. Thus, the SF business is expected to improve when business sentiments in these regions improve.

The development of the renewable energy sector remains the focus of the PRC's 12th Five Year Plan. Thus, the development of solar market in China is an unavoidable trend. Compared to other renewable energy, Solar has more comparative advantages. Currently, other than Solar roof top, the solar industry is working to get the energy much closer to end consumers with products such as computers and electric vehicles that are built around Solar technology. The applications in long run are expected to drive the demand of our equipment.

In July 2012, IMF expects the world economy to grow 3.5% this year, a modest downgrade of 0.1% point from its forecast three months ago and IMF believes that the situation in the Euro-area crisis economies will likely remain precarious until all policy action needed for a resolution of the crisis has been taken. Thus, in view that our business operating environment will continue to face headwind in the later part of 2012, we will remain prudent and cautious in the management of our business.

PROPERTY RE-DEVELOPMENT PLAN

Reference is made to the Company's announcement issued on 22 August 2011 with respect to the agreement ("Agreement") entered into by a wholly-owned subsidiary of the Company 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") from industrial land into residential properties for resale. Progress made on the Re-development Plan in accordance with the Agreement is updated below:-

(1) The Project Company was established by the Counter Party in August 2011.

(2) The Group has entered into a re-development contract ("Re-development Contract") and relocation compensation agreement ("Relocation Compensation Agreement") with the Project Company in September 2011.

(3) The Project Company has applied for re-development of the Land since September 2011. As the approval involves several departments, the application is still under processed.

(4) As of 30 June 2012, the Group has received RMB40 million from the Counter Party as deposit for relocation compensation.

Capital Structure, Liquidity and Financial Resources

As at 30 June 2012, the Group had equity attributable to owners of the Company of approximately HK$254,886,000 (31 December 2011: HK$281,809,000). The gearing ratio was approximately 4% (31 December 2011: 2%). The gearing ratio is calculated by dividing the aggregate amount of bank borrowings of approximately HK$ 9,188,000 (31 December 2011: HK$4,557,000) over the amount of equity attributable to the equity holders of the Company.

As at 30 June 2012, the Group had approximately HK$132,457,000 of cash on hand (31 December 2011: HK$160,788,000).

As at 30 June 2012, the Group pledged deposits of approximately HK$27,219,000 (31 December 2011: HK$9,215,000) to banks to secure bank guarantees issued to customers and trust receipt loan. The Group has banking facilities of approximately HK$75,290,000 (31 December 2011: HK$71,415,000) to the Company. Out of the facilities available, the Group has utilized approximately HK$23,250,000 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 2012 (31 December 2011: HK$8,215,000). As at 30 June 2012, the total bank borrowings was approximately HK$9,188,000 (31 December 2011: HK$4,557,000) in relation to discounted export bills negotiated, trust receipt loan and invoice financing during the relevant period.

Most of the bank borrowing is charged at inter-bank offer rate plus a spread 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 material cost and overhead cost for the factories in China.

Contingent Liabilities

As at 30 June 2012, the Company had issued guarantees of approximately HK$77,208,000 (31 December 2011: HK$72,945,000) to banks in respect of banking facilities granted to subsidiaries of the Company. The amount utilized by the subsidiaries was approximately HK$32,438,000 (31 December 2011: HK$12,772,000).

Employee and Remuneration Policies

As at 30 June 2012, the Group employs a total of 719 employees. Employees are remunerated based on performance, experience and industry practice. Performance related bonuses are granted on discretionary basis. Other employee benefits included fund, insurance and medical cover.

INTERIM DIVIDEND

The Board does not recommend payment of any interim dividend for the six months ended 30 June 2012 (six months ended 30 June 2011: Nil).

By Order of the Board
Lam Kwok Hing
Chairman

22 August 2012

DIRECTORS' INTERESTS IN SHARES

As at 30 June 2012, 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	Number of issued ordinary shares held: Corporate interest	Total	Percentage of the issued share capital of the Company
Mr. Lam Kwok Hing	3,474,667	250,516,500 (Note)	253,991,167	59.56%

Note: The amount composed of 48,520,666 and 201,995,834 shares of the Company that were held by Medusa Group Limited ("Medusa") and Karfun Investments Limited ("Karfun") respectively. Medusa is a company wholly owned by Mr. Lam Kwok Hing. Karfun is a wholly-owned subsidiary of Karl Thomson Holdings Limited, a company in which Mr. Lam Kwok Hing is a 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 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 2012.

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 2012, 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 2012, 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 2012.

REMUNERATION COMMITTEE

The remuneration committee of the Company (the "Remuneration Committee") is composed of three Directors, namely Messrs. Nam Kwok Lun, Kwan Wang Wai Alan and Ng Chi Kin David. The principal functions of the Remuneration Committee include determining the policy for the remuneration of executive directors, assessing performance of executive directors and approving the terms of executive directors' service contracts; making 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 policy on such remuneration and to place recommendations before the Board concerning the total remuneration and/or benefits granted to the Directors from time to time.

NOMINATON COMMITTEE

The nomination committee of the Company (the "Nomination Committee") is established on 27 March 2012 and is composed of three Directors, namely Messrs. Lam Kwok Hing, Cheung Kin Wai and Ng Chi Kin David. The principal functions of the Nomination Committee include reviewing the structure, size and composition of the Board, making recommendations on any proposed changes to the Board to complement the Company's corporate strategy, identifying and nominating qualified individuals for appointment as additional directors or to fill Board vacancies as and when they arise.

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 2012.

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 2012.

PUBLICATION OF RESULTS ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

The Interim Report 2012, containing the relevant information required by the Rules Governing the Listing of Securities on the Stock Exchange, has been published on the websites of the Stock Exchange and the Company.

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 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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 condensed 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 16 to 36, which comprise the condensed consolidated statement of financial postion as of 30 June 2012 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 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements 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 these condensed consolidated financial statements 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 condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
22 August 2012

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2012

	NOTES	Six months ended 30 June 2012 HK$'000 (unaudited)	2011 HK$'000 (unaudited)
Continuing operations			
Revenue	3	149,361	386,463
Cost of sales		(120,079)	(311,185)
Gross profit		29,282	75,278
Other income		2,692	782
Selling and distribution costs		(7,470)	(8,600)
Administrative expenses		(46,507)	(57,715)
Other gains or losses		(4,881)	1,635
Allowance for bad and doubtful debts		—	(1,204)
Share of results of associates		380	988
Finance costs		(135)	(221)
(Loss) profit before taxation		(26,639)	10,943
Taxation	4	(262)	(1,027)
(Loss) profit for the period from continuing operations		(26,901)	9,916
Discontinued operation			
Loss for the period from discontinued operation	5	—	(2,016)
(Loss) profit for the period	6	(26,901)	7,900

	NOTE	Six months ended 30 June 2012 HK$'000 (unaudited)	2011 HK$'000 (unaudited)
Other comprehensive income			
Exchange difference arising on translation of foreign operations			
– subsidiaries		(359)	3,044
– associate		35	48
Reclassification of currency translation reserve upon dissolution of a subsidiary		370	—
Other comprehensive income for the period		46	3,092
Total comprehensive (expense) income for the period		(26,855)	10,992
(Loss) profit for the period attributable to:			
Owners of the Company		(26,972)	6,839
Non-controlling interests		71	1,061
		(26,901)	7,900
Total comprehensive (expense) income attributable to:			
Owners of the Company		(26,923)	9,959
Non-controlling interests		68	1,033
		(26,855)	10,992
(Loss) earnings per share	8		
From continuing and discontinued operations			
Basic		HK(6.32) cents	HK1.60 cents
From continuing operations			
Basic		HK(6.32) cents	HK2.08 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2012

	NOTES	30.6.2012 *HK$'000* *(unaudited)*	31.12.2011 *HK$'000* *(audited)*
Non-current assets			
Property, plant and equipment	9	92,757	95,791
Prepaid lease payments		8,348	8,511
Interests in associates		2,037	1,622
Available-for-sale investments		—	95
Loans receivable	10	11,946	3,455
		115,088	109,474
Current assets			
Inventories		51,285	54,708
Amounts due from customers for contract work		83,819	73,967
Loans receivable	10	4,658	4,588
Debtors, bills receivables and prepayments	11	69,163	79,128
Prepaid lease payments		298	299
Held-for-trading investments		15,156	26,425
Amounts due from associates		1,264	1,154
Taxation recoverable		1,058	1,058
Pledged bank deposits	12	27,219	9,215
Bank balances and cash		105,238	151,573
		359,158	402,115

	NOTES	30.6.2012 HK$'000 (unaudited)	31.12.2011 HK$'000 (audited)
Current liabilities			
Creditors, bills payables and accrued charges	13	125,844	142,455
Deposit received for re-development of the land	9	48,800	48,880
Retirement benefit obligations		68	68
Warranty provision		9,297	10,080
Amounts due to customers for contract work		16,744	10,528
Amounts due to associates		26	26
Bank borrowings	14	9,188	4,557
Taxation payable		160	1,227
		210,127	217,821
Net current assets		149,031	184,294
Total assets less current liabilities		264,119	293,768

	NOTE	30.6.2012 *HK$'000* *(unaudited)*	31.12.2011 *HK$'000* *(audited)*
Capital and reserves			
Share capital	15	4,265	4,265
Reserves		250,621	277,544
Equity attributable to owners of the Company		254,886	281,809
Non-controlling interests		2,592	4,110
Total equity		257,478	285,919
Non-current liabilities			
Warranty provision		2,326	3,534
Deferred taxation		4,315	4,315
		6,641	7,849
		264,119	293,768

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2012

	Attributable to owners of the Company								Attributable to non-controlling interests	Total
	Share capital	Share premium	Property revaluation reserve	Legal reserves	Currency translation reserve	Contributed surplus	Retained profits	Sub-total		
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
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
At 1 January 2012 (audited)	4,265	28,500	32,383	11,450	39,102	48,937	117,172	281,809	4,110	285,919
Exchange difference arising on translation of foreign operations										
– subsidiaries	–	–	–	–	(356)	–	–	(356)	(3)	(359)
– associate	–	–	–	–	35	–	–	35	–	35
Reclassification upon dissolution of a subsidiary	–	–	–	–	370	–	–	370	–	370
Loss for the period	–	–	–	–	–	–	(26,972)	(26,972)	71	(26,901)
Total comprehensive income (expense) for the period	–	–	–	–	49	–	(26,972)	(26,923)	68	(26,855)
Reclassification upon dissolution of a subsidiary	–	–	–	(1,396)	–	–	1,396	–	–	–
Dissolution of a subsidiary	–	–	–	–	–	–	–	–	(86)	(86)
Dividend paid by a subsidiary to its non-controlling interest	–	–	–	–	–	–	–	–	(1,500)	(1,500)
At 30 June 2012 (unaudited)	4,265	28,500	32,383	10,054	39,151	48,937	91,596	254,886	2,592	257,478

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2012

	Six months ended 30 June	
	2012	2011
	HK$'000	*HK$'000*
	(unaudited)	*(unaudited)*
Net cash used in operating activities	**(30,987)**	(5,992)
Net cash used in investing activities:		
Purchase of property, plant and equipment	**(1,730)**	(7,622)
Placement of pledged bank deposits	**(26,219)**	(8,147)
Withdrawal of pledged bank deposits	**8,215**	5,761
Other investing cash flows	**1,390**	3,900
	(18,344)	(6,108)
Net cash from (used in) financing activities:		
Net increase (decrease) on bank borrowings	**4,631**	(19,896)
Dividend paid by a subsidiary to its non-controlling interests	**(1,500)**	—
Other financing cash flows	**(135)**	(220)
	2,996	(20,116)
Net decrease in cash and cash equivalents	**(46,335)**	(32,216)
Cash and cash equivalents at the beginning of the period	**151,573**	131,820
Cash and cash equivalents at the end of the period	**105,238**	99,604
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	**105,238**	99,604

1. BASIS OF PREPARATION

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

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 2012 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2011.

In the current interim period, the Group has applied, for the first time, certain amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are mandatory effective for the current interim period.

The application of the above amendments to 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.

3. REVENUE AND SEGMENT INFORMATION

Revenue

The Group's revenue from continuing operations for the six months ended 30 June 2012 and 2011 analysed principal activity is as follows:

	Six months ended 30 June	
	2012	2011
	HK$'000	*HK$'000*
Revenue from electroplating machinery business:		
Construction contracts in respect of design, manufacturing and sale of custom-built electroplating machinery and other industrial machinery	**123,690**	368,764
Sale of spare parts of electroplating machinery	**11,112**	12,577
Provision of services — repairs and maintenance	**14,559**	5,122
	149,361	386,463

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.

The energy saving operation was discontinued during the six months ended 30 June 2011. The segment information reported on this note does not include any amounts for the discontinued operation, which are described more in details in note 5.

3. REVENUE AND SEGMENT INFORMATION *(Continued)*

Segment Information *(Continued)*

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

	Electroplating equipment Six months ended 30 June	
	2012	2011
	HK$'000	*HK$'000*
Continuing operations		
Segment revenue	**149,361**	386,463
Segment (loss) profit	**(15,018)**	11,612
Intra-group management fee charged to operating segment	**2,571**	2,587
Other income, gains or losses	**2,219**	589
Central corporate expenses	**(10,507)**	(10,100)
Net change in fair value of held-for-trading investments	**(6,265)**	5,267
Loss on disposal of available-for-sale investments	**(19)**	—
Share of results of associates	**380**	988
(Loss) profit before taxation	**(26,639)**	10,943

Segment (loss) profit represents the gross profit of 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 receivable, dividend income and sundry income, unallocated net exchange gain or loss, central corporate expenses including auditor's remuneration and director's emoluments, net change in fair value of held-for-trading investments, share of results of associates and loss on disposal of available-for-sale investments. This is the measure reported to the chief operating decision maker in order to assess segment performance.

4. TAXATION

	Six months ended 30 June	
	2012	2011
	HK$'000	*HK$'000*
Continuing operations:		
Taxation comprises:		
Overseas taxation		
Charge for the period	**(262)**	(1,027)

No provision for Hong Kong Profits Tax was made for the six months ended 30 June 2012 as there is no assessable profit for the period. No tax was 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.

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. LOSS FOR THE PERIOD FROM DISCONTINUED OPERATION

During the six months ended 30 June 2011, the Group discontinued the energy saving operation which represents the energy saving segment through the disposal of a subsidiary engaged in this operation to an independent third party at a consideration of HK$1. The disposal was completed on 15 June 2011, on which date control of that subsidiary passed to the acquirer.

The loss from the discontinued operation for the six months ended 30 June 2011, which represented the loss of the energy saving operation for the six months ended 30 June 2011 and gain on disposal of a subsidiary, was approximately HK$2,016,000.

5. LOSS FOR THE PERIOD FROM DISCONTINUED OPERATION *(Continued)*

The results of the energy saving operation for the six months ended 30 June 2011, which had been included in the condensed consolidated statement of comprehensive income, were as follows:

	HK$'000
Revenue	156
Cost of sales	(1,202)
Gross loss	(1,046)
Other income	73
Administrative expenses	(752)
Allowance for bad and doubtful debts	(501)
Loss for the period	(2,226)
Gain on disposal of a subsidiary	210
Loss for the period from discontinued operation	(2,016)

The net cash flows attributable to the operating, investing and financing activities of the energy saving operation were not significant for the six months ended 30 June 2011.

There were no significant assets and liabilities of the energy saving operation at the date of disposal.

6. (LOSS) PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2012	2011
	HK$'000	*HK$'000*
(Loss) profit for the period has been arrived at after charging (crediting):		
Allowance for slow moving inventories	2,001	1,396
Depreciation of property, plant and equipment	4,618	6,119
Release of prepaid lease payments	149	147
Loss on disposal of property, plant and equipment	3	286
Net exchange (gain) loss	(1,225)	3,317
Interest income from loans receivable	(319)	(210)
Interest income from an associate	(89)	(88)
Interest income from bank deposits	(1,500)	(97)
Net change in fair value of held-for-trading investments	6,265	(5,267)

7. DIVIDEND

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

8. (LOSS) EARNINGS PER SHARE

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

	Continuing and discontinued operations Six months ended		Continuing operations Six months ended	
	2012	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
The Group's (loss) profit for the period attributable to owners of the Company	**(26,972)**	6,839	**(26,972)**	8,855
Number of ordinary shares	**426,463,400**	426,463,400	**426,463,400**	426,463,400

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

Basic loss per share for the discontinued operation of the six months ended 30 June 2011 was HK0.47 cent per share, based on the loss for the period for the six months ended 30 June 2011 from the discontinued operation of approximately HK$2,016,000 and the denominator detailed above.

9. PROPERTY, PLANT AND EQUIPMENT

During the period from 1 January 2012 to 30 June 2012, the Group spent approximately HK$1,730,000 (six months ended 30 June 2011: approximately HK$7,622,000) on acquisition of property, plant and equipment.

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") from industrial land into residential properties for resale. Pursuant to the Agreement, the Group has agreed to vacate from the Land and demolish the existing buildings and structures built or erected on the Land at its own costs and the Counter Party has agreed to re-develop the Land into residential properties and compensate the Group by paying a relocation compensation of RMB50 million (approximately HK$61 million) to the Group and transferring title of 41,000 sq.m. residential properties to the Group upon completion of the Re-development. According to the Agreement, the Counter Party is responsible for the Re-development (including but not limited to application to relevant responsible bodies of the PRC government, payment of additional land premium if any, provision of all required fund, design and construction of re-developed properties, sales of the re-developed properties, as well as obtaining a "sale of land use rights contract" (土地使用權出讓合同書) from the relevant responsible bodies of the PRC government) and set up a project company ("Project Company") for the purpose of Re-development. The Project Company was established by the Counter Party in August 2011.

The Group has entered into a re-development contract ("Re-development Contract") and relocation compensation agreement ("Relocation Compensation Agreement") with the Project Company in September 2011. Under the Re-development Contract, the Group shall apply for re-development of the Land under the "Shenzhen city town re-development formulated plan" (深圳市城市更新單元規劃制定計劃) and the Project Company shall have completed the application for town re-development and the Re-development shall have been listed as a "Town re-development formulated plan of the State" (政府城市更新規劃制定計劃) ("Completion of Registration") by the earlier of (i) two years after the signing of the Re-development Contract; or (ii) 26 months of the date of the Agreement.

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

Under the Relocation Compensation Agreement, the Group shall have completed all the demolition work on the Land and deliver the Land to the Project Company within six months upon receiving (i) the full payment of relocation compensation of RMB50 million (The Group has received RMB40 million as deposit up to 30 June 2012 and the balancing amount of RMB10 million shall be paid to the Group within 30 days upon Completion of Registration) and (ii) written notice from the Counter Party.

Pursuant to the Agreement, if either the Group or the Counter Party fails to perform or observe the terms set forth under the Agreement, the non-defaulting party may, depending on the nature of the breach, terminate the Agreement, forfeit or return the deposit received by the Group or pay for liquidated damages (as the case may be) as stipulated under the Agreement. If the approval of the Re-development by the relevant responsible bodies of the PRC government cannot be obtained which is not due to the default of the Group or the Counter Party (including the Project Company), both the Group or the Counter Party can terminate the Agreement and return the assets (including the deposit received by the Group) transferred under the Agreement.

The carrying amount of the Land and existing buildings built or erected on the Land was approximately HK$51,489,000 as at 30 June 2012 (31 December 2011: approximately HK$52,564,000). As at the end of the reporting period, the Group received the relocation deposit of RMB40 million (approximately HK$49 million) (31 December 2011: RMB40 million (approximately HK$49 million)) pursuant to the Agreement. As at the date of the report, the Re-development is subjected to the approval by the relevant responsible bodies of the PRC government and the Group is working with the Project Company in applying the re-development of the Land. The Land and existing buildings are used by the Group for production purpose. In the opinion of the directors of the Company, as the approval involves several committees and departments of the PRC government, the final approval for the Re-development may or may not be obtained. Hence, the deposit received amounted to RMB40 million is included in current liability and there is no other significant financial impact on the Group at this stage. The details of the Agreement are set out in the Company's circular dated 19 September 2011.

10. LOANS RECEIVABLE

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

	30.6.2012	31.12.2011
	HK$'000	*HK$'000*
Repayable within 3 months	4,514	3,564
Repayable after 3 months but within 6 months	48	333
Repayable after 6 months but within 1 year	96	691
Total repayable within 1 year	4,658	4,588
Repayable after 1 year, but not exceeding 2 years	11,946	3,455
Total	16,604	8,043

Included in the balance, an amount of HK$9,000,000 was advanced to Karl-Thomson Holdings Limited ("KTH") in April 2012. The loan is unsecured, bears interest at 5% per annum and is repayable on 2 April 2014. Accordingly, the balance is classified as non-current as at 30 June 2012.

The remaining balance of the loans receivable is secured and interest-bearing.

11. DEBTORS, BILLS RECEIVABLES AND PREPAYMENTS

	30.6.2012	31.12.2011
	HK$'000	*HK$'000*
Trade debtors and bills receivables	53,158	62,245
Other debtors and prepayments	16,005	16,883
	69,163	79,128

As at 30 June 2012, the trade debtors balance included trade debts due from associates of approximately HK$7,142,000 (31 December 2011: approximately HK$5,819,000).

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 and bills receivables net of allowance for bad and doubtful debts presented based on the invoice date at the end of the reporting period:

	30.6.2012	31.12.2011
	HK$'000	*HK$'000*
0 - 60 days	36,908	44,388
61 - 120 days	5,175	4,773
121 - 180 days	733	1,562
Over 180 days	10,342	11,522
	53,158	62,245

12. PLEDGED BANK DEPOSITS

During the current interim period, the Group made the placement of pledged bank deposits of approximately HK$26,219,000 (six months ended 30 June 2011: approximately HK$8,147,000) to secure banking facilities granted to the Group.

13. CREDITORS, BILLS PAYABLES AND ACCRUED CHARGES

	30.6.2012	31.12.2011
	HK$'000	*HK$'000*
Trade creditors	67,235	76,483
Bills payables	5,589	4,368
Accrued staff costs	12,134	14,137
Commission payables to sales agents	15,599	19,610
Other accrued charges	18,870	22,962
Advances received from customers for contract work	6,417	4,895
	125,844	142,455

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:

	30.6.2012	31.12.2011
	HK$'000	*HK$'000*
0 - 60 days	39,272	29,961
61 - 120 days	16,323	28,683
121 - 180 days	4,092	14,675
Over 180 days	13,137	7,532
	72,824	80,851

14. BANK BORROWINGS

During the current interim period, the Group has net increase on bank borrowings of approximately HK$4,631,000 (six months ended 30 June 2011: net decrease of approximately HK$19,896,000) for its trade financing activities.

15. SHARE CAPITAL

	Number of shares	Amount
	'000	*HK$'000*
Shares of HK$0.01 each		
Authorised		
At 1 January 2012 and at 30 June 2012	20,000,000	200,000
Issued and fully paid:		
At 1 January 2012 and at 30 June 2012	426,463	4,265

16. RELATED PARTY TRANSACTION

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

Trade sales		Trade purchases		Interest income	
2012	2011	**2012**	2011	**2012**	2011
HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
7,917	2,437	**209**	662	**89**	88

Details of the outstanding balances with associates are set out in the condensed consolidated statement of financial position and note 11.

During the period, the Group paid commission expense and other securities dealing expense from securities dealing of approximately HK$19,000 (six months ended 30 June 2011: approximately HK$21,000) to Karl-Thomson Securities Company Limited, which is a wholly owned subsidiary of KTH, the Group also received interest income of approximately HK$110,000 from KTH for the loan receivable (six months ended 30 June 2011: nil). 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 loan of HK$9,000,000 was advanced to KTH in April 2012. Details of the loan receivable with KTH are set out in note 10.

The remuneration of key management during the period was approximately HK$8,112,000 (six months ended 30 June 2011: approximately HK$7,705,000). The amount included approximately HK$200,000 (six months ended 30 June 2011: approximately HK$167,000) as performance related incentive payments.