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 **2016**

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Corporate Information

BOARD OF DIRECTORS

LAM Kwok Hing
(Chairman & Managing Director)
NAM Kwok Lun *(Deputy Chairman)*
KWAN Wang Wai Alan
(Independent Non-executive Director)
NG Chi Kin David
(Independent Non-executive Director)
CHEUNG Kin Wai
(Independent Non-executive Director)

AUDIT COMMITTEE

KWAN Wang Wai Alan *(Committee Chairman)*
NG Chi Kin David
CHEUNG Kin Wai

REMUNERATION COMMITTEE

KWAN Wang Wai Alan *(Committee Chairman)*
NAM Kwok Lun
NG Chi Kin David

NOMINATION COMMITTEE

NG Chi Kin David *(Committee Chairman)*
LAM Kwok Hing
CHEUNG Kin Wai

COMPANY SECRETARY

YUNG Wai Ching

AUTHORISED REPRESENTATIVES

LAM Kwok Hing
NAM Kwok Lun

AUDITOR

Deloitte Touche Tohmatsu

REGISTERED OFFICE

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Hamilton HM11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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Hong Kong
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SHARE REGISTRARS AND TRANSFER OFFICES

PRINCIPAL REGISTRAR AND TRANSFER OFFICE:

MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM08
Bermuda

HONG KONG BRANCH REGISTRAR AND TRANSFER OFFICE:

Tricor Secretaries Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
DBS Bank (Hong Kong) Limited

CORPORATE WEBSITE

www.atnt.biz

LISTING INFORMATION

Listing on the Hong Kong Stock Exchange (Main Board)
Stock Short Name: Asia Tele-Net
Stock Code: 679
Board Lot: 10,000 shares

Management Discussion and Analysis

Results

During the period ended 30 June, 2016 ("Period Under Review"), the Group recorded profit attributable to owners of the Company of approximately HK$5,620,000 compared to the profit attributable to owners of the Company of approximately HK$27,722,000 for the period ended 30 June, 2015 ("Previous Period"). The significant drop in Group's profit attributable to owners of the Company during the Period Under Review was primarily due to (i) the change from a net positive change recorded in the Previous Period to a net negative change recorded in the Period Under Review in the fair value of investments held for trading and (ii) reduced profit margin from 26% to 21%. As far as the sales of electroplating equipment is concerned, the revenue recorded in the Period Under Review was in fact higher than that of the Previous Period. However, this positive impact was offset by a decrease in gross profit margin as recorded in the Period Under Review. The performance of the Group is further reviewed and elaborated in the following sections.

The basic earnings per share for the Period Under Review was HK1.32 cents compared to the basic earnings per share of HK6.50 cents for the Previous Period.

Financial Review

Revenue

The revenue for the Period Under Review was approximately HK$308,114,000 or 64% more than the Previous Period. Higher revenue reported during the Period Under Review was mainly due to increased sales in high-end communication device and automobile.

In terms of business segment, approximately 49.7% of the revenue was generated from PCB sector (Previous Period: approximately 56%), approximately 50.2% came from surface finishing sector (Previous Period: approximately 15%) and approximately 0.1% derived from solar cell sector (Previous Period: approximately 29%). In terms of the machines geographical installation base, the revenue composition during the Period Under Review was 56% machines in PRC, 16% in Taiwan, 15% in Europe, 6% in Mexico, 3% in Russia, and 4% in rest of the world.

Gross Profit

Tremendous effort was put in (i) asking for competitive material cost and (ii) exercising tight control over post-sales activities including installation and warranty services. Nevertheless, given that the general economic performance worldwide remains more or less static and the incentives for customers to upgrade their devices yearly have also softened, the average selling price of high-end communication device was more or less same as last year. Both the Group and its customers were under tremendous pressure to lower the prices. In addition, the cost of labor and associated staff benefits are still on the rise trend. The average gross profit margin recorded a reduction from 26.1% from Previous Period to 21.3% for the Period Under Review.

Selling and Distribution Costs

The costs for the Period Under Review was 3.5% lower than the Previous Period.

Administrative expenses

The administrative expenses for the Period Under Review was 5.1% lower than the Previous Period. As vacancies will be filled and the Group will incur additional rental expenses in second half of this year, we expect the administrative expenses of second half of this year will be higher than the first half. We continue to control our operating costs and believe that we will be able to maintain fairly the same overhead level on a yearly basis. The average inflation rates in China and Hong Kong for first half 2016 were 2.1%[1] and 2.7%[2] respectively.

Other gain or losses

This represented mainly (i) a negative net change in fair value of investments held for trading of approximately HK$13,337,000, and (ii) net exchange gain of approximately HK$2,434,000.

1 Inflation rate in China is reported by the National Bureau of Statistics of China.

2 Inflation rate in Hong Kong is reported by Census and Statistics Department of Hong Kong.

(a) Net change in unrealized fair value loss of held-for-trading investments was approximately HK$13,337,000 (the Previous Period: gain of HK$27,349,000)

All held-for-trading investments were recorded at fair value as at 30 June 2016 and represented listed securities in Hong Kong. The significant decrease in unrealized fair value gain was primarily attributable to the unexpectedly volatile stock market in Hong Kong in the first half year of 2016. During the Period Under Review, Hang Seng Index decreased from 21,914 as at 31 December 2015 to 20,794 as at 30 June 2016.

Below are information of the Group's financial assets at fair value through profit and loss amounted to approximately HK$13,337,000 as at 30 June 2016:

Company Name/ Stock Code	% of shareholding as at 30 Jun, 2016	Fair value change	Fair value as at 30 Jun, 2016	% of Total Assets of the Group as at 30 Jun, 2016	Fair value as at 31 Dec, 2015	% of Total Assets of the Group as at 31 Dec, 2015
		HK$'000	*HK$'000*		*HK$'000*	
Orient Victory China Holdings Ltd. (265)	0.393%	(8,325)	7,841	1.29%	16,166	2.83%
Shanghai Industrial Urban Development Group Ltd. (563)	0.107%	154	8,034	1.32%	7,880	1.38%
South China Assets Holdings Ltd. (Formerly known as "South China Land Ltd.") (8155)	0.451%	1,664	9,078	1.49%	7,414	1.30%
Huarong International Financial Holdings Ltd. (993)	0.017%	(137)	1,562	0.26%	1,699	0.30%
South China Financial Holdings Ltd. (619)	0.913%	(6,337)	5,645	0.93%	–	–
Others (Note)		(356)	2,572	0.42%	2,928	0.51%
Total		(13,337)	34,732	5.71%	36,086	6.32%

Note: None of these investment represented more than 1% of the total shareholding for that respective stock as at 30 June 2016.

(b) Realized gain on investments held for trading

The Group recorded a realized gain of approximately HK$3,894,000 on investment held for trading in Previous Period but there was no realized gain nor loss for the Period Under Review.

(c) Net exchange gain was approximately HK$2,434,000

The net exchange gain was mainly due to (i) the exchange gain of approximately HK$3,388,000 arisen from intercompany transactions and (ii) exchange loss of approximately HK$830,000 arisen from transactions of Euro-based receivable and payables.

The production arm of the Group is based in China and normally bills the sales arm of the Group in Hong Kong Dollars. During the Period Under Review, RMB was depreciated by approximately 2% and hence the production arm of the Group recorded an exchange gain arising from the receivable which was denominated in Hong Kong dollars.

During the Period Under Review, Euro was appreciated by approximately 1.8%.

Prepayment under non-current assets

At 31st December, 2015, the prepayments under non-current assets represented (i) the final payment of HKD20,288,000 (equivalent to RMB16,000,000) which was deposited to an escow agent pursuant to the sales and purchase agreement dated 29th October, 2014 and (ii) the deposit payment of HKD2,558,000 (equivalent to RMB2,100,000) pursuant to the consultancy service agreement dated 9th October, 2015. In July 2016, the Group has entered a closure arrangement with the vendor and the aforementioned prepayments were re-classed as “Assets associated with disposal group classified as held-for-sale”.

Loans receivable under current assets

At 31st December, 2015, included in loans receivable was the entrusted loan of RMB30,000,000 created pursuant to the sales and purchase agreement dated 29 October 2014. In July 2016, the Group has entered a closure arrangement with the vendor and the aforementioned prepayments were re-classed as “Assets associated with disposal group classified as held-for-sale”.

Assets associated with disposal group classified as held-for-sale

Reference is made to the Company's announcement issued on 5 July 2016 in relation to the disposal of the entire issued share capital of PAL Properties Investment Limited, a wholly-owned subsidiary of the Company, together with all outstanding shareholder's loan standing as at completion ("Disposal"). The principal asset to be disposed are certain lands located at north of Songbai Road, Gongmin Subdistrict Office, Guangming New District, Shenzhen, PRC. The consideration for the Disposal payable by the purchaser to the Group is HK$181,950,000, which will be payable by three installments on or before 31 December 2016.

For more details, please refer to section named "Material Acquisition and Disposal" stated below.

Business Review On Electroplating Equipment (Under The Trade Name Of "PAL")

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

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

During the Period Under Review, the revenue in this business area increased to HK$139,903,000 from HK$88,986,000 in Previous Period, representing 57% rise. Out of this total revenue, nearly 44% were shipment made to PRC.

Key drivers for demand of PCBs are mobile devices, car electronics and internet-of-things. Consumers crave advanced technology and that drives the demands. On the other hands, price erosion is severe as there is no sign of strong recovery in economy. This explains why most of the PCB players were busy but were not making substantial profit in first half of 2016. Worldwide PCB output has shrunk in 2015 in terms of dollars and is expected a moderate increase only in 2016.

Major Region	2012	2013	2014	2015	2016(F)
Americas	3,156	3,100	3,078	2,928	3,000
Germany	1,075	1,090	1,097	917	980
Other Europe	1,840	1,720	1,640	1,485	1,720
China	25,530	26,551	28,200	28,605	29,100
Japan	8,624	6,300	5,930	5,430	5,400
Taiwan	7,995	8,155	7,850	7,810	7,850
S.Korea	7,992	8,870	7,597	6,720	6,890
Thailand	1,298	1,747	2,209	2,470	2,830
Other Asia	2,287	2,247	2,622	2,582	2,470
World Total	59,797	59,780	60,223	58,947	60,240

Source: New Technology Information Ltd[3]

The June leading indicators published by Markit Economics and ISM provided a snapshot of the global electronic market conditions:–

- With the exception of China and Japan most countries' manufacturing activity increased.
- The global manufacturing PMI[4] although weighed down by China and Japan, still increased modestly on a world basis.
- The USA rebounded.
- The Eurozone saw a significant increase but it should be noted that most of the June survey was done prior to the UK's Brexit vote. However, with the exception of France, all major European countries reported a manufacturing expansion (PMI>50) in June.

3 New Technology Information Ltd is a consulting Company specialized in PCB industry.

4 The Global Manufacturing PMI is compiled by Markit Economics based on the results of surveys covering over 10,000 purchasing executives in over 30 countries. Together these countries account for an estimated 89% of global manufacturing output.

- Asia was mixed with China and Japan contracting but Taiwan, S Korea, India, Vietnam and Indonesia expanding.

Europe felt the pain of Brexit as the UK PMI dropped sharply and many other European countries saw weaker July PMIs. In addition global terrorism and political unrest remain major issues but world manufacturing activity seems to be growing.

During the Period Under Review, PAL sold mainly to premium smartphone PCB makers. Since the lines on smartphone PCB are getting thinner and thinner, industrial players have to invest in high-end electroplating equipment in order to support the most advanced smartphone models. Regrettably, although the sales of high-end smartphone is still growing, Gartner[5] said sale of smartphone is expected to grow 7% only in 2016. The era of double digits growth has gone. It is mainly because smartphone markets has reached 90% penetration in the mature markets of North America, Western Europe, Japan and mature Asian countries. Based on the figures released by Gartner, sales of smartphone in 2016 grew 3.9% in quarter one and 4.3% in quarter two on year-on-year basis.

Worldwide Smartphone Sales to End Users by Vendor in 2Q16 (Thousands of Units)

Company	2Q16 Units	2Q16 Market Share (%)	2Q15 Units	2Q15 Market Share (%)
Samsung	76,743.5	22.3	72,072.5	21.8
Apple	44,395.0	12.9	48,085.5	14.6
Huawei	30,670.7	8.9	26,454.4	8.0
Oppo	18,489.6	5.4	8,073.8	2.4
Xiaomi	15,530.7	4.5	15,464.5	4.7
Others	158,530.3	46.0	160,162.1	48.5
Total	344,359.7	100.0	330,312.9	100.0

Source: Gartner Inc (August 2016)

5 Gartner Inc (NYSE: IT) is an information technology research and advisory company.

Due to this moderate sales improvement in smartphone, the Group was under price pressure to support our customers and the gross profit margin has dropped by 5% for the Period Under Review.

Electroplating Equipment – Surface Finishing ("SF") Sector

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

The revenue of SF sector has increased by 510% from approximately HK$23,159,000 in the Previous Period to approximately HK$141,269,000 for the Period Under Review.

While the increased revenue streamed from European and US customers in automobile sector, a majority of their newly established production base was in China in view of the up-rising sales of passenger cars in China. In July 2016, sales were up 26.3% year-on-year to 1.6 million units, the highest monthly growth in 30 months, according to the China Association of Automobile Manufacturers. Sales over the first seven months of the year were up 11% to 12.64 million cars. Vehicle sales, passenger cars plus commercial vehicles, were up 9.84% to 14.68 million units in the first seven months. The possible drawback for any further expansion in China is the difficulty in getting an approval over the environmental assessment when a new plant is being set up.

Another trend we seen in automobile sector is there are more and more auto makers building their new factories in Mexico. Volkswagen AG was the first to set its footprint in Mexico in 2008. At least seven Asian and European auto makers have opened Mexican assembly plants by now, among them are Nissan Motor Co., General Motors Co., Ford Motor Co. and Fiat Chrysler Automobiles NV. Audi is now finishing a $1.3 billion factory in a Mexico town called San José Chiapa and is expecting to produce the Audi Q5 in 2016. The Mexico's low wages and improved logistics were part of the draw. But what tipped the scales was Mexico's unrivaled trade relationships. Mexico had more than 40 different free-trade agreements which provides exporters from Mexico duty-free access to markets that contain 60% of the world's economic output. Our customers who are the downstream parts-suppliers to these auto makers are following the trend and setting out plan to expand their production capacity in Mexico. During the Period Under Review, the Group has also shipped to and installed equipment in Mexico. Quite a number of quotes were issued for enquires in relation to Mexico sites.

Electroplating Equipment – Photo Voltaic ("PV" or "Solar") Sector

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

Sales to PV sector in the Period Under Review has decreased by 99% from approximately HK$46,420,000 in the Previous Period to approximately HK$394,000 for the Period Under Review.

In March 2016, we wrote in our 2015 Annual Report "according to a forecast released by GTM Research in March 2016, GTM said US solar market will grow by 119% in 2016." Originally, we were expecting increased orders from our US customers in PV sector for the Period Under Review but then came the headwind:–

- In the first quarter of 2016, US has only installed 1,665MW of solar PV. With 14.5GW of installations forecast by GTM Research for 2016, the actual performance was down by 1.5GW than was previously predicted. GTM Research analyst Colin Smith explained that this shortfall is largely due to the tax credit extension. Upon the extension, developers have no rush to complete their production facilities.

- SunEdison Inc., once the fastest-growing U.S. renewable energy company, filed for Chapter 11 bankruptcy protection in April 2016.

- Most of the big solar players reported wider losses in first half of 2016.

The economics of renewable energy are a balance between public policies (e.g. subsidies, legislation, etc.), the availability and pricing of alternative energy sources (e.g. crude oil, natural gas, coal, etc.). The fact that the price of crude oil (Brent) fell by 50 percent from approximately $110 per barrel in July 2014 to $50-55 per barrel now would not help sales of renewable energy. The recent undergoing change in the public policies will only add further pressure on the solar players. Authorities are now moving away from making fixed subsidy payments for clean energy and toward a system of auctions. The new system forces solar companies to compete for contracts to sell electricity and has resulted in offers to supply photo voltaic power at record-low rates this year. Bigger markets including Germany and Japan will start the practice next year. Under this new public policies, there are concerns that many of the projects won't make money but companies are still eager to win the bids in order to get new funding to keep their companies going. Thin-capitalized developers will easily go bust under such circumstances and this is not a healthy development as far as the industry is concerned.

Outlook

Although the Group's recorded profit after taxes was significantly lower year-on-year basis, the key factor attributable to this result was the change from a net positive change recorded in the Previous Period to a net negative change recorded in the Period Under Review in the fair value of investments held for trading. If one ignores the financial impact of this factor, the Group would in fact made a profit of approximately HK$19,000,000 for the Period Under Review. Net negative change in the fair value of investment held for trading was an unrealized losses and brought no impact at all to the cash flow position of the Group.

Performance of next half year will mainly rest on next round of investment in relation to the new smartphone models and the continuation of the car sales growth. PCBs for new smartphone models are switching from high-density interconnect ("HDI") board to substrate-like HDI. Our customers are working diligently to get qualifications over this new process in order to capture the 2017 smartphone shipment orders. If global automobile production continues to gain momentum in the second half of 2016 as in the first half 2016, we are conservatively confident that the Group will continue to report an operating profit throughout this year.

Property Development

Property Re-Development Plan

(A) Lung Hua Land

Reference is made to the Company's announcements issued (i) 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 ("Lung Hua Land") from industrial land into residential properties for resale; (ii) on 25 October 2013 with respect to the supplemental agreement signed, (iii) on 16 October 2014 with respect to the preliminary approval granted, (iv) on 26 October 2015 with respect to the second supplemental agreement signed and (v) on 30 November 2015 with respect to the final approval obtained for the construction plan.

Progress made on the Re-development Plan in chronological order 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 Lung Hua Land in September 2011. In view of the fact that the application was not completed within the agreed timeframe due to force majeure for the reason of the policy changes more particularly described in the Company's announcement dated 25 October 2013, the Group has entered into a supplemental agreement with the Counter Party on 25 October 2013 to extend the completion of tasks associated with the Agreement for another 12 months.

(4) On 16 October 2014, a notice was published by Urban Planning Land and Resources Commission of Shenzhen Municipality ("UPLRC Shenzhen" 深圳市規劃及國土資源委員會) to confirm the re-development of the Lung Hua Land having been listed under "2014 Lot 4 Town re-development formulated plan of Shenzhen – Draft Plan".

(5) In view of the launch of the new requirements over calculation of land premium and that the fact that construction time is expected to take longer than it was originally contemplated in 2011, the Group and the Counter Party entered into second supplemental agreement to extend the deadlines for various outstanding tasks.

(6) On 27 November 2015, the Project Company received an approval letter dated 25 November 2015 confirming that the Construction and Environment Review Committee had approved the planning proposal submitted by the Project Company. Based on the approved planning, the Land shall be re-developed into a comprehensive development site which can build up to a maximum floor area of 196,800 square metres, out of which the Group will receive titles and benefits of 41,000 square meters upon completion.

(7) On 30 June 2016, the Group entered a third supplemental agreement with the Counter Party to extend the deadline to enter into the "Sale of land use rights contract" from on or before 30 June 2016 to on or before 30 September 2016.

(8) On 10 August 2016, the Project Company has successfully obtained a planning and construction permit (規劃建設許可證). The Project Company has already started earthwork (土方工程) at the Lung Hua Land.

During 2015, the Group has relocated its production base from the Lung Hua Land to a ready-built factory in Datianyan Industrial Zone, Songgan Street Committee, Baoan District (the "Songgan Factory") under a short term lease, which will expire in August 2018. It is the intention of the Group to discuss with the landlord prior to the expiry of the current lease term to extend such lease further and beyond August 2018.

As of 31 December 2015, the Group has received RMB50 million (approximately HKD59,960,000) from the Counter Party as relocation compensation. After netting off the carrying amount of the factory remaining on the consolidated statement of financial position as at the date of demolition together with certain aged plant and equipment, the Group reported a net gain of approximately HKD14,800,000 in 2015. The carrying amount of the Lung Hua Land as at 30 June 2016 was approximately HKD7,148,000 which will be written off when the Project Company enters into the "Sale of land use rights contract" with the local authorities.

The Counter Party is currently negotiating the land premium with the government and is required to enter into the "Sale of land use rights contract" on or before 30 September 2016. Further update will be provided to shareholders of the Company in compliance with the requirements of the Listing Rules.

(B) Gongmin Land

Reference is made to the Company's announcements issued (i) on 29 October 2014 in relation to the acquisition of the entire issued share capital of Yu Man Limited ("Acquisition"); (ii) on 4 December 2014 with respect to a supplemental agreement signed on even date; and (iii) on 30 July 2015 with respect to a second supplemental agreement signed on even date, (iv) on 9 October 2015 with respect to a third supplemental agreement and consultancy agreement signed and (v) on 5 July 2016 with respect to the closure arrangement. A circular of the Company dated 3 July 2015 ("Circular") was issued to shareholders to elaborate further on the Acquisition.

The primary objective for the Company to enter into the Acquisition was to acquire parcels of lands located at the north of Songbai Road, Gongmin Subdistrict Office, Guangming New District, Shenzhen ("Gongmin Land") but not to acquire any business previously engaged by Yu Man Limited and its subsidiary.

The Acquisition was completed on 31 December 2014. Further to the Company's announcement issued on 5 July 2016, the Group entered into a closure arrangement for the Acquisition with the vendor and the vendor's guarantor on 5 July 2016. Details were more particularly described on the Company's announcement dated 5 July 2016.

Material Acquisition And Disposal

Reference is made to the Company's announcement issued on 5 July 2016 in relation to the disposal of the entire issued share capital of PAL Properties Investment Limited, a wholly-owned subsidiary of the Company, together with all outstanding shareholder's loan standing as at completion ("Disposal"). The principal asset to be disposed are the Gongmin Land. The consideration for the Disposal payable by the purchaser to the Group is HK$181,950,000, which will be payable by three installments on or before 31 December 2016.

The Company has explained the reasons for and benefit of the Disposal in its announcement issued on 5 July 2016, which could be summarized as follows:–

- The Songgan Factory is a better choice to the Group over the Gongmin Land given its flat and high ground clearance production area.

- The Group has successfully extended the lease of the Songgan Factory from August 2016 to August 2018. It is the intention of the Group to discuss with the landlord prior to the expiry of the current lease term to extend such lease further and beyond August 2018.

- The Disposal will bring in an attractive return on investment.

A circular containing, among other things, (i) further details about the Disposal and (ii) other information required to be disclosed under the Listing Rules will be despatched to the shareholders of the Company in due course.

Financial Review

Capital Structure, Liquidity and Financial Resources

As at 30 June, 2016, the Group had equity attributable to owners of the Company of approximately HK$301,434,000 (31 December, 2015: HK$299,246,000). The gearing ratio was 5.1% (31 December, 2015: 5.2%). The gearing ratio is calculated by dividing the aggregate amount of bank borrowings and other interest-bearing loans over the amount of equity attributable to the equity holders of the Company.

As at 30 June, 2016, the Group had approximately HK$129,029,000 of cash on hand (31 December, 2015: HK$146,200,000) and out of this cash on hands, approximately HK$20,057,000 was cash held by the Disposal Group.

As at 30 June, 2016, the Group pledged deposits of HK$24,442,000 (31 December, 2015: HK$17,598,000) to banks to secure banking facilities of approximately HK$82,300,000 (31 December, 2015: HK$82,300,000) to the Company. Out of the secured facilities available, the Group has utilized (i) approximately HK$24,442,000 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, 2016 (31 December, 2015: HK$17,598,000), (ii) approximately HK$16,981,000 for the issuance of import letters of credit to suppliers (31 December, 2015: HK$9,892,000) and (iii) approximately HK$15,500,000 in relation to discounted export bills (31 December, 2015: HK$15,500,000).

Foreign Exchange and Interest Rates Risk Assessment

As at 30 June, 2016, the gearing ratio of the Group was 5.1%. 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, Renminbi and Euro. The depreciation Renminbi will bring positive impact on the cost of sales as the Group's production facilities are in China. However, as this is the same expectation from our customer, the Group is expecting corresponding price pressure. It is expected that the benefit of Renminbi depreciation will be minimal.

Contingent Liabilities

As at 30 June 2016, the Company had guarantees of approximately HK$85,000,000 (31 December 2015: HK$85,000,000) to banks in respect of banking facilities granted to subsidiaries of the Company. The amount utilized by the subsidiaries was approximately HK$56,923,000 (31 December, 2015: HK$42,990,000).

Capital Commitment

The Group does not have any material capital commitment as at date of this report.

Employee and Remuneration Policies

As at 30 June 2016, the Group employs a total of 662 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 2016 (2015: Nil).

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

29 August 2016

Other Information

Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares of the Company and its Associated Corporations

As at 30 June 2016, the interests and short positions of the directors and chief executives of the Company in the shares and underlying shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 of the Listing Rules (the "Model Code") are set out below:

Directors' Interests in Shares of the Company (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%
Mr. Nam Kwok Lun	–	201,995,834 (Note)	201,995,834	47.37%

Note: The 250,516,500 shares composed of 48,520,666 shares 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 substantially owned by J & A Investment Limited. The entire issue share capital of J & A Investment Limited is beneficially owned as to 80% by Mr. Lam Kwok Hing and 20% by Mr. Nam Kwok Lun.

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 2016.

Substantial Shareholders and Persons who have Interests or Short Positions which are Discloseable under the Securities and Futures Ordinance

As at 30 June 2016, the following persons (other than the directors of the Company) had interests or short positions in the shares and underlying shares of the Company which has been disclosed to the Company pursuant to Part XV of the SFO, or which have been recorded in the register of interests required to be kept under Section 336 of the SFO.

Substantial Shareholders in Shares of the Company (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 2016, 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.

Share Option Scheme

At the annual general meeting of the Company held on 12 June 2015, 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 and remained in force for a period of ten years from the date of its adoption. Pursuant to the Old Scheme, the Company had never grant options under 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.

Corporate Governance

The Company has complied with the Corporate Governance Code and Corporate Governance Report (the “GC Code”) as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2016, 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 A.2.1, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

The Company does not at present have any officer with the title of Chief Executive Officer ("CEO"), but instead the duties of a CEO are performed by the Managing Director ("MD"). The 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 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.

The international auditor of the Company, Messrs. Deloitte Touche Tohmatsu have reviewed the financial statements for the period under review and have issued a report on review of interim financial information. In accordance with the requirements of paragraph 39 of Appendix 16 of the Listing Rules, the Audit Committee has reviewed together with management the accounting principles and practices adopted by the Company and discussed auditing, internal control and financial report matters including the review of the unaudited interim financial statements for the six months ended 30 June 2016.

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.

Nomination Committee

The nomination committee of the Company (the "Nomination Committee") 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.

Review of Accounts

The Audit Committee has reviewed with the Company's management and external auditor 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 period under review. The external auditor has reviewed the interim financial information for the six months ended 30 June 2016 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 Hong Kong Institute of Certified Public Accountants.

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 to 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 2016.

Directors' rights to acquire shares of debentures

Apart from as disclosed under the heading "Directors' and Chief Executives' interests and short positions in shares, underlying shares of the Company and its Association Corporation" above, at no time during the period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

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 2016.

Events after the reporting period

There is no material subsequent event undertaken by the Company or by the Group after 30 June 2016 and up to the date of this interim report.

Publication of Results on the Websites of the Stock Exchange and the Company

The Interim Report 2016, 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.

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 28 to 44, which comprise the condensed consolidated statement of financial position as of 30 June 2016 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended and certain explanatory notes. The 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
29 August 2016

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

FOR THE SIX MONTHS ENDED 30 JUNE 2016

	NOTES	Six months ended 30 June 2016 HK$'000 (unaudited)	2015 HK$'000 (unaudited)
Revenue	3	**308,114**	187,494
Cost of sales		**(242,384)**	(138,524)
Gross profit		**65,730**	48,970
Other income		**865**	1,794
Selling and distribution costs		**(9,931)**	(10,290)
Administrative expenses		**(38,305)**	(40,382)
Other gains or losses		**(9,691)**	28,994
Share of results of associates		**174**	(690)
Finance costs		**–**	(21)
Profit before taxation		**8,842**	28,375
Taxation	4	**(3,110)**	(174)
Profit for the period	5	**5,732**	28,201
Other comprehensive (expense) income			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operations			
– subsidiaries		**(4,129)**	146
– associate		**717**	(534)
Other comprehensive expense for the period		**(3,412)**	(388)
Total comprehensive income for the period		**2,320**	27,813

	NOTE	Six months ended 30 June	
		2016	2015
		HK$'000	*HK$'000*
		(unaudited)	(unaudited)
Profit for the period attributable to:			
Owners of the Company		**5,620**	27,722
Non-controlling interests		**112**	479
		5,732	28,201
Total comprehensive income attributable to:			
Owners of the Company		**2,188**	27,359
Non-controlling interests		**132**	454
		2,320	27,813
Earnings per share	7		
Basic		**HK1.32 cents**	HK6.50 cents

Condensed Consolidated Statement of Financial Position

AT 30 JUNE 2016

	NOTES	**30.6.2016** *HK$'000* **(unaudited)**	31.12.2015 *HK$'000* (audited)
Non-current assets			
Property, plant and equipment	8	**28,808**	30,320
Prepaid lease payments		**6,856**	46,644
Interests in associates		**4,557**	3,666
Prepayment		**–**	22,846
		40,221	103,476
Current assets			
Inventories		**52,797**	41,936
Amounts due from customers for contract work		**73,438**	53,638
Loans receivable	9	**–**	37,570
Debtors, bills receivables and prepayments	10	**180,914**	148,949
Prepaid lease payments		**292**	1,320
Held-for-trading investments	11	**34,732**	36,086
Amounts due from associates		**21**	595
Taxation recoverable		**4**	941
Pledged bank deposits	12	**24,442**	17,598
Bank balances and cash		**84,530**	128,602
		451,170	467,235
Assets associated with disposal group classified as held-for-sale	13	**117,808**	–
		568,978	467,235
Current liabilities			
Creditors, bills payables and accrued charges	14	**228,714**	180,066
Warranty provision		**24,417**	20,987
Amounts due to customers for contract work		**14,097**	42,708
Amounts due to associates		**34**	23
Bank borrowing		**15,500**	15,500
Taxation payable		**1,137**	3,373
		283,899	262,657
Liabilities associated with disposal group classified as held-for-sale	13	**12,763**	–
		296,662	262,657
Net current assets		**272,316**	204,578
Total assets less current liabilities		**312,537**	308,054

	NOTE	30.6.2016 *HK$'000* (unaudited)	31.12.2015 *HK$'000* (audited)
Capital and reserves			
Share capital	15	**4,265**	4,265
Reserves		**300,544**	294,981
Amounts recognised in other comprehensive expense and accumulated in equity relating to disposal group classified as held-for-sale		**(3,375)**	–
Equity attributable to owners of the Company		**301,434**	299,246
Non-controlling interests		**2,449**	2,317
Total equity		**303,883**	301,563
Non-current liabilities			
Warranty provision		**4,339**	2,176
Deferred taxation		**4,315**	4,315
		8,654	6,419
		312,537	308,054

Condensed Consolidated Statement of Changes in Equity

FOR THE SIX MONTHS ENDED 30 JUNE 2016

	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	Capital contribution HK$'000	Retained profits HK$'000	Amounts recognised in other comprehensive expense and accumulated in equity relating to disposal group classified as held-for-sale HK$'000	Sub-total HK$'000	Attributable to non-controlling interests HK$'000	Total HK$'000
At 1 January 2015 (audited)	4,265	28,500	32,383	14,336	48,395	48,937	1,206	111,215	–	289,237	1,892	291,129
Exchange difference arising on translation of foreign operations												
– subsidiaries	–	–	–	–	171	–	–	–	–	171	(25)	146
– associate	–	–	–	–	(534)	–	–	–	–	(534)	–	(534)
Profit for the period	–	–	–	–	–	–	–	27,722	–	27,722	479	28,201
Total comprehensive (expense) income for the period	–	–	–	–	(363)	–	–	27,722	–	27,359	454	27,813
At 30 June 2015 (unaudited)	4,265	28,500	32,383	14,336	48,032	48,937	1,206	138,937	–	316,596	2,346	318,942
At 1 January 2016 (audited)	**4,265**	**28,500**	**13,253**	**14,336**	**29,391**	**48,937**	**1,206**	**159,358**	**–**	**299,246**	**2,317**	**301,563**
Exchange difference arising on translation of foreign operations												
– subsidiaries	**–**	**–**	**–**	**–**	**(4,149)**	**–**	**–**	**–**	**–**	**(4,149)**	**20**	**(4,129)**
– associate	**–**	**–**	**–**	**–**	**717**	**–**	**–**	**–**	**–**	**717**	**–**	**717**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**5,620**	**–**	**5,620**	**112**	**5,732**
Total comprehensive (expense) income for the period	**–**	**–**	**–**	**–**	**(3,432)**	**–**	**–**	**5,620**	**–**	**2,188**	**132**	**2,320**
Transfer to amounts recognised in other comprehensive expense and accumulated in equity relating to disposal group classified as held-for-sale	**–**	**–**	**–**	**–**	**3,375**	**–**	**–**	**–**	**(3,375)**	**–**	**–**	**–**
At 30 June 2016 (unaudited)	**4,265**	**28,500**	**13,253**	**14,336**	**29,334**	**48,937**	**1,206**	**164,978**	**(3,375)**	**301,434**	**2,449**	**303,883**

Condensed Consolidated Statement of Cash Flows

FOR THE SIX MONTHS ENDED 30 JUNE 2016

	Six months ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Net cash used in operating activities	**(17,148)**	(19,197)
Net cash (used in) from investing activities:		
Purchase of property, plant and equipment	**(404)**	(277)
Placement of pledged bank deposits	**(28,183)**	(7,880)
Withdrawal of pledged bank deposits	**21,339**	19,656
Repayment of loan receivable	**35,910**	–
Prepayment for acquisition of land	**(35,910)**	–
Other investing cash flows	**381**	550
	(6,867)	12,049
Net cash used in financing activities	**–**	(21)
Net decrease in cash and cash equivalents	**(24,015)**	(7,169)
Cash and cash equivalents at the beginning of the period	**128,602**	94,563
Cash and cash equivalents at the end of the period	**104,587**	87,394
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	**84,530**	87,394
Bank balances and cash included in a disposal group held-for-sale	**20,057**	–
	104,587	87,394

Notes to the Condensed Consolidated Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2016

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 (the "Listing Rules").

During the current interim period, the Group has negotiated with the Purchaser (as defined in note 13) for the disposal of the interests in the Project Land (as defined in note 13) and the relevant assets and liabilities associated with the Project Land. As at 30 June 2016, the directors consider that the disposal is highly probable and will be disposed of within one year from the end of reporting period. The Project Land and its associated assets and liabilities were classified as a disposal group held-for-sale. The details of the disposal is set in note 13.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis, except for certain buildings and financial instruments, which are measured at fair values.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2016 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2015.

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 mandatorily effective for the current interim period.

The application of the 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 in the condensed consolidated financial statements.

In addition, the Group has applied the following accounting policies during the current period:

2. PRINCIPAL ACCOUNTING POLICIES *(CONTINUED)*

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs of disposal.

3. REVENUE AND SEGMENT INFORMATION

Revenue

The Group's revenue from electroplating machinery business for the six months ended 30 June 2016 and 2015 analysed by principal activity is as follows:

	Six months ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
Construction contracts in respect of design, manufacturing and sale of custom-built electroplating machinery and other industrial machinery	**281,566**	158,565
Sale of spare parts of electroplating machinery	**8,926**	7,238
Provision of services – repairs and maintenance	**17,622**	21,691
	308,114	187,494

3. REVENUE AND SEGMENT INFORMATION *(CONTINUED)*

Segment information

The Group has one operating segment being the electroplating equipment segment which contributes the entire revenue of the Group. Reconciliation of the operating segment profit to profit before taxation is as follows:

	Electroplating equipment Six months ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
Segment revenue	**308,114**	187,494
Segment profit	**28,282**	3,462
Intra-group management fee charged to operating segment	**3,001**	2,866
Other income	**528**	815
Central corporate expenses	**(10,863)**	(9,596)
Other gains or losses	**(12,106)**	30,828
Profit before taxation	**8,842**	28,375

Segment profit represents the gross profit of the electroplating equipment segment, other income and expenses directly attributable to the segment activity (including intra-group management fee) and share of results of associates but excluding interest income from loans receivable, unallocated interest income, dividend income, sundry income, unallocated net exchange gain or loss, central corporate expenses including auditor's remuneration and directors' emoluments and net change in fair value of held-for-trading investments. This is the measure reported to the chief operating decision maker in order to assess segment performance.

There has been no material change in the total segment assets and total segment liabilities from the amounts disclosed in the last annual financial statements of the electroplating equipment segment. Accordingly, no such information has been disclosed.

4. TAXATION

	Six months ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
Taxation comprises:		
Current tax – overseas taxation charge for the period	**(3,110)**	(174)

No provision for Hong Kong Profits Tax has been made for the six months ended 30 June 2016 and 2015 as there is 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. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
Profit for the period has been arrived at after charging (crediting):		
Reversal of allowance for slow moving inventories (included in cost of sales)	**(640)**	(211)
Depreciation of property, plant and equipment	**1,639**	3,058
Release of prepaid lease payments	**624**	649
Included in other income		
Interest income from loans receivable	**(41)**	(65)
Interest income from bank deposits	**(381)**	(550)
Included in other gains or loss		
Loss on disposal of property, plant and equipment	**134**	416
Net exchange (gain) loss	**(2,434)**	1,929
Net change in fair value of held-for-trading investments	**13,337**	(31,243)

6. DIVIDEND

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

7. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the Group's profit for the period attributable to owners of the Company of HK$5,620,000 (six months ended 30 June 2015: HK$27,722,000) and the number of ordinary shares of 426,463,400 (six months ended 30 June 2015: 426,463,400) in issue.

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

8. PROPERTY, PLANT AND EQUIPMENT

During the period from 1 January 2016 to 30 June 2016, the Group spent approximately HK$404,000 (six months ended 30 June 2015: approximately HK$277,000) on acquisition of property, plant and equipment.

9. LOANS RECEIVABLE

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

	30.6.2016	31.12.2015
	HK$'000	*HK$'000*
Repayable within 3 months	–	37,130
Repayable after 3 months but within 6 months	–	440
Total	–	37,570

10. DEBTORS, BILLS RECEIVABLES AND PREPAYMENTS

	30.6.2016	31.12.2015
	HK$'000	*HK$'000*
Trade debtors and bills receivables	**134,223**	119,328
Other debtors and prepayments	**46,691**	29,621
	180,914	148,949

As at 30 June 2016, the trade debtors balance included trade debts due from associates of approximately HK$9,503,000 (31 December 2015: approximately HK$7,935,000).

The Group allows a general credit period of one to two months 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:

	30.6.2016	31.12.2015
	HK$'000	*HK$'000*
0 – 60 days	**121,785**	110,773
61 – 120 days	**7,536**	3,196
121 – 180 days	**2,526**	1,671
Over 180 days	**2,376**	3,688
	134,223	119,328

11. HELD-FOR-TRADING INVESTMENTS

Held-for-trading investments as at 30 June 2016 and 31 December 2015 represent equity securities listed in Hong Kong. The fair values of the investments are determined based on the quoted market bid prices available on the Stock Exchange. The fair value of held-for-trading investments was classified as Level 1 of the fair value hierarchy.

12. PLEDGED BANK DEPOSITS

During the current interim period, the Group made the placement of pledged bank deposits of approximately HK$28,183,000 (six months ended 30 June 2015: approximately HK$7,880,000) to secure banking facilities granted to the Group.

13. DISPOSAL GROUP CLASSIFIED AS HELD-FOR-SALE

During the current interim period, the Group has negotiated with a purchaser ("the Purchaser") for the disposal of the interests in certain lands held by the Group which are located at north of Songbai Road, Gongmin Subdistrict Office, Guangming New District, Shenzhen, PRC ("Project Land") and the relevant assets and liabilities associated with the Project Land. On 5 July 2016, the Group entered into a disposal agreement with the Purchaser and the Purchaser's guarantor, pursuant to which the Purchaser has conditionally agreed to acquire, and the Group has conditionally agreed to sell, the entire issued share capital of a wholly-owned subsidiary, PAL Properties Investment Limited, together with all outstanding shareholder's loan standing as at completion, at a consideration of HK$181,950,000. The details of the disposal are set out in the Company's announcement dated 5 July 2016. The principal assets of PAL Properties Investment Limited is the Project Land. As at 30 June 2016, the directors consider that the disposal is highly probable and will be disposed of within one year from the end of reporting period. The Project Land and its associated assets and liabilities were classified as a disposal group held-for-sale.

13. DISPOSAL GROUP CLASSIFIED AS HELD-FOR-SALE *(CONTINUED)*

The assets and liabilities associated with disposal group classified as held-for-sale are analysed as follows:

	30.6.2016
	HK$'000
	(unaudited)
Prepaid lease payment	38,995
Prepayment	58,756
Bank balances and cash	20,057
	117,808
Other payables	12,763
Amounts due to group entities	113,494
Total liabilities associated with disposal group classified as held-for-sale	126,257
Less: Amounts due to group entities	(113,494)
Liabilities associated with disposal group classified as held-for-sale	12,763
Amounts recognised in other comprehensive expense and accumulated in equity relating to disposal group classified as held-for-sale	(3,375)

For presentation in the condensed consolidated statement of financial position as at 30 June 2016, the amounts due to group entities amounting to HK$113,494,000 has been excluded from the total liabilities associated with disposal group classified as held-for-sale.

14. CREDITORS, BILLS PAYABLES AND ACCRUED CHARGES

	30.6.2016	31.12.2015
	HK$'000	*HK$'000*
Trade creditors	**128,816**	95,449
Bills payables	**15,964**	7,306
Accrued staff costs	**15,664**	16,300
Commission payables to sales agents	**19,647**	14,186
Other accrued charges	**43,869**	36,307
Advances received from customers for contract work	**1,718**	8,952
Advances received from customers for services	**3,036**	1,566
	228,714	180,066

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:

	30.6.2016	31.12.2015
	HK$'000	*HK$'000*
0 – 60 days	**60,399**	54,491
61 – 120 days	**42,718**	23,508
121 – 180 days	**16,344**	12,688
Over 180 days	**25,319**	12,068
	144,780	102,755

15. SHARE CAPITAL

	Number of shares	Amount
	'000	*HK$'000*
Shares of HK$0.01 each		
Authorised		
At 1 January 2015, 2016 and at 30 June 2016	20,000,000	200,000
Issued and fully paid:		
At 1 January 2015, 2016 and at 30 June 2016	426,463	4,265

16. RELATED PARTY TRANSACTION

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

Trade sales and service rendered		Trade purchase		Warranty expense		Installation expense	
2016	2015	**2016**	2015	**2016**	2015	**2016**	2015
HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
2,724	2,618	**61**	–	**156**	347	**936**	4,701

16. RELATED PARTY TRANSACTION *(CONTINUED)*

Details of the outstanding balances with associates are set out in the condensed consolidated statement of financial position and note 10.

During the current interim period, the Group paid commission expense and other securities dealing expense from securities dealing of approximately HK$31,000 (six months ended 30 June 2015: approximately HK$49,000) to Karl-Thomson Securities Company Limited, which is a wholly owned subsidiary of Hoifu Energy Group Limited ("Hoifu"). Mr. Lam Kwok Hing, an executive director and a substantial shareholder of the Company, and Mr. Nam Kwok Lun, an executive director of the Company who has an indirect interest in the Company, are directors of Hoifu.

During the current interim period, the Group received rental income of approximately HK$81,000 (six months ended 30 June 2015: HK$81,000) and management income of approximately HK$134,000 (six months ended 30 June 2015: HK$163,000) from BioEm Air Sanitizing Technology Company Limited ("BioEm"). During the current interim period, the Group also paid to BioEm for their products at a value of approximately HK$2,000 (six months ended 30 June 2015: HK$6,000) which was recorded as administrative expense. Mr. Lam Kwok Hing, an executive director and a substantial shareholder of the Company, through his private investment vehicle, Excel Dragon Investment Limited, holds 40% indirect interest in BioEm and acts as a corporate director of BioEm.

The remuneration of key management during the period was approximately HK$7,250,000 (six months ended 30 June 2015: approximately HK$7,564,000). The amount included approximately HK$81,000 (six months ended 30 June 2015: approximately HK$90,000) as performance related incentive payments.