Chang

Tech Pro Technology Development Limited
德普科技發展有限公司

(incorporated in the Cayman Islands with limited liability)

Stock code : 03823

Interim Report 2010

Contents

Corporate Information

Board of directors

Executive directors
Mr. Yan Qixu (Chairman)
Ms. Xiang Xiaoqin
Mr. Li Wing Sang
Mr. Liu Xinsheng
Ms. Kuang Lihua

Independent non-executive directors
Mr. Xu Kangning
Mr. Wong Chun Hung
Ms. Lin Sufen

Audit committee
Mr. Wong Chun Hung (Committee Chairman)
Mr. Xu Kangning
Ms. Lin Sufen

Remuneration committee
Mr. Yan Qixu (Committee Chairman)
Mr. Wong Chun Hung
Ms. Lin Sufen

Nomination committee
Ms. Xiang Xiaoqin (Committee Chairman)
Mr. Xu Kangning
Ms. Lin Sufen

Authorised representatives
Mr. Liu Xinsheng
Mr. Ng Chi Ho Dennis

Company secretary
Mr. Ng Chi Ho Dennis

Auditors
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Certified Public Accountants
34th Floor, The Lee Gardens
33 Hysan Avenue
Causeway Bay
Hong Kong

Principal banker
Agricultural Bank of China Changzhou Branch
Zou Qu Sub-Branch

Legal advisers as to Hong Kong laws
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1 Connaught Place
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Hong Kong

Hong Kong branch share registrar and transfer office
Tricor Investor Services Limited
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PRC

Principal place of business in Hong Kong

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Hong Kong

Company website

http://www.techprotd.com

Stock code

03823

Condensed Consolidated Income Statement

For the six months ended 30 June 2010

The board of directors (the "Board") of Tech Pro Technology Development Limited (the "Company") and its subsidiaries (together with the Company, the "Group") is pleased to announce the unaudited consolidated results of the Group for the six months ended 30 June 2010, together with the unaudited comparative figures for the corresponding period in 2009 as follows:

		Six months ended 30 June	
	Note	2010 RMB'000 (unaudited)	2009 RMB'000 (unaudited)
Turnover	3	209,635	116,256
Cost of sales		(183,668)	(112,647)
Gross profit		25,967	3,609
Other revenue and income	4	1,358	811
Distribution costs		(4,264)	(7,149)
Administrative expenses		(13,725)	(10,106)
Provision for impairment on trade receivables		–	(2,828)
Other operating expenses		(207)	(175)
Operating profit/(loss)		9,129	(15,838)
Finance costs	5	(3,959)	(3,722)
Profit/(loss) before taxation	6	5,170	(19,560)
Income tax	7	(932)	(474)
Profit/(Loss) for the period		4,238	(20,034)
Attributable to:			
Equity holders of the Company		4,238	(20,034)
Earnings/(Loss) per share (RMB)	8		
– Basic & Diluted		0.6 cent	(3 cents)

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2010

	Six months ended 30 June	
	2010 RMB'000 (unaudited)	2009 RMB'000 (unaudited)
Profit/(Loss) for the period attributable to equity holders of the Company	4,238	(20,034)
Exchange difference on translation of financial statements of foreign subsidiaries	(53)	–
Total comprehensive income/(loss) for the period	4,185	(20,034)
Attributable to:		
Equity holders of the Company	4,185	(20,034)

Condensed Consolidated Statement of Financial Position

As at 30 June 2010

	Note	As at 30 June 2010 RMB'000 (unaudited)	As at 31 December 2009 RMB'000 (audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	10	156,286	146,064
Lease prepayments		3,891	1,883
Deposits for lease prepayments		–	320
		160,177	148,267
Current assets			
Inventories		148,708	143,876
Lease prepayments		77	42
Trade and bills receivables	11	156,839	136,130
Other receivables and prepayments	12	106,159	37,160
Restricted bank deposits		55,500	53,050
Time deposits		30,000	63,500
Cash at banks and in hand		26,736	20,765
		524,019	454,523
Current liabilities			
Trade and bills payables	13	178,621	185,539
Other payables		14,895	22,194
Amounts due to directors	14	8,206	3,231
Income tax payable		262	504
Bank loans	15	196,705	110,000
		398,689	321,468
Net current assets		125,330	133,055
Net assets		285,507	281,322
CAPITAL AND RESERVES			
Share capital	16	7,140	7,140
Reserves		278,367	274,182
Total equity		285,507	281,322

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2010

	Share Capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Special reserve RMB'000	Statutory reserve RMB'000	Exchange reserve RMB'000	Retained earnings RMB'000	Total RMB'000
At 1 January 2009	5,820	147,567	6,894	42,783	16,271	(2,020)	37,181	254,496
Total comprehensive loss for the period	–	–	–	–	–	–	(20,034)	(20,034)
At 30 June 2009	5,820	147,567	6,894	42,783	16,271	(2,020)	17,147	234,462
At 1 January 2010	**7,140**	**166,910**	**6,894**	**42,783**	**16,821**	**(2,016)**	**42,790**	**281,322**
Total comprehensive income for the period	**–**	**–**	**–**	**–**	**–**	**(53)**	**4,238**	**4,185**
At 30 June 2010	**7,140**	**166,910**	**6,894**	**42,783**	**16,821**	**(2,069)**	**47,028**	**285,507**

Notes:

(a) *Share premium*

The share premium account represents the excess of the issue price net of any issuance expenses over the par value of the shares issued and has been credited to the share premium account of the Company. The application of the share premium account is governed by Section 34 under the Companies Law of the Cayman Islands.

(b) *Capital reserve*

Capital reserve represents the excess of the consolidated net assets acquired in the subsidiaries over the consideration paid for their acquisition.

(c) *Special reserve*

Special reserve represents the difference between the net assets of Ding Sheng Company Limited and its subsidiaries acquired by the Company and the nominal value of one nil-paid issued share of the Company through an exchange of shares.

(d) *Statutory reserve*

The Statutory reserve refers to the PRC statutory reserve fund. Appropriations to such reserve are made out of the profit after tax of the statutory financial statements of the PRC subsidiaries and the amount should not be less than 10% of the profit after tax unless the aggregate amount standing to the credit of this reserve exceeds 50% of the registered capital of the PRC subsidiaries. The statutory reserve fund can be used to make up prior year losses of the PRC subsidiaries.

(e) *Exchange reserve*

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations outside the PRC.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2010

	Six months ended 30 June	
	2010 RMB'000 (unaudited)	2009 RMB'000 (unaudited)
Net cash used in operating activities	(53,532)	(36,675)
Net cash used in investing activities	(29,216)	(4,744)
Net cash generated from financing activities	85,272	22,261
Net increase/(decrease) in cash and cash equivalents	2,524	(19,158)
Cash and cash equivalents at 1 January	24,265	48,593
Effect of foreign exchange rate changes	(53)	–
Cash and cash equivalents at 30 June	26,736	29,435
Analysis of balances of cash and cash equivalents		
Cash and bank balances	26,736	29,435

1. General information

Tech Pro Technology Development Limited (the "Company") was incorporated in the Cayman Islands on 20 November 2006 as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its principal place of business is located at Zouqu Village, Zouqu Town, Changzhou City, Jiangsu in the People's Republic of China ("PRC"). The Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in the manufacture and sale of aluminium electrolytic capacitors.

These unaudited condensed consolidated interim financial statements are presented in Renminbi ("RMB") which is also the functional currency of the Group.

2. Basis of preparation

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2010 of the Group have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The accounting policies and basis of preparation adopted in these condensed consolidated interim financial statements are consistent with those adopted by the Group in its annual financial statements for the year ended 31 December 2009.

In the current period, the Group has adopted all the new or revised Hong Kong Financial Reporting Standards ("HKFRSs") that are relevant to its operations and effective for the current accounting period of the Group. The adoption of these new or revised HKFRSs had no material effect on the reported results or financial position of the Group for both the current and prior reporting periods.

The following new or revised HKFRSs, potentially relevant to the Group, have been issued but are not yet effective and have not been early adopted by the Group.

HK(IFRIC)	Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments[1]
HKAS 24 (Revised)	Related Party Disclosures[2]
HKFRS 9	Financial Instruments[3]

1 *Effective for annual periods beginning on or after 1 July 2010*
2 *Effective for annual periods beginning on or after 1 January 2011*
3 *Effective for annual periods beginning on or after 1 January 2013*

The Group is in the process of making an assessment of the potential impact of these new or revised HKFRSs in the period of their initial application.

3. Turnover

The Group is principally engaged in the manufacture and sale of aluminium electrolytic capacitors. Turnover represents the net invoiced value of goods sold less returns and allowances.

	Six months ended 30 June	
	2010 RMB'000 (unaudited)	2009 RMB'000 (unaudited)
Sale of goods	209,635	116,256

The directors consider that the Group operates in a single business as the turnover and profit are derived entirely from the manufacture and sale of aluminium electrolytic capacitors. The most senior executive management of the Group regularly review their combined financial information to assess the performance and make resource allocation decisions. Accordingly, no segmental revenue, results, assets and liabilities are presented.

The following table sets out information about the geographical location of the Group's revenue from external customers. The geographical location of customers is based on the location at which the goods are delivered.

	Six months ended 30 June	
	2010 RMB'000 (unaudited)	2009 RMB'000 (unaudited)
The PRC, excluding Hong Kong	123,561	64,051
Taiwan	58,404	37,214
Other countries	27,670	14,991
	209,635	116,256

Substantially, all of the Group's non-current assets and capital expenditure are located in the PRC, no analysis on non-current assets by location is presented.

4. Other revenue and income

	Six months ended 30 June	
	2010 RMB'000 (unaudited)	2009 RMB'000 (unaudited)
Bank interest income	1,114	408
Sundry income	244	403
	1,358	811

5. Finance costs

	Six months ended 30 June	
	2010 RMB'000 (unaudited)	2009 RMB'000 (unaudited)
Interest expenses on bank loans wholly repayable within five years	3,959	3,722

6. Profit/(Loss) before taxation

Profit/(Loss) before taxation is arrived at after charging:

	Six months ended 30 June	
	2010 RMB'000 (unaudited)	2009 RMB'000 (unaudited)
Amortisation of lease prepayments	27	29
Cost of inventories sold	183,668	112,647
Depreciation of property, plant and equipment	8,703	6,876
Impairment loss for inventories	–	3,789
Loss on disposal of property, plant and equipment	59	–
Net exchange loss	123	10
Operating lease rentals in respect of properties	722	347
Staff costs(including directors' emoluments)	21,685	14,048

7. Income tax expense

(a) Taxation in the condensed consolidated income statement represents:

	Six months ended 30 June	
	2010 RMB'000 (unaudited)	2009 RMB'000 (unaudited)
PRC Foreign Enterprise Income Tax		
– Current period	932	474

(i) Pursuant to the rules and regulations of the Cayman Islands and British Virgin Islands ("BVI"), the Group is not subject to any income tax in the Cayman Islands and BVI.

(ii) The Group is not subject to Hong Kong Profits Tax as it has no assessable income arising in or derived from Hong Kong for the six months ended 30 June 2010 and 2009.

7. Income tax expense (Continued)

(iii) Pursuant to the income tax rules and regulations of the PRC, the subsidiaries of the Group are subject to foreign enterprise income tax/corporate income tax as follows:

– Changzhou Huawei Electronics Co. Ltd. is entitled to a preferential tax rate of 15% (2009: 15%) for the year ending 31 December 2010 for being a high technology enterprise for a period of two years.

– Changzhou Huawei Capacitors Co., Ltd. and South Huawei (Shenzhen) Electronics Co. Ltd. are foreign-invested enterprises and are entitled to the tax concessions whereby the profit for the first two financial years beginning with the first two profit-making year were exempted for income tax in the PRC, and the profit for each of the subsequent three years is taxed at 50% of the prevailing tax rate. The first profit-making year for Huawei Capacitors and South Huawei was 2006. Pursuant to the new tax law, Huawei Capacitors and South Huawei continue to be entitled to a 50% tax relief from foreign enterprise income tax of 25% (2009: 25%) and 20% (2009: 20%), respectively.

(b) No provision has been made for deferred tax as at 30 June 2010 and 2009 as the Group has no significant deductible or taxable temporary differences which would give rise to deferred tax assets or liabilities.

8. Earnings/(Loss) per share

The basic earnings/(loss) per share for the period is calculated based on the consolidated profit attributable to equity holders of the Company of approximately RMB4,238,000 (six months ended 30 June 2009: loss of RMB20,034,000) and on 750,000,000 (2009: 600,000,000) shares in issue during the period.

There were no share options outstanding at the periods ended 30 June 2010 and 2009 and, therefore, diluted earnings/(loss) per share are the same as the basic earnings/(loss) per share.

9. Dividends

The Directors did not recommend payment of any interim dividend for the six months ended 30 June 2010 (six months ended 30 June 2009: Nil).

10. Property, plant and equipment

During the six months ended 30 June 2010, the Group acquired property, plant and equipment with a cost of RMB17,689,000 (six months ended 30 June 2009: RMB4,994,000) and also disposed of property, plant and equipment with a cost of RMB158,000 (six months ended 30 June 2009: Nil), resulting in a loss on disposal of RMB59,000 (six months ended 30 June 2009: Nil).

11. Trade and bills receivables

The Group normally grants a credit period of 30 to 180 days to its customers.

	As at 30 June 2010 RMB'000 (unaudited)	As at 31 December 2009 RMB'000 (audited)
Trade receivables	156,839	134,460
Bills receivable	–	1,670
	156,839	136,130

Aging analysis of trade and bills receivable as of the reporting date is as follows:

	As at 30 June 2010 RMB'000 (unaudited)	As at 31 December 2009 RMB'000 (audited)
0 – 30 days	34,013	19,896
31 – 90 days	52,031	51,759
91 – 180 days	18,679	26,899
181 – 365 days	47,942	11,390
Over 365 days	17,399	39,411
	170,064	149,355
Provision for impairment	(13,225)	(13,225)
	156,839	136,130

The carrying amounts of trade and bills receivable approximate their fair values.

12. Other receivables and prepayments

Included in other receivables and prepayments as at 30 June 2010 are the following amounts paid for the acquisitions by the Group:

(a) HK$15 million (equivalent to RMB13.2 million) (As at 31 December 2009 : HK$15 million) paid to an independent third party under a memorandum of understanding in relation to the proposed acquisition of 60% equity interest in a company, which is principally engaged in the operations of toll installation of LED street lamps in the PRC.

(b) HK$5 million (equivalent to RMB4.35 million) (As at 31 December 2009: Nil) paid to an independent third party under a memorandum of understanding in relation to the proposed acquisition of the entire equity interest in a company, which will be interested in 60% equity interest of a joint venture company, which is targeted to obtain the exclusive management, trading, operations and import and export rights over an iron mine in Indonesia.

(c) RMB35 million (As at 31 December 2009: Nil) as part of the consideration paid to an independent third party under the sale and purchase agreement dated 7 May 2010 for the acquisition of the entire equity interest in a company, which indirectly holds the entire equity interest in a PRC company, which is engaged in the manufacture and sale of V-chip type aluminium electrolytic capacitors.

13. Trade and bills payables

The credit terms granted by suppliers are generally for a period of 30 to 90 days, computing from the end of the month of the relevant purchase.

	As at 30 June 2010 RMB'000 (unaudited)	As at 31 December 2009 RMB'000 (audited)
Trade payables	102,041	84,589
Bills payable	76,580	100,950
	178,621	185,539

Bills payables as at 30 June 2010 and 31 December 2009 were secured by restricted bank deposits.

Details of the aging analysis of trade and bills payables are as follows:

	As at 30 June 2010 RMB'000 (unaudited)	As at 31 December 2009 RMB'000 (audited)
0 – 30 days	43,920	41,161
31 – 90 days	75,183	91,028
91 – 365 days	58,193	52,693
Over 365 days	1,325	657
	178,621	185,539

The carrying amounts of trade and bills payables approximate their fair values.

14. Amounts due to directors

All balances payable to directors are unsecured, interest-free and repayable on demand.

15. Bank loans

At 30 June 2010, the bank loans of the Group were repayable as follows:

	As at 30 June 2010 RMB'000 (unaudited)	As at 31 December 2009 RMB'000 (audited)
Within 1 year or on demand	196,705	110,000

15. Bank loans (Continued)

The bank loans of the Group were secured as follows:

	As at 30 June 2010 RMB'000 (unaudited)	As at 31 December 2009 RMB'000 (audited)
– Secured	45,000	55,000
– Unsecured	151,705	55,000
	196,705	110,000

(a) At 30 June 2010, bank loans of RMB45,000,000 (31 December 2009: RMB55,000,000) were secured on the properties of a related company and guaranteed by that related company.

(b) At 30 June 2010, the Group's bank loans of RMB115,000,000 (31 December 2009: RMB55,000,000) were guaranteed by two subsidiaries, Changzhou Huawei Electronics Co. Ltd. and Changzhou Huawei Capacitors Co., Ltd.

(c) The carrying amounts of the Group's interest-bearing bank loans approximate their fair values.

16. Share capital

	Number of shares of HK$0.01 each	Nominal value of shares HK$'000
Authorised:		
At 30 June 2010 and 31 December 2009	2,000,000,000	20,000

	Number of shares of HK$0.01 each	Nominal value of shares	
		HK$'000	RMB'000
Issued and fully paid:			
At 30 June 2010 and 31 December 2009	750,000,000	7,500	7,140

17. Pledged assets

At 30 June 2010, restricted bank deposits amounting to RMB55,500,000 (31 December 2009: RMB53,050,000) were pledged to banks to secure general banking facilities granted to the Group.

18. Operating lease commitments

At the reporting date, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of properties which fall due as follows:

	As at 30 June 2010 RMB'000 (unaudited)	As at 31 December 2009 RMB'000 (audited)
Within one year	1,595	633
In the second to fifth year, inclusive	1,595	936
	3,190	1,569

19. Capital commitments

At the reporting date, the Group had capital commitments as follows:

	As at 30 June 2010 RMB'000 (unaudited)	As at 31 December 2009 RMB'000 (audited)
Contracted but not provided for		
– property, plant and equipment	1,301	1,493
– acquisition of a subsidiary (note a)	20,000	–
– capital contribution in a subsidiary	–	1,311
Authorised but not contracted for (note b)	–	–
	21,301	2,804

Notes:

(a) On 7 May 2010, Hai Te Wei Company Limited, a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement to acquire the entire issued share capital of a company, which invested in the manufacture and sale of V-chip type aluminium electrolytic capacitors at a consideration of RMB55,000,000. The Group had paid a total of RMB35,000,000 for the acquisition prior to 30 June 2010 and the remaining balance of RMB20,000,000 was paid in July 2010.

(b) (i) On 4 December 2009, SunTech Resources Group Company Limited, a wholly-owned subsidiary of the Company, entered into a non-binding memorandum of understanding for the proposed acquisition of 60% equity interest in a company engaged in the operations of toll installation of LED street lamps in the PRC, at a consideration not more than HK$500 million.

(ii) On 12 March 2010, Energy First International Limited, a wholly-owned subsidiary of the Company, entered into a non-binding memorandum of understanding for the proposed acquisition of the entire equity interest in a company, which will be interested in 60% equity interest of a joint venture company, which is targeted to obtain the exclusive management, trading, operations and import and export rights over an iron mine in Indonesia. The consideration of the proposed acquisition has not been determined pending the issue of a preliminary technical report on the resources and reserves of iron ore and a preliminary valuation report on the valuation of the iron mine.

20. Material related party transactions

The directors are of the view that the following company is a related party of the Group:

Name of the party	Relationship
Changzhou Huawei Reflective Material Company Limited ("Reflective Material")	Mr Yan Qixu and Ms. Xiang Xiaoqin are common directors and controlling shareholders

Mr. Yan Qixu and Ms. Xiang Xiaoqin are the executive directors of the Company and key management of the Group.

Save as disclosed elsewhere in the financial statements, the particulars of the related party transactions of the Group are as follows:

(a) Securities and guarantees

At 30 June 2010, the Group's bank loans of RMB45,000,000 (31 December 2009: RMB55,000,000) were secured by certain properties and corporate guarantee of Reflective Material.

(b) Key management personnel remuneration

Remuneration for key management personnel of the Group is as follows:

	Six months end 30 June	
	2010 RMB'000 (unaudited)	2009 RMB'000 (unaudited)
Short-term employee benefits	605	2,216
Contributions to defined retirement plans	6	5
	611	2,221

21. Events after the reporting period

(a) On 7 May 2010, Hai Te Wei Company Limited ("Hai Te Wei"), a wholly-owned subsidiary of the Company, and Han Zhang Company Limited ("Han Zhang") entered into a conditional agreement (the "Sale and Purchase Agreement"), pursuant to which Hai Te Wei has conditionally agreed to acquire, and Han Zhang has conditionally agreed to sell, the entire issued share capital of the Splendid Victory Development Limited, a company incorporated in the BVI and wholly owned by Han Zhang, at the consideration amounted to RMB55 million (the "Transaction"). The Transaction was completed on 23 August 2010. For details, please refer to the announcements of the Company dated 7 May 2010 and 23 August 2010, and the circular of the Company dated 11 June 2010.

(b) On 8 July 2010, the Company entered into a placing agreement (as supplemented by the supplemental agreement dated 13 July 2010) (the "Placing Agreement") with China Everbright Securities (HK) Limited (the "Placing Agent"), pursuant to which the Company has conditionally agreed to place, through the Placing Agent on a best effort basis, 150,000,000 new shares in the Company to independent third parties at a placing price of HK$0.837 per share. The Placing Agreement has been lapsed on 18 August 2010. For details, please refer to the announcements of the Company dated 13 July 2010, 28 July 2010 and 19 August 2010 respectively.

22. Ultimate holding company

The directors regard Tong Heng Company Limited, a company incorporated in the British Virgin Islands, as being the ultimate holding company of the Group.

Overview

Benefiting from the recovery of China's economy and the favourable market environment, the Group was able to seize the opportunities arising during the first half of 2010. By focusing on the sales and research and development of products, the Group endeavored to increase productivity and to maintain good relationship with its customers. Meanwhile, through the strategies of acquiring businesses with operational prospect and developing new business, the Group successfully diversified its business, and increased the sales revenue, thereby creating satisfactory results.

Business Review

For the six months ended 30 June 2010 (the "Period under Review"), the Group's unaudited turnover increased by approximately 80.3% to RMB209.6 million, mainly due to the Group's commitment to marketing which lifted up the sales of the mid to high end products. The sale of Group's main products, namely lead wire type capacitors as well as lug type and screw type capacitors, increased 67.8% and 110.1% respectively, as compared to the corresponding period of last year. Gross profit increased by 619.5% to RMB25.9 million, as compared to the corresponding period of last year.

Since last year, the Group has been working towards acquiring portion of equity interests in two companies, one of which is principally engaged in the investment of energy-saving business while the other is principally engaged in mining investment. These proposed acquisitions aim at expanding the business scope of the Group into the environment-friendly and energy-saving LED street lamp business and mineral resources business with huge development potential and well supported by state policies. It is anticipated to broaden the income base of the Group and to enhance the Group's sustainability.

On 9 May 2010, the Group acquired Splendid Victory Development Limited at a consideration of RMB55 million. The Group believes that the acquisition will enable the Group to fully control the development, production schedule and production priority in relation to V-chip type aluminum electrolytic capacitors and in turn offer better solutions to its customers and enhance the competitiveness of the Group.

The machinery and equipment purchased by the Group were all properly installed and in place, elevating the production capacity of our production base in Changzhou, Jiangsu Province to an output of 5.5 billion units of capacitors, and laying a solid foundation for the Group's development.

The Group has been actively engaged in research and development, and developed several new products to customers' specification during the Period under Review.

Business outlook

Looking forward, we are optimistic about the business prospects as the economy is showing signs of recovery. In order to meet the needs of the customers and maintain our reputation for high quality products, the Group will continue to optimize the lead wire type, lug type and screw type aluminum electrolytic capacitor products and continue to have full control over the development of V-chip type aluminum electrolytic capacitors in future.

Whilst the global energy crisis is deepening, the Group will grasp every opportunity to actively expand the development of LED street lamp business and mineral resources business. It is expected that they will become a new growth platform for the Group.

In the meantime, the Group will continue to increase its revenue and expand its market share in the PRC and overseas through the continued implementation of various strategies.

Financial review

Turnover

The turnover of the Group for the six months ended 30 June 2010 was approximately RMB209.6 million which represents a significant increase of 80.3% or approximately RMB93.3 million as compared to the corresponding period of 2009. The increase in turnover was mainly attributable to the recovery from the China market after the worldwide financial tsunamis and conscientious effort taken by the Group in research and market development.

The Group's turnover by products can be analysed as follows:

	For the six months ended 30 June			
	2010		2009	
	RMB'000	%	RMB'000	%
Lead wire type	124,257	59.3	74,042	63.7
Lug type and screw type	69,184	33.0	32,921	28.3
V-chip type	16,194	7.7	9,293	8.0
Total	209,635	100.0	116,256	100.0

Sale of lead wire type capacitors showed an increase of approximately 67.7% from approximately RMB74.0 million in the first half of 2009 to approximately RMB124.3 million in the first half of 2010. Sale of lug type and screw type capacitors showed an increase of approximately 110.3% from approximately RMB32.9 million in the first half of 2009 to approximately RMB69.2 million in the first half of 2010. At the request of clients, the Group purchased V-chip type capacitors from third parties and sold to such clients. Sales increased from approximately RMB9.3 million in the first half of 2009 to approximately RMB16.2 million in the first half of 2010, representing an increase of about 74.2%.

Gross profit margin

The Group's gross profit margin for the six months ended 30 June 2010 was approximately 12.4% which represents a significant increase compared with approximately 3.1% for that of the corresponding period in 2009. This is mainly attributable to: (i) increase in average selling price of the Group's products; (ii) enhancement in cost efficiency due to economy of scale achieved through substantial increase in production volume; and (iii) an impairment loss of RMB3.8 million for inventories absorbed in cost of sales in the previous period. All of these attributes resulted in the reduction in unit production cost of products and thereby lifted up the gross profit margin.

Other revenue and income

For the six months ended 30 June 2010, other revenue and income of the Group was approximately RMB1.3million, increasing by about 62.5% from approximately RMB0.8 million for that of the corresponding period in 2009. The decrease in other revenue and income was primarily due to the increase in bank interest income.

Distribution costs

For the six months ended 30 June 2010, distribution costs of the Group were approximately RMB4.3 million, reducing by about 39.4% from approximately RMB7.1 million for that of the corresponding period in 2009. The reduction in distribution costs was primarily due to the decrease in marketing and promotion expenses. Lesser number of free samples for different types of products were given to customers during the six months ended 30 June 2010.

Administrative expenses

For the six months ended 30 June 2010, administrative expenses of the Group were approximately RMB13.7 million, increasing by about 35.6% from approximately RMB10.1 million for that of the corresponding period in 2009. The increase in administrative expenses was primarily due to the increase in staff salaries and welfare.

Other operating expenses

For the six months ended 30 June 2010, other operating expenses of the Group were approximately RMB207,000, an increase of about 18.3% from approximately RMB175,000 for that of the corresponding period in 2009. The increase in other operating expenses was primarily due to the increase in exchange loss.

Finance costs

For the six months ended 30 June 2010, finance costs of the Group were approximately RMB3.9 million, an increase of about 5.4% from approximately RMB3.7 million for that of the corresponding period in 2009. The increase in finance costs was primarily due to the increase in interest-bearing bank loans.

As a result of the foregoing factors, the Group's profit for the period was approximately RMB4.2 million as compared to a loss of approximately RMB20.0 million for the six months ended 30 June 2009.

Dividends

At the meeting of the Board held on 23 August 2010, the directors did not recommend payment of an interim dividend for the six months ended 30 June 2010.

Liquidity, financial resources and capital structure

As at 30 June 2010, the Group had cash at banks and in hand of approximately RMB26.7 million (31 December 2009: RMB20.8 million) and restricted bank deposits of approximately RMB55.5 million (31 December 2009: RMB53.1 million). Total short term bank borrowings amounted to approximately RMB196.7million (31 December 2009: RMB110.0 million). Majority of the Group's bank borrowings were subject to fixed interest rates and were denominated in either Renminbi or Hong Kong Dollars.

As at 30 June 2010, the gearing ratio (calculated by dividing total bank borrowings less cash and cash equivalent by total equity) of the Group was 59.5% (31 December 2009: 30.5%). The increase in gearing ratio as at 30 June 2010 as compared to that as at 31December 2009 was principally attributable to the increase in bank borrowings.

As at 30 June 2010, the Group had current assets of approximately RMB524.0 million (31 December 2009: RMB454.5 million) and current liabilities of approximately RMB398.7 million (31 December 2009 : RMB321.5 million). The current ratio (which is calculated by dividing current assets by current liabilities) was 1.3 as at 30 June 2010, which showed a slight decrease compared with the current ratio of 1.4 as at 31 December 2009. Such decrease was due to the increase in bank borrowings to finance the Group's liquidity requirements.

Foreign exchange exposure

The Group's sales were principally made in Renminbi, Hong Kong Dollars and US Dollars, with the majority denominated in Renminbi. Although the Group may be exposed to foreign currency exchange risks, the Board does not expect future currency fluctuations to materially impact the Group's operations. The Group has not adopted formal hedging policies and no instruments have been applied for foreign currency hedging purposes during the period under review.

Capital expenditure

During the period under review, the Group's total capital expenditure amounted to approximately RMB17.7 million (six months ended 30 June 2009: RMB5 million), which was used in the acquisition of property, plant and equipment.

Charge on assets

As at 30 June 2010, the Group's restricted bank deposits of approximately RMB55.5 million (31 December 2009: RMB53.1 million) were pledged to secure banking facilities granted to the Group.

Contingent liabilities

As at 30 June 2010, the Group had no contingent liabilities.

Employee information

As at 30 June 2010, the Group had approximately 1,200 employees, the majority of whom were stationed in the PRC. Total remuneration for the period amounted to RMB19.9 million. The Group adopts a competitive remuneration package for its employees. Promotion and salary increments are assessed on a performance related basis. Share options may also be granted to staff with reference to the individual's performance.

Directors' and chief executive's interests and short positions in shares, underlying shares and debentures of the Company and its associated corporations

As at 30 June 2010, the interests and short positions of the directors and/or chief executives of the Company in any shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) which require notification pursuant to Divisions 7 and 8 of Part XV of the SFO, or which are required, pursuant to section 352 of the Part XV of the SFO, to be entered in the register kept by the Company, or which are required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

1. Interests and short position in the shares (the "Shares") of the Company

Name of Director	Capacity/Nature	No. of Shares	Percentage of issued share capital of the Company
Mr. Yan Qixu ("Mr. Yan")	Interest of controlled corporation (Note 2)	436,000,000 (L)	58.1%
	Interest of controlled corporation (Note 4)	24,000,000 (S)	3.2%
	Beneficial owner (Note 5)	6,000,000 (L)	0.8%
	Interest of spouse (Note 2)	6,000,000 (L)	0.8%
Ms. Xiang Xiaoqin ("Ms. Xiang")	Interest of controlled corporation (Note 3)	436,000,000 (L)	58.1%
	Interest of controlled corporation (Note 4)	24,000,000 (S)	3.2%
	Beneficial owner (Note 5)	6,000,000 (L)	0.8%
	Interest of spouse (Note 3)	6,000,000 (L)	0.8%
Mr. Liu Xinsheng	Beneficial owner (Note 5)	2,000,000 (L)	0.27%
Ms. Kuang Lihua	Beneficial owner (Note 5)	4,500,000 (L)	0.6%

Notes:

1. The letters "L" and "S" denote a long position and a short position in the Shares respectively.

2. Mr. Yan is the beneficial owner of 69.69% of the issued shares in Tong Heng Company Limited ("Tong Heng") and therefore Mr. Yan is deemed, or taken to be, interested in the 436,000,000 Shares which are beneficially owned by Tong Heng for the purposes of the SFO. Mr. Yan is also a director of Tong Heng. Mr. Yan and Ms. Xiang are spouse. Therefore, Mr. Yan is deemed, or taken to be, interested in the 6,000,000 Shares which is personally and beneficially held by Ms. Xiang for the purposes of the SFO.

3. Ms. Xiang is the beneficial owner of 30.31% of the issued shares in Tong Heng and therefore Ms. Xiang is deemed, or taken to be, interested in the 436,000,000 Shares which are beneficially owned by Tong Heng for the purposes of the SFO. Mr. Yan and Ms. Xiang are spouse. Therefore, Ms. Xiang is deemed, or taken to be, interested in the 6,000,000 Shares which is personally and beneficially held by Mr. Yan for the purposes of the SFO.

4. Tong Heng has entered into a call option deed dated 19 July 2007 with China Construction Bank Corporation, Hong Kong Branch ("CCBCHK") pursuant to which Tong Heng agreed to grant a share option (the "Pre-IPO Share Option") to CCBCHK. Pursuant to the Pre-IPO Share Option, Tong Heng will transfer the option shares (being the Shares held by Tong Heng which shall in aggregate be up to a maximum of 5% of the issued Shares of the Company on the Listing Date) to CCBCHK (or its nominee) if CCBCHK exercises the Pre-IPO Share Option. The Pre-IPO Share Option is exercisable from the period commencing immediately after the expiry of a 6- month period after the Listing Date and up to the last day of the 60th month after the Listing Date (both days inclusive) at a price equal to the price under the Share Offer, subject to adjustments.

5. Shares were issued on exercise of share options granted.

2. Long position in the ordinary shares of associated corporation

Name of Director	Name of associated corporation	Capacity	Number of shares held	Percentage of interest
Mr. Yan	Tong Heng	Beneficial owner	6,969 ordinary shares	69.69%
Ms. Xiang	Tong Heng	Beneficial owner	3,031 ordinary shares	30.31%

Save as disclosed above, as at 30 June 2010, none of the directors or chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which would be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Share option scheme

A share option scheme (the "Share Option Scheme") was conditionally approved by resolutions of the shareholders of the Company on 26 July 2007. It became unconditional on 6 September 2007 and shall be valid and effective for a period of ten years commencing on 26 July 2007, subject to the early termination provisions contained in the Share Option Scheme.

During the six months ended 30 June 2010, no share options were granted, exercised or cancelled by the Company under the Share Option Scheme and there are no outstanding share options under the Share Option Scheme as at 30 June 2010.

Interests and short positions of substantial shareholders in shares, underlying shares and debentures of the Company

As at 30 June 2010, so far as is known to the directors, the following persons (other than the directors or chief executive of the Company), who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company in accordance with the provision of Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein, were as follows:

1. Long position in the Shares

Name of Shareholders	Capacity/Nature	No. of Shares	Percentage of issued share capital of the Company
Tong Heng	Beneficial owner	436,000,000	58.13%

2. Interests and short positions in underlying Shares

Name	Capacity	Description of equity derivatives	Number of underlying Shares
Tong Heng	Beneficial owner	share option (Note 2)	24,000,000 Shares (S)
CCBCHK	Beneficial owner	share option (Note 2)	24,000,000 Shares (L)

Notes:

1. The letters "L" and "S" denote a long position and a short position in the Shares.

2. Tong Heng has entered into a call option deed dated 19 July 2007 with CCBCHK pursuant to which Tong Heng agreed to grant the Pre-IPO Share Option to CCBCHK. Pursuant to the Pre-IPO Share Option, Tong Heng will transfer the option shares (being the Shares held by Tong Heng which shall in aggregate be up to a maximum of 5% of the issued Shares of the Company on the Listing Date) to CCBCHK (or its nominee) if CCBCHK exercises the Pre-IPO Share Option. The Pre-IPO Share Option is exercisable from the period commencing immediately after the expiry of a 6-month period after the Listing Date and up to the last day of the 60th month after the Listing Date (both days inclusive) at a price equal to the price under the Share Offer, subject to adjustments.

Save as disclosed above, and as at 30 June 2010, the directors of the Company were not aware of any persons (who were not directors or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to section 336 of the SFO, to be entered in the register referred therein.

Purchase, sale or redemption of the Company's listed securities

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

Material acquisitions and disposal of subsidiaries and associated companies

On 4 December 2009, Suntech Resources Group Company Limited, a wholly-owned subsidiary of the Company (the "Purchaser"), entered into a non-legally binding memorandum of understanding (the "MOU") with Golden Well Capital Limited (the "Vendor") in relation to the possible acquisition by the Group from the Vendor of 60% of the entire issued share capital of Link Force Holdings Limited (the "Target") as contemplated under the MOU. The Target and its subsidiaries will be principally engaged in the investment of energy-saving business, which shall include the operation of the toll manufacturing, installation and maintenance of LED street lamps in the PRC. Further to the MOU, an extension letter has been entered into between the Vendor and the Purchaser on 4 March 2010, pursuant to which the parties thereto agreed to extend the date for entering into a legally-binding formal agreement from on or before 90 days from the date of the MOU, namely 4 March 2010, to on or before 30 September 2010 (or such later date as the parties thereto may agree). For details, please refer to the announcement of the Company dated 4 December 2009 and 4 March 2010 respectively.

On 12 March 2010, Energy First International Limited, a wholly-owned subsidiary of the Company, entered into a non-binding memorandum of understanding with Mr. Lam Chong San ("Mr. Lam"), for the proposed acquisition of the entire equity interest in a company wholly-owned by Mr. Lam, which will be interested in 60% equity interest of a joint venture company, which is targeted to obtain the exclusive management, trading, operations and import and export rights over an iron mine in Indonesia. For details, please see the announcement of the Company dated 12 March 2010.

On 7 May 2010, Hai Te Wei Company Limited ("Hai Te Wei"), a wholly-owned subsidiary of the Company, and Han Zhang Company Limited ("Han Zhang") entered into a conditional agreement (the "Sale and Purchase Agreement"), pursuant to which Hai Te Wei has conditionally agreed to acquire, and Han Zhang has conditionally agreed to sell, the entire issued share capital of the Splendid Victory Development Limited, a company incorporated in the BVI and wholly owned by Han Zhang, at the consideration amounted to RMB55 million (the "Transaction"). The Transaction was completed on 23 August 2010. For details, please refer to the announcements of the Company dated 7 May 2010 and 23 August 2010, and the circular of the Company dated 11 June 2010.

Save as disclosed above, during the six months ended 30 June 2010, there was no material acquisition and disposal of subsidiaries and associated companies by the Group.

Corporate governance

Save as described below, none of the directors of the Company is aware of any information that would reasonably indicate that the Company is not or was not, in any time for the six months ended 30 June 2010 in due compliance with the code provisions of the Code of Corporate Governance Practices ("the Code") set out in the Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

Under code provision A.2.1 of the Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The Company does not have any officer with the title of "chief executive officer". This is deviated from the code provision A.2.1.

Mr. Yan Qixu, who acts as the chairman of the Company, is also responsible for overseeing the general operations of the Group. The Board will meet regularly to consider major matters affecting the operations of the Company. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Company. The roles of the respective executive directors and senior management who are in charge of different functions complement the role of the chairman and chief executive officer. The Board believes that this structure is conducive to strong and consistent leadership enabling the Group to operate efficiently.

The Company understands the importance of complying with the code provision A.2.1 of the Code and will continue to consider the feasibility of compliance. If compliance is determined, appropriate persons will be nominated to take up the different roles of chairman and chief executive officer.

Model code set out in Appendix 10 to the Listing Rules

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors' securities transactions. The Company has also adopted the Model Code for the relevant employees.

Having made specific enquiry of all directors, the Board has confirmed that all directors have complied with the Model Code for the six months ended 30 June 2010. Moreover, no incident of non-compliance of the Model Code by the relevant employees was noted by the Company.

Audit committee

The Company established an audit committee on 26 July 2007 with written terms of reference in compliance with the Code. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group.

The audit committee has three members and comprises three independent non-executive directors, namely, Mr. Xu Kangning, Mr. Wong Chun Hung and Ms. Lin Sufen. Mr. Wong Chun Hung is the chairman of the audit committee.

The audit committee has reviewed and discussed with the Company's management regarding the Group's unaudited financial statements for the six months ended 30 June 2010 and this interim report. The audit committee has confirmed that this interim report is in compliance with all applicable laws and regulations, including but not limited to the Listing Ruels.

Remuneration committee

The Group set up its remuneration committee on 26 July 2007 with written terms of reference in compliance with the code provisions of paragraph B1 of the Code. The primary duties of the remuneration committee are to review and determine the terms of remuneration packages, bonuses and other employment terms to the directors and other senior management. Currently, the remuneration committee comprises Mr. Yan Qixu, an executive director and two independent non-executive directors, namely Mr. Wong Chun Hung and Ms. Lin Sufen.

By order of the Board
Yan Qixu
Chairman

Hong Kong, 23 August 2010