

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 2011 Report



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Corporate Information

Board of directors

Executive directors

Mr. Li Wing Sang (Chairman of the board)
(appointed as Chairman on 1 March 2011)
Mr. Yan Qixu (resigned as Chairman on 1 March 2011)
Mr. Liu Xinsheng
Mr. Chiu Chi Hong (appointed on 11 July 2011)
Ms. Kuang Lihua (resigned on 15 February 2011)
Ms. Xiang Xiaoqin (resigned on 1 March 2011)

Independent non-executive directors

Mr. Tam Tak Wah (appointed on 7 January 2011)
Mr. Ng Wai Hung (appointed on 8 April 2011)
Mr. Lau Wan Cheung (appointed on 8 June 2011)
Mr. Wong Chun Hung (resigned on 7 January 2011)
Mr. Xu Kangning (resigned on 8 June 2011)
Ms. Lin Sufen (resigned on 8 June 2011)

Audit committee

Mr. Tam Tak Wah (Chairman of the committee)
(appointed on 7 January 2011)
Mr. Ng Wai Hung (appointed on 8 April 2011)
Mr. Lau Wan Cheung (appointed on 8 June 2011)
Mr. Wong Chung Hung (resigned on 7 January 2011)
Mr. Xu Kangning (resigned on 8 June 2011)
Ms. Lin Sufen (resigned on 8 June 2011)

Remuneration committee

Mr. Yan Qixu (Chairman of the committee)
Mr. Tam Tak Wah (appointed on 7 January 2011)
Mr. Ng Wai Hung (appointed on 8 April 2011)
Mr. Lau Wan Cheung (appointed on 8 June 2011)
Mr. Wong Chun Hung (resigned on 7 January 2011)
Ms. Lin Sufen (resigned on 8 June 2011)

Nomination committee

Mr. Li Wing Sang (Chairman of the committee)
(appointed on 1 March 2011)
Mr. Ng Wai Hung (appointed on 8 April 2011)
Mr. Lau Wan Cheung (appointed on 8 June 2011)
Ms. Xiang Xiaoqin (resigned on 1 March 2011)
Mr. Xu Kangning (resigned on 8 June 2011)
Ms. Lin Sufen (resigned on 8 June 2011)

Authorised representatives

Mr. Liu Xinsheng
Mr. Ng Chi Ho Dennis

Company secretary

Mr. Ng Chi Ho Dennis

Auditor

CCIF CPA Limited

Principal bankers

Agricultural Bank of China Changzhou Branch
Zou Qu Sub-Branch
The Hong Kong and Shanghai Banking Corporation Limited

Hong Kong branch share registrar and transfer office

Tricor Investor Services Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

Principal share registrar and transfer office

HSBC Trustee (Cayman) Limited
PO Box 484
HSBC House
68 West Bay Road
Grand Cayman
KY1-1106
Cayman Islands

Registered office

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

Corporate Information (Continued)

Principal place of business in the PRC

Zouqu Village
Zouqu Town
Changzhou City
Jiangsu
PRC

Principal place of business in Hong Kong

Suites 2001–2005, 20th Floor
Jardine House
1 Connaught Place
Central
Hong Kong

Company website

<http://www.techprotd.com>

Stock code

03823

Condensed Consolidated Income Statement

For the six months ended 30 June 2011

| | Note | Six months ended 30 June | |
|---|------|--------------------------------|--------------------------------|
| | | 2011 RMB'000 (Unaudited) | 2010 RMB'000 (Unaudited) |
| Turnover | 3 | 197,451 | 209,635 |
| Cost of sales | | (161,033) | (183,668) |
| Gross profit | | 36,418 | 25,967 |
| Other revenue and income | 4 | 3,328 | 1,358 |
| Distribution costs | | (5,160) | (4,264) |
| Administrative expenses | | (19,975) | (13,725) |
| Other operating expenses | | (327) | (207) |
| Operating profit | | 14,284 | 9,129 |
| Change in fair value of the derivative component of convertible notes | 15 | 1,583 | – |
| Finance costs | 5 | (11,512) | (3,959) |
| Profit before taxation | 6 | 4,355 | 5,170 |
| Income tax | 7 | (365) | (932) |
| Profit for the period | | 3,990 | 4,238 |
| Attributable to: | | | |
| Equity holders of the Company | | 4,513 | 4,238 |
| Non-controlling interests | | (523) | – |
| Profit for the period | | 3,990 | 4,238 |
| Earnings per share (RMB) | 8 | | |
| – Basic | | 0.6 cent | 0.6 cent |
| – Diluted | | 0.6 cent | 0.6 cent |

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2011

| | Six months ended 30 June | |
|--|--------------------------------|--------------------------------|
| | 2011 RMB'000 (unaudited) | 2010 RMB'000 (unaudited) |
| Profit for the period | 3,990 | 4,238 |
| Exchange difference on translation of financial statements of foreign subsidiaries | 171 | (53) |
| Total comprehensive income for the period | 4,161 | 4,185 |
| Attributable to: | | |
| Equity holders of the Company | 4,684 | 4,185 |
| Non-controlling interests | (523) | – |
| Total comprehensive income for the period | 4,161 | 4,185 |

Condensed Consolidated Statement of Financial Position

As at 30 June 2011

| | Note | As at 30 June 2011 RMB'000 (unaudited) | As at 31 December 2010 RMB'000 (audited) |
|---|-------|--|--|
| ASSETS AND LIABILITIES | | | |
| Non-current assets | | | |
| Property, plant and equipment | 10 | 223,755 | 190,788 |
| Lease prepayments | | 18,853 | 18,940 |
| Goodwill | 11 | 250,779 | – |
| | | 493,387 | 209,728 |
| Current assets | | | |
| Inventories | | 234,438 | 198,587 |
| Lease prepayments | | 379 | 379 |
| Trade and bills receivables | 12 | 161,681 | 137,693 |
| Other receivables and prepayments | | 86,349 | 58,917 |
| Income tax recoverable | | – | 1,011 |
| Restricted bank deposits | | 18,000 | 65,000 |
| Time deposits | | – | 19,500 |
| Cash at banks and in hand | | 86,583 | 15,299 |
| | | 587,430 | 496,386 |
| Current liabilities | | | |
| Trade and bills payables | 13 | 190,844 | 204,673 |
| Other payables | | 76,513 | 32,681 |
| Amounts due to directors | 22(a) | 4,022 | 7,249 |
| Amount due to ultimate holding company | | – | 144 |
| Income tax payable | | – | 727 |
| Bank loans | 14 | 201,058 | 211,822 |
| | | 472,437 | 457,296 |
| Net current assets | | 114,993 | 39,090 |
| Total assets less current liabilities | | 608,380 | 248,818 |
| Non-current liabilities | | | |
| Loan from a director | 22(b) | 168,980 | – |
| Convertible notes | 15 | 84,640 | – |
| Promissory note | 16 | 7,241 | – |
| Deferred tax liabilities | | 5,203 | 5,243 |
| | | 266,064 | 5,243 |
| Net assets | | 342,316 | 243,575 |
| EQUITY | | | |
| Equity attributable to owners of the Company | | | |
| Share capital | 17 | 7,562 | 7,140 |
| Reserves | | 314,722 | 228,533 |
| Equity attributable to owners of the Company | | 322,284 | 235,673 |
| Non-controlling interests | | 20,032 | 7,902 |
| Total equity | | 342,316 | 243,575 |

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2011

| | Attributable to equity holders of the Company | | | | | | | | | Total RMB'000 |
|---|---|-----------------------------|-------------------------------|-------------------------------|-------------------------------|---------------------------------|--------------------------------|---------------------------------|---|------------------|
| | Share capital RMB'000 | Share premium RMB'000 | Warrant reserve RMB'000 | Capital reserve RMB'000 | Special reserve RMB'000 | Statutory reserve RMB'000 | Exchange reserve RMB'000 | Retained earnings RMB'000 | Non- controlling interests RMB'000 | |
| At 1 January 2010 (audited) | 7,140 | 166,910 | - | 6,894 | 42,783 | 16,821 | (2,016) | 42,790 | - | 281,322 |
| Profit for the period | - | - | - | - | - | - | - | 4,238 | - | 4,238 |
| Exchange differences on translation of financial statements of foreign subsidiaries | - | - | - | - | - | - | (53) | - | - | (53) |
| Total comprehensive income for the period | - | - | - | - | - | - | (53) | 4,238 | - | 4,185 |
| At 30 June 2010 (unaudited) | 7,140 | 166,910 | - | 6,894 | 42,783 | 16,821 | (2,069) | 47,028 | - | 285,507 |
| At 1 January 2011 (audited) | 7,140 | 166,910 | - | 6,894 | 42,783 | 17,330 | (1,947) | (3,437) | 7,902 | 243,575 |
| Proceeds received on issue of warrants | - | - | 1,661 | - | - | - | - | - | - | 1,661 |
| Ordinary shares issued for acquisition of subsidiaries | 422 | 79,844 | - | - | - | - | - | - | - | 80,266 |
| Non-controlling interests arising on acquisition of subsidiaries | - | - | - | - | - | - | - | - | 12,653 | 12,653 |
| Profit for the period | - | - | - | - | - | - | - | 4,513 | (523) | 3,990 |
| Exchange differences on translation of financial statements of foreign subsidiaries | - | - | - | - | - | - | 171 | - | - | 171 |
| Total comprehensive income for the period | - | - | - | - | - | - | 171 | 4,513 | (523) | 4,161 |
| At 30 June 2011 (unaudited) | 7,562 | 246,754 | 1,661 | 6,894 | 42,783 | 17,330 | (1,776) | 1,076 | 20,032 | 342,316 |

(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) *Warrant reserve*

Warrant reserve represents the proceeds received from the issue of warrants of the Company. The reserve will be transferred to share capital and share premium accounts upon exercise of the warrants.

(c) *Capital reserve*

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

(d) *Special reserve*

Special reserve represents the difference between the net assets of Huawei Group Holdings 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.

(e) *Statutory reserve*

The Statutory reserve refers to the PRC statutory reserve fund. Appropriations to such reserve are made out of the profit after income tax of the statutory financial statements of the PRC subsidiaries and the amount should not be less than 10% of the profit after income tax unless the aggregate reserve amount exceeded 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.

(f) *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 2011

| | Six months ended 30 June | |
|---|--------------------------------|--------------------------------|
| | 2011 RMB'000 (unaudited) | 2010 RMB'000 (unaudited) |
| Net cash used in operating activities | (36,149) | (53,532) |
| Net cash used in investing activities | (14,925) | (29,216) |
| Net cash generated from financing activities | 102,687 | 85,272 |
| Net increase in cash and cash equivalents | 51,613 | 2,524 |
| Cash and cash equivalents at 1 January | 34,799 | 24,265 |
| Effect of foreign exchange rate changes | 171 | (53) |
| Cash and cash equivalents at 30 June | 86,583 | 26,736 |
| Analysis of balances of cash and cash equivalents | | |
| Cash and bank balances | 86,583 | 26,736 |

Notes to the Condensed Interim Financial Statements

For the six months ended 30 June 2011

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 following activities:

- (a) Manufacture and sale of aluminum electrolytic capacitors.
- (b) Manufacture and sale of V-chip type aluminium electrolytic capacitors.
- (c) Manufacture and sale of LED lightings.

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 2011 of the Group has 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 2010.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performances of the Group since the 2010 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

In the current period, the Group has adopted all the new or revised 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.

| | |
|--------------------|--|
| HKFRS 1 Amendments | Amendments to HKFRS 1 First time-Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters ¹ |
| HKFRS 7 Amendments | Amendments to HKFRS 7 Financial Instruments: Disclosure Transfers of Financial Assets ¹ |
| HKFRS 9 | Financial Instruments ³ |
| HKFRS 10 | Consolidated Financial Statements ³ |
| HKFRS 11 | Joint Arrangements ³ |
| HKFRS 12 | Disclosure of Interests in Other Entities ³ |
| HKFRS 13 | Fair Value Measurement ³ |
| HKAS 1 (Revised) | Presentation of Financial Statements ³ |
| HKAS 12 Amendments | Amendments to HKAS 12 Income Taxes – Deferred Tax: Recovery of Underlying Assets ² |
| HKAS 19 (2011) | Employee Benefits ³ |
| HKAS 27 (2011) | Separate Financial Statements ³ |
| HKAS 28 (2011) | Investments in Associates and Joint Ventures ³ |

¹ Effective for annual periods beginning on or after 1 July 2011

² Effective for annual periods beginning on or after 1 January 2012

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.

Notes to the Condensed Interim Financial Statements (Continued)

3. Segment reporting

Operating segments are identified on the basis of internal reports which provides information about components of the Group. These information are reported to and reviewed by the chief operating decision-makers (“CODM”), i.e. directors of the Company, for the purposes of resource allocation and performance assessment.

The CODM consider the business from both geographic and product perspective. Geographically, management considers the location at which the goods and services are delivered. From the product perspective, the CODM consider the performance on sales of aluminum electrolytic capacitors and V-chip type aluminum electrolytic capacitors separately. In addition, during the six months ended 30 June 2011, the Group acquired another business engaging in the manufacturing of LED lightings.

The Group has presented the following three reportable segments. These segments are managed separately.

- aluminum electrolytic capacitors
- V-chip type aluminum electrolytic capacitors
- LED lightings

Segment data for the period ended 30 June 2010 were restated to reflect the newly reportable segments.

The following tables set out the segment revenue and results of the Group:

| | Six months ended 30 June 2011 | | | |
|--|--|--|---|---------------------------------|
| | Aluminum electrolytic capacitors RMB'000 (unaudited) | V-chip type aluminum electrolytic capacitors RMB'000 (unaudited) | LED lightings RMB'000 (unaudited) | Total RMB'000 (unaudited) |
| Segment revenue | | | | |
| Sales to external customers | 161,270 | 31,902 | 4,279 | 197,451 |
| Segment results | | | | |
| Operating profit/(loss) | 14,046 | 5,133 | (1,042) | 18,137 |
| Unallocated corporate expenses | | | | (3,853) |
| Changes in fair value of the derivative component of the convertible notes | | | | 1,583 |
| Finance costs | | | | (11,512) |
| Profit before taxation | | | | 4,355 |
| Other items: | | | | |
| Interest income | 903 | 26 | – | 929 |
| Depreciation | 9,364 | 2,257 | 1,606 | 13,227 |
| Amortisation | 141 | 159 | – | 300 |
| Additions to property, plant and equipment | 11,127 | 4,134 | 27,807 | 43,068 |

Notes to the Condensed Interim Financial Statements (Continued)

3. Segment reporting (Continued)

| | Six months ended 30 June 2010 | | | |
|--|--|--|---|---------------------------------|
| | Aluminum electrolytic capacitors RMB'000 (unaudited) | V-chip type aluminum electrolytic capacitors RMB'000 (unaudited) | LED lightings RMB'000 (unaudited) | Total RMB'000 (unaudited) |
| Segment revenue | | | | |
| Sales to external customers | 193,441 | 16,194 | – | 209,635 |
| Segment results | | | | |
| Operating profit | 10,072 | 843 | – | 10,915 |
| Unallocated corporate expenses | | | | (1,786) |
| Finance costs | | | | (3,959) |
| Profit before taxation | | | | 5,170 |
| Other items: | | | | |
| Interest income | 1,114 | – | – | 1,114 |
| Depreciation | 8,703 | – | – | 8,703 |
| Amortisation | 27 | – | – | 27 |
| Additions to property, plant and equipment | 17,689 | – | – | 17,689 |

The following tables set out the segment assets and liabilities of the Group:

| | As at 30 June 2011 | | | |
|---|--|--|---|---------------------------------|
| | Aluminum electrolytic capacitors RMB'000 (unaudited) | V-chip type aluminum electrolytic capacitors RMB'000 (unaudited) | LED lightings RMB'000 (unaudited) | Total RMB'000 (unaudited) |
| Segment assets | 582,138 | 129,834 | 49,019 | 760,991 |
| Elimination of inter-segment current accounts | | | | (21,275) |
| Unallocated corporate assets | | | | 341,101 |
| Consolidated assets | | | | 1,080,817 |
| Segment liabilities | 415,617 | 53,126 | 24,759 | 493,502 |
| Elimination of inter-segment current accounts | | | | (21,275) |
| Deferred tax liabilities | | | | 5,203 |
| Unallocated corporate liabilities | | | | 261,071 |
| Consolidated liabilities | | | | 738,501 |

Notes to the Condensed Interim Financial Statements (Continued)

3. Segment reporting (Continued)

| | As at 31 December 2010 | | | Total RMB'000 (audited) |
|--|--|---|---------------------------------------|-------------------------------|
| | Aluminum electrolytic capacitors RMB'000 (audited) | V-chip type aluminum electrolytic capacitors RMB'000 (audited) | LED lightings RMB'000 (audited) | |
| Segment assets | 568,169 | 137,763 | – | 705,932 |
| Elimination of inter-segment current accounts | | | | (18,430) |
| Income tax recoverable | | | | 1,011 |
| Unallocated corporate assets | | | | 17,601 |
| Consolidated assets | | | | 706,114 |
| Segment liabilities | 416,832 | 53,651 | – | 470,483 |
| Elimination of inter-segment current accounts | | | | (18,430) |
| Income tax payable | | | | 727 |
| Deferred tax liabilities | | | | 5,243 |
| Unallocated corporate liabilities | | | | 4,516 |
| Consolidated liabilities | | | | 462,539 |

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 | |
|------------------------------|--------------------------------|--------------------------------|
| | 2011 RMB'000 (unaudited) | 2010 RMB'000 (unaudited) |
| The PRC, excluding Hong Kong | 124,315 | 123,561 |
| Taiwan | 40,449 | 58,404 |
| Hong Kong | 15,075 | 12,411 |
| Turkey | 6,779 | 8,552 |
| Korea | 6,450 | 2,196 |
| Other countries | 4,383 | 4,511 |
| | 197,451 | 209,635 |

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.

Notes to the Condensed Interim Financial Statements (Continued)

4. Other revenue and income

| | Six months ended 30 June | |
|--|--------------------------------|--------------------------------|
| | 2011 RMB'000 (unaudited) | 2010 RMB'000 (unaudited) |
| Bank interest income | 929 | 1,114 |
| Rental income from hiring of machineries | 1,500 | – |
| Sundry income | 899 | 244 |
| | 3,328 | 1,358 |

5. Finance costs

| | Six months ended 30 June | |
|--|--------------------------------|--------------------------------|
| | 2011 RMB'000 (unaudited) | 2010 RMB'000 (unaudited) |
| Interest expenses on bank loans wholly repayable within five years | 7,683 | 3,959 |
| Effective interest on convertible notes (note 15) | 2,223 | – |
| Imputed interest on promissory note (note 16) | 1,606 | – |
| | 11,512 | 3,959 |

6. Profit before taxation

Profit before taxation is arrived at after charging:

| | Six months ended 30 June | |
|---|--------------------------------|--------------------------------|
| | 2011 RMB'000 (unaudited) | 2010 RMB'000 (unaudited) |
| Amortisation of lease prepayments | 300 | 27 |
| Cost of inventories sold | 161,033 | 183,668 |
| Depreciation of property, plant and equipment | 13,227 | 8,703 |
| Loss on disposal of property, plant and equipment | 116 | 59 |
| Operating lease rentals in respect of properties | 1,583 | 722 |
| Staff costs (including directors' emoluments) | 28,465 | 21,685 |

Notes to the Condensed Interim Financial Statements (Continued)

7. Income tax expense

Taxation in the consolidated income statement represents:

| | Six months ended 30 June | |
|-------------------------------------|--------------------------------|--------------------------------|
| | 2011 RMB'000 (unaudited) | 2010 RMB'000 (unaudited) |
| PRC Enterprise Income Tax | | |
| – Current period | 405 | 932 |
| Deferred tax | | |
| – Reversal of temporary differences | (40) | – |
| | 365 | 932 |

- (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 profit arising in or derived from Hong Kong for the six months ended 30 June 2011 and 2010.
- (iii) Pursuant to the Enterprise Income Tax rules and regulations of the PRC, the major PRC subsidiaries of the Group are subject to Enterprise Income Tax as follows:
 - Changzhou Huawei Electronics Company Limited (“Changzhou Huawei”) is entitled to a preferential tax rate of 15% for the three years since 2009 for being a high technology enterprise. For the year ended 31 December 2010, Changzhou Huawei is not subject to Enterprise Income Tax as it has no assessable income.
 - Changzhou Huawei Capacitors Company Limited (“Huawei Capacitors”), South Huawei (Shenzhen) Electronics Company Limited (“South Huawei”), and Changzhou Ao Si Te Dayou Electronics Company Limited (“Ao Si Te Dayou”) are wholly foreign-owned enterprises and are entitled to the tax concessions whereby the profit for the first two financial years beginning with the first profit-making year were exempted for Enterprise 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, South Huawei, and Ao Si Te Dayou was 2006, 2006 and 2007, respectively.
 - Shenzhen Wind and Solar New Energy Company Limited, a subsidiary acquired during the six months ended 30 June 2011, is subject to a full Enterprise Income Tax rate of 25%.

8. Earnings per share

(a) Basic earnings per share

The basic earnings per share for the period is calculated based on the consolidated profit attributable to equity holders of the Company of approximately RMB4,513,000 (six months ended 30 June 2010: RMB4,238,000) and on 791,712,707 (six months ended 30 June 2010: 750,000,000) shares in issue during the period, calculated as follows:

- (i) Weighted average number of ordinary shares

| | 2011 (unaudited) | 2010 (unaudited) |
|---|---------------------|---------------------|
| Issued ordinary shares at 1 January | 750,000,000 | 750,000,000 |
| Effect of shares issued for acquisition of Giga World (note 18) | 41,712,707 | – |
| Weighted average number of ordinary shares at 30 June | 791,712,707 | 750,000,000 |

(b) Diluted earnings per share

The diluted earnings per share for the period is calculated based on the consolidated profit attributable to equity holders of the Company of approximately RMB5,153,000 (six months ended 30 June 2010: RMB4,238,000) and on 886,469,195 (six months ended 30 June 2010: 750,000,000) shares in issue during the period, calculated as follows:

- (i) Profit attributable to equity holders of the Company

| | Six months ended 30 June | |
|---|--------------------------------|--------------------------------|
| | 2011 RMB'000 (unaudited) | 2010 RMB'000 (unaudited) |
| Earnings for the purpose of basic earnings per share (Profit attributable to equity holders) | 4,513 | 4,238 |
| Change in fair value of the derivative component of convertible notes | (1,583) | – |
| After tax effect of effective interest on the liability component of convertible notes | 2,223 | – |
| Earnings for the purpose of diluted earnings per share | 5,153 | 4,238 |

- (ii) Weighted average number of ordinary shares

| | 2011 (unaudited) | 2010 (unaudited) |
|---|---------------------|---------------------|
| Weighted average number of ordinary shares for the purpose of basic earnings per share | 791,712,707 | 750,000,000 |
| Effect of deemed conversion of convertible bonds | 54,756,488 | – |
| Effect of deemed exercise of warrants | 40,000,000 | – |
| Weighted average number of ordinary shares for the purpose of diluted earnings per share | 886,469,195 | 750,000,000 |

Notes to the Condensed Interim Financial Statements (Continued)

9. Dividends

The Directors did not recommend payment of any interim dividend for the six months ended 30 June 2011 (six months ended 30 June 2010: nil).

10. Property, plant and equipment

During the six months ended 30 June 2011, the Group acquired property, plant and equipment with a cost of RMB43,068,000 (six months ended 30 June 2010: RMB17,689,000), RMB27,807,000 (six months ended 30 June 2010 : nil) of which was acquired from acquisition of subsidiaries. In addition, the Group disposed of property, plant and equipment with a cost of RMB178,000 (six months ended 30 June 2010: RMB158,000).

11. Goodwill

| | 2011 RMB'000 (unaudited) |
|--|--------------------------------|
| 1 January | – |
| Arising on acquisition of a subsidiary (note 18) | 250,779 |
| 30 June | 250,779 |

The goodwill arose from the acquisition of Giga World Industry Company Limited (“Giga World”) in January 2011 as referred to in note 18. By reference to the valuation reports prepared by an independent professional valuer, Norton Appraisals Limited (“Norton”), which has among their staff, member of Registered Business Valuer of the Hong Kong Business Valuation Forum, with recent experience in the category of assets being valued, on the market value of Shenzhen Wind and Solar New Energy Company Limited, a wholly owned operating subsidiary of Giga World, the following key parameters were used for discounted cash flow calculation based on income approach:

| | | |
|----------------------|--------|--|
| Risk-free rate: | 3.98% | (yield of 10-year US treasury government bond) |
| Market risk Premium: | 6.59% | (market rate of return less risk free rate) |
| Equity beta: | 1.03 | |
| Size premium: | 4.07% | (risk of small size company in 2011 based on the research conducted by Ibbotson Associates, Inc.) |
| Country risk premium | 1.05% | (increased risk associated with investing in a developing country, including business risk, financial risk, liquidity risk, exchange rate risk and country risk) |
| Discount rate: | 15.22% | |

Based on the above report, the directors considered that there was no impairment required to be made against the goodwill as at 30 June 2011.

Notes to the Condensed Interim Financial Statements (Continued)

12. Trade and bills receivables

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

| | As at 30 June 2011 RMB'000 (unaudited) | As at 31 December 2010 RMB'000 (audited) |
|-------------------|--|--|
| Trade receivables | 152,467 | 135,921 |
| Bills receivable | 9,214 | 1,772 |
| | 161,681 | 137,693 |

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

| | As at 30 June 2011 RMB'000 (unaudited) | As at 31 December 2010 RMB'000 (audited) |
|--------------------------|--|--|
| 0 – 30 days | 38,886 | 39,671 |
| 31 – 90 days | 49,332 | 59,056 |
| 91 – 180 days | 40,452 | 22,333 |
| 181 – 365 days | 46,031 | 17,476 |
| Over 365 days | 4,562 | 16,739 |
| | 179,263 | 155,275 |
| Provision for impairment | (17,582) | (17,582) |
| | 161,681 | 137,693 |

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 2011 RMB'000 (unaudited) | As at 31 December 2010 RMB'000 (audited) |
|----------------|--|--|
| Trade payables | 112,643 | 71,673 |
| Bills payable | 78,201 | 133,000 |
| | 190,844 | 204,673 |

Bills payables as at 30 June 2011 and 31 December 2010 were secured by restricted bank deposits.

Notes to the Condensed Interim Financial Statements (Continued)

13. Trade and bills payables (Continued)

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

| | As at 30 June 2011 RMB'000 (unaudited) | As at 31 December 2010 RMB'000 (audited) |
|---------------|--|--|
| 0 – 30 days | 47,464 | 49,033 |
| 31 – 90 days | 90,244 | 66,982 |
| 91 – 365 days | 52,656 | 88,437 |
| Over 365 days | 480 | 221 |
| | 190,844 | 204,673 |

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

14. Bank loans

The bank loans of the Group were secured as follows:

| | As at 30 June 2011 RMB'000 (unaudited) | As at 31 December 2010 RMB'000 (audited) |
|----------------------|--|--|
| – Secured (note a) | 80,000 | 90,412 |
| – Unsecured (note b) | 121,058 | 121,410 |
| | 201,058 | 211,822 |

- (a) At 30 June 2011, bank loans of RMB70,000,000 (31 December 2010: RMB45,000,000) were secured on the properties of a related company and a guarantee provided by that related company (note 22(d)(i)).

At 30 June 2011, a bank loan of RMB10,000,000 (31 December 2010: RMB10,000,000) was secured by the lease prepayments of RMB15,235,000 (31 December 2010: RMB15,394,000) and buildings of RMB13,520,000 (31 December 2010: RMB13,861,000) of a subsidiary, Ao Si Te Dayou, and personal guarantee provided by its director, Mr. Guan Zhilong, and a director of the Company, Mr. Yan Qixu and a former director of the Company, Ms. Xiang Xiaoqin (note 22(d)(ii)).

- (b) At 30 June 2011, the Group's unsecured bank loans of RMB121,058,000 (31 December 2010: RMB121,410,000) were guaranteed by two subsidiaries, Huawei Capacitors and Ao Si Te Dayou. In addition, Mr. Yan Qixu, Ms. Xiang Xiaoqin and Mr. Guan Zhilong have provided personal guarantees for these bank loans (note 22(d)(ii)).
- (c) The outstanding bank loan of RMB35,412,000 as at 31 December 2010, which was secured by plant and equipment of RMB13,861,000 and time deposits of RMB19,500,000 of the Group was fully repaid during the six months ended 30 June 2011.

15. Convertible notes

On 25 May 2011, the Company, pursuant to the subscription agreement entered into between the Company and the subscriber dated 6 May 2011, issued convertible notes with an aggregate principal amount of RMB84,000,000. The convertible notes entitle the holders to convert any part of the notes into ordinary shares of the Company at the conversion price of HK\$1.95 per share (subject to adjustments) at any time from the day falling the first anniversary of the date of issue of the convertible notes up to the tenth day immediately before the maturity date. The convertible notes carry a coupon rate of 10% per annum payable in arrears. The Company shall not have the option to early redeem the notes except upon occurrence of any events of default as set out in the terms and conditions of the notes, or upon delisting or change of control of the Company. The notes will be redeemed by the Company on the maturity date together with accrued but unpaid interest to the relevant date fixed for such redemption. The notes will mature on 25 May 2013.

The movements of the liability and derivative components of the convertible notes during the period are as follows:

| | Liability component RMB'000 (unaudited) | Derivative component RMB'000 (unaudited) | Total RMB'000 (unaudited) |
|---|--|---|---------------------------------|
| At 1 January 2011 | – | – | – |
| Issue of convertible notes | 55,684 | 28,316 | 84,000 |
| Effective interest expenses recognised (note 5) | 2,223 | – | 2,223 |
| Changes in fair value of the derivative component | – | (1,583) | (1,583) |
| At 30 June 2011 | 57,907 | 26,733 | 84,640 |

The key assumptions and parameters applied for the valuation of the convertible notes are as follows:

(i) Valuation of liability component

The fair value of the liability component on initial recognition was the excess of the proceeds over the amount initially recognised as the derivative component is recognised as a liability component. Subsequent to initial recognition, the liability component is stated at amortised cost, using the effective interest rate of 26.89% per annum.

(ii) Valuation of derivative component

The derivative component was measured at fair value using the Binomial Option Pricing Model, at initial recognitions and at the end of the reporting period by Norton, The inputs into the model are as follows:

| | At initial recognition | At 30 June 2011 |
|------------------|---------------------------|--------------------|
| Share price | HK\$1.77 | HK\$1.89 |
| Conversion price | HK\$1.95 | HK\$1.95 |
| Risk free rate | 3.2% | 3.51% |
| Volatility | 62.44% | 67.88% |
| Time to maturity | 2 years | 1.9 years |

Notes to the Condensed Interim Financial Statements (Continued)

16. Promissory note

On 31 January 2011, the Company issued HK\$20,000,000 unsecured redeemable promissory note with zero coupon rate as part of the consideration for the acquisition of 50% equity interest in Giga World (note 18). The Company may repay the entire note or in part not less than HK\$5,000,000 on giving ten business days prior notice. The note will mature on 30 January 2013.

The promissory note has been initially recognised at fair value and subsequently accounted for at amortised cost, using the effective interest method. The fair value of the note is determined at HK\$16,790,000, as at the issue date, based on the valuation performed by Norton, with recent experience in the category of instrument being valued. The effective interest rate of the note is determined to be 9.14% per annum.

The movements of the promissory note are as follows:

| | 2011 HK\$'000 (unaudited) |
|---|---------------------------------|
| 1 January | 16,790 |
| Redemption | (10,000) |
| Imputed interest charged, equivalent to RMB1,606,000 (note 5) | 1,935 |
| 30 June | 8,725 |
| | RMB'000 |
| 30 June | 7,241 |

17. Share capital

| | Number of shares of HK\$0.01 each | Nominal value of shares HK\$'000 |
|--------------------------------------|---|--|
| Authorised: | | |
| At 30 June 2011 and 31 December 2010 | 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 1 January 2011 | 750,000,000 | 7,500 | 7,140 |
| Issue of new ordinary shares pursuant to the acquisition of Giga World (note 18) | 50,000,000 | 500 | 422 |
| At 30 June 2011 | 800,000,000 | 8,000 | 7,562 |

Notes to the Condensed Interim Financial Statements (Continued)

18. Business combination

On 31 January 2011, Energy First International Limited (“Energy First”), a wholly-owned subsidiary of the Company, acquired from Action Victory Limited (“Action Victory”), an independent third party, 50% equity interest in Giga World Industry Company Limited (“Giga World”) which in turn holds the entire equity interest in Shenzhen Wind and Solar New Energy Company Limited, which is principally engaged in the manufacture of LED lightings, at the consideration of HK\$320,000,000 based on an agreement dated 24 January 2011. The consideration was satisfied by cash of HK\$200,000,000, 50,000,000 new ordinary shares of HK\$0.01 each of the Company and a promissory note of HK\$20,000,000 issued by the Company. A loan agreement dated 24 January 2011 was made between Mr. Yan Qixu, a director of the Company, and the Company, pursuant to which, a loan of HK\$200,000,000 from Mr. Yan Qixu was drawn down on 27 January 2011 and applied to settle cash portion of the consideration of the acquisition. 50,000,000 new ordinary shares of HK\$0.01 each of the Company were issued at the price of HK\$2.00 each which were credited as fully paid and HK\$20,000,000 promissory note, which is unsecured, interest-free and repayable at 31 January 2013, was issued as part of the consideration.

Pursuant to the supplemental agreement dated 31 January 2011, Action Victory assigned its remaining voting right of 10% on the shareholders’ meeting in Giga World to Energy First, and therefore, Energy First has held 60% voting right on the shareholders’ meeting in Giga World which was accounted for as a subsidiary of the Group.

Further details of the acquisition are set out in the Company’s announcements dated 17 and 24 January 2011.

For the period from 1 February 2011 to 30 June 2011, Action Victory and its subsidiary contributed revenue of approximately RMB4,279,000 and net loss after taxation of approximately RMB1,042,000 to the Group. Had the acquisition occurred on 1 January 2011, the Group’s revenue and consolidated profit for the six months ended 30 June 2011 would have been RMB200,110,000 and RMB4,467,000 respectively.

The assets and liabilities provisionally assumed as at the acquisition date are as follows:

| | Fair value RMB’000 |
|--|-----------------------|
| Property, plant and equipment (note a) | 27,807 |
| Inventories | 3,601 |
| Trade receivables (note b) | 11,189 |
| Other receivables and prepayments (note b) | 3,998 |
| Cash at banks and in hand | 1,016 |
| Trade payables | (7,637) |
| Other payables and accruals | (14,668) |
| Net identifiable assets | 25,306 |
| Non-controlling interests | (12,653) |
| Goodwill arising on acquisition | 250,779 |
| Total consideration | 263,432 |
| | HK\$’000 |
| Fair value of consideration: | |
| Cash paid (note d) | 200,000 |
| New ordinary shares issued (note e) | 95,000 |
| Promissory note issued (note f) | 16,790 |
| | 311,790 |
| | RMB’000 |
| | 263,432 |

18. Business combination (Continued)

The initial unaudited accounting for the acquisition of Giga World involves identifying and determining the fair values to be assigned to the identifiable assets, liabilities and contingent liabilities. However, the identification and determination of the fair values of identifiable assets, liabilities and contingent liabilities could only be performed provisionally and pending finalisation at the end of the reporting period. Hence, the carrying amounts of the assets, liabilities, contingent liabilities and goodwill as listed above may be subject to further changes upon finalisation of their fair values by experts and therefore, the allocation of the purchase consideration is subject to adjustment.

Notes:

- (a) Property, plant and equipment at the acquisition date were revalued by Norton, at the fair market value in continued existing use, which is defined as the estimated amount at which the subject asset in its continued use might be expected to be purchased and sold between a willing buyer and a willing seller, and on the assumption that both the buyer and the seller contemplate the retention of the assets at their existing state for the continuation of the current operation as a going concern. Norton has among their staff, member of Registered Business Valuer of the Hong Kong Business Valuation Forum, with recent experience in the location and category of assets being valued.
- (b) All of the trade receivables and other receivables and prepayments are expected to be fully recovered at the acquisition date on 31 January 2011.
- (c) Acquisition-related costs amounted to RMB222,000 have been excluded from the consideration transferred and have been recognised as an expense classified in the 'administrative expenses' line item in the condensed consolidated income statement for the six months ended 30 June 2011.
- (d) The cash portion of HK\$200,000,000 of the consideration was financed by a loan from Mr. Yan Qixu, a director of the Company. The loan from Mr. Yan Qixu is unsecured, interest-free and repayable at 24 January 2012. Mr. Yan has agreed not to demand for repayments from the Company within the next twelve months from the end of the reporting period.
- (e) 50,000,000 new ordinary shares of HK\$0.01 each of the Company at the issue price of HK\$2.00 each were issued on 31 January 2011. The fair value of these shares amounting to HK\$95,000,000 was based on the closing price of HK\$1.90 of the Company's shares at the date of completion on 31 January 2011.
- (f) HK\$20,000,000 promissory note, which is unsecured, interest-free and repayable at 31 January 2013, was issued by the Company on 31 January 2011. The fair value of the promissory note amounting to HK\$16,790,000 was determined by Norton, with recent experience in the similar instruments being valued, using the discount rate of 9.15% in the estimated cash flow.

Pursuant to the sale and purchase agreement, there is a profit guarantee of not less than RMB40,000,000 of the profit before tax and any extraordinary or exceptional item of Giga World for the twelve months from 1 February 2011 to 31 January 2012. Out of the above consideration shares issued by the Company, 20,000,000 ordinary shares of HK\$0.01 each of the Company are held by the Company as security for the profit guarantee.

19. Pledged assets

At the end of the reporting period, the following assets were pledged to banks to secure general banking facilities granted to the Group:

| | As at 30 June 2011 RMB'000 (unaudited) | As at 31 December 2010 RMB'000 (audited) |
|-------------------------------|--|--|
| Lease prepayments | 15,235 | 15,394 |
| Property, plant and equipment | 13,520 | 53,123 |
| Restricted bank deposits | 18,000 | 65,000 |
| | 46,755 | 133,517 |

Notes to the Condensed Interim Financial Statements (Continued)

20. 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 2011 RMB'000 (unaudited) | As at 31 December 2010 RMB'000 (audited) |
|--|--|--|
| Within one year | 5,373 | 2,271 |
| In the second to fifth year, inclusive | 11,491 | 1,715 |
| | 16,864 | 3,986 |

21. Capital commitments

At the reporting date, the Group had capital commitments in respect of the purchase of property, plant and equipment and injection of capital in a subsidiary as follows:

| | As at 30 June 2011 RMB'000 (unaudited) | As at 31 December 2010 RMB'000 (audited) |
|---|--|--|
| Contracted but not provided for | | |
| – Property, plant and equipment | 33,470 | 29,509 |
| – Injection of capital in a subsidiary | – | 18,000 |
| | 33,470 | 47,509 |
| Authorised but not contracted for | | |
| – Purchase of property, plant and equipment | 23,518 | 44,449 |
| | 56,988 | 91,958 |

22. Material related party transactions

The directors are of the view that the following are related parties is of the Group:

| Name of the party | Relationship |
|---|--|
| Li Wing Sang | Executive director |
| Yan Qixu | Executive director |
| Liu Xinsheng | Executive director |
| Xiang Xiaoqin (resigned on 1 March 2011) | Executive director |
| Lin Sufen (resigned on 8 June 2011) | Independent non-executive director |
| Xu Kangning (resigned on 8 June 2011) | Independent non-executive director |
| Wong Chun Hung (resigned on 7 January 2011) | Independent non-executive director |
| Changzhou Huawei Reflective Material Company Limited ("Reflective Material") | Mr. Yan Qixu and Ms. Xiang Xiaoqin are common directors and controlling shareholders |
| Enercon Capacitor Company Limited | Mr. Guan Zhilong, a director of Ao Si Te Dayou, is director and controlling shareholder |
| 深圳市吉泰龍電子有限公司 | Mr. Guan Zhilong, a director of Ao Si Te Dayou, is director and controlling shareholder |

(a) Amount due to directors

| | As at 30 June 2011 RMB'000 (unaudited) | As at 31 December 2010 RMB'000 (audited) |
|----------------|--|--|
| Li Wing Sang | 1,433 | 5,130 |
| Yan Qixu | 1,929 | 1,392 |
| Liu Xinsheng | 594 | 590 |
| Lin Sufen | 30 | 39 |
| Xu Kangning | 30 | 39 |
| Wong Chun Hung | 6 | 59 |
| | 4,022 | 7,249 |

The amounts due are unsecured, interest-free and repayable on demand.

(b) Loan from a director

In order to finance the acquisition of Giga World as referred to in note 18, Mr. Yan Qixu ("Mr. Yan") granted a loan of HK\$200,000,000 (equivalent to RMB168,980,000) to the Company pursuant to the loan agreement entered into between Mr. Yan and the Company. The loan is unsecured, interest free and repayable on 24 January 2012.

Pursuant to the loan agreement, the provision of guarantee and/or security for the loan is under discussion. Mr. Yan agreed that he would not demand for repayments from the Company within the next twelve months from the end of the reporting period.

22. Material related party transactions (Continued)

(c) Trading transactions

| | Six months ended 30 June | |
|-----------------------------------|--------------------------------|--------------------------------|
| | 2011 RMB'000 (unaudited) | 2010 RMB'000 (unaudited) |
| Sales of goods | | |
| Enercon Capacitor Company Limited | 15,075 | – |
| 深圳市吉泰龍電子有限公司 | 1,240 | – |
| | 16,315 | – |

The following balances arising from trading transactions were outstanding at the end of the reporting period and included in the "Trade and bills receivables".

| | As at 30 June 2011 RMB'000 (unaudited) | As at 31 December 2010 RMB'000 (audited) |
|--------------|--|--|
| | Enercon Capacitor Company Limited | 10,795 |
| 深圳市吉泰龍電子有限公司 | 3,044 | 2,854 |
| | 13,839 | 11,451 |

Sales of goods to related companies were made in the ordinary course of business and at normal commercial terms at the Group's regular listed prices.

The amounts outstanding are unsecured and will be settled in cash and have been included in trade receivables. No guarantees have been given or received. No expenses have been recognized in the current or prior periods for doubtful debts in respect of the amount due by the related companies.

(d) Securities and guarantees

- (i) At 30 June 2011, the Group's bank loans of RMB70,000,000 (31 December 2010: RMB45,000,000) were secured by certain properties and a guarantee provided by Reflective Material.
- (ii) At 30 June 2011, Mr. Yan Qixu, Ms. Xiang Xiaoqin and Mr. Guan Zhilong, have provided personal guarantees to the Group's unsecured and secured bank loans of RMB131,058,000 (31 December 2010: RMB131,400,000).

22. Material related party transactions (Continued)

(e) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors and certain of the highest paid employees is as follows:

| | Six months ended 30 June | |
|---|--------------------------------|--------------------------------|
| | 2011 RMB'000 (unaudited) | 2010 RMB'000 (unaudited) |
| Short-term employee benefits | 761 | 605 |
| Contributions to retirement benefit schemes | 3 | 6 |
| | 764 | 611 |

23. Events after the reporting period

The Group had the following events after the reporting period:

(a) Exercise of warrants

On 4 July, 12 July and 29 July 2011, three separate lots of 4,000,000 warrants each were exercised respectively, to subscribe for a total of 12,000,000 ordinary shares of the Company of HK\$0.01 each at an exercise price of HK\$1.82 each for a total consideration of HK\$21,840,000.

(b) Acquisitions of subsidiaries

- (i) On 5 July 2011, the Group acquired from Sandtac Limited, an independent third party, the entire issued share capital of Shine Link Technology Limited, which holds 70% equity interest in U Young Technology Holdings Limited, which in turn holds the entire equity interest in U Young (Xiamen) Light Electrical Technology Limited (collectively referred to as the "U Young" Group). The U Young Group is engaged in the research and production of semi-conductor parts and accessories of lamps; and manufacturing, assembling and processing of LED lightings in the PRC. Based on an agreement dated 20 June 2011 ("Agreement A"), the consideration of HK\$220,000,000 was satisfied by cash of HK\$40,000,000, a promissory note of HK\$20,000,000 issued by the Company and 80,000,000 new ordinary shares of HK\$0.01 each of the Company. The HK\$20,000,000 promissory note is unsecured, interest-free and repayable on the second anniversary date of issue of the note, and the 80,000,000 new ordinary shares of HK\$0.01 each of the Company, credited as fully paid, were issued at the price of HK\$2.00 each.

Pursuant to Agreement A, there is a profit guarantee of not less than RMB30,000,000 of the profit before tax and any extraordinary or exceptional items of U Young Group for the twelve months since the date of completion of Agreement A. Out of the above consideration shares issued by the Company, 30,000,000 ordinary shares of HK\$0.01 each of the Company are held by the Company as security for the profit guarantee.

Further details of the acquisition are set out in the Company's announcements dated 30 May and 20 June 2011 respectively.

23. Events after the reporting period (Continued)

(b) Acquisitions of subsidiaries (Continued)

The unaudited assets and liabilities provided by the management of the U Young Group at 31 July 2011, provisionally stated, are as follows:

| | Provisional fair value on acquisition (note a) RMB'000 |
|-------------------------------------|--|
| Property, plant and equipment | 2,277 |
| Inventories | 1,159 |
| Other receivable and prepayments | 819 |
| Cash at banks and in hand | 7,967 |
| Trade payables | (85) |
| Other payables and accruals | (9) |
| Non-controlling interest | (3,638) |
| Net identifiable assets | 8,490 |
| Goodwill arising on acquisition | 168,528 |
| Total consideration | 177,018 |
| | HK\$'000 |
| Fair value of consideration | |
| Cash paid | 40,000 |
| Promissory note issued (note b) | 16,680 |
| New ordinary shares issued (note c) | 156,800 |
| | 213,480 |
| | RMB'000 |
| | 177,018 |

Notes:

- (a) The initial unaudited accounting for the acquisition of the U Young Group involves identifying and determining the fair values to be assigned to the identifiable assets (including intangible assets), liabilities and contingent liabilities. However, the identification and determination of the fair values of identifiable assets (including intangible assets), liabilities and contingent liabilities could only be performed provisionally and pending finalisation as at the date of approval of these financial statements. Hence, the carrying amounts of the assets (including intangible assets), liabilities, contingent liabilities and goodwill as listed above may be subject to further changes upon finalisation of their fair values by experts and therefore, the allocation of the purchase consideration is subject to adjustment.
- (b) The fair value of the promissory note was HK\$16,680,000 as determined by Norton, who has among their staff, member of Registered Business Valuer of the Hong Kong Business Valuation Forum, with recent experience in the similar instruments being valued, using the discount rate of 9.51% in the estimated cash flow.
- (c) 80,000,000 new ordinary shares of HK\$0.01 each of the Company at the issued price of HK\$2.00 each were issued on 5 July 2011. The fair value of these shares amounting to HK\$156,800,000 was based on the closing price of HK\$1.96 of the Company's shares at the date of completion on 5 July 2011.

23. Events after the reporting period (Continued)

(b) Acquisitions of subsidiaries (Continued)

- (ii) On 20 July 2011, the Group acquired from Pride Energy Enterprises Limited (“Pride Energy”), an independent third party, 60% equity interest in Kings Honor Technology Limited (“Kings Honor”) and 60% of the amount due by Kings Honor to Pride Energy as at the date of completion of the agreement dated 7 July 2011 (“Agreement B”) entered into between the Group and Pride Energy. Kings Honor is an investment holding company which holds 100% equity interest in Wei Guang Holdings Limited, which in turns holds 95% equity interest in Jiangxi Lantian Wei Guang Technology Limited (collectively referred to as the “Kings Honor Group”). The Kings Honor Group is principally engaged in the production of LED lightings and accessories of lamps in the PRC. Pursuant to Agreement B, the consideration of HK\$160,000,000 was satisfied by cash of HK\$30,000,000, a promissory note of HK\$40,000,000 issued by the Company and 40,000,000 new ordinary shares of HK\$0.01 each issued by the Company. The HK\$40,000,000 promissory note is unsecured, repayable on the second anniversary date of issue of the note and carries interests charged at 1% per annum, and the 40,000,000 new ordinary shares of HK\$0.01 each of the Company, credited as fully paid, were issued at the price of HK\$2.25 each.

Pursuant to Agreement B, there is a profit guarantee of not less than RMB25,000,000 of the profit before tax and any extraordinary or exceptional items of the Kings Honor Group for the twelve months since the date of completion of Agreement B. Out of the above consideration shares issued by the Company, 15,000,000 ordinary shares of HK\$0.01 each of the Company are held by the Company as security for the profit guarantee.

Further details of the acquisition are set out in the Company’s announcement dated 7 July 2011.

The unaudited assets and liabilities provided by the management of the Kings Honor Group at 31 July 2011, provisionally stated, are as follows:

| | Provisional fair value on acquisition (note a) RMB'000 |
|-------------------------------------|--|
| Other receivable and prepayments | 8,219 |
| Cash at banks and in hand | 470 |
| Other payables and accruals | (8,238) |
| Non-controlling interest | (411) |
| Net identifiable assets | 40 |
| Non-controlling interest | (16) |
| Goodwill arising on acquisition | 127,111 |
| Total consideration | 127,135 |
| | HK\$'000 |
| Fair value of consideration | |
| Cash paid | 30,000 |
| Promissory note issued (note b) | 34,160 |
| New ordinary shares issued (note c) | 89,200 |
| | 153,360 |
| | RMB'000 |
| | 127,135 |

23. Events after the reporting period (Continued)

(b) Acquisitions of subsidiaries (Continued)

Notes:

- (a) The initial unaudited accounting for the acquisition of the Kings Honor Group involves identifying and determining the fair values to be assigned to the identifiable assets (including intangible assets), liabilities and contingent liabilities. However, the identification and determination of the fair values of identifiable assets (including intangible assets), liabilities and contingent liabilities could only be performed provisionally and pending finalisation as at the date of approval of these financial statements. Hence, the carrying amounts of the assets (including intangible assets), liabilities, contingent liabilities and goodwill as listed above may be subject to further changes upon finalisation of their fair values by experts and therefore, the allocation of the purchase consideration is subject to adjustment.
 - (b) The fair value of the promissory note was HK\$34,160,000 as determined Norton, who has among their staff, member of Registered Business Valuer of the Hong Kong Business Valuation Forum, with recent experience in the similar instruments being valued, using the discount rate of 9.13 – 9.34% in the estimated cash flow.
 - (c) 40,000,000 new ordinary shares of HK\$0.01 each of the Company at the issued price of HK\$2.25 each were issued on 20 July 2011. The fair value of these shares amounted to HK\$89,200,000 based on the closing price of HK\$2.23 of the Company's shares at the date of completion on 20 July 2011.
- (iii) On 24 August 2011, the Group entered into an agreement (“Agreement C”) with Supreme Creation Limited (“Supreme Creation”), an independent third party, for the acquisition of 60% equity interest in Pacific King Technology Limited (“Pacific King”) and 60% of the amount due by Pacific King to Supreme Creation as at the date of completion of Agreement C. Pacific King is principally engaged in the wholesale, import and export of PCB including, aluminum-base PCB and copper-base PCB, electronic products and LED lightings and intends to extend its major business activities to manufacturing, assembling of the PCB including aluminum-base PCB and copper-base PCB, electronic products and LED lightings. Pursuant to Agreement C, the consideration of HK\$138,000,000 will be satisfied by cash of HK\$40,000,000, a promissory note of HK\$10,000,000 issued by the Company and 40,000,000 new ordinary shares of HK\$0.01 each issued by the Company. The HK\$10,000,000 promissory note is unsecured, repayable on the second anniversary date of issue of the note and carries interests charged at 1% per annum, and the 40,000,000 new ordinary shares of HK\$0.01 each of the Company, credited as fully paid, will be issued at the price of HK\$2.2 each.

Pursuant to Agreement C, there is a profit guarantee of not less than RMB20,000,000 of the profit before tax and any extraordinary or exceptional items of Pacific King for the twelve months since the date of completion of Agreement C. Out of the above consideration shares issued by the Company, 10,000,000 ordinary shares of HK\$0.01 each of the Company are held by the Company as security for the profit guarantee.

This proposed acquisition is subject to the satisfaction of certain conditions precedent and has not yet completed as of the date of approval of the condensed interim financial statements.

Further details of the transaction are set out in the Company's announcement dated 24 August 2011.

Management Discussion and Analysis

Overview

During the first half of 2011, the Group strived to recover from the existing capacitors business. By focusing on the maintenance of relationship with our existing customers and on the improvement of production efficiency, the Group has successfully enhanced profitability. On the other hand, the Group continued to seek for potential investment opportunities in order to diversify its businesses so as to add value for the development for the Group.

Business Review

Electrolytic Capacitors

For the six months ended 30 June 2011 (the "Period Under Review"), the Group has recorded a turnover of RMB193,172,000 arising from sales of aluminum electrolytic and V-chip type aluminum electrolytic capacitors. This represents a reduction of 7.9% from that of the corresponding six months ended 30 June 2010. However, the setback in turnover was alleviated by a mild increase in product pricing and the improvement in production efficiency. This is reflected in the increase in profit over that of the corresponding period.

LED Lightings

The Group has entered into a new business of manufacturing LED lightings subsequent to the acquisition of 50% equity interests in Giga-World Industry Company Limited on 31 January 2011. For the Period Under Review, the Group has recorded a revenue of approximately RMB4,279,000 and an operating loss of approximately RMB1,042,000 for this business segment. As the new business is undergoing a transitional development period, we are confident that this business segment will grow and bring in value to the Group after the transition period.

Business Outlook

In July 2011, the Group has successfully acquired 100% and 60% equity interests in Shine Link Technology Limited and Kings Honor Technology Limited, respectively. These two acquisitions will further supplement our LED business and enhance our competitiveness. Going forward, we will continue to keep our eyes wide open for every opportunity which can create value to the Group.

Financial Review

Turnover

The turnover for the six month ended 30 June 2011 was approximately RMB197.5 million which represents a mild decrease of 5.8% or approximately RMB12.1 million as compared to the corresponding period of 2010. The decrease in turnover was mainly attributable to the unstable economic environment in both domestic and overseas markets. In the first half of 2011, customers generally took a cautious approach in procurement so as to observe how the economy developed before they placed their orders.

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

| | For the six months ended 30 June | | | |
|--|----------------------------------|-------|---------|-------|
| | 2011 | | 2010 | |
| | RMB'000 | % | RMB'000 | % |
| Aluminum electrolytic capacitors | 161,270 | 81.6 | 193,441 | 92.3 |
| V-chip type aluminum electrolytic capacitors | 31,902 | 16.2 | 16,194 | 7.7 |
| LED lightings | 4,279 | 2.2 | - | - |
| Total | 197,451 | 100.0 | 209,635 | 100.0 |

Sales of V-chip type aluminum electrolytic capacitors showed a decrease of approximately 16.6% from approximately RMB193.4 million in the first half of 2010 to approximately RMB161.3 million in the first half of 2011. Attributed to the acquisition of Changzhou Ao Si Te Dayou Electronics Company Limited, which specialized in the manufacture of V-chip type aluminum electrolytic capacitor in August 2010, sale of V-chip type aluminum electrolytic capacitors showed a substantial increase of approximately 96.9% from approximately RMB16.2 million in the first half 2010 to approximately RMB31.9 million in the first half of 2011.

As LED lightings was acquired in January 2011, its contribution to the Group's turnover was insignificant during the Period Under Review.

Gross Profit Margin

The Group's gross profit margin for the six months ended 30 June 2011 was approximately 18.4% which has increased by 6.0% as compared to approximately 12.4% for that of the corresponding period in 2010. This is mainly attributable to: (i) increase in average selling price of the Group's products; (ii) enhancement in cost efficiency due to improvement in production cost savings developed by the technical department. 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 2011, other revenue and income of the Group was approximately RMB3.3 million, increasing by about 135.7% from approximately RMB1.4 million for that of the corresponding period in 2010. The substantial increase in other revenue and income was largely due to the rental income generated from hiring of machineries.

Distribution Costs

For the six months ended 30 June 2011, distribution costs of the Group were approximately RMB5.2 million, increasing by about 20.9% from approximately RMB4.3 million for that of the corresponding period in 2010. The increase in distribution costs was primarily due to the costs incurred from the new business segment, LED lightings through the acquisition of Giga World Industry Company Limited in January 2011.

Administrative Expenses

For the six months ended 30 June 2011, administrative expenses of the Group were approximately RMB19.9 million, increasing by about 45.3% from approximately RMB13.7 million for that of the corresponding period in 2010. The increase in administrative expenses was largely due to the additional expenses absorbed by the Group pertaining to the acquisition of Changzhou Ao Si Te Dayou Electronics Company Limited in August 2010 and Giga World Industry Company Limited in January 2011.

Other Operating Expenses

For the six months ended 30 June 2011, other operating expenses of the Group were approximately RMB327,000, which represents an increase of about 58.0% from approximately RMB207,000 for that of the corresponding period in 2010. The increase in other operating expenses was primarily due to a charitable donation of RMB100,000 contributed by the Group.

Finance Costs

For the six months ended 30 June 2011, finance costs of the Group were approximately RMB11.5 million, representing a very substantial increase of about 194.9% from approximately RMB3.9 million for that of the corresponding period in 2010. The increase in finance costs was largely due to the increase in the volume of trade loans, the imputed interest expenses on convertible notes and the promissory note which were all issued during the six months ended 30 June 2011.

As a result of the foregoing factors, the profit attributable to the equity holders of the Company for the six months ended 30 June 2011 amounting to approximately RMB4.5 million has increased by 7.14% as compared to that of the corresponding six months ended 30 June 2010 amounting to RMB4.2 million.

Dividends

At the meeting of the Board held on 30 August 2011, the directors did not recommend payment of an interim dividend for the six months ended 30 June 2011.

Liquidity, Financial Resources and Capital Structure

As at 30 June 2011, the Group had cash at banks and in hand of approximately RMB86.6 million (31 December 2010: RMB15.3 million) and restricted bank deposits of approximately RMB18 million (31 December 2010: RMB65.0 million). Total short term bank borrowings amounted to approximately RMB201.1 million (31 December 2010: RMB211.8 million). Majority of the Group's bank borrowings were subject to fixed interest rates and were denominated in Renminbi.

As at 30 June 2011, the gearing ratio (calculated by dividing the aggregate amount of bank loans less cash and cash equivalent, convertible notes, promissory note and loan from a director by total equity) of the Group was 109.6% (31 December 2010: 72.7%). The increase in gearing ratio as at 30 June 2011 as compared to that as at 31 December 2010 was principally attributable to the convertible notes, the promissory note and the loan from a director issued and granted during the period ended 30 June 2011.

As at 30 June 2011, the Group had current assets of approximately RMB587.4 million (31 December 2010: RMB496.4 million) and current liabilities of approximately RMB472.4 million (31 December 2010: RMB457.3million). The current ratio (which is calculated by dividing current assets by current liabilities) was 1.2 as at 30 June 2011, which showed a mild increase compared with the current ratio of 1.1 as at 31 December 2010. This indicates the Group continued to enjoy a solid financial position.

Foreign Exchange Exposure

The Group's sales were principally made in Renminbi, Hong Kong Dollars and US Dollars, with the majority denominated in Renminbi. This may expose the Group to foreign currency exchange risks. The Group had not adopted formal hedging policies and no instruments had been applied for foreign currency hedging purposes during the Period Under Review. However, in view of the continuing upward appreciation of RMB against Hong Kong Dollars and US Dollars, the Group will adopt all applicable financial instruments to hedge against currency risks whenever necessary.

Capital Commitment

As at 30 June 2011, the capital commitments contracted but not provided for in respect of purchase of property, plant and equipment and injection of capital in a subsidiary were approximately RMB33.5 million (31 December 2010: RMB29.5 million) and nil (31 December 2010: RMB18 million) respectively. The capital commitments authorized but not provided for in respect of property, plant and equipment amounted to approximately RMB23.5 million (31 December 2010: RMB44.4 million).

Charge on Assets

As at 30 June 2011, the Group's restricted bank deposit of approximately RMB18 million (31 December 2010: RMB65 million), property, plant and equipment with a carrying amount of RMB13.5 million (31 December 2010: RMB53.1 million) and lease prepayments with a carrying amount of RMB15.2 million (31 December 2010: RMB15.4 million) were pledged to secure banking facilities granted to the Group.

Contingent Liabilities

As at 30 June 2011, the Group had no contingent liabilities.

Employee Information

As at 30 June 2011, the Group had approximately 1,700 employees, the majority of whom were stationed in the PRC. Total remuneration for the period amounted to RMB28,465,000. 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.

Further Information

Interests and short positions of the directors in shares, underlying shares and debentures of the Company and its associated corporations

As at 30 June 2011, 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) | 168,000,000 (L) | 21.0% |
| | Interest of controlled corporation (Note 4) | 18,000,000 (S) | 2.3% |
| Ms. Xiang Xiaoqin ("Ms. Xiang") | Interest of controlled corporation (Note 3) | 168,000,000(L) | 21.0% |
| | Interest of controlled corporation (Note 4) | 18,000,000(S) | 2.3% |

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 168,000,000 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.
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 168,000,000 Shares which are beneficially owned by Tong Heng 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.

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 2011, none of the directors or chief executives 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.

Further Information (Continued)

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 2011, 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 2011.

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

As at 30 June 2011, 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 | 168,000,000 | 21.0% |
| Li Xiao Hua | Beneficial owner | 42,000,000 | 5.3% |

2. Interests and short positions in underlying Shares

| Name | Capacity | Description of equity derivative | Number of underlying Shares |
|-----------|------------------|----------------------------------|-----------------------------|
| Tong Heng | Beneficial owner | share option (Note 2) | 18,000,000 Shares (S) |
| CCBCHK | Beneficial owner | share option (Note 2) | 18,000,000 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 2011, 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.

Further Information (Continued)

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 2011.

Material acquisitions and disposal of subsidiaries and associated companies

On 31 January 2011, Energy First International Limited ("Energy First"), a wholly-owned subsidiary of the Company, acquired from Action Victory Limited ("Action Victory"), an independent third party, 50% equity interest in Giga World Industry Company Limited ("Giga World"), which is principally engaged in the manufacture of LED lightings, at the consideration of HK\$320,000,000 based on an agreement dated 24 January 2011. The consideration was satisfied by cash of HK\$200,000,000, 50,000,000 new ordinary shares of HK\$0.01 each of the Company and a promissory note of HK\$20,000,000 issued by the Company. A loan agreement dated 24 January 2011 was made between Mr. Yan Qixu, a director of the Company, and the Company, pursuant to which, a loan of HK\$200,000,000 from Mr. Yan Qixu was drawn down on 27 January 2011 and applied to settle cash portion of the consideration of the acquisition. 50,000,000 new ordinary shares of HK\$0.01 each of the Company were issued at the price of HK\$2.00 each which were credited as fully paid and HK\$20,000,000 promissory note, which is unsecured, interest-free and repayable at 31 January 2013, was issued as part of the consideration. For details, please refer to the Company's announcements dated 17 January and 24 January 2011.

On 20 June 2011, Energy First entered into a sale and purchase agreement with Sandtac Limited ("Sandtac"), pursuant to which Energy First agreed to purchase and Sandtac agreed to sell the entire equity interest in Shine Link Technology Limited at a consideration of HK\$220,000,000. Shine Link and its subsidiary are principally engaged in the research and production of semiconductor parts and accessories of lamps; and manufacturing, assembling and processing of LED lightings in the PRC. The consideration of HK\$220,000,000 was satisfied by cash of HK\$40,000,000, a promissory note of HK\$20,000,000 issued by the Company and 80,000,000 new ordinary shares of HK\$0.01 each of the Company at an issue price of HK\$2 each. The acquisition was completed on 5 July 2011. For details, please refer to the announcements of the Company dated 30 May 2011 and 20 June 2011.

Save as disclosed above, during the six months ended 30 June 2011, 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 2011 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.

Further Information (Continued)

Mr. Yan Qixu, who acted as the chairman of the Company until 1 March 2011, was also responsible for overseeing the general operations of the Group. Mr. Li Wing Sang succeeded Mr. Yan Qixu to act as the chairman of the Company effective from 1 March 2011. As the Board would 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 2011. 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. Tam Tak Wah, Mr. Ng Wai Hung and Mr. Lau Wan Cheung. Mr. Tam Tak Wah 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 2011 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 Rules.

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 three independent non-executive directors, namely Mr. Tam Tak Wah, Mr. Ng Wai Hung and Mr. Lau Wan Cheung.

By order of the Board
Li Wing Sang
Chairman

Hong Kong, 30 August 2011