



# SINOTRONICS HOLDINGS LIMITED

*(Incorporated in the Cayman Islands with limited liability)*

Stock Code: 1195

Interim  
Report  
2009 - 10



# INTERIM REPORT

For the six months ended 31 December 2009

## HIGHLIGHTS

- Turnover of the Group for the six months ended 31 December 2009 amounted to approximately RMB127,753,000, representing a decline of about 39% as compared with the corresponding period in 2008;
- Loss from operations for the six months ended 31 December 2009 amounted to approximately RMB17,975,000, which was narrowed by about 91% as compared with the corresponding period in 2008;
- Net loss attributable to equity shareholders of the Company for the six months ended 31 December 2009 amounted to approximately RMB24,851,000, which was narrowed by about 89% as compared with the corresponding period in 2008;
- Loss per share was RMB3.56 cents for the six months ended 31 December 2009;
- Shareholders' equity reached approximately RMB611,490,000.

## CORPORATION INFORMATION

### DIRECTORS

Xu Yue Yue (*appointed as Acting Chairman and Executive Director on 15 January 2010*)

Xiang Song (*Chief Executive Officer*)

Sze Ming Yee (*appointed as Executive Director on 15 January 2010*)

Lin Wan Xin (*resigned as Chairman on 15 January 2010*)

Tu Shuguang (*appointed as Executive Director on 25 September 2009*)

Chan Kin (*appointed as Executive Director on 25 September 2009*)

Lin Wan Qaing (*resigned as Executive Director on 16 November 2009*)

Hu Zhao Rui (*resigned as Executive Director on 15 January 2010*)

Cheung Chuen\*

Li Jianguo\* (*appointed as Independent Non-executive Director on 15 January 2010*)

Wong Lai Wing\* (*appointed as Independent Non-executive Director on 15 January 2010*)

Pan Chang Chi\* (*resigned as Independent Non-executive Director on 15 January 2010*)

Cai Xun Shan\* (*resigned as Independent Non-executive Director on 15 January 2010*)

\* Independent Non-executive Director

### COMPANY SECRETARY

Chan See Kei Susanna

### AUTHORISED REPRESENTATIVES

Xiang Song

Chan See Kei Susanna

### AUDIT COMMITTEE

Li Jianguo (*Chairman*) (*appointed on 15 January 2010*)

Cheung Chuen

Wong Lai Wing (*appointed on 15 January 2010*)

Pan Chang Chi (*resigned on 15 January 2010*)

Cai Xun Shan (*resigned on 15 January 2010*)

## REMUNERATION COMMITTEE

Xu Yue Yue (*Chairman*) (*appointed on 15 January 2010*)

Li Jianguo (*appointed on 15 January 2010*)

Wong Lai Wing (*appointed on 15 January 2010*)

Lin Wan Xin (*appointed on 16 November 2009 and resigned on 15 January 2010*)

Lin Wan Qaing (*resigned on 16 November 2009*)

Pan Chang Chi (*resigned on 15 January 2010*)

Cai Xun Shan (*resigned on 15 January 2010*)

## LEGAL ADVISER FOR CAYMAN ISLANDS LAW

Conyers Dill Pearman

## PRINCIPAL BANKERS

Bank of Communications

Bank of China

The China Construction Bank

China Citic Bank

Agricultural Bank of China

HSBC

Standard Chartered Bank

## AUDITOR

KPMG

## INVESTOR RELATIONS CONSULTANT

Elite Investor Relations Limited

## REGISTERED OFFICE

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman

KY1-1111

Cayman Islands

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Room 1805, 18th Floor  
Harbour Centre  
25 Harbour Road  
Wanchai  
Hong Kong

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fulcrum Group (Cayman) Limited  
Butterfield House  
68 Fort Street  
P.O. Box 609  
Grand Cayman  
KY1-1107  
Cayman Islands

## HONG KONG BRANCH REGISTRAR AND TRANSFER OFFICE

Hong Kong Registrars Limited  
Shops 1712–1716, 17th Floor  
Hopewell Centre  
183 Queen's Road East  
Wanchai, Hong Kong

## TRADING CODE ON THE STOCK EXCHANGE OF HONG KONG LIMITED

1195

## WEBSITE

[www.sinotronics.com.cn](http://www.sinotronics.com.cn)

## RESULTS

The board (the “Board”) of directors (the “Directors”) of Sinotronics Holdings Limited (“Sinotronics” or the “Company”) herein presents the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 31 December 2009 together with the comparative figures for the corresponding six months ended 31 December 2008 as follows:

### Consolidated Income Statement

For the six months ended 31 December 2009  
(Express in Renminbi)

		<b>(Unaudited)</b> <b>Six months ended</b> <b>31 December</b>	
	Notes	<b>2009</b> <b>RMB'000</b>	2008 <b>RMB'000</b>
<b>Turnover</b>	4	<b>127,753</b>	208,268
Cost of sales		<b>(126,480)</b>	(155,681)
<b>Gross profit</b>		<b>1,273</b>	52,587
Valuation losses on property, plant and equipment		—	(200,631)
Other revenue	5	<b>1,257</b>	3,088
Distribution costs		<b>(6,581)</b>	(9,532)
Administrative expenses		<b>(13,769)</b>	(14,429)
Other operating expenses		<b>(155)</b>	(36,267)
<b>Loss from operations</b>		<b>(17,975)</b>	(205,184)
Finance costs	6(a)	<b>(6,876)</b>	(12,556)
<b>Loss before taxation</b>	6	<b>(24,851)</b>	(217,740)
Income tax	7	—	(3,127)
Loss for the period attributable to equity shareholders of the Company		<b>(24,851)</b>	(220,867)
<b>Loss per share</b>	8		
Basic		<b>(3.6) cents</b>	(31.7) cents
Diluted		<b>(3.6) cents</b>	(31.7) cents

## Consolidated Statement of Comprehensive Income

For the six months ended 31 December 2009

(Express in Renminbi)

	(Unaudited) Six months ended 31 December	
	2009 RMB'000	2008 RMB'000
<b>Loss for the period</b>	<b>(24,851)</b>	(220,867)
<b>Other comprehensive income for the period:</b>		
Exchange differences on translation of:		
— financial statements of holding company and certain subsidiaries	<b>2,066</b>	(644)
— related borrowings	—	(172)
	<b>2,066</b>	(816)
Deficit on revaluation of land and buildings held for own use	—	(5,214)
<b>Total comprehensive income for the period attributable to equity shareholders</b>	<b>(22,785)</b>	(226,897)

## Consolidated Balance Sheet

At 31 December 2009

(Express in Renminbi)

	Notes	(Unaudited) At 31 December 2009 RMB'000	(Audited) At 30 June 2009 RMB'000
<b>Non-current assets</b>			
Property, plant and equipment	10	322,532	290,472
Interests in leasehold land held for own use under operating lease		17,998	18,143
Deposits of the purchase of property, plant and equipment		9,580	9,580
Deferred tax assets		57,750	57,750
		<b>407,860</b>	375,945
<b>Current assets</b>			
Trading securities		170	1,570
Inventories		32,248	25,997
Trade and other receivables	11	97,382	94,068
Amount due from the controlling shareholder (the "CS")		—	61,975
Pledged deposits		8,962	8,662
Cash and cash equivalents		560,700	648,450
		<b>699,462</b>	840,722
<b>Current liabilities</b>			
Trade and other payables	12	162,528	143,926
Bank loans	13	132,000	250,972
Other financial liabilities	14	164,443	164,443
		<b>458,971</b>	559,341
<b>Net current assets</b>		<b>240,491</b>	281,381
<b>Total assets less current liabilities</b>		<b>648,351</b>	657,326



## Consolidated Balance Sheet (Continued)

At 31 December 2009

(Express in Renminbi)

	Notes	(Unaudited) At 31 December 2009 <i>RMB'000</i>	(Audited) At 30 June 2009 <i>RMB'000</i>
<b>Non-current liabilities</b>			
Bank loans	13	<b>30,000</b>	16,000
Deferred tax liabilities		<b>6,861</b>	6,861
		<b>36,861</b>	22,861
<b>NET ASSETS</b>			
<b>Capital and reserves</b>			
Share capital	15	<b>80,567</b>	58,661
Reserves		<b>530,923</b>	575,804
<b>TOTAL EQUITY</b>			
		<b>611,490</b>	634,465

# Consolidated Statement of Changes in Equity — Unaudited

For the six months ended 31 December 2009

(Express in Renminbi)

## Attributable to equity shareholders of the Company

	Share capital RMB'000	Share premium RMB'000	Share-based compensation reserve RMB'000	Statutory reserve RMB'000	Capital reserve RMB'000	Exchange reserve RMB'000	Building valuation reserve RMB'000	Capital contribution reserve RMB'000	Capital repurchase reserve RMB'000	Retained profits RMB'000	Total equity RMB'000
At 1 July 2008	58,661	239,811	3,083	14,274	63,947	28,612	14,427	3,272	19	500,027	926,133
Exchange difference on translation of financial statements of operations outside PRC	—	—	—	—	—	(689)	—	—	—	—	(689)
Realisation of surplus on revaluation of buildings held for own use upon disposal, net of deferred tax	—	—	—	—	—	—	(3,891)	—	—	3,891	—
Impairment of buildings held for own use, net of deferred tax	—	—	—	—	—	—	(10,536)	—	—	—	(10,536)
Fair value adjustments of amount due to the CS	—	—	—	—	—	—	—	561	—	—	561
Contributions by the CS upon termination of derivative financial instruments	—	—	—	—	—	—	—	81,167	—	—	81,167
Dividend approved in respect of the previous year	—	(1,969)	—	—	—	—	—	—	—	—	(1,969)
Loss for the year	—	—	—	—	—	—	—	—	—	(360,202)	(360,202)
Lapse of share options	—	—	(337)	—	—	—	—	—	—	337	—
At 30 June 2009 and at 1 July 2009	58,661	237,842	2,746	14,274	63,947	27,923	—	85,000	19	144,053	634,465
Issuance of new shares under open offer	21,906	16,213	—	—	—	—	—	—	—	—	38,119
Written back on excessive provision of contribution by the CS upon termination of derivative financial instruments	—	—	—	—	—	—	—	(38,309)	—	—	(38,309)
Total comprehensive income for the period	—	—	—	—	—	2,066	—	—	—	(24,851)	(22,785)
Lapse of share options	—	—	(2,746)	—	—	—	—	—	—	2,746	—
At 31 December 2009	80,567	254,055	—	14,274	63,947	29,989	—	46,691	19	121,948	611,490
At 1 July 2007	58,661	239,811	3,083	14,274	63,947	28,612	14,427	3,272	19	500,027	926,133
Dividend approved in respect of the previous year	—	(1,972)	—	—	—	—	—	—	—	—	(1,972)
Total comprehensive income for the period	—	—	—	—	—	(816)	(5,214)	—	—	(220,867)	(226,897)
At 31 December 2008	58,661	237,839	3,083	14,274	63,947	27,796	9,213	3,272	19	279,160	697,264

## Condensed Consolidated Cash Flow Statement

For the six months ended 31 December 2009

(Express in Renminbi)

	<b>(Unaudited)</b> <b>As at</b> <b>31 December</b> <b>2009</b> <b>RMB'000</b>	(Unaudited) As at 31 December 2008 <i>RMB'000</i>
Cash generated from operations	<b>72,374</b>	116,109
Tax paid	—	(11,598)
Net cash generated from operating activities	<b>72,374</b>	104,511
Net cash used in investing activities	<b>(47,240)</b>	(25,103)
Net cash used in financing activities	<b>(114,950)</b>	(34,865)
Net (decrease)/increase in cash and cash equivalents	<b>(89,816)</b>	44,543
Cash and cash equivalents at 1 July	<b>648,450</b>	880,366
Effect of foreign exchange rates changes	<b>2,066</b>	636
Cash and cash equivalents at 31 December	<b>560,700</b>	925,545
Analysis of balances of cash and cash equivalents:		
Cash and bank balances	<b>560,700</b>	925,545

# Notes to the unaudited interim financial report

For the six months ended 31 December 2009

(Express in Renminbi)

## 1. BACKGROUND OF THE COMPANY

The Company was incorporated in the Cayman Islands on 29 September 2000 as an exempted company with limited liability under the Companies Law (Revised) of the Cayman Islands. Its shares had been listed on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 17 May 2001. On 20 January 2003, the Company withdrew the listing of its shares on the GEM and on the same date, the Company's shares were listed on the Main Board of the Stock Exchange by way of introduction.

## 2. BASIS OF PREPARATION

This unaudited interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (HKAS) 34, Interim financial reporting, issued by the Hong Kong Institute of Certified Public Accountants (HKICPA). It was authorised for issue on 26 August 2009.

The unaudited interim financial report has been prepared in accordance with the same accounting policies adopted in the 2009 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2010 annual financial statements. Details of these changes in accounting policies are set out in note 3.

The preparation of an unaudited 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 unaudited 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 performance of the group since the 2009 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with applicable Hong Kong Financial Reporting Standards ("HKFRSs").

The financial information relating to the financial year ended 30 June 2009 that is included in the unaudited interim financial report as being previously reported information does not constitute the company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 30 June 2009 are available from the company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 27 October 2009.

### 3. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued one new HKFRS, a number of amendments to HKFRSs and new Interpretations that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

- HKFRS 8, Operating segments
- HKAS 1 (revised 2007), Presentation of financial statements
- Improvements to HKFRSs (2008)
- Amendments to HKAS 27, Consolidated and separate financial statements — cost of investment in subsidiary, jointly controlled entity or associate
- HKAS 23 (revised 2007), Borrowing costs
- Amendments to HKFRS 2, Share-based payment - vesting conditions and cancellations

The amendments to HKAS 27, HKAS 23 and HKFRS 2 have had no material impact on the Group's financial statements as the amendments and interpretations were consistent with policies already adopted by the Group. The impact of the remainder of these developments on the unaudited interim financial report is as follows:

- HKFRS 8 requires segment disclosure to be based on the way that the Group's most chief operating decision maker regards and manages the Group, with the amounts reported for each reportable segment being the measures reported to the Group's chief operating decision maker for the purposes of assessing segment performance and making decisions about operating matters. This contrasts with the presentation of segment information in prior years which was based on a disaggregation of the Group's financial statements into segments based on related products and services and on geographical areas. The adoption of HKFRS 8 has resulted in the presentation of segment information in a manner that is more consistent with internal reporting provided to the Group's most senior executive management, and has resulted in additional reportable segments being identified and presented (see note 9). As this is the first period in which the Group has presented segment information in accordance with HKFRS 8, additional explanation has been included in the interim financial report which explains the basis of preparation of the information. Corresponding amounts have also been provided on a basis consistent with the revised segment information.
- As a result of the adoption of HKAS 1 (revised 2007), details of changes in equity during the period arising from transactions with equity shareholders in their capacity as such have been presented separately from all other income and expenses in a revised consolidated statement of changes in equity. All other items of income and expenses are presented in the consolidated income statement, if they are recognised as part of profit or loss for the period, or otherwise in a new primary statement, the consolidated statement of comprehensive income. The new format for the consolidated statement of comprehensive income and the consolidated statement of changes in equity have been adopted in this unaudited interim financial report and corresponding amounts have been restated to conform to the new presentation. This change in presentation has no effect on reported profit or loss, total income and expenses or net assets for any period presented.

#### 4. TURNOVER

The Company acts as an investment holding company and the Group is principally engaged in the manufacture and sales of printed circuit boards ("PCBs"), PCBs assembling products and provision for surface mounting technology ("SMT") processing service.

Turnover represents the sales value of goods supplied to customers, which excludes value-added tax and is stated after deduction of all goods returns and trade discounts, and service income from SMT processing service. The amount of each significant category of revenue recognised in turnover during the period is as follows:

	Six months ended 31 December	
	2009 RMB'000	2008 RMB'000
Sales of PCBs	123,040	197,038
Sales of PCBs assembling products	—	5,102
SMT processing service income	4,713	6,128
	127,753	208,268

#### 5. OTHER REVENUE

	Six months ended 31 December	
	2009 RMB'000	2008 RMB'000
Other revenue		
Interest income from banks	1,257	3,083
Others	—	5
	1,257	3,088

## 6. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

		Six months ended 31 December	
		2009 RMB'000	2008 RMB'000
(a)	Finance costs:		
	Interest on bank loans wholly repayable within five years	6,472	12,427
	Finance charges on obligations under finance leases	—	64
	Other borrowing costs	404	65
	<b>Total borrowing costs</b>	<b>6,876</b>	12,556
(b)	Staff costs:		
	Contributions to defined contribution plans	203	608
	Salaries, wages and other benefits	17,137	11,538
		<b>17,340</b>	12,146
(c)	Other items:		
	Cost of inventories	126,480	155,681
	Amortisation of interest in leasehold land held for own use under operating lease	145	286
	Depreciation		
	— owned fixed assets	17,837	11,549
	— assets held for use under finance lease	—	566
	Operating lease rentals for premises	643	762
	Bad debts written off	—	5,002
	Provision for bad and doubtful debts	—	28,960
	Loss on impairment of property, plant and equipment	—	200,632

## 7. INCOME TAX

Taxation in the consolidated income statement represents:

	Six months ended 31 December	
	2009 RMB'000	2008 RMB'000
<b>Current tax — Overseas</b>		
Provision for PRC enterprise income tax (see note (iii) below)	—	3,127

Notes:

(i) *Overseas income tax*

The Company is incorporated in the Cayman Islands and is exempted from taxation in the Cayman Islands until 2019. The Company's subsidiaries in the British Virgin Islands are incorporated under the International Business Companies Acts of the British Virgin Islands and, accordingly, are exempt from British Virgin Islands income taxes.

(ii) *Hong Kong profits tax*

No provision for Hong Kong profits tax has been made as the Group did not generate any income subject to Hong Kong profits tax during the periods presented.

(iii) *PRC enterprise income tax*

The Company's subsidiaries in the PRC are subject to Corporate Income Tax. Pursuant to the income tax rules and regulations of the PRC, the provision for PRC enterprise income tax of the Group is calculated based on the following rates:

	Note	Six months ended 31 December	
		2009	2008
Fujian Fuqiang Delicate Circuit Plate Co., Ltd. ("Fuqiang")	(1)	20%	18%
Gemini Electronics (Huizhou) Co., Ltd ("Gemini")	(2)	10%	9%
Shuangxiang (Fujian) Electronics Limited ("Shuangxiang")	(2)	10%	9%
Fuqing Haichuang Electron Technology Co., Ltd. ("Haichuang")	(3)	N/A	N/A

Notes:

- (1) As Fuqiang is located in an economic and technological development zone, it is entitled to enjoy a reduced tax rate of 20% (2008: 18%) in 2009. The details are explained below.



## 7. INCOME TAX (Continued)

Notes: (Continued)

(iii) *PRC enterprise income tax (Continued)*

- (2) In 2009, Gemini and Shuangxiang are subject to PRC enterprise income tax at a reduced rate of 10% (2008: 9%). The details are explained below.
- (3) Pursuant to the income tax rules and regulations in the PRC, Haichuang is not subject to PRC enterprise income tax as it did not commence business during the periods presented.

On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress promulgated the CIT Law of the PRC (the "New Tax Law"), which became effective on 1 January 2008. Further, the State Council released the Implementation Rules to the CIT Law on 6 December 2007, and Notice on the Implementation Rules of the Grandfathering Relief under the Corporate Income Tax Law (Guo Fa 2007 No. 39) ("Notice 39") on 26 December 2007.

According to the New Tax Law, effective on 1 January 2008, the standard income tax rate for PRC enterprises is reduced from 33% to 25%. Further, according to the Notice 39, for enterprise located in economic and technological development zones which had previously enjoyed a 15% reduced tax rate, the tax rate will gradually increase to 25% during a 5-year transition period according to the following schedule: 18% in 2008, 20% in 2009, 22% in 2010, 24% in 2011 and 25% in 2012 (the "five-year transition rate").

Furthermore, as production-oriented foreign investment enterprises ("FIEs"), Gemini and Shuangxiang had kick started their Tax Holiday ("Tax Holiday") under the old PRC Foreign Enterprise Income Tax ("FEIT") regime in 2006. As such, the companies were exempted from FEIT in years 2006 and 2007. According to Notice 39, unexpired Tax Holiday enjoyed by FIEs established before 16 March 2007 is allowed to continue after implementation of New Tax Law on 1 January 2008 until expiry of Tax Holiday. As such, the applicable enterprise income tax rate of Gemini and Shuangxiang is 9% (50% of 18%) in year 2008; 10% (50% of 20%) in year 2009; 11% (50% of 22%) in year 2010; 24% (Tax Holiday will expire) in year 2011 and 25% thereafter.

The deferred tax assets/liabilities of subsidiaries in the PRC are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

Under the New Tax Law and Implementation Rules starting from 1 January 2008, dividends distributed by the PRC subsidiaries to their foreign holding investors are subject to withholding income tax at 10%, subject to reduction under double-taxation arrangements ("DTA"). Since the holding companies of the PRC subsidiaries are incorporated in the British Virgin Islands, which currently does not enter into a DTA with China, dividends distributed by the PRC subsidiaries would be subject to withholding tax at 10%. Dividends receivable by the Group from subsidiaries in the PRC in respect of their undistributed profits accumulated up to 31 December 2007 are exempted from withholding tax.

There is no significant unprovided deferred taxation for both interim periods.

## 8. LOSS PER SHARE

### (a) *Basic loss per share*

The calculation of basic loss per share for the six months ended 31 December 2009 is based on the unaudited consolidated loss attributable to equity shareholders of the Company of approximately RMB24,851,000 (2008: loss of approximately RMB220,867,000) and the weighted average of 698,166,818 ordinary shares (2008: 697,400,257 ordinary shares, after adjusting for the open offer in 2009) in issue during the interim period.

### (b) *Diluted loss per share*

The diluted loss per share for the six months ended 31 December 2009 is the same as the basic loss per share as there were no potential ordinary shares during the period.

The calculation of diluted loss per share for the six months ended 31 December 2008 did not assume the exercise of the share options of the Company because such assumption would result in decrease in loss per share.

## 9. SEGMENT REPORTING

The Group manages its business by divisions, which are organised by business lines. On first-time adoption of HKFRS 8, Operating segments and in the manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purpose of resource allocation and performance assessment, the Group has identified three reportable segments. No operating segments have been aggregated to form the following reportable segments. The Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following basis:

Segment assets include all tangible, intangible assets and current assets with the exception of deferred tax assets and other corporate assets. Segment liabilities include trade creditors, accruals and bills payable attributable to the manufacturing and sales activities of the individual segments and bank borrowings managed directly by the segments.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation and amortisation of assets attributable to those segments.

## 9. SEGMENT REPORTING (Continued)

### Business segment

The Group comprises the following main business segments:

- PCBs : the manufacture and sales of PCBs
- PCBs assembling products : the manufacture and sales of PCBs assembling products
- SMT processing : the provision for service mount technology processing service

	(Unaudited)							
	Six months ended 31 December							
	PCBs		PCBs assembling products		SMT Processing		Total	
2009	2008	2009	2008	2009	2008	2009	2008	
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Revenue from external customers	123,040	197,038	—	5,102	4,713	6,128	127,753	208,268
Inter-segment revenue	—	—	—	—	—	—	—	—
Reportable segment revenue	123,040	197,038	—	5,102	4,713	6,128	127,753	208,268
<b>Reportable segment loss</b>	<b>(9,282)</b>	<b>(89,034)</b>	<b>—</b>	<b>(52,898)</b>	<b>(4,301)</b>	<b>(57,804)</b>	<b>(13,583)</b>	<b>(199,736)</b>
Other revenue							1,257	3,088
Finance costs							(6,876)	(12,556)
Unallocated head office and corporate expense							(5,649)	(8,536)
<b>Consolidated loss before taxation</b>							<b>(24,851)</b>	<b>(217,740)</b>
Additions to non-current segment assets during the period	6,245	30,539	—	1,285	38,171	1,404	44,416	33,228
<b>Reportable segment assets</b>	<b>1,113,300</b>	<b>1,198,895</b>	<b>—</b>	<b>86,168</b>	<b>68,032</b>	<b>94,159</b>	<b>1,181,332</b>	<b>1,379,222</b>
Elimination of inter-segment receivables							(63,530)	(105,220)
Elimination of other inter-company receivables							(445,235)	(464,008)
Trading securities							672,567	809,994
Deferred tax assets							170	—
Unallocated head office and corporate assets							57,750	6,200
<b>Consolidated total assets</b>							<b>1,107,322</b>	<b>1,201,089</b>
<b>Reportable segment liabilities</b>	<b>316,200</b>	<b>298,817</b>	<b>—</b>	<b>59,911</b>	<b>87,018</b>	<b>65,467</b>	<b>403,218</b>	<b>424,195</b>
Elimination of inter-segment payables							(63,530)	(105,220)
Elimination of other inter-company payables							(445,235)	(464,008)
Current tax liabilities							(105,547)	(145,033)
Deferred tax liabilities							—	311
Unallocated head office and corporate liabilities							6,861	6,567
<b>Consolidated total liabilities</b>							<b>594,518</b>	<b>747,260</b>
							<b>495,832</b>	<b>609,105</b>

## 10. PROPERTY, PLANT AND EQUIPMENT

For the six months ended 31 December 2009, the Group acquired property, plant and equipment amounting to approximately RMB49,897,000 (six months ended 31 December 2008: approximately RMB40,195,000).

## 11. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade receivables and bills receivable (net of allowance for doubtful debts) with the following aging analysis:

	<b>(Unaudited) As at 31 December 2009 RMB'000</b>	(Audited) As at 30 June 2009 RMB'000
Current	<b>71,076</b>	76,229
Less than 1 month past due	<b>8,513</b>	2,543
1 to 3 months past due	<b>7,255</b>	1,583
More than 3 months but less than 12 months past due	<b>420</b>	6,948
More than 12 months but less than 2 years past due	<b>—</b>	120
Amount past due	<b>16,188</b>	11,194
	<b>87,264</b>	87,423

## 12. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables and bills payable with the following aging analysis:

	<b>(Unaudited) As at 31 December 2009 RMB'000</b>	(Audited) As at 30 June 2009 RMB'000
Due within 6 months or on demand	<b>83,929</b>	76,198
Due after 6 months but within 1 year	<b>—</b>	—
Due after 1 year	<b>—</b>	—
	<b>83,929</b>	76,198

## 13. BANK LOANS

	<b>(Unaudited) As at 31 December 2009 RMB'000</b>	(Audited) As at 30 June 2009 RMB'000
Within 1 year or on demand	<b>132,000</b>	250,972
After 1 year but within 2 years	<b>—</b>	4,000
After 2 years but within 5 years	<b>30,000</b>	12,000
	<b>162,000</b>	266,972

## 14. OTHER FINANCIAL LIABILITIES

RMB'000

Structured interest rate swaps early terminated (At 31 December 2009 and 30 June 2009)	164,443
--	---------

The balance represents the amount demanded by Deutsche Bank AG and the interest accrued thereon as a result of the early termination of the Interest Rate Swaps by Deutsche Bank AG.

## 15. SHARE CAPITAL

	Number of shares '000	Amount RMB'000
Ordinary shares of HK\$0.10 each		
Authorised:		
At 1 July 2009 and 31 December 2009	1,000,000	106,000
Issued and fully paid:		
At 1 July 2009	558,965	58,661
Issuance of open offer shares (note 1)	279,482	21,906
At 31 December 2009	838,447	80,567

Note:

- (1) During December 2009, 279,482,500 number of shares were issued on the basis of one offer share for every two existing shares.

## 16. COMMITMENTS

- (a) Capital commitments outstanding at 31 December 2009 not provided for in the consolidated financial statements were as follows:

	(Unaudited) As at 31 December 2009 RMB'000	(Audited) As at 30 June 2009 RMB'000
Contracted for	71,080	62,559
Authorised but not contracted for	43,296	43,296
	<b>114,376</b>	105,855

## 16. COMMITMENTS (Continued)

- (b) At 31 December 2009, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	<b>(Unaudited)</b> <b>As at</b> <b>31 December</b> <b>2009</b> <b>RMB'000</b>	(Audited) As at 30 June 2009 <i>RMB'000</i>
Within 1 year	<b>647</b>	461
After 1 year but within 5 years	<b>620</b>	120
	<b>1,267</b>	581

## 17. MATERIAL RELATED PARTY TRANSACTIONS

During the period, particulars of significant transactions between the Group and related parties were as follows:

	<b>(Unaudited)</b> <b>Six months</b> <b>ended</b> <b>31 December</b> <b>2009</b> <b>RMB'000</b>	(Unaudited) Six months ended 31 December 2008 <i>RMB'000</i>
Lease rental charged by Ms. He Yu Zhu ( <i>note (i)</i> )	<b>161</b>	141

*Note:*

- (i) The Group entered into a lease agreement with Ms. He Yu Zhu, the spouse of Mr. Lin Wan Qiang who was the controlling shareholder and executive director of the Company, for leasing of an office premises in Fuzhou, the PRC. Office rentals are payable at a pre-determined amount per month by reference to market rates in accordance with the terms of the tenancy agreement signed by the Group and Ms He Yu Zhu.

Ms. He Yu Zhu ceased to be a related party of the Group effective from 16 November 2009, when Mr. Lin Wan Qiang disposed of his entire interest in the Company to an independent third party and he also resigned as an executive director of the Company.

## 18. COMPARATIVE FIGURES

As a result of the application of Revised HKAS 1, Presentation of financial statements, and HKFRS 8, Operating Segments, certain comparative figures have been adjusted to conform to current period's presentation and to provide comparative amounts in respect of items disclosed for the first time in 2009. Further details of these developments are disclosed in note 3.

## 19. EVENTS AFTER THE END OF THE REPORTING PERIOD

- (a) As announced by the Company on 13 January 2010, 111,793,000 shares were issued under the Placing Agreement at HK\$0.38 per placing Share. The total number of shares in issue after completion of the placing is 950,240,500.
- (b) At the EGM held on 11 February 2010, the following ordinary resolutions were passed:
  - (i) the increase in authorised share capital from HK\$100,000,000 to HK\$500,000,000;
  - (ii) the adoption of New Share Option Scheme and the termination of the Company's 2003 Scheme.
- (c) At the EGM held on 11 February 2010, a special resolution of the change of name of the company was passed.
- (d) On 25 February 2010, the Company obtained the approval from the Registry of Companies, Cayman Islands that the Company's name be changed to "Kingwell Group Limited 京維集團有限公司".

## 20. REVIEW OF INTERIM FINANCIAL STATEMENTS

The Company's Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing control and financial reporting matters including the review of the Group's unaudited interim results for the six months ended 31 December 2009.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Results

For the six months ended 31 December 2009 (the "Period"), turnover of the Group amounted to RMB127,753,000 (2008: RMB208,268,000), representing a decrease of approximately 38.7% as compared to the corresponding period last year. The decline in turnover was mainly attributable to the decrease in unit selling prices and sales orders resulting from the negative market sentiment, which led to declining demand for consumer electronic products. In particular, sales from the rigid printed circuit boards ("rigid PCBs") experienced a significant drop as compared to the corresponding period last year.

During the Period, the Group's gross profit amounted to RMB1,273,000 (2008: RMB52,587,000), representing a decrease of approximately 97.6% as compared to the corresponding period last year. The decrease in overall gross profit was a consequence of the sharp decline in average selling prices since the beginning of the year. Operating loss has narrowed to approximately RMB17,975,000 (2008: loss of RMB205,184,000).

The loss attributable to equity shareholders of the Company for the Period was narrowed to approximately RMB24,851,000, as compared to the loss of approximately RMB220,867,000 in the corresponding period last year. Basic loss per share was RMB3.56 cents (2008: RMB31.67 cents).

## Business Review

The Group is principally engaged in the manufacturing and sale of rigid PCBs and flexible printed circuit boards ("FPCBs"), as well as providing surface mounting technology ("SMT") processing services. Its products have a broad range of applications in items such as mobile communication devices, consumer digital devices, automotive and medical devices.

The global economic turmoil has had a prolonged consequence on the electronics industry and adversely affected the demand of electronics products. Orders and average selling prices experienced sharp decline since January 2009, however, orders have picked up and the decline of average selling prices have gradually narrowed starting from July 2009. During the Period, turnover of the rigid PCBs segment, recorded a sharp decline of approximately 46.5% as compared to the corresponding period in 2008. Turnover attributable to SMT processing service segment also decreased approximately 23.1% and the PCBA segment was strategically suspended. Turnover of FPCBs was maintained and increased approximately 1.0% as compared to the corresponding period in 2008.



Rigid PCBs remained as the Group's core business, accounting for a majority of the Group's total revenue. Being one of the largest producers in Fujian for rigid PCBs, and having strong competencies, the Group's rigid PCBs orders were maintained and were regaining in a gradual pace. However, the financial turmoil has led to deterioration of the market, and average selling prices have yet to rebound to previous levels.

The FPCB segment was maintained at a similar level with that of the previous year. Turnover of FPCB slightly increased, however, due to lowered average selling prices, the FPCB segment continued to record an operating loss.

Although the SMT processing service segment contributes only a small amount to the overall profitability, the Group will continue to selectively provide this service to current customers with the aim to provide a one-stop service and to enhance its relationship with long-term customers.

Since PCBA generates a relatively lower margin, the management has strategically suspended the operation and reallocated capital resources to other segments.

## Segmental Information

Segment information is presented in respect of the Group's business and geographical segments. Business segment information is chosen as the primary reporting format because it is more relevant to the Group's internal financial reporting.

### *Rigid PCBs*

During the Period, sales of rigid PCBs recorded approximately RMB85,507,000 (2008: RMB 159,867,000), representing approximately 66.9% of the Group's total turnover. This segment recorded an operating loss of approximately RMB206,000, as compared to an operating profit of RMB12,716,000 in the corresponding period last year.

### *FPCBs*

Sales of FPCBs was approximately RMB37,533,000 (2008: RMB37,171,000), which accounts for approximately 29.4% of the Group's total turnover during the Period. This segment recorded an operating loss of approximately RMB9,075,000 (2008: loss of RMB101,750,000).

### *Provision of SMT processing services*

Turnover contributed by SMT services recorded approximately RMB4,713,000 (2008: RMB6,128,000), accounting for approximately 3.7% of the Group's total turnover. This segment recorded an operating loss of approximately RMB4,301,000 (2008: loss of RMB5,804,000).

Geographically, sales within the PRC (excluding Hong Kong and Taiwan) remained the largest segment, generating 67.2% (2008: 78.2%) of the Group's turnover. About 10.2% (2008: 9.5%) and 15.5% (2008: 9.6%) was attributed to sales to Australia and Hong Kong for the Period respectively. The balance of approximately 7.1% of the Group's turnover (2008: 2.7%) was taken up by USA, Malaysia and other countries or regions.

## **Manufacturing Facilities**

### ***Fuqing Plant, Fujian Province***

The manufacturing facility in Fuqing city, Fujian province focuses on the production of rigid PCBs, including double-sided and multilayer PCBs. It covers an area of 55 Chinese acres, or about 36,669 square meters. Despite the difficult operating conditions, by leveraging on its solid foundation and reputation for producing high quality products, the Group continued to receive orders from existing customers. Hence, the utilization rate of the Fuqing plant was maintained in a relatively high level.

Since the economy is gradually improving, it is believed that the demand for electronics products will regain correspondingly. The Group has completed the construction of a new plant so as to capture opportunities once the economy rebounds. Through the production capacity expansion, economies of scale could be achieved and operational efficiency will be enhanced.

### ***Shuangxiang Electronics ("Mawei Plant"), Fujian Province***

The production plant located in Mawei, Fuzhou city, Fujian province, was previously engaged in SMT processing services. During the Period, the Group suspended the operation of PCBA and reallocated more resources towards higher margin business segments. As for SMT processing services, since orders were unstable as a result of the economic deterioration, plans to expand the production line were put on hold. The management has implemented measures to cope with the market challenges, mainly emphasizing on cost-control and streamlining the production process.

### ***Gemini Electronics ("Huizhou Plant"), Guangdong Province***

The manufacturing facility in Huizhou city, Guangdong Province focuses on the production of FPCBs. The site covers 70 Chinese acres, or approximately 46,669 square meters. In spite of economic downturn, the Group was able to maintain constant FPCBs orders from existing clients during the Period.

## Prospects

The financial tsunami has prolonged consequences and continued to bring challenges to the electronics industry. Given the negative market sentiment and severe pressure on average selling price, the Group has implemented prudent operational strategies and strived to maintain orders from existing clients amid the economic downturn. The management will continue to implement cost control measures to improve the Group's overall operation.

Looking ahead, the overall market sentiment has gradually improved since the start of 2010, which helps to trigger demand for electronic products. Since the expansion of Fuqing plant was completed, the Group will closely monitor the market and will start operations once the economy shows solid signs of recovery.

In the meantime, while continuing to regain momentum on our core business, the Group strives to diversify income sources and propel business growth amid the difficult market conditions. The Group will proactively explore opportunities and will not rule out the possibilities to develop new projects which are beneficial to overall profitability. Leveraging on its solid foundation and seasoned management, the Group is endeavored to maintain steady business growth and maximize returns for its shareholders.

## Liquidity and Financial Resources and Capital Structure

For the six months ended 31 December 2009, the Group's working capital requirement was principally financed by its internal resources and banking facilities.

At 31 December 2009, the Group had cash and cash equivalents, net current assets and total assets less current liabilities of approximately RMB560,700,000 (30 June 2009: approximately RMB648,450,000), RMB240,491,000 (30 June 2009: approximately RMB281,381,000) and RMB648,351,000 (30 June 2009: approximately RMB657,326,000) respectively.

At 31 December 2009, the Group had total bank borrowings of RMB162,000,000 (30 June 2009: approximately RMB266,880,000), included in these utilized bank loans, RMB132,000,000 were short-term and RMB30,000,000 were long-term. All of the utilized bank loans were secured by either corporate guarantees given by the Company, equity interest in operating subsidiaries or interest in leasehold land given by subsidiary companies.

The Company had entered into two Instruments in February and April 2007 with maturity in 2012 with a commercial bank, Deutsche Bank AG ("DG"), under which total upfront payments of approximately RMB113,490,000 were received at the inception of the Instruments. On 12 November 2008, early termination was served to the Company by DG. On 13 November 2008, DG issued a statement to the Company, alleging that an early termination amount of approximately

US\$23,700,000 plus interest accrued thereon is payable by the Group to DG. On 16 November 2009, the Company entered into the Settlement Agreement with DG. Under the Settlement Agreement, the Company is obliged to pay DG less than the early termination amount in 2010. At 31 December 2009, Mr. Lin Wan Qaing, the former controlling shareholder, has discharged his obligation in full to the Company under the Deed of Indemnity dated 12 December 2007.

The total bank borrowings of the Group were mainly for business expansion, capital expenditure and working capital purposes and were mainly denominated in Renminbi.

Total equity attributable to equity shareholders of the Group at 31 December 2009 decreased by approximately RMB22,975,000 to approximately RMB611,490,000 (30 June 2009: approximately RMB634,465,000). The gearing ratio (calculated as the ratio of current liabilities plus non-current liabilities: total equity) of the Group at 31 December 2009 was approximately 0.81 (30 June 2009: approximately 0.92).

During December 2009, 279,482,500 number of shares were issued on the basis of one offer share for every two existing shares. On 13 January 2010, 111,793,000 shares of the Company were issued under the placing agreement dated 15 December 2009 at HK\$0.38 per placing share. Upon completion of the open offer and placing, the total number of shares of the Company in issue is 950,240,500.

## Significant Investments

Saved as disclosed under the section headed "Management Discussion and Analysis", the Group had no other significant investment held during the six months ended 31 December 2009.

## Acquisition and Disposal of Subsidiaries and Associated Companies

Saved as disclosed under the section headed "Management Discussion and Analysis", the Group had no other material acquisition and disposals of subsidiaries and affiliated companies, during the six months ended 31 December 2009.

## Employment Information

At 31 December 2009, the Group employed a total of 1,414 (2008: 1,176) employees. It is the Group's policy to review its employee's pay levels and performance bonus system regularly to ensure the competitiveness of the Group's remuneration policy within the relevant industry. During the six months ended 31 December 2009, the employment cost (including directors' emoluments) amounted to approximately RMB17,340,000. In order to align the interests of staff, Directors and consultants with the Group, share options would be granted to staff, Directors and

consultants under the Company's 2003 share options schemes (the "2003 Scheme"). During the six months ended and at 31 December 2009, all outstanding 10,500,000 share options under the 2003 Scheme have been lapsed.

## Charges on Group Assets

At June 2009, a bank loan with outstanding principal amount of US\$4,000,000 (equivalent to RMB27,509,000) granted to the Company was fully settled during the six months ended 31 December 2009. This bank loan was secured by the entire equity interest in Superford, Tempest, Winrise and Herowin (the "BVI subsidiaries"). The BVI subsidiaries are the immediate holding companies of Fuqiang, Gemini, Shuangxiang and Haichuang, respectively (the "PRC subsidiaries"). The PRC subsidiaries are the operating subsidiaries of the Group. The Company is currently arranging the release of charges with the Bank.

## Future Plans for Material Investments and Expected Sources of Funding

Saved as disclosed under the section headed "Management Discussion and Analysis", the Group had no future plans for material investments at 31 December 2009.

The management will continue to monitor the industry and review its business expansion plans regularly, so as to take necessary measures in the Group's best interests.

## Exposure to Fluctuations in Exchange Rates

The Group has foreign currency risk as certain financial assets and liabilities are denominated in foreign currencies principally in United States dollars and Hong Kong dollars. The Group does not expect any appreciation or depreciation of the Renminbi against foreign currency which might materially affects the Group's result of operations. The Group did not employ any financial instruments for hedging purposes.

## Capital Commitment

At 31 December 2009, in respect of capital expenditures, the Group had contracted for but not provided in and authorized but not contract for capital commitment in the financial statements amounted to approximately RMB71,080,000 and RMB43,296,000 respectively.

## Contingent Liabilities

At 31 December 2009, the Group did not have any material contingent liabilities.

## DIVIDENDS

The Board did not recommend the payment of any interim dividend for the six months ended 31 December 2009 (2008: Nil).

## DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 December 2009, there were no interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and the chief executives of the Company were deemed or taken to have under such provisions of the SFO), or which were recorded in the register required to be kept pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

Saved as disclosed above, at 31 December 2009, none of the Directors or the chief executives of the Company or their respective associates 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) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## SHARE OPTIONS

The following table discloses details of the Company's share options held by the Directors, employees and consultants of the Group pursuant to the Company's 2003 Scheme and movements in such holdings during the Period:

Name or category of participant	Date of grant	Outstanding as at 1 July 2009	Granted during the period	Exercised during the period	Cancelled/ Lapsed during the period	Outstanding as at 31 December 2009	Exercisable Period	Exercise price HK\$	Market value per share at date of grant of options
									HK\$
<i>(a) Directors</i>									
Lin Wan Xin	4 September 2006	1,000,000	—	—	1,000,000	—	4 September 2006 to 3 September 2009	1.038	1.03
Xiang Song	4 September 2006	1,500,000	—	—	1,500,000	—	4 September 2006 to 3 September 2009	1.038	1.03
*Liu Zhao Cai	4 September 2006	1,500,000	—	—	1,500,000	—	4 September 2006 to 3 September 2009	1.038	1.03
Hu Zhao Rui	4 September 2006	1,000,000	—	—	1,000,000	—	4 September 2006 to 3 September 2009	1.038	1.03
<i>(b) Eligible Employees</i>									
	4 September 2006	5,500,000	—	—	5,500,000	—	4 September 2006 to 3 September 2009	1.038	1.03
		10,500,000	—	—	10,500,000	—			

\* Mr. Liu Zhao Cai resigned as executive Director on 7 February 2009. Pursuant to the 2003 Share Options Scheme, Mr. Liu Zhao Cai still has the right to exercise his share options within the period of six months following his resignation. Accordingly, the option held by Mr. Liu Zhao Cai has lapsed on 7 August 2009.

The existing share options scheme was terminated and the new share options scheme was adopted on 11 February 2010.

## CHANGE OF COMPANY NAME

As announced by the Company on 20 January 2010, the Board proposed that the name of the Company be changed from “Sinotronics Holdings Limited” to one of the names in the following order of priority, (a) “Kingwell Group Limited”; (b) “Kinwell Group Limited”; (c) “Sinoway Group Limited” and the adoption of the Chinese name “京維集團有限公司” as secondary name of the Company to replace the Chinese name “華翔微電子控股有限公司” (the “Change of Company Name”). The special resolution relating to the Change of Company Name was duly passed by the shareholders of the Company at the extraordinary general meeting held on 11 February 2010. Approval has been obtained from the Registry of Companies, Cayman Islands on the Change of Company Name as “Kingwell Group Limited 京維集團有限公司” and has become effective on 25 February 2010.

## INCREASE IN AUTHORISED SHARE CAPITAL

By an ordinary resolution passed on 11 February 2010, the Company increased the authorised share capital of the Company from HK\$100,000,000 divided into 1,000,000,000 shares to HK\$500,000,000 divided into 5,000,000,000 shares by creating an additional 4,000,000,000 unissued shares.

## DISCLOSURE OF INFORMATION ON DIRECTORS

Pursuant to rule 13.51B(1) of the Listing Rules, the changes of information on Directors are as follows:

Mr. Lin Wan Xin was appointed as the chairman and member of the remuneration committee on 16 November 2009. With effect from 15 January 2010, he has resigned as chairman of the Company and chairman and member of the remuneration committee, but remains as an executive Director of the Company. Ms. Xu Yue Yue was appointed as an executive Director, acting chairman of the Company and chairman of the remuneration committee of the Company in place of Mr. Lin Wan Xin with effect from 15 January 2010. On 16 November 2009, Mr. Xiang Song was appointed as the authorised representative of the Company. Moreover, Mr. Lin Wan Qiang resigned as an executive Director, an authorised representative of the Company and the chairman and member of the remuneration committee on 16 November 2009, Mr. Hu Zhao Rui has resigned as an executive Director of the Company, Mr. Pan Chang Chi and Mr. Cai Xun Shan have resigned as independent non-executive Directors of the Company with effect from 15 January 2010.

Mr. Sze Ming Yee was appointed as an executive Director of the Company, Mr. Li Jianguo was appointed as independent non-executive Director of the Company, chairman of the audit committee and a member of the remuneration committee and Ms. Wong Lai Wing was appointed as independent non-executive Director of the Company and member of the audit committee and the remuneration committee, all effective from 15 January 2010.



Mr. Cheung Chuen, an independent non-executive Director, has re-entered into an appointment letter with the Company for a term of one year commencing from 1 January 2009.

Both of Mr. Li Jianguo and Ms. Wong Lai Wing, are independent non-executive Directors, have entered into appointment letters with the Company for a term of one year commencing from 15 January 2010.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 31 December 2009, according to the register of members kept by the Company pursuant to section 336 of the SFO and so far as is known to, or can be ascertained after reasonable enquiry by the Directors, the following person(s)/entity(ies) (other than the Directors or chief executives of the Company) had an interests or short positions in the shares, underlying shares and debentures of the Company and its associated corporation (within the meaning of Part XV of the SFO) which would fall to be disclosed to the Company under the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO, or be directly and indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote on all circumstances at general meetings of the Company:

### Long positions in the shares of the Company

Name	Capacity	Number of shares	Total Number of shares	Approximate % of the issued share capital
Size Ming Yee	Corporate Interest	345,778,539	345,778,539	41.24
Union Day Group Limited	Beneficial Owner	345,778,539	345,778,539	41.24
Atlantis Investment Management Ltd	Investment Manager	45,000,000	45,000,000	5.37

Saved as disclosed above, the Company has not been notified of any other interests or short positions representing 5% or more of the issued share capital of the Company and recorded in the register maintained under Section 336 of the SFO at 31 December 2009.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

Saved as disclosed under the section headed "Share Options" and "Directors' Interests in Securities" above, at no time during the period was the Company or any of its subsidiaries, its holding company, or any of its fellow subsidiaries a party to any arrangement to enable the Directors or chief executives of the Company or their respective associates (as defined in the Listing Rules) to acquire benefits by means of acquisition of shares in or debentures of, the Company or any other body corporate.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 31 December 2009, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## CORPORATE GOVERNANCE

The Company has complied with the code provisions in Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Listing Rules throughout the six months ended 31 December 2009.

## MODEL CODE

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors (the "Model Code"). Having made specific enquiry of all Directors, the Company confirmed that all Directors have complied with the required standard set out in the Model Code for the period under review.

## DIRECTORS' INTEREST IN COMPETING BUSINESS

None of the Directors or the management shareholders or the substantial shareholders of the Company, or any of their respective associates (as defined in the Listing Rules) had any material interest in a business that competes or may compete with the business of the Group.

## PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's articles of association, or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

## REMUNERATION COMMITTEE

The remuneration committee of the Company, currently comprising executive Director, namely Ms. Xu Yue Yue, and independent non-executive Directors, namely Mr. Li Jianguo and Ms. Wong Lai Wing, is responsible for advising the Board on the remuneration policy and framework of the Directors and senior management of the Company, as well as reviews and determines the remuneration of all the executive Directors and senior management of the Company with reference to the Company's objectives from time to time.

## AUDIT COMMITTEE

The Company has established an audit committee on 8 May 2001 with written terms of reference. The duties of the audit committee of the Company are to review and discuss on the effectiveness of the external audit and risk evaluation of the Company, as well as the Company's annual report and accounts, interim reports and to provide advice and comments to the Board. The audit committee of the Company comprised three independent non-executive Directors, namely Mr. Li Jianguo, Ms. Wong Lai Wing and Mr. Cheung Chuen. The audit committee of the Company had met to review the interim results of the Group for the six months ended 31 December 2009.

On behalf of the Board

**Xu Yue Yue**

*Acting Chairman*

Hong Kong, 12 March 2010