# YEEBO (INTERNATIONAL HOLDINGS) LIMITED

(Incorporated in Bermuda with limited liability)

STOCK CODE: 259

# 2010/11

## Interim Report

## CHAIRMAN'S STATEMENT

Dear Shareholders,

I am pleased to present the 2010/2011 interim results of the Company and its subsidiaries (collectively the "Group").

The Group achieved a tremendous result for the period ended 30th September, 2010. Profit attributable to the owners of the Company was HK$1,128 million (2009: HK$11 million). The significant improvement in the Group's results was primarily attributable to the:

(1) Recognition of a significant gain of HK$1,214 million on the initial public offering ("IPO") of the A shares of Nantong Jianghai Capacitor Company Ltd ("Nantong Jianghai") on the Shenzhen Stock Exchange. Immediately prior to the IPO, Nantong Jianghai was a 50% owned jointly controlled entity of the Group.

Pursuant to the IPO, Nantong Jianghai becomes a 37.5% owned associated company of the Group. Nantong Jianghai has raised RMB778 million new capital. With the new capital raised, Nantong Jianghai can strengthen its leading position in PRC by expanding its market coverage, increasing its production capacity and facility, enhancing its research and development capability. In the current period under review, Nantong Jianghai continued to maintain its growth momentum and the Group's share of its profit amounted to HK$27 million (2009: HK$22 million).

(2) Improvement in the LCD and LCM business of the Group as a result of the recovery of global economy.

For the period ended 30th September 2010, turnover of the Group was HK$337 million (2009: HK$226 million) representing an increase of 49% over the corresponding period of last year and the operating profit before tax (before share of profits/losses of associates and a jointly controlled entity as well as gain on deemed disposal of a jointly controlled entity) was HK$26 million (2009: HK$6 million). Thanks to the recovery of the global demand of liquid crystal display products and the adoption of the business strategy to focus on profitability, both turnover and gross profit margin experienced an impressive growth during the reporting period.

(3) Non-occurrence of the share of losses of associated companies.

As the carrying value of the Group's investment in Kunshan Visionox Display Co. Ltd, an associated company of the Group which incurred losses in prior years, has been written down to nil in the previous accounting year, no further share of losses of associated companies has been taken up by the Group in the period under review.

Facing the current challenging operating environment, the Group continues to promote production efficiency and profitability. Backed by a healthy balance sheet and strong cash flow position, the Group has committed financial resources to expand the production premises and also upgrade its production facility and equipment with the aim to enlarge its market coverage in the high value market segment. Your management is confident that such expansion plan, while undergoing at a healthy pace, will empower the Group to generate better operating results in the future.

**Fang Hung, Kenneth**
*Chairman*

Hong Kong, 19th November, 2010

# MANAGEMENT DISCUSSION AND ANALYSIS

## Review of Operations

The Group recorded a consolidated turnover for the six months ended 30th September, 2010, of approximately HK$337 million (2009: HK$226 million), and a profit attributable to owners of the Company of approximately HK$1,128 million (2009: HK$11 million). The significant increase in profit is mainly attributable to the gain on deemed disposal of Nantong Jianghai Capacitor Company Ltd ("Nantong Jianghai") amounted to approximately HK$1,214 million which will be explained in more details below.

Turnover of Liquid Crystal Display ("LCD") increased by HK$37 million from approximately HK$138 million to HK$175 million, and turnover of Liquid Crystal Display Module ("LCM") increased by HK$75 million from approximately HK$87 million to HK$162 million. The adverse impact of the global financial crisis has stabilized and the global demand for the products has begun to recover. However, the costs of raw materials and wages in PRC have been continuously rising. Exposed to such a challenging operating environment, the Group has adjusted and optimized its marketing and production strategies. The Group managed to alleviate the pressure of rising costs through price adjustment, enhancing production efficiency and optimizing its product structure, which resulted in significant improvement on the results of its core display business. The Group recorded a gross profit of approximately HK$62 million for the six months ended 30th September, 2010 (2009: HK$30 million). The gross profit margin was 18.5% (2009: 13%).

During the current period, other income amounted to approximately HK$4 million (2009: HK$3.7 million). The increase in other income was mainly attributable to the dividend income from securities investment during the period.

Other gains and losses amounted to a net gain of approximately HK$4.6 million (2009: HK$294,000), which was mainly contributed by gains from investment in securities during the period.

Selling and distribution expenses amounted to approximately HK$29 million for the six months ended 30th September, 2010 (2009: HK$14 million), representing 9% of the Group's turnover (2009: 6%). The increase in selling and distribution expense was mainly due to the increase in business volume as well as the incurring of promotional expense to develop future business.

Administrative expenses amounted to approximately HK$16 million for the six months ended 30th September, 2010 (2009: HK$14 million), representing an increase of HK$2 million. The increase in the administrative expenses was mainly due to the increase in staff costs.

On 29th September, 2010, the shares of Nantong Jianghai, a then jointly controlled entity of the Group, was successfully listed on the Shenzhen Stock Exchange. Pursuant to the initial public offering of Nantong Jianghai, the Group's shareholding therein has been diluted from 50% to 37.5%, and the status of Nantong Jianghai has changed from a jointly controlled entity to an associated company. A gain on deemed disposal amounted to approximately HK$1,214 million has been recorded in the consolidated income statement. In addition to the gain on deemed disposal, the Group's share of profit of Nantong Jianghai for the period amounted to approximately HK$27 million (2009: HK$22 million).

The performance of the Group's associated companies and jointly controlled entity are set out in further details as follows.

## Significant Investments

*Investment in Nantong Jianghai*

During the period under review, the Group's share of profit of Nantong Jianghai amounted to approximately HK$27 million (2009: HK$22 million).

Nantong Jianghai is mainly engaged in the manufacture, and sales of aluminium electrolytic capacitors. The revenue and operating profit for the period increased as compared with the corresponding period of the previous year.

In addition, Nantong Jianghai took immense efforts in the adjustment of product structure, increasing the sales proportion of large size and high-voltage products, actively exploring the global market and increasing domestic sales, which generated favourable results.

At 31st March, 2010, the Group held a 50% interest in Nantong Jianghai and accounted for the investment as a jointly controlled entity. In September 2010, pursuant to the initial public offering of Nantong Jianghai whose shares were then listed on the Shenzhen Stock Exchange, the Group's shareholding in Nantong Jianghai had been diluted from 50% to 37.5%, resulting in a change in Nantong Jianghai's status in the Group's consolidated financial statements from a jointly controlled entity to an associated company. The Group has undertaken not to dispose of any part or whole of its interests in Nantong Jianghai within three years of its listing.

This transaction has resulted in the recognition of a gain on deemed disposal of HK$1,214 million calculated as the difference between the fair value of investment retained and the carrying amount of investment (including adjustment of related translation reserve) on the date of change in status.

Nantong Jianghai raised net proceeds of approximately RMB778 million (equivalent to approximately HK$903 million) through its initial public offering on the Shenzhen Stock Exchange. The proceeds would mainly be used in the technology upgrade and capacity expansion for the manufacture of high-performance and high-voltage aluminium formed foil and capacitors for industrial use, investment in the production of medium-to-high voltage aluminium formed foil and addition to working capital. It is believed that Nantong Jianghai's future results would benefit from these additional funding.

*Investment in Kunshan Visionox Display Co., Ltd ("Kunshan Visionox")*

For the period under review, Kunshan Visionox, a 42% owned associated company, was still operating at a loss. As the carrying value of Kunshan Visionox has been written down to nil in prior year, no further share of loss was recognized in the current period under review.

## Prospects

The global demand for liquid crystal display products is perceived to recover progressively. On the other hand, the production cost in PRC is expected to continue to escalate given the mounting trend of the wage level and the anticipated appreciation of RMB. Under the aforesaid scenario, the Group will leverage on its competitive edge in marketing, product development and production capability to target at the high-value segment which will render a higher profit margin. The Group has adopted marketing plans to expand geographically, in particular the PRC market and also committed financial resources to expand the production capacity and upgrade the production equipment.

Looking ahead, the management adopts a cautiously optimistic view for the business performance of the Group for the financial year 2010/2011. The management believes the Group is well-positioned and equipped to embrace the upcoming recovery and challenges.

## Contingent Liabilities and Charges of Assets

As at 30th September, 2010, the Group's held-for-trading investments of approximately HK$54 million (2009: nil) have been charged to a financial institution for securities trading facilities granted to the Group, of which approximately HK$10 million had been utilized.

## Liquidity and Financial Resources

As at 30th September, 2010, the Group's current ratio was 1.8 (31st March, 2010: 2.4). The gearing ratio, as a ratio of bank borrowings to net worth, was nil (31st March, 2010: nil).

As at 30th September, 2010, the Group had total assets of approximately HK$1,855 million, which were financed by liabilities of HK$317 million and total equity of HK$1,538 million.

As at 30th September, 2010, the Group's banking facilities amounted to approximately HK$187 million (31st March, 2010: HK$148 million) of which approximately HK$16 million (31st March, 2010: HK$7 million) were utilized for securities trading, issuance of letters of credit and bills payable.

Certain subsidiaries of the Company have foreign currency time deposits, which expose the Group to foreign currency risk. The management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

## Employment and Remuneration Policy

The remuneration package for the Group's employees is structured by reference to market terms and industry's practice. Discretionary bonus and other performance reward are based on the financial performance of the Group and the performance of individual staff. Staff benefit plans maintained by the Group include mandatory and voluntary provident fund scheme and medical insurance.

## DIVIDEND

The directors do not recommend the payment of an interim dividend for the six months ended 30th September, 2010.

## INTERESTS OF DIRECTORS AND CHIEF EXECUTIVES IN SECURITIES

At 30th September, 2010, the interests and short positions of the directors and chief executives and their associates in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register maintained by the Company pursuant to section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

### Long position in the share of the Company

| | Number of shares and nature of interests | | | |
|---|---|---|---|---|
| | Personal interests | Through controlled corporations | Total | Percentage of Company's issued capital |
| Mr Fang Hung, Kenneth *(Note)* | 20,130,000 | 697,692,368 | 717,822,368 | 70.99% |
| Mr Li Kwok Wai, Frankie *(Note)* | 32,532,013 | 697,692,368 | 730,224,381 | 72.22% |

*Note:* Antrix Investment Limited owns 697,692,368 shares of the Company. Mr Fang Hung, Kenneth and Mr Li Kwok Wai, Frankie beneficially owns 51% and 49%, respectively, of the issued share capital of Antrix Investment Limited.

Save as disclosed above, as at 30th September, 2010, none of the directors, the chief executives nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## SUBSTANTIAL SHAREHOLDERS

As at 30th September, 2010, the following interests and short position of 5% or more in the shares and underlying shares of the Company were recorded in register maintained by the Company pursuant to Section 336 of the SFO.

### Long position in the shares of the Company

| | Capacity and nature of interest | Number of shares held | % of the Company's issued share capital |
|---|---|---|---|
| Antrix Investment Limited *(Note)* | Directly beneficially owned | 697,692,368 | 69.00% |
| Esca Investment Limited *(Note)* | Indirectly beneficially owned | 697,692,368 | 69.00% |
| Megastar Venture Limited *(Note)* | Indirectly beneficially owned | 697,692,368 | 69.00% |
| Chong Hing Bank Limited | Directly beneficially owned | 57,600,000 | 5.70% |

*Note:* Antrix Investment Limited is held as to 51% by Esca Investment Limited (a company wholly- owned by Mr Fang Hung, Kenneth) and 49% by Megastar Venture Limited (a company wholly- owned by Mr Li Kwok Wai, Frankie). The Shares held by Esca Investment Limited and Megastar Venture Limited represent the same interest held by Antrix Investment Limited, which have also been disclosed as an interest of Mr Fang Hung, Kenneth and Mr Li Kwok Wai, Frankie under the section "Interests of Directors' and Chief Executive in Securities".

Save as disclosed above, as at 30th September, 2010, the Company was not notified by any persons who had interests or short positions of 5% or more in the shares and underlying shares of the Company which is required to be recorded under Section 336 of the SFO.

## CORPORATE GOVERNANCE

None of the Directors of the Company is aware of any information that would reasonably indicate that the Company has not compiled with the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited (the "Listing Rules"), except for the following deviation:

Under Code provision A.4.1, non-executive directors should be appointed for a specific term and subject to re-election. The existing non-executive Directors of the Company are not appointed for a specific term but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provision of the bye-laws of the Company. The Board does not believe that arbitrary term limits on the Directors' services are appropriate given that Directors ought to be committed to representing the long-term interests of the shareholders.

The board is reviewing the situation and will, where appropriate, take necessary steps including amendment of the Company's bye laws to ensure compliance with the Code.

## COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its code of conduct regarding securities transactions by the Directors. Having made specific enquiries of all Directors, they have confirmed their compliance with the required standard as set out in the Model Code throughout the six months ended 30th September, 2010.

## CHANGES IN INFORMATION OF DIRECTORS

The changes in information of Directors, which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, are as follows:

The shares of Nantong Jianghai, currently a 37.5% owned associated company of the Group, were listed on the Shenzhen Stock Exchange on 29th September, 2010. Mr Fang Hang, Kenneth is the Vice Chairman and Director, and both Mr Li Kwok Wai, Frankie and Mr Leung Tze Kuen are Directors of Nantong Jianghai. They were appointed to their current position upon the completion of the share reform of Nantong Jianghai on 18th July, 2008.

Save as disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

There was no purchase, sale or redemption of securities of the Company or by any of its subsidiaries during the six months ended 30th September, 2010.

## AUDIT COMMITTEE

The Audit Committee comprises all of the three independent non-executive directors, namely Mr Tien Pei Chun, James, GBS, JP, Mr Chu Chi Wai, Allan and Mr Lau Yuen Sun, Adrian. The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed financial reporting matters, including a review of the unaudited condensed accounts for the six months ended 30th September, 2010.

By order of the Board
**Lau Siu Ki, Kevin**
*Company Secretary*

Hong Kong, 19th November, 2010

**Deloitte.**
**德勤**

## REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

## TO THE BOARD OF DIRECTORS OF YEEBO (INTERNATIONAL HOLDINGS) LIMITED

### INTRODUCTION

We have reviewed the interim financial information set out on pages 11 to 24 which comprises the condensed consolidated statement of financial position of Yeebo (International Holdings) Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") as of 30th September, 2010 and the related condensed consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

### CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

**Deloitte Touche Tohmatsu**
*Certified Public Accountants*
Hong Kong
19th November, 2010

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the six months ended 30th September, 2010*

| | Notes | Six months ended 30.9.2010 HK$'000 (unaudited) | 30.9.2009 HK$'000 (unaudited) |
|---|---|---|---|
| Revenue | 3 | **336,972** | 225,880 |
| Cost of sales | | **(274,677)** | (195,817) |
| Gross profit | | **62,295** | 30,063 |
| Other income | | **3,972** | 3,675 |
| Interest income | | **181** | 76 |
| Other gains and losses | 4 | **4,627** | 294 |
| Selling and distribution expenses | | **(29,209)** | (13,981) |
| Administrative expenses | | **(16,084)** | (14,335) |
| Share of losses of associates | | **–** | (14,390) |
| Share of profit of a jointly controlled entity | | **27,397** | 22,050 |
| Gain on deemed disposal of a jointly controlled entity | 5 | **1,213,828** | – |
| Profit before income tax | | **1,267,007** | 13,452 |
| Income tax expense | | | |
| – Deferred tax relating to enterprise income tax on gain on deemed disposal of a jointly controlled entity | | **(132,797)** | – |
| – Others | 6 | **(4,669)** | (2,325) |
| | | **(137,466)** | (2,325) |
| Profit for the period | 7 | **1,129,541** | 11,127 |
| Other comprehensive (expense) income: | | | |
| Exchange differences arising on translation of foreign operations | | **8,006** | 532 |
| Reclassification adjustment of translation reserve upon deemed disposal of a jointly controlled entity | | **(26,459)** | – |
| Other comprehensive (expense) income for the period | | **(18,453)** | 532 |
| Total comprehensive income for the period | | **1,111,088** | 11,659 |

| | Notes | Six months ended 30.9.2010 HK$'000 (unaudited) | 30.9.2009 HK$'000 (unaudited) |
|---|---|---|---|
| Profit for the period attributable to: | | | |
| Owners of the Company | | **1,128,318** | 11,479 |
| Non-controlling interests | | **1,223** | (352) |
| | | **1,129,541** | 11,127 |
| Total comprehensive income attributable to: | | | |
| Owners of the Company | | **1,109,776** | 12,011 |
| Non-controlling interests | | **1,312** | (352) |
| | | **1,111,088** | 11,659 |
| Earnings per share | | | |
| Basic | *9* | **HK1.12 dollars** | HK1.14 cents |

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*At 30th September, 2010*

| | Notes | 30.9.2010 HK$'000 (unaudited) | 31.3.2010 HK$'000 (audited) |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 10 | **67,074** | 62,492 |
| Prepayment for acquisition of property, plant and equipment | | **35,559** | 277 |
| Interests in associates | 5 | **1,426,923** | – |
| Interest in a jointly controlled entity | 5 | **–** | 204,332 |
| Available-for-sale investments | | **2,739** | 2,739 |
| Intangible assets | | **1,459** | 1,459 |
| | | **1,533,754** | 271,299 |
| **Current assets** | | | |
| Inventories | | **75,193** | 67,667 |
| Trade and other receivables | 11 | **127,922** | 79,403 |
| Bills receivables | 11 | **1,054** | 3,536 |
| Amount due from an associate | 12 | **–** | 65 |
| Derivative financial instrument | 13 | **351** | – |
| Held-for-trading investments | | **54,039** | 60,657 |
| Bank balances and cash | | **62,480** | 81,003 |
| | | **321,039** | 292,331 |
| **Current liabilities** | | | |
| Trade and other payables | 14 | **155,224** | 112,024 |
| Bills payables | 14 | **3,676** | 3,544 |
| Dividend payable | | **10,112** | – |
| Amount due to an associate | 12 | **860** | 1,040 |
| Tax liabilities | | **9,993** | 7,237 |
| | | **179,865** | 123,845 |
| **Net current assets** | | **141,174** | 168,486 |
| **Total assets less current liabilities** | | **1,674,928** | 439,785 |

| | Notes | 30.9.2010<br>HK$'000<br>(unaudited) | 31.3.2010<br>HK$'000<br>(audited) |
|---|---|---|---|
| **Non-current liabilities** | | | |
| Deferred tax liabilities | | **137,342** | 3,175 |
| | | **1,537,586** | 436,610 |
| **Capital and reserves** | | | |
| Share capital | *15* | **202,231** | 202,231 |
| Reserves | | **1,334,043** | 234,379 |
| Equity attributable to owners of the Company | | **1,536,274** | 436,610 |
| Non-controlling interests | | **1,312** | – |
| **Total equity** | | **1,537,586** | 436,610 |

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the six months ended 30th September, 2010*

| | Attributable to owners of the Company | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Share capital | Share premium | Capital reserve *(Note)* | Capital redemption reserve | Translation reserve | Retained profits | Total | Non-controlling interests | Total |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| At 1st April, 2009 (audited) | 202,231 | 126,763 | 2,125 | 7,829 | 54,345 | 183,882 | 577,175 | – | 577,175 |
| Profit (loss) for the period | – | – | – | – | – | 11,479 | 11,479 | (352) | 11,127 |
| Exchange differences arising on translation of foreign operations | – | – | – | – | 532 | – | 532 | – | 532 |
| Total comprehensive income (expense) for the period | – | – | – | – | 532 | 11,479 | 12,011 | (352) | 11,659 |
| Capital contribution from a minority shareholder | – | – | – | – | – | – | – | 352 | 352 |
| Final dividend – 2009 *(Note 8)* | – | – | – | – | – | (10,112) | (10,112) | – | (10,112) |
| At 30th September, 2009 (unaudited) | 202,231 | 126,763 | 2,125 | 7,829 | 54,877 | 185,249 | 579,074 | – | 579,074 |
| At 1st April, 2010 (audited) | 202,231 | 126,763 | 2,125 | 7,829 | 54,290 | 43,372 | 436,610 | – | 436,610 |
| Profit for the period | – | – | – | – | – | 1,128,318 | 1,128,318 | 1,223 | 1,129,541 |
| Exchange differences arising on translation of foreign operations | – | – | – | – | 7,917 | – | 7,917 | 89 | 8,006 |
| Reclassification adjustment of translation reserve upon deemed disposal of a jointly controlled entity | – | – | – | – | (26,459) | – | (26,459) | – | (26,459) |
| | – | – | – | – | (18,542) | – | (18,542) | 89 | (18,453) |
| Total comprehensive income (expense) for the period | – | – | – | – | (18,542) | 1,128,318 | 1,109,776 | 1,312 | 1,111,088 |
| Final dividend – 2010 *(Note 8)* | – | – | – | – | – | (10,112) | (10,112) | – | (10,112) |
| At 30th September, 2010 (unaudited) | 202,231 | 126,763 | 2,125 | 7,829 | 35,748 | 1,161,578 | 1,536,274 | 1,312 | 1,537,586 |

*Note:* The capital reserve balance of the Company and its subsidiaries (the "Group") represents the difference between the aggregate nominal value of the share capital of acquired subsidiaries and the aggregate nominal value of the Company's shares issued for the acquisition at the time of the group reorganisation prior to the listing of the Company's shares in 1993, and after the reclassification of the amounts related to the share premium arising from issue of shares of a subsidiary prior to the group reorganisation to capital reserve and after reserve movements at the time of the capital reduction in previous years.

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

*For the six months ended 30th September, 2010*

| | Six months ended | |
|---|---|---|
| | **30.9.2010** | 30.9.2009 |
| | ***HK$'000*** | *HK$'000* |
| | **(unaudited)** | (unaudited) |
| **NET CASH FROM OPERATING ACTIVITIES** | **32,669** | 18,717 |
| **INVESTING ACTIVITIES** | | |
| Purchase of property, plant and equipment | **(16,402)** | (1,395) |
| Deposits paid for acquisition of property, plant and equipment | **(35,559)** | (183) |
| Proceeds from disposal of property, plant and equipment | **57** | – |
| Others | **1,081** | 76 |
| **NET CASH USED IN INVESTING ACTIVITIES** | **(50,823)** | (1,502) |
| **FINANCING ACTIVITIES** | | |
| Contribution from a minority shareholder | **–** | 352 |
| Repayment to an associate | **(115)** | – |
| Others | **–** | (180) |
| **NET CASH (USED IN) FROM FINANCING ACTIVITIES** | **(115)** | 172 |
| **NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS** | **(18,269)** | 17,387 |
| **EFFECT OF CHANGE IN EXCHANGE RATES** | **(254)** | 204 |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD** | **81,003** | 62,664 |
| **CASH AND CASH EQUIVALENTS AT END OF THE PERIOD,** represented by bank balances and cash | **62,480** | 80,255 |

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30th September, 2010*

## 1. BASIS OF PREPARATION

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

## 2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31st March, 2010 except as described below.

In the current interim period, the Group has applied, for the first time, a number of new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the HKICPA.

The principle adopted in HKAS 27 (Revised 2008) that a change in accounting basis is recognised as a disposal and re-acquisition at fair value is extended by consequential amendments to HKAS 31 "Interests in Joint Ventures" such that, on the loss of joint control, the Group measures at fair value any retained interest in the former jointly controlled entity. Improvements to HKFRSs issued in 2010, which clarified that such amendments to HKAS 31 as a result of HKAS 27 (Revised 2008) should be applied prospectively (with the exception of paragraph 46 of HKAS 31, which should be applied retrospectively), has been adopted by the Group in advance of its effective date.

This change has affected the accounting for the deemed disposal of the Group's interest in Nantong Jianghai Capacitor Company Limited ("Nantong Jianghai") which occurred in the current interim period. The amount of HK$1,213,828,000, being the difference between the carrying amount and fair value of the interest retained in Nantong Jianghai and adjusted for reclassification adjustment from translation reserve, has been recognised as gain on deemed disposal of the jointly controlled entity in profit or loss in the period. Had the Group's previous accounting policy been followed, the share of net assets of the retained 37.5% interest would have been regarded as cost for the purpose of subsequent accounting as interests in an associate under HKAS 28 "Investments in associates" as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any identified loss. The dilution of interest in Nantong Jianghai would be recognised as gain on deemed partial disposal of interest in Nantong Jianghai with the translation reserve being proportionately recycled to the profit or loss. As a result, the change in accounting policy has resulted in an increase in profit for the period of HK$925,542,000.

HKFRS 3 (Revised) Business Combinations (effective to business combination with acquisition date on or after 1st April, 2010), HKAS 27 (Revised) and the consequential amendments to other HKFRSs are also expected to affect the accounting for changes in ownership interests in future accounting periods, but the impact will only be determined once the details of future transactions is known.

## 2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

The application of the other new and revised HKFRSs has had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

The Group has not early applied the new and revised standards, amendments or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the adoption of these new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

## 3. SEGMENT INFORMATION

The Group's operating segments, based on information reported to the chief operating decision maker ("CODM"), the board of directors, for the purposes of resource allocation and performance assessment, focus on the types of products sold by the Group's operating divisions, which are liquid crystal displays ("LCDs") and liquid crystal displays modules ("LCMs").

Information regarding the above segments is reported below.

The following is an analysis of the Group's revenue and results by operating segment for the period under review:

**Six months ended 30th September, 2010**

| | LCDs | LCMs | Eliminations | Consolidated |
|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Revenue | | | | |
| External sales | 174,871 | 162,101 | – | 336,972 |
| Inter-segment sales | 35,079 | – | (35,079) | – |
| Total | 209,950 | 162,101 | (35,079) | 336,972 |
| Segment profit | 9,301 | 12,011 | | 21,312 |
| Interest income | | | | 181 |
| Dividend income | | | | 900 |
| Gain on fair value changes of held-for-trading investments | | | | 4,919 |
| Unallocated administrative costs | | | | (1,206) |
| Gain on fair value changes of derivative financial instrument | | | | 351 |
| Net exchange loss | | | | (675) |
| Share of profit of a jointly controlled entity | | | | 27,397 |
| Gain on deemed disposal of a jointly controlled entity | | | | 1,213,828 |
| Profit before income tax | | | | 1,267,007 |

## 3. SEGMENT INFORMATION *(continued)*

Six months ended 30th September, 2009

| | LCDs | LCMs | Eliminations | Total |
|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Revenue | | | | |
| External sales | 138,386 | 87,494 | – | 225,880 |
| Inter-segment sales | 16,861 | – | (16,861) | – |
| Total | 155,247 | 87,494 | (16,861) | 225,880 |
| Segment profit | 4,563 | 2,340 | | 6,903 |
| Interest income | | | | 76 |
| Unallocated administrative costs | | | | (1,486) |
| Net exchange gain | | | | 299 |
| Share of losses of associates | | | | (14,390) |
| Share of profit of a jointly controlled entity | | | | 22,050 |
| Profit before income tax | | | | 13,452 |

Segment profit represents the profit generated from each segment, net of selling and distribution costs and administration costs directly attributable to each segment without allocation of interest income, dividend income, fair value changes of held-for-trading investment and derivative financial instrument, unallocated administrative costs, net exchange differences, share of results of associates and a jointly controlled entity and gain on deemed disposal of a jointly controlled entity. This is the measure reported to the board of directors, the CODM, for the purpose of resource allocation and performance assessment.

## 4. OTHER GAINS AND LOSSES

| | **Six months ended** | |
|---|---|---|
| | **30.9.2010** | 30.9.2009 |
| | ***HK$'000*** | *HK$'000* |
| Gain (loss) on disposal of property, plant and equipment | **32** | (5) |
| Net exchange (loss) gain | **(675)** | 299 |
| Gain on fair value changes of derivative financial instrument | **351** | – |
| Gain on fair value changes of held-for-trading investments | **4,919** | – |
| | **4,627** | 294 |

## 5. GAIN ON DEEMED DISPOSAL OF A JOINTLY CONTROLLED ENTITY

At 31st March, 2010, the Group held a 50% interest in Nantong Jianghai and accounted for the investment as a jointly controlled entity. In September 2010, pursuant to the initial public offering of Nantong Jianghai whose shares were then listed on The Shenzhen Stock Exchange, the Group's shareholding in Nantong Jianghai had been diluted from 50% to 37.5%, resulting in a change of status from a jointly controlled entity to an associate.

The Group has retained the remaining 37.5% interest as interest in an associate. This transaction has resulted in the recognition of a gain on deemed disposal of interest in a jointly controlled entity in profit or loss and calculated as follows:

| | *HK$'000* |
|---|---|
| Fair value of investment retained | 1,423,811 |
| Less: carrying amount of investment on the date of change of status from a jointly controlled entity to an associate | (236,442) |
| Add: reclassification adjustment of translation reserve | 26,459 |
| Gain on deemed disposal | 1,213,828 |

The Group has undertaken not to dispose of any part or whole of its interests in Nantong Jianghai within three years of its listing.

## 6. INCOME TAX EXPENSE – OTHERS

| | **Six months ended** | |
|---|---|---|
| | **30.9.2010** | 30.9.2009 |
| | ***HK$'000*** | *HK$'000* |
| The tax charge comprises: | | |
| Current tax | | |
| Hong Kong | – | 32 |
| Other jurisdictions | **3,299** | 1,191 |
| Deferred taxation | | |
| Current period | **1,370** | 1,102 |
| | **4,669** | 2,325 |

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both periods. Taxation arising in other jurisdictions is calculated at the rate prevailing in the relevant jurisdiction.

Under the Law of the People's Republic of China ("PRC") on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1st January, 2008 onwards.

## 6. INCOME TAX EXPENSE – OTHERS *(continued)*

The Group's certain subsidiaries operating in the PRC were entitled to a "2+3" tax holiday under which these subsidiaries were exempted from enterprise income tax for two years starting from its first profit making year, followed by a 50% reduction for the subsequent three years. Although the "2+3" tax holiday has been revoked under the EIT Law, these PRC subsidiaries which are protected under grandfather relief could continue to enjoy the "2+3" tax holiday until 31st December, 2009. The applicable enterprise income tax rate for these PRC subsidiaries under the grandfather relief until its expiry is 12.5%.

Under the EIT Law, distributable profits earned by foreign investment enterprises since 1st January, 2008 is subject to withholding tax of 10% of profit distributed to foreign investors. However, pursuant to the Arrangement between the Mainland and Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion, the withholding tax aforementioned can be reduced to 5%, if the non-resident investor is a Hong Kong incorporated company, provided that the Hong Kong incorporated company beneficially owns no less than 25% of the PRC company.

Pursuant to the above-mentioned, the Group has recognised deferred tax liability for the Group's share of distributable profits earned by its PRC associate, Nantong Jianghai (jointly controlled entity until 29th September, 2010) since 1st January, 2008. No deferred tax liabilities have been recognised in respect of the PRC subsidiaries and the remaining associates as the subsidiaries and the remaining associates have no distributable profits since 1st January, 2008.

## 7. PROFIT FOR THE PERIOD

Profit for the period has been arrived at after charging (crediting):

| | **Six months ended** | |
|---|---|---|
| | **30.9.2010** | 30.9.2009 |
| | ***HK$'000*** | *HK$'000* |
| Depreciation of property, plant and equipment | **12,080** | 16,649 |
| (Reversal of) allowances for obsolete inventories (included in cost of sales) | **(994)** | 6,997 |
| Share of tax of a jointly controlled entity (included in share of profit of a jointly controlled entity) | **3,944** | 2,918 |
| Allowances for doubtful debts | **2,950** | 2,131 |

## 8. DIVIDEND

| | **Six months ended** | |
|---|---|---|
| | **30.9.2010** | 30.9.2009 |
| | ***HK$'000*** | *HK$'000* |
| Final dividend in respect of the year ended 31st March, 2010 of HK1 cent per share (2009: Final dividend in respect of the year ended 31st March, 2009 of HK1 cent per share) | **10,112** | 10,112 |

The final dividend for the year ended 31st March, 2010 of HK1 cent per share has been paid subsequent to 30th September, 2010.

## 9. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the following data:

| | Six months ended | |
|---|---|---|
| | **30.9.2010** | 30.9.2009 |
| Earnings attributable to the owners of the Company for the purpose of basic earnings per share (HK$'000) | **1,128,318** | 11,479 |
| Number of ordinary shares for the purpose of basic earnings per share | **1,011,155,171** | 1,011,155,171 |

No diluted earnings per share has been presented for both periods as there are no potential ordinary shares in issue.

## 10. MOVEMENT IN PROPERTY, PLANT AND EQUIPMENT

The Group incurred approximately HK$16,679,000 on the additions to the property, plant and equipment, of which approximately HK$277,000 had been paid in prior year as deposits for acquisition of property, plant and equipment.

## 11. TRADE AND OTHER RECEIVABLES / BILLS RECEIVABLES

The Group allows a credit period of 30-120 days to its trade customers.

The following is an aged analysis by invoice date of trade receivables, net of allowance for doubtful debts, at the end of the reporting period:

| | **30.9.2010** | 31.3.2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| 1 – 30 days | **53,026** | 37,833 |
| 31 – 60 days | **56,445** | 21,379 |
| 61 – 90 days | **9,768** | 13,815 |
| 91 – 120 days | **332** | 1,484 |
| | **119,571** | 74,511 |

All the Group's bill receivables as at 30th September, 2010 and 31st March, 2010 were due within 90 days.

## 12. AMOUNTS DUE FROM AND TO ASSOCIATES

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

## 13. DERIVATIVE FINANCIAL INSTRUMENT

At 30th September, 2010, the Group has outstanding equity accumulator contract with maturity date in April 2011. The derivative financial instruments is classified as held-for-trading investment and measured at fair value at the end of reporting period. Based on the contract, the Group has an obligation to purchase a specified number of blue-chip Hong Kong listed equity security ("Shares") daily if the stock price is higher than the predetermined forward price, and purchase double of the Shares daily if such stock price is lower than the predetermined forward price. The counterparty financial institution can terminate the contract when the market price of the underlying equity security is higher than a knock-out price set out in the contract.

## 14. TRADE AND OTHER PAYABLES/BILLS PAYABLES

The following is an aged analysis by invoice date of trade payables at the end of the reporting period:

| | **30.9.2010** | 31.3.2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Up to 30 days | **30,897** | 21,039 |
| 31 – 60 days | **23,252** | 13,888 |
| 61 – 90 days | **17,629** | 11,438 |
| 91 – 120 days | **8,686** | 6,461 |
| Over 120 days | **2,776** | 4,943 |
| | **83,240** | 57,769 |

All the Group's bills payables as at 30th September, 2010 and 31st March, 2010 were due within 90 days.

## 15. SHARE CAPITAL

| | **Number of shares** | **Share capital** |
|---|---|---|
| | | *HK$'000* |
| Ordinary shares of HK$0.20 each | | |
| Issued and fully paid | | |
| At 31st March, 2010 and 30th September, 2010 | 1,011,155,171 | 202,231 |

## 16. RELATED PARTY TRANSACTIONS

During the period, the Group had the following related party transactions:

| | | Six months ended | |
|---|---|---|---|
| | **Nature of transactions** | **30.9.2010** | 30.9.2009 |
| | | ***HK$'000*** | *HK$'000* |
| An associate | Accountancy service income | **180** | 180 |

### Compensation of key management personnel

During the period, the Group's remuneration paid to the directors, the key management personnel of the Group are as follows:

| | Six months ended | |
|---|---|---|
| | **30.9.2010** | 30.9.2009 |
| | ***HK$'000*** | *HK$'000* |
| Fees | **180** | 180 |
| Other emoluments | | |
| Salaries and other benefits | **1,817** | 1,709 |
| Contributions to retirement benefit scheme | **86** | 69 |
| | **2,083** | 1,958 |

## 17. CAPITAL COMMITMENTS

| | **30.9.2010** | 31.3.2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Expenditure contracted for but not provided in the condensed consolidated financial statements in respect of: | | |
| – acquisition of property, plant and equipment | **24,232** | 162 |
| – additional capital injection in an associate | **–** | 45,464 |
| | **24,232** | 45,626 |

## 18. CONTINGENT LIABILITIES

As at 30th September, 2010, there is no share of contingent liabilities of the associates incurred jointly with other investors and the Group is not severally liable for any liabilities of the associates.

As at 31st March, 2010, a jointly controlled entity of the Group, Nantong Jianghai provided guarantees amounting to approximately HK$74,400,000 to banks in respect of bank facilities granted to a supplier and two jointly controlled entities of Nantong Jianghai, of which HK$37,200,000 was shared by the Group. The directors considered that the fair values of the financial guarantees were insignificant.

## 19. PLEDGE OF ASSETS

At 30th September, 2010, securities trading facility in respect of investment in derivative financial instrument to the extent of approximately HK$10 million had been utilised. The facility is secured by the held-for-trading investments of the Group of approximately HK$54 million.