

**ANWELL TECHNOLOGIES LIMITED (REG NO. 200308707W)**

**ANNOUNCEMENT**

**Unaudited Second Quarter Financial Statement Announcement**

**1(a)(i) A consolidated income statement for the Group together with a comparative statement for the corresponding period of the immediately preceding financial year.**

UNAUDITED INCOME STATEMENT FOR THE SECOND QUARTER ENDED 30 JUNE 2010

**Group**

	Quarter 2 ended			Half year ended		
	30/6/2010	30/6/2009	Change	30/6/2010	30/6/2009	Change
	HK\$'000	HK\$'000	%	HK\$'000	HK\$'000	%
<b>Sales</b>	294,148	191,306	54	506,622	404,539	25
<b>Cost of sales</b>	(281,551)	(163,928)	72	(487,330)	(325,381)	50
<b>Gross profit</b>	12,597	27,378	(54)	19,292	79,158	(76)
<b>Other gains</b>	17,889	4,599	289	23,360	6,952	236
<b>Distribution expenses</b>	(12,454)	(8,792)	42	(23,145)	(17,737)	30
<b>Administrative expenses</b>	(77,892)	(52,157)	49	(143,088)	(105,387)	36
<b>Other operating charge</b>	(14,500)	(4,907)	195	(20,750)	(11,587)	79
<b>Loss from operations</b>	(74,360)	(33,879)	119	(144,331)	(48,601)	197
<b>Finance expenses</b>	(9,227)	(7,725)	19	(17,040)	(15,860)	7
<b>Fair value gain/(loss) on derivative</b>	95	(635)	(115)	335	(647)	(152)
<b>Loss before income tax</b>	(83,492)	(42,239)	98	(161,036)	(65,108)	147
<b>Income tax (charge)/credit</b>	(10,585)	99	(10,792)	(23,546)	(971)	2,325
<b>Loss for the period</b>	(94,077)	(42,140)	123	(184,582)	(66,079)	179
<b>Attributable to:</b>						
<b>Equity holders of the Company</b>	(90,374)	(44,932)	101	(178,169)	(67,584)	164
<b>Minority Interests</b>	(3,703)	2,792	(233)	(6,413)	1,505	(526)
	(94,077)	(42,140)	123	(184,582)	(66,079)	179

**1(a)(ii) A statement of comprehensive income for the Group together with a comparative statement for the corresponding period of the immediately preceding financial year.**

UNAUDITED STATEMENT OF COMPREHENSIVE INCOME FOR SIX MONTHS ENDED 30 JUNE 2010

**Group**

	Quarter 2 ended			Half year ended		
	30/6/2010	30/6/2009	Change	30/6/2010	30/6/2009	Change
	HK\$'000	HK\$'000	%	HK\$'000	HK\$'000	%
<b>Loss for the period</b>	(94,077)	(42,140)	123	(184,582)	(66,079)	179
<b>Currency translation differences</b>	7,163	(3,412)	(310)	8,279	484	1,611
<b>Total comprehensive loss for the period</b>	<u>(86,914)</u>	<u>(45,552)</u>	91	<u>(176,303)</u>	<u>(65,595)</u>	169
<b>Total comprehensive loss attributable to:</b>						
<b>Equity holders of the Company</b>	(84,294)	(48,431)	74	(171,014)	(67,195)	155
<b>Minority interests</b>	<u>(2,620)</u>	<u>2,879</u>	(191)	<u>(5,289)</u>	<u>1,600</u>	(431)
	<u>(86,914)</u>	<u>(45,552)</u>	91	<u>(176,303)</u>	<u>(65,595)</u>	169

Loss for the financial period is arrived at charging / (crediting) the following:

**Group**

	Quarter 2 ended			Half year ended		
	30/6/2010	30/6/2009	Change	30/6/2010	30/6/2009	Change
	HK\$'000	HK\$'000	%	HK\$'000	HK\$'000	%
Depreciation	57,608	40,986	41	106,192	79,566	33
Government subsidies	(15,414)	(3,735)	313	(19,946)	(5,439)	267
Interest income	(60)	(62)	(3)	(74)	(523)	(86)
(Gain)/loss on disposal of property, plant and equipment	(70)	1,701	(104)	(70)	1,701	(104)
Interest on bank borrowings	7,416	5,232	42	13,459	10,283	31
Interest on convertible bond	-	623	(100)	-	1,320	(100)
Interest on redeemable notes	1,811	1,696	7	3,581	3,343	7
Interest on notes payable	-	176	(100)	-	916	(100)
Fair value loss/(gain) on forward contracts not qualifying as hedges	886	(40)	(2,315)	502	(17)	(3,053)
Fair value loss on staff loans	-	372	(100)	-	372	(100)
Foreign exchange (gain)/loss	(2,614)	(1,162)	125	(1,492)	367	(506)
(Recovery of)/allowance for doubtful debts	(583)	6	(9,817)	(583)	6	(9,817)
Amortisation of intangible assets	1,583	2,709	(42)	3,166	5,418	(42)
Amortisation of capitalised development cost	611	604	1	1,216	1,208	1
Research and development costs	14,109	724	1,849	17,433	2,539	587

NM: Not meaningful

**1(b)(i) A Statement of Financial Position (for the issuer and Group), together with a comparative statement as at the end of the immediately preceding financial year.**

	Group		Company	
	30/6/2010	31/12/2009	30/6/2010	31/12/2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Current Assets</b>				
Cash and cash equivalents	137,822	201,416	543	5,500
Trade and other receivables	240,424	186,842	212,738	121,392
Tax recoverable	27,369	15,221	-	-
Inventories	357,526	270,359	-	-
Other current assets	246,517	212,145	728	576
<b>Total current assets</b>	<b>1,009,658</b>	<b>885,983</b>	<b>214,009</b>	<b>127,468</b>
<b>Non-current assets</b>				
Other non-current assets	1,515	1,347	-	-
Investment in subsidiaries	-	-	946,863	937,113
Investment in a joint venture	-	-	43,680	43,680
Intangible assets	171,070	173,007	-	-
Deferred tax assets	158,604	181,509	-	-
Property, plant and equipment	1,497,977	1,531,222	-	-
<b>Total non-current assets</b>	<b>1,829,166</b>	<b>1,887,085</b>	<b>990,543</b>	<b>980,793</b>
<b>Total assets</b>	<b>2,838,824</b>	<b>2,773,068</b>	<b>1,204,552</b>	<b>1,108,261</b>
<b>Current liabilities</b>				
Trade and other payables	635,788	592,655	23,310	21,369
Deferred income	61,602	45,943	-	-
Borrowings	496,974	418,635	379	4,379
Redeemable notes	2,043	2,039	-	-
Provision for taxation	24,604	33,925	-	-
<b>Total current liabilities</b>	<b>1,221,011</b>	<b>1,093,197</b>	<b>23,689</b>	<b>25,748</b>
<b>Non-current liabilities</b>				
Trade and other payables	29,855	29,609	-	-
Redeemable notes	60,619	59,533	-	-
Deferred tax liabilities	23,503	24,554	-	-
Borrowings	36,346	62,678	-	-
Deferred income	126,146	87,658	-	-
	276,469	264,032	-	-
<b>Total liabilities</b>	<b>1,497,480</b>	<b>1,357,229</b>	<b>23,689</b>	<b>25,748</b>
<b>Net Assets</b>	<b>1,341,344</b>	<b>1,415,839</b>	<b>1,180,863</b>	<b>1,082,513</b>

<b>Equity</b>				
Share capital	1,231,116	1,129,308	1,231,116	1,129,308
Translation reserve	60,701	53,546	-	-
Other reserves (Accumulated losses)/retained earnings	3,914	3,914	3,914	3,914
	(92,042)	86,127	(54,167)	(50,709)
<b>Shareholders' equity</b>	<b>1,203,689</b>	<b>1,272,895</b>	<b>1,180,863</b>	<b>1,082,513</b>
<b>Minority interests</b>	<b>137,655</b>	<b>142,944</b>	<b>-</b>	<b>-</b>
<b>Total equity</b>	<b>1,341,344</b>	<b>1,415,839</b>	<b>1,180,863</b>	<b>1,082,513</b>

**1(b)(ii) Aggregate amount of Group's borrowings and debt securities.**

**Amount repayable in one year or less, or on demand**

	<b>As at 30/6/2010</b>		<b>As at 31/12/2009</b>	
	Secured HK\$'000	Unsecured HK\$'000	Secured HK\$'000	Unsecured HK\$'000
Notes payable	-	379	-	4,379
Redeemable notes	-	2,043	-	2,039
Borrowings	496,595	-	414,256	-

**Amount repayable after one year**

	<b>As at 30/6/2010</b>		<b>As at 31/12/2009</b>	
	Secured HK\$'000	Unsecured HK\$'000	Secured HK\$'000	Unsecured HK\$'000
Borrowings	36,346	-	62,678	-
Redeemable notes	-	60,619	-	59,533

**Details of any collateral**

Corporate guarantee has been provided by the Company for interest bearing borrowings totaling HK\$483,215,000 to wholly-owned subsidiaries as at 30 June 2010.

The Company has issued interest bearing redeemable notes amounting to HK\$62,662,000 as at 30 June 2010.

1(c) A statements of Cash Flows for the Group, together with a comparative statement for the corresponding period of the immediately preceding financial year.

Group	3 months ended		Half year ended	
	30/6/2010	30/6/2009	30/6/2010	30/6/2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Cash flows from operating activities</b>				
<b>Loss before income tax</b>	(83,492)	(42,239)	(161,036)	(65,108)
Adjustment for:				
Amortisation of intangible assets	2,194	3,313	4,382	6,626
Depreciation on property, plant and machinery	57,608	40,986	106,192	79,566
(Gain)/loss on disposal of property, plant and equipment	(70)	1,701	(70)	1,701
(Gain)/loss on derivative components of redeemable notes	(95)	635	(335)	647
(Recovery of)/allowance for doubtful debts	(583)	6	(583)	6
Amortisation of deferred income	(14,588)	(82)	(19,120)	(163)
Interest income	(60)	(62)	(74)	(523)
Interest expenses	9,227	7,725	17,040	15,860
Fair value loss on staff loans	-	372	-	372
Financial assets at fair value – fair value loss/ (gain)	866	(40)	502	(17)
<b>Operating cash (outflow)/inflow before working capital changes</b>	<b>(28,993)</b>	<b>12,315</b>	<b>(53,102)</b>	<b>38,967</b>
<b>Change in operating assets and liabilities</b>				
Trade and other receivables	(54,420)	(1,106)	(52,999)	(7,584)
Inventories	(1,160)	(4,478)	(87,167)	125,484
Other current assets	27,921	59,597	(34,540)	94,553
Trade and other payables	(53,529)	(31,473)	42,877	(108,127)
Deferred income	862	6,168	72,159	9,614
<b>Cash (used in)/generated from operations</b>	<b>(109,319)</b>	<b>41,023</b>	<b>(112,772)</b>	<b>152,907</b>
Income tax paid	(11,418)	(2,280)	(23,417)	(14,869)
<b>Net cash (used in)/provided by operating activities</b>	<b>(120,737)</b>	<b>38,743</b>	<b>(136,189)</b>	<b>138,038</b>
<b>Cash flows from investing activities</b>				
Purchase of property, plant and equipment	(13,683)	(63,300)	(61,244)	(233,475)
Proceeds from sale of property, plant and equipment	70	1	70	1
Additions in intangible assets	-	(2,588)	(1,545)	(5,237)
Interest received	60	28	74	64
<b>Net cash used in investing activities</b>	<b>(13,553)</b>	<b>(65,859)</b>	<b>(62,645)</b>	<b>(238,647)</b>

<b>Cash flows from financing activities</b>				
Fixed deposit pledged	3,723	(43,559)	(8,504)	(43,559)
Repayment of finance leases	(1,900)	(2,423)	(4,074)	(6,114)
Repayment of short term bank borrowings, trust receipts and import trade loans	(245,372)	(131,246)	(478,786)	(298,628)
Proceeds from short term bank borrowings, trust receipts and import trade loans	275,281	265,621	524,203	509,616
Repayment of notes payable	(4,000)	(8,191)	(4,000)	(14,191)
Repayment of convertible note	-	(43,680)	-	(43,680)
Proceeds from issuance of ordinary shares pursuant to the Rights Issue	102,500	-	102,500	-
Payments for shares issuance costs	(256)	-	(256)	-
Interest paid	(7,415)	(9,438)	(16,506)	(17,294)
<b>Net cash generated from financing activities</b>	<u>122,561</u>	<u>27,084</u>	<u>114,577</u>	<u>86,150</u>
<b>Net decrease in cash and cash equivalents</b>	(11,729)	(32)	(84,257)	(14,459)
Cash and cash equivalents at the beginning of the financial period (see note (a) below)	116,399	207,994	187,777	220,941
Currency translation differences	<u>11,209</u>	<u>(844)</u>	<u>12,359</u>	<u>634</u>
<b>Cash and cash equivalents at the end of the financial period (see note (a) below)</b>	<u><u>115,879</u></u>	<u><u>207,118</u></u>	<u><u>115,879</u></u>	<u><u>207,118</u></u>

(a) The cash and cash equivalents at the beginning of the financial period and at the end of the financial period exclude pledged cash of HK\$13,639,000 and HK\$21,943,000 respectively.

1(d)(i) A consolidated statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative for the corresponding period of the immediately preceding financial year.

**UNAUDITED CONSOLIDATED STATEMENT  
OF CHANGES IN EQUITY**

Group	Other reserves				Total	Minority Interests	Total Equity
	Issued Share Capital	Foreign Currency Translation Reserve	Equity Component of Convertible Bond	(Accumulated losses) /Retained Earnings			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Balance at 1 January 2010</b>	1,129,308	53,546	3,914	86,127	1,272,895	142,944	1,415,839
Comprehensive loss for the period	-	-	-	(87,795)	(87,795)	(2,710)	(90,505)
Currency translation differences	-	1,075	-	-	1,075	41	1,116
Total comprehensive loss for the period	-	1,075	-	(87,795)	(86,720)	(2,669)	(89,389)
<b>Balance as at 31 March 2010</b>	1,129,308	54,621	3,914	(1,668)	1,186,175	140,275	1,326,450
Issuance of shares on Rights Issue	101,808	-	-	-	101,808	-	101,808
Comprehensive loss for the period	-	-	-	(90,374)	(90,374)	(3,703)	(94,077)
Currency translation differences	-	6,080	-	-	6,080	1,083	7,163
Total comprehensive loss for the period	-	6,080	-	(90,374)	(84,294)	(2,620)	(86,914)
<b>Balance as at 30 June 2010</b>	1,231,116	60,701	3,914	(92,042)	1,203,689	137,655	1,341,344
<b>Balance at 1 January 2009</b>	1,129,308	52,473	3,914	(65,213)	1,120,482	148,403	1,268,885
Total comprehensive loss for the period	-	3,889	-	(22,653)	(18,764)	(1,279)	(20,043)
<b>Balance as at 31 March 2009</b>	1,129,308	56,362	3,914	(87,866)	1,101,718	147,124	1,248,842
Total comprehensive loss for the period	-	(3,500)	-	(44,931)	(48,431)	2,879	(45,552)
<b>Balance as at 30 June 2009</b>	1,129,308	52,862	3,914	(132,797)	1,053,287	150,003	1,203,290

Company	Issued Share Capital HK\$'000	Equity Component of Convertible Note HK\$'000	Accumulated losses HK\$'000	Total Equity HK\$'000
<b>Balance at 1 January 2010</b>	1,129,308	3,914	(50,709)	1,082,513
Total comprehensive loss for the period	-	-	(1,771)	(1,771)
<b>Balance at 31 March 2010</b>	1,129,308	3,914	(52,480)	1,080,742
Issuance of shares on Rights Issue	101,808	-	-	101,808
Total comprehensive loss for the period	-	-	(1,687)	(1,687)
<b>Balance at 30 June 2010</b>	1,231,116	3,914	(54,167)	1,180,863

Company	Issued Share Capital HK\$'000	Equity Component of Convertible Note HK\$'000	Accumulated losses HK\$'000	Total Equity HK\$'000
<b>Balance at 1 January 2009</b>	1,129,308	3,914	(36,397)	1,096,825
Total comprehensive loss for the period	-	-	(2,241)	(2,241)
<b>Balance at 31 March 2009</b>	1,129,308	3,914	(38,638)	1,094,584
Total comprehensive loss for the period	-	-	(1,254)	(1,254)
<b>Balance at 30 June 2009</b>	1,129,308	3,914	(39,892)	1,093,330

**1(d)(ii) Details of any changes in Company's share capital arising from rights issue, bonus issue, share buy-back, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.**

During the period, the number of Shares issued upon Rights Issue was 50,927,875.

**1(d)(iii) The total number of issue shares excluding treasury shares as at the end of the current financial period and as at the end of immediately preceding year.**

The Company did not hold any treasury shares as at 30 June 2010 and 31 December 2009.

The Company's total number of issued shares excluding treasury shares as at 30 June 2010 and 31 December 2009 was 305,567,250 and 254,639,375 respectively.

**1(d)(iv) A statement showing all sales, transfers disposal, cancellation and/or use of treasury shares as at the end of the current financial period on.**

Not applicable.

**2 Whether the figures have been audited, or reviewed and in accordance with standard (e.g. the Singapore Standard on Auditing 910 (Engagements to Review Financial Statements), or an equivalent standard.**

The figures have not been audited or reviewed.

**3 Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter).**

Not applicable.

**4 Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statement have been applied.**

The Group and the Company have applied the same accounting policies and methods of computation in the financial statements for the current period as those of the audited annual financial statements as at 31 December 2009.

**5 If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect or, the change.**

Not applicable.

**6 Loss per ordinary share of the Group for the current period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.**

Loss per ordinary Share (based on net loss for the financial period)

	3 months ended		Half year ended	
	30/6/2010	30/6/2009	30/6/2010	30/6/2009
(a) Based on basic basis				
Loss per Share – (HK cents)	(34.16)	(16.55)	(67.35)	(25.95)
Loss per Share – (cents)	(6.11)	(3.15)	(12.05)	(4.79)
(b) On a fully diluted basis				
Loss per Share – (HK cents)	(34.16)	(16.55)	(67.35)	(25.95)
Loss per Share – (cents)	(6.11)	(3.15)	(12.05)	(4.79)

The basic loss per Share for 6 months ended 30 June 2010 and 30 June 2009 have been calculated based on the weighted average share capital of 264,545,893 Shares and 254,639,375 Shares respectively.

As the convertible bond was fully repaid during the year ended 31 December 2009, there were no potentially dilutive ordinary shares for the 6 months ended 30 Jun 2010 and as such no diluted EPS is presented.

Diluted loss per Share for 6 months ended 30 June 2010 and 30 June 2009 have been calculated based on the weighted average number of share capital of 264,545,893 Shares and 254,639,375 Shares.

There was no material impact on prior period EPS on adoption of the revised FRS as discussed in paragraph 5.

**Note:**

For illustration purpose, the EPS is translated from HK cents to Singapore cents using the average exchange rates for each respective financial period.

**7 Net asset value (for the issuer and the Group) per ordinary share based on issued share capital of the issuer at the end of the (a) current period reported on and (b) immediately preceding financial year.**

Net Asset Value Per Ordinary Share (based on issued share capital as at the end of the financial period)

	Group		Company	
	30/6/2010	31/12/2009	30/6/2010	31/12/2009
NAV per Share (HK cents)	393.92	499.88	386.45	425.12
NAV per Share (cents)	70.01	97.69	68.68	83.08

The net asset value per ordinary share at the end of the current period and immediately preceding financial year have been calculated based on 305,567,250 and 254,639,375 ordinary shares.

There was no material impact on prior period net asset value per share on adoption of the revised FRS as discussed in paragraph 5.

**Note:**

For illustration purpose, the NAV per Share is translated from HK cents to Singapore cents using the closing exchange rates for each respective financial period.

**8 A review of the performance of the Group, to the extent necessary for a reasonable understanding of the Group's business. The review must discuss any significant factors that affected the turnover, costs, and earnings of the Group for the current financial period reported on, including (where applicable) seasonal or cyclical factors. It must also discuss any material factors that affected the cash flow, working capital assets or liabilities of the Group during the current financial period reported on.**

**Consolidated Income Statement**

**2Q10 vs 2Q09**

The Group's turnover and gross profit for 2Q10 were HK\$294.1 million and HK\$12.6 million respectively, compared to HK\$191.3 million and HK\$27.4 million in 2Q09. HK\$170.4 million out of total revenue was contributed by the media products business, HK\$95.1 million were contributed by solar cells business and others of HK\$28.6 million represented the revenue from the sales of equipment.

Other gains for 2Q10 were HK\$17.9 million compared to HK\$4.6 million recorded in 2Q09. The increase was mainly due to recognition of government grants in relation to several high-technology development projects including OLED projects during the period.

Distribution expenses for 2Q10 were HK\$12.5 million, 42% higher than the HK\$8.8 million recorded in 2Q09. Increase in distribution expenses were mainly due to increase in turnover during the period. Most of the distribution expenses were attributed to transportation costs in respect of shipments to customers during the period. Others are commission expenses payable to overseas agents as well as overseas travelling, selling and promotional expenses incurred for attending different trade shows and exhibitions during the period.

Administrative expenses for 2Q10 were HK\$77.9 million, 49% higher than the HK\$52.2 million recorded in 2Q09. The increase was due to start up production overheads, an expanding scale of operation of the solar business division, and the increase in staff cost relating to the research and development projects.

Other operating expenses for 2Q10 were HK\$14.5 million, compared to HK\$4.9 million recorded in 2Q09. Amortisation expense was HK\$2.2 million in 2Q10 compared to HK\$3.3 million in 2Q09, which represented amortisation expense of capitalised development cost and intangible assets. R&D expenses were HK\$14.1 million in 2Q10 compared to HK\$0.7 million in 2Q09, which represented various projects in optimising the technologies and performance in media production and further enhancements in the development of the solar business. Net foreign exchange gain for 2Q10 was HK\$2.6 million, compared to net foreign exchange gain of HK\$1.2 million recorded in 2Q09. It was mainly due to exchange gain derived from the forward foreign exchange contracts for hedging foreign exchange position.

Finance expenses in 2Q10 were HK\$9.2 million as compared to HK\$7.7 million in 2Q09. The amount mainly represents fees and interest payable to banks and interest expenses for redeemable notes for the new solar business division, which was calculated by using the effective interest method.

Fair value gain on derivative of HK\$0.1 million represented the fair value changes of the derivative component of the redeemable notes, which does not have actual cash flow impact to the Group.

The income tax charge of HK\$10.6 million mainly represented the reversal of deferred tax assets.

### **1H10 vs 1H09**

Group's turnover in 1H10 increased by 25%. However, the gross profit decreased by 76% compared to 1H09. Due to keen competition in media products business, a lower gross margin was resulted from the drop in the selling price of media products. In addition, the purchase price of polycarbonate, one of the key raw materials for optical media, has also increased. For equipment business, the sales of spare parts contributed a lower gross margin when compared to sales of manufacturing equipment.

Distribution expenses increased from HK\$17.7 million in 1H09 to HK\$23.1 million in 1H10, mainly due to increase in transportation cost in respect of increase in turnover. Administrative expenses increased from HK\$105.4 million to HK\$143.1 million. The increase in administrative expenses during the period were due to start up production overheads, an expanding scale of operation of the solar business division, and the increase in staff cost relating to the research and development projects.

Other operating charge of HK\$20.8 million in 1H10, compared to HK\$11.6 million in 1H09, was mainly due to the increase in R&D expenditure on various projects in optimising the performance and technologies for the media production and further enhancement in the development of solar machinery during the period.

Finance expenses increased from HK\$15.9 million 1H09 to HK\$17.0 million in 1H10. The increase was mainly due to the interest on redeemable notes for the new solar business division (which was calculated by using the effective interest method) and the increase in bank borrowings.

Fair value gain on derivative of HK\$0.3 million in 1H10, compared to a loss of HK\$0.7 million in 1H09, represented the fair value changes of the derivative component of the redeemable notes, which does not have actual cash flow impact to the Group.

The income tax charge of HK\$23.5 million in 1H10, compared to HK\$1.0 million, in 1H09, mainly represented the reversal of deferred tax assets of the Group.

### **Statements of Financial Position**

As at 30 June 2010, the Group's cash at bank and in hand excluding pledged deposit was HK\$115.9 million compared to HK\$187.8 million as at 31 December 2009. During the quarter, net proceeds of S\$18.1 million (HK\$102.5 million) was received upon the Rights Issue. Up to 30 June 2010, the Group has utilised S\$14.2 million (HK\$74.2 million) of the proceeds from Rights Issue for general working capital purposes.

The Group's inventory balances had increased from HK\$270.4 million as at 31 December 2009 to HK\$357.5 million as at 30 June 2010. The increase was mainly attributable to the solar business division and media products manufacturing business. These inventories were prepared and held for orders to be shipped in coming quarters.

Property, plant and equipment and leasehold land was HK\$1,498.0 million as at 30 June 2010 compared to HK\$1,531.2 million as at 31 December 2009. No material additions were made during the period.

Trade and other receivables was HK\$240.4 million as at 30 June 2010 as compared to HK\$186.8 million as at 31 December 2009. The increase in trade and bills receivable were mainly due to the increased business activities of the Group's turnover in the period.

Other current assets were HK\$246.5 million as at 30 June 2010. The amount mainly represented the VAT receivables from PRC government and deposits and prepayments placed with suppliers and service vendors.

Deferred income amounting to HK\$187.7 million as at 30 June 2010 mainly represented the government grants for OLED projects and solar projects in the People's Republic of China.

Redeemable notes amounting to HK\$62.7 million as at 30 June 2010, represented the fund raised for the development of solar project in 2008.

Borrowings increased from HK\$481.3 million as at 31 December 2009 to HK\$533.3 million as at 30 June 2010 mainly represented bank borrowings for working capital in the ordinary course of business. Most of current bank borrowings are revolving in nature.

Trade payable and other payables increased from HK\$622.3 million as at 31 December 2009 to HK\$665.6 million as at 30 June 2010. The increase was mainly due to the increased business activities of the Group's solar products division in the quarter.

**9 Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual result.**

Not applicable.

**10 A commentary at the date of the announcement of the competitive conditions of the industry in which the Group operates and any known factors or events that may affect the Group in the next reporting period and the next 12 months.**

**Solar Business**

Global shipments of solar modules reached 3.7GW or sales of US\$7.1 billion in 2Q10. According to industry consensus, the robust sales figures is expected to continue for the remainder of the year and could possibly reach 14GW by year end, a more than 100% year on year growth. Indeed, global demand is forecasted to spillover into 2011 with the shipment of another 14.5GW of solar modules. This comes on the back of aggressive targets set by countries to boost their solar capacity in the next few years. The Chinese National Energy Administration forecasts that China's total installed solar power could reach 500MW by year end, through favorable Government policies. In addition, China also plans to expand its solar PV energy market gradually, to about 5GW installation capacity in 2015 and 20GW in 2020. This bodes well for the Group's 40MW thin film solar plant in Henan, China.

**Optical Media Equipment**

According to the Digital Media Group, US sales of Blu-ray Disc saw a further 84% growth in the first six months of the year. Going forward, the growing acceptance of Blu-ray Disc media along with the increasing usage of Blu-ray Disc for 3D movies, will create additional opportunities for the Group's Blu-ray equipment.

**Media Products**

The Group plans to ride the current transition into next generation Blu-ray Disc media to broaden its product offerings. Barring any unforeseen circumstances, demand for the Group's media products is expected to remain firm, providing a steady stream of revenues for the Group.

**11 Dividend**

**(a) Current Financial Period Reported On  
Any dividend declared for the current financial period reported on?**

None.

**(b) Corresponding Period for the Immediately Preceding Financial Year  
Any dividend declared for the corresponding period of the immediately preceding financial year?**

None.

**(c) Date payable**

Not applicable.

**(d) Books closure date**

Not applicable.

**12 If no dividend has been declared/recommended, a statement to that effect.**

There is no dividend declared or recommended for the period ended 30 June 2010.

**13 Segmented revenue and results for business or geographical segments (of the Group) in the form presented in the issuer's most recently audited financial statements, with comparative information for the immediately preceding year.**

Not applicable.

**14 In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments.**

Not applicable.

**15 A breakdown of sales**

Not applicable.

**16 A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year.**

Not applicable.

**17 Statement pursuant to Rule 705(5) of the Listing Manual**

The directors confirm that, to the best of their knowledge, nothing has come to the attention of the Board of Directors which may render the accompanying unaudited interim financial results for the six months ended 30 June 2010 to be false or misleading in any material respect.

**BY ORDER OF THE BOARD**

**Fan Kai Leung**  
Chairman and Chief Executive Officer  
11 August 2010

**Wu Wai Kin**  
Executive Director