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ART TEXTILE TECHNOLOGY INTERNATIONAL COMPANY LIMITED

錦藝紡織科技國際有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 565)

2009 INTERIM RESULTS ANNOUNCEMENT

The board of directors (the “Board”) of Art Textile Technology International Company Limited (the “Company”) is pleased to announce the unaudited condensed consolidated interim financial statements of the Company and its subsidiaries (the “Group”) for the six months ended 31 December 2009 (the “Period”), which were reviewed by the auditor and the audit committee of the Company, together with the comparative figures for the previous corresponding period are as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 December 2009

		Six months ended	
		31.12.2009	31.12.2008
		(unaudited)	(unaudited)
	NOTES	HK\$'000	HK\$'000
Turnover		377,615	303,351
Cost of sales		(339,111)	(252,426)
Gross profit		38,504	50,925
Other income		9,087	1,633
Administrative expenses		(17,350)	(18,806)
Selling and distribution costs		(10,982)	(9,253)
Other expenses		(1,334)	(1,494)
Finance costs	4	(9,688)	(5,879)
Profit before taxation		8,237	17,126
Income tax expense	5	(6,774)	(9,448)
Profit for the period	6	1,463	7,678
Other comprehensive income for the period			
Exchange difference arising on translation of financial statement of foreign operations		–	16,419
Total comprehensive income for the period		1,463	24,097
EARNINGS PER SHARE	8		
– Basic, in Hong Kong cents		0.14	0.74
– Diluted, in Hong Kong cents		0.14	0.74

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION*At 31 December 2009*

	31.12.2009 (unaudited) HK\$'000	30.6.2009 (audited) HK\$'000
NON-CURRENT ASSETS		
Property, plant and equipment	565,453	530,136
Prepaid lease payments – non-current portion	118,786	120,100
Deposits for acquisition of plant and equipment	36,415	21,164
	<u>720,654</u>	<u>671,400</u>
CURRENT ASSETS		
Inventories	66,033	59,342
Trade and other receivables	167,110	97,115
Prepaid lease payments – current portion	2,627	2,627
Pledged bank deposits	65,771	37,139
Bank balances and cash	394,395	434,804
	<u>695,936</u>	<u>631,027</u>
CURRENT LIABILITIES		
Trade and other payables	201,315	206,717
Tax liabilities	3,483	9,460
Bank borrowings – due within one year	292,955	234,163
Obligations under finance leases – due within one year	30,438	11,781
	<u>528,191</u>	<u>462,121</u>
NET CURRENT ASSETS	<u>167,745</u>	<u>168,906</u>
	<u>888,399</u>	<u>840,306</u>
CAPITAL AND RESERVES		
Share capital	10,406	10,406
Share premium and other reserves	815,252	813,789
	<u>825,658</u>	<u>824,195</u>
NON-CURRENT LIABILITIES		
Obligations under finance leases – due after one year	56,473	11,003
Deferred tax liabilities	6,268	5,108
	<u>62,741</u>	<u>16,111</u>
	<u>888,399</u>	<u>840,306</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2009

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 (the “Listing Rules”) and with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting”.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 30 June 2009 except for the matters described below.

In the current interim period, the Group has applied, for the first time, a number of Hong Kong Accounting Standards (“HKASs”), Hong Kong Financial Reporting Standards (“HKFRSs”), amendments and interpretation (“HK(IFRIC) – Int”) (hereinafter collectively referred to as the “new HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), that are relevant to its operations and effective for the Group’s financial year beginning on or after 1 July 2009.

HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 32 & HKAS 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKAS 39 (Amendment)	Eligible Hedged items
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 1 (Revised)	First-time Adoption of HKFRSs
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 3 (Revised)	Business Combinations
HKFRS 5 (Amendments)	Plan to sell the controlling interest in a subsidiary
HKFRS 7 (Amendment)	Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC) – Int 17	Distribution of Non-cash Assets to Owners
HK(IFRIC) – Int 18	Transfer of Assets from Customers
HKFRSs (Amendments)	Improvements to HKFRSs 2008
HKFRSs (Amendments)	Improvements to HKFRSs 2009 except for the improvements that are effective for annual periods on or after 1 January 2010

The above new/revised HKFRSs are mandatory for the first time for the financial year beginning on 1 July 2009. The adoption of the new/revised HKFRSs, except for HKAS 1 (Revised) and HKFRS 8 as described below, had no material effect on the results and financial position for the current or prior accounting periods which have been prepared and presented. Accordingly, no prior period adjustment has been recognised.

HKAS 1 (Revised) introduces changes in the presentation and disclosures of financial statements. The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, this standard also introduces the statement of comprehensive income, with all items of income and expenses recognised in profit or loss, together with all items of recognised income and expenses recognised directly in equity, either in one single statement, or in two linked statements. The Group has elected to present one performance statement: the consolidated statement of comprehensive income. The interim financial information has been prepared under the revised disclosure requirements.

HKFRS 8 is a disclosure standard that requires the identification of operating segments to be performed on the same basis as financial information that is reported internally to the chief operating decision-maker for the purpose of allocating resources to segments and assessing their performance. The predecessor standard, HKAS 14 “Segment Reporting”, required the identification of two sets of segments (business and geographical) using a risks and returns approach. The application of HKFRS 8 has resulted in a redesignation of the Group’s reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14 (see note 3 to the condensed consolidated financial statements).

During the current accounting period, the Group has early adopted HKFRS 8 “Operating Segment”, which is effective for accounting periods beginning on or after 1 January 2010. The early adoption of HKFRS 8 results in new disclosures in the financial statements and does not have impact on the Group’s results of operations and financial position.

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs 2009 ¹
HKAS 24 (Revised)	Related Party Disclosures ²
HKAS 32 (Amendments)	Classification of Rights Issues ³
HKFRS 1 (Amendments)	Additional Exemptions for First-time Adopters ⁴
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters ⁶
HKFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions ⁴
HKFRS 9	Financial Instruments ⁵
HK(IFRIC) – Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement ²
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments ⁶

¹ Amendments that are effective for annual periods beginning on or after 1 January 2010, as appropriate

² Effective for annual periods beginning on or after 1 January 2011

³ Effective for annual periods beginning on or after 1 February 2010

⁴ Effective for annual periods beginning on or after 1 January 2010

⁵ Effective for annual periods beginning on or after 1 January 2013

⁶ Effective for annual periods beginning on or after 1 July 2010

The directors of the Company anticipate that the application of these new and revised standards, amendments or interpretation will have no material effect on how the results and the financial position of the Group are prepared and presented.

3. SEGMENT INFORMATION

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker who reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

All of the Group's operations and assets are located in the PRC, except that less than 10% of the Group's turnover and profit in connection with sales to overseas customers are not separately reported. Therefore, the chief operating decision-maker only considers the Group's business from a product perspective, rather than from a geographic perspective. From a product perspective, management assesses the performance from sales of yarn and garment fabrics.

The chief operating decision-maker assesses the performance of the operating segments based on sales and net profit.

	Yarn HK\$'000	Garment fabrics HK\$'000	Total HK\$'000
Six months ended 31 December 2009			
Total sales	65,341	317,820	383,161
Inter-segment sales	<u>(1,749)</u>	<u>(3,797)</u>	<u>(5,546)</u>
Turnover (from external customers)	<u>63,592</u>	<u>314,023</u>	<u>377,615</u>
Segment results	(20,440)	30,782	10,342
Income tax expense			(6,774)
Central administration costs			<u>(2,105)</u>
Profit for the period			<u>1,463</u>
Depreciation and amortisation	<u>(17,364)</u>	<u>(13,212)</u>	<u>(30,576)</u>

	Yarn HK\$'000	Garment fabrics HK\$'000	Total HK\$'000
Six months ended 31 December 2008			
Total sales	–	307,149	307,149
Inter-segment sales	–	(3,798)	(3,798)
	<u>–</u>	<u>(3,798)</u>	<u>(3,798)</u>
Turnover (from external customers)	<u>–</u>	<u>303,351</u>	<u>303,351</u>
Segment results	(10,185)	32,620	22,435
Income tax expense			(9,448)
Central administration costs			<u>(5,309)</u>
Profit for the period			<u>7,678</u>
Depreciation and amortisation	<u>(681)</u>	<u>(12,604)</u>	<u>(13,285)</u>

4. FINANCE COSTS

	Six months ended	
	31.12.2009	31.12.2008
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interest on		
– Bank borrowings wholly repayable within five years	8,414	3,936
– Finance leases	<u>1,274</u>	<u>1,943</u>
	<u>9,688</u>	<u>5,879</u>

5. INCOME TAX EXPENSE

Six months ended	
31.12.2009	31.12.2008
HK\$'000	HK\$'000
(unaudited)	(unaudited)

The charge comprises:

PRC Foreign Enterprise Income Tax ("FEIT")		
– Current income tax	5,614	8,226
Deferred tax	1,160	1,222
	<u>6,774</u>	<u>9,448</u>

No provision for Hong Kong Profits Tax has been made in the condensed consolidated financial statements as the Group did not generate any assessable profits arising in Hong Kong during the six months ended 31 December 2008 and 2009.

FEIT is provided on the estimated assessable income of the period calculated in accordance with the relevant regulations of the PRC.

Adoption of Law of the PRC on Enterprise Income Tax

On 16 March 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC. On 6 December 2007, the State Council of the PRC issued the Implementation Regulations of the New Law (the "Implementation Regulations"). The New Law and the Implementation Regulations changed the tax rate to 25% for certain subsidiaries from 1 January 2008 onwards. According to the Circular of the State Council on the Implementation of Transitional Preferential Policies for Enterprise Income Tax (Guofa [2007] No. 39), certain tax exemption and deduction for FEIT is still applicable until the end of the five-year transitional period under the New Law.

For entities which are still entitled to unutilised tax holidays (including two-year exemption and three-year half rate) under the existing preferential tax treatments, the unutilised tax holiday is allowed to be carried forward to 2008 and future years until their expiry. However, if an entity has not yet commenced its tax holiday due to its loss position, the tax holiday is deemed to commence from 2008 onwards.

Tax concessions and holidays entitled by the Group

Fuzhou Huaguan Knitting and Springing Co., Ltd. ("Fuzhou Huaguan"), Fuzhou Huasheng Textile Co., Ltd. ("Fuzhou Huasheng"), Zhengzhou Hongye Textile Company Limited ("Zhengzhou Hongye") and Zhengzhou Huatai Textile Company Limited ("Zhengzhou Huatai") are subsidiaries of the Company established in the PRC. Fuzhou Huasheng and Zhengzhou Hongye are exempted from FEIT for two years starting from its first profit-making year of operations and thereafter is eligible for 50% relief from FEIT for the following three years under the relevant rules and regulations of the PRC.

The tax exemption period of Fuzhou Huasheng expired on 31 December 2006 and its applicable preferential tax rate, which is 50% relief for the reduced tax rate for the following three years, was 12.5% for the period from 1 January 2007 to 31 December 2009. Zhengzhou Hongye did not generate any assessable profit prior to 1 January 2008 and its tax holiday is deemed to commence from 1 January 2008 onwards according to the New Law.

The applicable tax rate for Fuzhou Huaguan and Zhengzhou Huatai are 25% (1.7.2008 to 31.12.2008: 25%). No provision for FEIT has been made for Zhengzhou Huatai as it did not generate any assessable profits during the period.

Deferred taxation of HK\$1,160,000 (1.7.2008 to 31.12.2008: HK\$1,222,000) has been provided for in the condensed consolidated financial statements in respect of the undistributed profits earned by the Company's PRC subsidiaries during the period ended 31 December 2009 attributable to the Group under the New Law that are subject to withholding tax upon the distribution of such profits to the shareholders outside the PRC.

6. PROFIT FOR THE PERIOD

	Six months ended	
	31.12.2009	31.12.2008
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Profit for the period has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	30,576	13,285
Release of prepaid lease payments	1,313	1,269
Interest income	<u>(1,005)</u>	<u>(1,625)</u>

7. DIVIDEND

	Six months ended	
	31.12.2009	31.12.2008
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Dividend recognised as distribution during the period:		
Final – Nil (2008: Nil)	<u>–</u>	<u>–</u>

No dividend were paid, declared or proposed during the period. The directors do not recommend the payment of an interim dividend (2008: Nil).

8. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to the ordinary equity holders of the Company is based on the following data:

	Six months ended	
	31.12.2009	31.12.2008
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Earnings		
Profit for the period and earnings for the purposes of computing basic earnings per share	<u>1,463</u>	<u>7,678</u>
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purposes of computing basic earnings per share	<u>1,040,602</u>	<u>1,040,602</u>

No diluted earnings per share has been presented for the periods ended 31 December 2008 and 2009 because the exercise prices of the share options were higher than the average market prices for the Company's shares during the periods.

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATIONAL AND FINANCIAL REVIEW

The Group is principally engaged in the manufacture and sale of cotton yarn and finished woven fabrics and cotton fabrics targeting at mid to high-end markets both in the PRC and overseas. The Group vertically integrates its production process to include research and development, yarn spinning, raw fabric weaving, dyeing and setting, cloth finishing such as pattern pressing and calendaring. The Group's products are used for manufacturing down wear, sports wear, household products such as sofa and curtain and men's and women's fashions.

The Group ensures steadier supply and better quality control of raw fabrics for the dyeing process by weaving part of the woven fabrics itself, which in turn, reduces production costs and shortens the production cycle. In addition, the Group's existing dyeing machinery and equipment enlarge the varieties of down wear, sports wear and household products with different nature which in turn boosts the market expansion.

In order to capture the demand for pure cotton knit fabrics from current customers, the Group acquired yarn spinning assets in prior financial year. This acquisition aligns with the Group's future development plan. The assets acquired comprise of plant, machinery and equipment and related auxiliary facilities in Zhengzhou city of Henan province, the PRC. Its construction, delivery, and installation were substantially completed in 2008. The commercial production of the first and second production lines commenced during the Period. The final product, yarn for weaving into pure cotton knit fabrics, were all sold to external customers. However, in the long run, part of the yarn would be planned for internal use. Corresponding to the international standard dyeing machinery installed at the plant in Changle city, the Group would be able to integrate its production process vertically, from yarn spinning, grey fabric weaving to garment fabric dyeing.

To be in line with the Group's efforts in expanding sales markets, the Group participated in the textile fair held in Paris, France during the Period so as to promote and sell its products to overseas customers.

Turnover

For the Period, the Group recorded a turnover of approximately HK\$377,615,000 (2008: HK\$303,351,000), approximately 24.5% more than that of 2008. The increase in turnover was attributable from the commencement of commercial sales of the plant in Zhengzhou city during the Period.

Gross Profit

The gross profit margin of the Group of approximately 10.2% in the Period decreased enormously compared with that of 2008 of approximately 16.8%. It was mainly due to an increase in costs of raw materials and energy and depreciation incurred by the plant in Zhengzhou city, of which, its preliminary phase of commercial production began during the Period.

Profit for the Period

The Group's profit for the Period was approximately HK\$1,463,000 (2008: HK\$7,678,000), approximately 80.9% less than that in 2008. Net profit margin for the Period was approximately 0.4% (2008: 2.5%) which dropped due to the increase in the cost of sales and administration expenses of the new plant in Zhengzhou city, which commenced its preliminary phase of commercial production during the Period.

Expenses

Administrative expenses amounted to approximately HK\$17,350,000 (2008: HK\$18,806,000), representing approximately 4.6% (2008: 6.2%) of turnover for the Period. Administrative expenses decreased by approximately 7.7% when compared with that of 2008. It was due to the implementation of cost control policy for the Group since the occurrence of global economic downturn.

Selling and distribution costs amounted to approximately HK\$10,982,000 (2008: HK\$9,253,000), representing approximately 2.9% (2008: 3.1%) of turnover for the Period. The increase in selling and distribution costs by approximately 18.7% as compared with that of 2008 was due to the commencement of commercial sales of the plant in Zhengzhou city during the Period.

Other expenses amounted to approximately HK\$1,334,000 (2008: HK\$1,494,000), representing approximately 0.4% (2008: 0.5%) of turnover for the Period and was maintained at the same level as previous period.

Finance costs amounted to approximately HK\$9,688,000 (2008: HK\$5,879,000), representing approximately 2.6% (2008: 1.9%) of turnover for the Period. The increase was due to the draw down of more bank loans during the Period.

Dividend

The directors of the Company (the "Director") do not recommend the payment of an interim dividend for the Period (2008: Nil).

FUTURE PLANS AND PROSPECTS

The textile industry gradually recovers since the second half of 2009, but still has some distant to reach to the climax happened before, especially for the overseas textile markets. Nevertheless, the Group believes that the operating environment of Chinese textile exports will continue to improve and therefore continues to propel its strong distribution network through maintaining good and close relationship with distribution agents and valuable customers and strengthening its present sales and marketing teams before full recovery of the global economy. The Group also keeps putting effort in research and development of new products and improvement of existing products in order to meet the needs of dynamic textile and garment markets.

The construction of the plant for spinning yarn in Zhengzhou city was accomplished by the end of 2008 and the installation and trial run of the first and second production lines were all completed in the mid of 2009. The yarn production commenced subsequently during the Period. Simultaneously, the installation and trial run of last two production lines have been conducted during the Period and early 2010. Their commercial production will begin in the first quarter and the second quarter of 2010, respectively. The full production capacity of these four production lines is estimated to be approximately 15,000 tons per annum. Good quality of cotton would be used for spinning yarn which is targeted at the mid to high-end markets. In the long run, part of the yarn produced at the Zhengzhou plant would be weaved into pure cotton knit fabrics, and dyeing process of such fabrics would be completed at the Changle plant. The above processes will enable the Group to develop vertical integration.

Looking ahead, the Group will continue to capture opportunities for expansion and diversify its business for long term development in order to maximize the values of the shareholders of the Company.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2009, the Group had net current assets and total assets less current liabilities of approximately HK\$167,745,000 (30 June 2009: HK\$168,906,000) and HK\$888,399,000 (30 June 2009: HK\$840,306,000), respectively. The Group maintains a strong financial position by financing its operations with internally generated resources, finance leases and bank loans. As at 31 December 2009, the Group had cash and bank deposits of approximately HK\$460,166,000 (30 June 2009: HK\$471,943,000). The current ratio of the Group was approximately 131.8% (30 June 2009: 136.6%).

Shareholders' fund of the Group as at 31 December 2009 was approximately HK\$825,658,000 (30 June 2009: HK\$824,195,000). As at 31 December 2009, the total bank borrowings of the Group, repayable within 12 months from the date of the statement of financial position, denominated in RMB257,800,000 were equivalent to HK\$292,955,000 (30 June 2009: HK\$234,163,000); and obligations under finance leases for machinery and equipment of approximately HK\$86,911,000 (30 June 2009: HK\$22,784,000), altogether giving a gross debt gearing (i.e. total borrowings/shareholders' fund) of approximately 46.0% (30 June 2009: 31.2%).

The financial health of the Group has been strong throughout the Period.

FINANCING

As at 31 December 2009, the total banking facilities of the Group amounted to about HK\$412,273,000 (30 June 2009: HK\$374,115,000), of which, approximately HK\$352,967,000 (30 June 2009: HK\$323,830,000) was utilized.

The Board believes that the existing financial resources will be sufficient to meet future expansion plans and, if necessary, the Group will be able to obtain additional financing with favourable term.

CAPITAL STRUCTURE

As at 31 December 2009, the share capital of the Company comprises ordinary shares only.

FOREIGN EXCHANGE RISK AND INTEREST RATE RISK

During the Period, the Group was not subject to any significant exposure to foreign exchange rates risk as the majority of its transactions were denominated in Renminbi. Hence, no financial instrument for hedging was employed.

The Board is of the opinion that the Group is not subject to any significant interest rate risk even though part of the bank borrowings of the Group were at floating rate basis.

CHARGE ON GROUP'S ASSETS

As at 31 December 2009, certain leasehold land and buildings, and plant and machinery of the Group with aggregate carrying values of approximately HK\$215,956,000 (30 June 2009: HK\$290,253,000) and approximately HK\$55,859,000 (30 June 2009: HK\$60,619,000), respectively, and certain inventory with value of approximately HK\$19,574,000 (30 June 2009: HK\$15,733,000) were all pledged to banks to secure banking facilities granted to the Group; together with the bank deposits of the Group of approximately HK\$65,771,000 (30 June 2009: HK\$37,139,000).

As at 31 December 2009, the carrying value of the Group's certain plant and machinery held under finance leases was approximately HK\$183,874,000 (30 June 2009: HK\$49,420,000).

As at 30 June 2009, certain leasehold land with carrying value of approximately HK\$59,171,000 was pledged to a contractor to secure the payments of certain construction in progress payable. During the Period, the pledge was fully released.

STAFF POLICY

The Group had 1,308 employees altogether in the PRC and Hong Kong as at 31 December 2009. The Group offers a comprehensive and competitive remuneration, retirement scheme and benefit package to its employees. Discretionary bonus is offered to the Group's staff depending on their performance. The Group is required to make contribution to a social insurance scheme in the PRC. Moreover, the Group and its employees in the PRC are each required to make contribution to fund the endowment insurance and unemployment insurance at the rates specified in the relevant PRC laws and regulations. The Group has adopted a provident fund scheme, as required under the Mandatory Provident Fund Schemes Ordinance, for its employees in Hong Kong.

The Group also provides periodic internal training to its staff.

Each of the independent non-executive Directors is appointed for a term of 1 year commencing from 1 September each year.

CONTINGENT LIABILITIES

At the date of the statement of financial position, the Group and the Company did not have any significant contingent liabilities.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CODE ON CORPORATE GOVERNANCE

The Company is committed to achieve the best corporate governance practices as a listed company. The Board believes that high standards and rigorous corporate governance practices can improve the accountability and transparency of the Company. Consequently, during the Period, the Company complied with the Code of Corporate Governance Practices (the "CG Code") contained in Appendix 14 of the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as the code of conduct regarding directors' securities transactions. Having made specific enquiry of all Directors, all Directors have complied with the code of conduct and the required standard set out in the Model Code throughout the Period.

AUDIT COMMITTEE

The Company has an audit committee with terms of reference aligned with the provision of the CG Code as set out in Appendix 14 of the Listing Rules for the purpose of reviewing and providing supervision on the financial reporting process and internal controls of the Group. The audit committee comprises three members, all being independent non-executive Directors.

During the Period, the audit committee reviewed the accounting principles and practices adopted by the Group and the unaudited condensed consolidated interim financial statements of the Group for the Period and discussed auditing, internal control and financial reporting matters, such as the review of the interim report with the management.

On behalf of the Board

Chen Jinyan

Chairman

Hong Kong

19 March 2010

As at the date of this announcement, the executive Directors are Mr. Chen Jinyan, Mr. Chen Dong and Mr. Chen Jinqing; and the independent non-executive Directors are Mr. Lo Kin Chung, Mr. Huang Yongfeng and Mr. Yu Zhongming.