



# QUARTERLY REPORT

for the quarter ended  
30 June 2013

# Characteristics of The Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”)

**GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

**Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.**

# Condensed Consolidated Statement of Comprehensive Income

For the three months ended 30 June 2013

	Notes	(Unaudited)	
		Three months ended	
		2013	2012
		HK\$'000	HK\$'000
Turnover		22,025	25,484
Other income and gains		686	314
Purchase and production costs		(15,964)	(11,266)
Staff costs		(7,211)	(7,107)
Depreciation and amortisation		(2,418)	(4,179)
Acquisition-related costs		–	(7,145)
Other expenses		(3,963)	(4,616)
Loss on disposal of investment property		–	(546)
Net losses on investments held for trading		(1,411)	(1,452)
Finance costs		(561)	(1)
Share of losses of associates		(29)	(35)
Loss before tax		(8,846)	(10,549)
Income tax expense	3	(2,270)	(3,896)
Loss for the period		(11,116)	(14,445)
<b>Other comprehensive income/(loss), net of income tax</b>			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translating foreign operations		4,813	–
Share of other comprehensive (loss)/income of associates		(252)	1,028
Other comprehensive income for the period, net of income tax		4,561	1,028
<b>Total comprehensive loss for the period</b>		<b>(6,555)</b>	<b>(13,417)</b>
Profit/(loss) attributable to:			
Owners of the Company		(10,937)	(16,579)
Non-controlling interests		(179)	2,134
		(11,116)	(14,445)
Total comprehensive income/(loss) attributable to:			
Owners of the Company		(9,937)	(15,551)
Non-controlling interests		3,382	2,134
		(6,555)	(13,417)
<b>Loss per share</b>		<b>HK cents</b>	<b>HK cents</b>
– Basic and diluted	5	(0.691)	(1.211)

# Condensed Consolidated Statement of Changes in Equity

For the three months ended 30 June 2013

	Share capital (unaudited) HK\$'000	Share premium (unaudited) HK\$'000	Share options reserve (unaudited) HK\$'000	Investment revaluation reserve (unaudited) HK\$'000	Property revaluation reserve (unaudited) HK\$'000	Translation reserve (unaudited) HK\$'000	Accumulated deficit (unaudited) HK\$'000	Attributable to owners of the Company (unaudited) HK\$'000	Non- controlling interests (unaudited) HK\$'000	Total (unaudited) HK\$'000
Balance at 1 April 2012	65,316	654,107	2,191	2,111	1,061	8,104	(622,580)	110,310	199	110,509
Profit/(loss) for the period	-	-	-	-	-	-	(16,579)	(16,579)	2,134	(14,445)
Other comprehensive income/(loss) for the period	-	-	-	1,028	(1,061)	-	1,061	1,028	-	1,028
Total comprehensive income/(loss) for the period	-	-	-	1,028	(1,061)	-	(15,518)	(15,551)	2,134	(13,417)
Issue of ordinary shares under employee share option plan	57	112	(46)	-	-	-	-	123	-	123
Issue of consideration shares	13,500	31,590	-	-	-	-	-	45,090	-	45,090
Non-controlling interests arising on business combination	-	-	-	-	-	-	-	-	211,108	211,108
Transactions costs attributable to issue of new ordinary shares	-	(124)	-	-	-	-	-	(124)	-	(124)
Balance at 30 June 2012	<u>78,873</u>	<u>685,685</u>	<u>2,145</u>	<u>3,139</u>	<u>-</u>	<u>8,104</u>	<u>(638,098)</u>	<u>139,848</u>	<u>213,441</u>	<u>353,289</u>
<b>Balance at 1 April 2013</b>	<b><u>79,013</u></b>	<b><u>685,806</u></b>	<b><u>4,161</u></b>	<b><u>2,527</u></b>	<b><u>-</u></b>	<b><u>9,581</u></b>	<b><u>(647,864)</u></b>	<b><u>133,224</u></b>	<b><u>294,090</u></b>	<b><u>427,314</u></b>
<b>Loss for the period</b>	-	-	-	-	-	-	<b>(10,937)</b>	<b>(10,937)</b>	<b>(179)</b>	<b>(11,116)</b>
<b>Other comprehensive income/(loss) for the period</b>	-	-	-	<b>(348)</b>	-	<b>1,348</b>	-	<b>1,000</b>	<b>3,561</b>	<b>4,561</b>
<b>Total comprehensive income/(loss) for the period</b>	-	-	-	<b>(348)</b>	-	<b>1,348</b>	<b>(10,937)</b>	<b>(9,937)</b>	<b>3,382</b>	<b>(6,555)</b>
Issue of ordinary shares under employee share option plan	190	621	(230)	-	-	-	-	581	-	581
Transactions costs attributable to issue of new ordinary shares	-	(5)	-	-	-	-	-	(5)	-	(5)
Balance at 30 June 2013	<u>79,203</u>	<u>686,422</u>	<u>3,931</u>	<u>2,179</u>	<u>-</u>	<u>10,929</u>	<u>(658,801)</u>	<u>123,863</u>	<u>297,472</u>	<u>421,335</u>

# Notes to the Condensed Consolidated Financial Statements

For the three months ended 30 June 2013

## 1. Basis of Preparation

The condensed consolidated financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) as well as the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”).

## 2. Significant Accounting Policies

The condensed consolidated financial statements have been prepared under the historical cost basis except for investment properties and certain financial instruments, which are measured at fair values, as appropriate.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the three months ended 30 June 2013 are the same with those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2013.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. The adoption of these new and revised HKFRSs did not result in substantial changes to the Group’s accounting policies and amounts reported for the current and prior years.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The application of these new HKFRSs will not have material impact on the condensed consolidated financial statements of the Group.

## 3. Income Tax Expense

	(Unaudited) Three months ended 30 June	
	2013	2012
	HK\$’000	HK\$’000
Current tax:		
People’s Republic of China (“PRC”)		
Enterprise Income Tax	2,444	4,527
Deferred tax	(174)	(631)
Total income tax recognised in profit or loss	<u>2,270</u>	<u>3,896</u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both periods. No provision for Hong Kong Profits Tax has been made in the condensed consolidated financial statements as the Group had no assessable profits arising in or derived from Hong Kong for both periods.

PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% for both periods. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

## 4. Interim Dividend

The directors do not recommend the payment of an interim dividend for the three months ended 30 June 2013 (2012: nil).

# Notes to the Condensed Consolidated Financial Statements (Continued)

For the three months ended 30 June 2013

## 5. Loss Per Share

The calculation of the basic and diluted loss per share is based on the following data:

	<b>(Unaudited)</b>	
	<b>Three months ended</b>	
	<b>30 June</b>	
	<b>2013</b>	<b>2012</b>
<b>Loss:</b>		
Loss for the period attributable to owners of the Company for the purpose of basic and diluted loss per share	<u><b>HK\$(10,937,000)</b></u>	<u>HK\$(16,579,000)</u>
<b>Number of ordinary shares:</b>		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	<u><b>1,582,213,151</b></u>	<u>1,369,529,086</u>

The computation of diluted loss per share did not assume the exercise of the Company's outstanding share options existed during the three months ended 30 June 2013 and 2012 since their exercises would result in a decrease in loss per share.

# Management Discussion and Analysis

## About the Group

The Group is principally engaged in two business lines, namely (i) the provision of computer consultancy and software maintenance services, software development, sales of computer hardware and software and e-Commerce services (hereinafter collectively referred to as the “Computer Hardware and Software Business”); and (ii) the exploration and exploitation of mines (hereinafter collectively referred to as the “Mining Business”).

## Business Review and Outlook

### Computer Hardware and Software Business

“The rise of China’s emerging media – China New Media Development Report (2012-2013)”, released in May 2013, stated that: China’s Internet penetration rate has exceeded 42%, netizen number reached 564 million and mobile users exceeded 1.1 billion; having an average of 8 handsets per 10 persons, China is truly the world’s emerging superpower media nation. The development of technology and deployment of communication facilities is the engine and cornerstone behind the rise of China’s emerging media power whereas enterprise participation and market demand drive and constant media enrichment is the vitality and support for new media industry development.

In the past quarter, the intelligent robot project which the Group inked in with Midea group last year, after revisiting with the new management of Midea post re-structuring has been re-affirmed; both parties confirmed the work done previously and unanimously expressed the will and determination that both parties shall intensify their efforts to accelerate the progress of this project.

Amidst such historic moment, the Group will actively mobilize our core strengths of information technology advantages to diversify into multi-discipline development with close attention on mobile network, urbanization, cloud computing and logistics networking so as to seize further business opportunities. The Group shall persist on a sustainable development new media path with Chinese Specialties so as to maximize our return for shareholders.

### Mining Business

The global economy was full of uncertainty. The main contributors include the Bank of Japan’s hefty monetary stimulus and European Central Bank showing no indication that it would exit from crisis measures in the near future. Plan of China driving through structural reforms of fixing the over-investment and strong growth in informal lending but on the other hand aiming to achieve the growth target of 7.5 percent for the year 2013 adds further to the impact. However the effect of the above monetary policies seem had been mitigated by the market’s prediction of U.S. Federal Reserve unwinding its ultra-easy monetary policy. The global capital market thus has no direction and resulted into the fluctuation of the precious metal market.

The gold market price fluctuated from its height at the beginning of the quarter at RMB319.87 per gram to as low as RMB243.50 per gram on 28 June 2013 (last trading date of June 2013) representing a decrease of 23.88%. Such substantial deduction imposes significant impact on revenue and thus profit of the Mining Business since the sales of gold dores contributed 100% of the revenue of this sector during the quarter ended 30 June 2013.

During the quarter ended 30 June 2013, approximately 45kg of gold dores were produced and sold for a total revenue of RMB12.2 Million, whereas approximately 8,100 tonnes of ores were extracted from the mines and approximately 19,600 tonnes of ores were processed or processing at the average grade of 3.93 gram per tonne and recovery rate of 94.80%.

The Baishiquan nickel-copper mine has probable reserves of approximately 1.2 million tonnes of ores with average grade of Ni 0.52% and Cu 0.34%. The management is optimistic about the development progress and expects that the project will become an important source of profit upon the commercial production as scheduled in 2014.

## Management Discussion and Analysis (Continued)

### Financial Performance Review

For the three months ended 30 June 2013, the Group recorded turnover of approximately HK\$22,025,000, representing a decrease of 13.6% against the corresponding period in 2012. Loss for the period under review was approximately HK\$11,116,000, a decrease of 23.0% as compared to the corresponding period in 2012. Effective interest expense of the promissory note issued as part of the purchase consideration of the business combination, representing the majority of finance costs which incurred in the first three months ended 30 June 2013 of approximately HK\$561,000, as compared with HK\$1,000 in the corresponding period in 2012. No acquisition-related costs were incurred during the period under review, as compared to HK\$7,145,000 in the corresponding period in 2012 attributable to the acquisition of Mining Business.

For the Computer Hardware and Software Business, the Group recorded turnover and segmental loss of approximately HK\$6,528,000 and HK\$8,530,000 respectively for the period under review, representing a decrease of 13.6% and increase of 31.4% respectively as compared to the corresponding period in 2012.

For the Mining Business, the Group recorded turnover and segmental profit of approximately HK\$15,497,000 and HK\$1,909,000 respectively for the period under review, representing a decrease of 13.6% and 59.5% respectively as compared to the corresponding period in 2012.

Loss attributable to owners of the Company was approximately HK\$10,937,000, as compared to HK\$16,579,000 over the same period in 2012.



## Other Information

### Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares of the Company

At 30 June 2013, the interests and short positions of the directors and the chief executive of the Company and their associates in the shares, underlying shares or debentures of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO"), or otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules, were as follows:

#### Long positions

##### (a) Ordinary share of HK\$0.05 each of the Company

Name of directors	Number of ordinary shares held in the capacity of			Percentage of shareholding
	Beneficial owner	Controlled corporation	Total number of shares	
Cheng Kin Kwan	221,440,000	–	221,440,000	13.98%
Law Kwai Lam	10,000,000	28,325,000*	38,325,000	2.42%
Leung Mei Sheung, Eliza	14,492,000	–	14,492,000	0.91%
Zheng Ying Yu	4,900,000	–	4,900,000	0.31%
Fung Chun Pong, Louis	488,000	–	488,000	0.03%
Liao Yun	5,310,000	–	5,310,000	0.34%
Felipe Tan	5,062,000	304,912,000*	309,974,000	19.57%
Zhang Ming	41,484,000	–	41,484,000	2.62%

\* These shares were held by private companies which are wholly-owned by Mr. Law Kwai Lam or owned as to 90.01% by Mr. Felipe Tan respectively.

##### (b) Interests in shares of associated corporation of the Company

Name of director	Name of associated corporation	Capacity	Number of shares/registered capital	Percentage of interest in the registered capital of the associated corporation
Felipe Tan	Goffers Management Limited	Interest of controlled corporation	200*	100%
	Goffers Resources Limited	Interest of controlled corporation	1,000	100%
	Kangshun HK Limited	Interest of controlled corporation	1,000	100%
	Kangshun Investments Limited	Interest of controlled corporation	1,000	100%
	Xinjiang Tianmu Mineral Resources Development Co. Ltd.	Interest of controlled corporation	RMB20,000,000	51%

\* 98 shares (representing 49%) are held by Mr. Felipe Tan through Starmax Holdings Limited whereas 102 shares (representing 51%) are pledged to Starmax Holdings Limited as security of the payment obligations of the Group under the promissory note.

## Other Information (Continued)

### Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares of the Company (Continued)

#### Long positions (Continued)

#### (c) Interests in debentures of associated corporation of the Company

Name of director	Name of associated corporation	Capacity	Amount of debentures
Felipe Tan	Time Kingdom Limited	Interest of controlled corporation	HK\$60,000,000*

\* The outstanding balance of the promissory note issued to Starmax Holdings Limited which is owned as to 90.01% by Mr. Felipe Tan.

#### (d) Options to subscribe for ordinary shares of the Company

Particulars of the directors' interests in share options to subscribe for shares in the Company pursuant to the Company's 2003 share option scheme were as follows:

Name of director	Date of grant	Exercisable period	Exercise price per share HK\$	Number of share options and number of underlying shares				
				Outstanding at 01.04.2013	Granted during the period	Exercised during the period	Forfeited during the period	Outstanding at 30.06.2013
Cheng Kin Kwan	5.9.2003	5.9.2003-4.9.2013	0.2280	6,960,000	-	-	-	6,960,000
	8.12.2003	8.12.2003-7.12.2013	0.2130	800,000	-	-	-	800,000
	25.2.2004	25.2.2004-24.2.2014	0.1900	7,700,000	-	-	-	7,700,000
Law Kwai Lam	5.9.2003	5.9.2003-4.9.2013	0.2280	2,000,000	-	-	-	2,000,000
	9.1.2004	9.1.2004-8.1.2014	0.1900	1,000,000	-	-	-	1,000,000
	28.2.2005	28.2.2005-27.2.2015	0.0722	1,000,000	-	-	-	1,000,000
	26.9.2006	26.9.2006-25.9.2016	0.0772	3,500,000	-	-	-	3,500,000
	18.6.2007	18.6.2007-17.6.2017	0.2980	800,000	-	-	-	800,000
Leung Mei Sheung, Eliza	5.9.2003	5.9.2003-4.9.2013	0.2280	5,500,000	-	-	-	5,500,000
	8.12.2003	8.12.2003-7.12.2013	0.2130	4,300,000	-	-	-	4,300,000
	25.2.2004	25.2.2004-24.2.2014	0.1900	5,800,000	-	-	-	5,800,000
Zheng Ying Yu	5.9.2003	5.9.2003-4.9.2013	0.2280	2,000,000	-	-	-	2,000,000
	8.12.2003	8.12.2003-7.12.2013	0.2130	400,000	-	-	-	400,000
	9.1.2004	9.1.2004-8.1.2014	0.1900	6,100,000	-	-	-	6,100,000
	13.12.2004	13.12.2004-12.12.2014	0.0982	50,000	-	-	-	50,000

## Other Information (Continued)

### Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares of the Company (Continued)

#### Long positions (Continued)

#### (d) Options to subscribe for ordinary shares of the Company (Continued)

Name of director	Date of grant	Exercisable period	Exercise price per share HK\$	Number of share options and number of underlying shares				
				Outstanding at 01.04.2013	Granted during the period	Exercised during the period	Forfeited during the period	Outstanding at 30.06.2013
Fung Chun Pong, Louis	5.9.2003	5.9.2003-4.9.2013	0.2280	2,000,000	-	-	-	2,000,000
	9.1.2004	9.1.2004-8.1.2014	0.1900	1,000,000	-	-	-	1,000,000
	19.4.2004	19.4.2004-18.4.2014	0.2096	300,000	-	-	-	300,000
	24.3.2006	24.3.2006-23.3.2016	0.1530	300,000	-	-	-	300,000
	18.6.2007	18.6.2007-17.6.2017	0.2980	300,000	-	-	-	300,000
Liao Yun	5.9.2003	5.9.2003-4.9.2013	0.2280	800,000	-	(800,000)	-	-
	26.11.2003	26.11.2003-25.11.2013	0.2300	400,000	-	-	-	400,000
	9.1.2004	9.1.2004-8.1.2014	0.1900	790,000	-	-	-	790,000
	19.4.2004	19.4.2004-18.4.2014	0.2096	300,000	-	-	-	300,000
	16.9.2004	16.9.2004-15.9.2014	0.0870	500,000	-	-	-	500,000
	30.9.2004	30.9.2004-29.9.2014	0.0900	500,000	-	-	-	500,000
	13.12.2004	13.12.2004-12.12.2014	0.0982	300,000	-	-	-	300,000
	22.9.2005	22.9.2005-21.9.2015	0.0920	400,000	-	-	-	400,000
24.3.2006	24.3.2006-23.3.2016	0.1530	300,000	-	-	-	300,000	
Tsang Wai Chun,	24.3.2006	24.3.2006-23.3.2016	0.1530	500,000	-	-	-	500,000
Marianna	26.9.2006	26.9.2006-25.9.2016	0.0772	1,500,000	-	-	-	1,500,000
Chan Mei Ying, Spencer	24.3.2006	24.3.2006-23.3.2016	0.1530	500,000	-	-	-	500,000
				<u>58,600,000</u>	<u>-</u>	<u>(800,000)</u>	<u>-</u>	<u>57,800,000</u>

Save as disclosed above and other than nominee shares in certain wholly-owned subsidiaries held by certain directors in trust for the Group, at 30 June 2013, none of the directors or chief executive or any of their respective associates had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations which fall to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO, or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or which were required to be notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules.

## Other Information (Continued)

### Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares

As at 30 June 2013, the register maintained by the Company pursuant to Section 336 of the SFO shows that other than the interests disclosed above in respect of certain directors and the chief executive, the following shareholders had notified the Company of relevant interest in the issued share capital of the Company.

Name of substantial shareholders	Number of ordinary shares held	Number of share options and underlying shares held	Aggregate long position	Percentage of the issued share capital as at 30 June 2013
Educational Information Technology (HK) Company Limited (note 1)	108,057,374	–	108,057,374	6.82%
Starmax Holdings Limited (note 2)	304,912,000	–	304,912,000	19.25%

Notes:

- (1) These shares were held in trust for 寧夏教育信息技術股份有限公司 (Ningxia Educational Information Technology Company Limited), a company which is owned as to 25% by the Group.
- (2) Starmax Holdings Limited is beneficially owned as to 90.01% by Mr. Felipe Tan who also directly holds 5,062,000 shares.

Save as disclosed in the section "Directors' and chief executive's interests and short positions in shares and underlying shares of the Company", at 30 June 2013, the Company has not been notified of any other interests or short positions in the issued share capital as at 30 June 2013.

### Competing Interest

Mr. Felipe Tan and Mr. Zhang Ming hold shareholdings and directorships in GobiMin Inc., the shares of which are listed on the TSX Venture Exchange in Canada (stock code: GMN. V). Its subsidiaries and associate companies are principally engaged in exploration of a gold mine and prospecting exploration projects of gold, copper and nickel in Xinjiang, PRC. All of them are in exploration or prospecting stage and are not yet in production, whereas the mining business of the Group are in production stage. In this regard, Mr. Felipe Tan and Mr. Zhang Ming are considered to have interests in businesses which might compete, either directly or indirectly with the businesses of the Group.

The abovementioned competing businesses are operated and managed by companies within independent management and administration. In addition, the Board is independent of the boards of the abovementioned companies. Accordingly, the Group is therefore capable of carrying on business independently of, and at arm's length from the said competing business.

### Purchase, Sale or Redemption of the Company's Listed Securities

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

### Audit Committee

The audit committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including a review of the unaudited quarterly report for the quarter ended 30 June 2013.

#### On behalf of the Board

#### Cheng Kin Kwan

*Chairman & Chief Executive Officer*

Hong Kong, 9 August 2013