KINGWELL GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 1195

Annual Report 2010

Contents

Corporate Information

Directors

Xu Yue Yue *(appointed as Acting Chairman and Executive Director on 15 January 2010)*
Xiang Song *(Chief Executive Officer)*
Sze Ming Yee *(appointed as Executive Director on 15 January 2010)*
Hui Lung Hing *(appointed as Executive Director on 2 July 2010)*
Yang Xue Jun *(appointed as Executive Director on 2 July 2010)*
Lin Wan Xin *(resigned as Chairman on 15 January 2010)*
Tu Shuguang *(resigned as Executive Director on 2 July 2010)*
Chan Kin *(resigned as Executive Director on 2 July 2010)*
Lin Wan Qaing *(resigned as Executive Director on 16 November 2009)*
Hu Zhao Rui *(resigned as Executive Director on 15 January 2010)*
Cheung Chuen*
Li Jianguo* *(appointed as Independent Non-executive Director on 15 January 2010)*
Wong Lai Wing* *(appointed as Independent Non-executive Director on 15 January 2010)*
Pan Chang Chi* *(resigned as Independent Non-executive Director on 15 January 2010)*
Cai Xun Shan* *(resigned as Independent Non-executive Director on 15 January 2010)*

* *Independent Non-executive Director*

Company Secretary

Kuo Kwan Belinda *(appointed on 16 March 2010)*

Authorised Representatives

Xiang Song *(appointed on 16 November 2009)*
Kuo Kwan Belinda *(appointed on 16 March 2010)*

Audit Committee

Li Jianguo *(Chairman) (appointed on 15 January 2010)*
Cheung Chuen
Wong Lai Wing *(appointed on 15 January 2010)*
Pan Chang Chi *(resigned on 15 January 2010)*
Cai Xun Shan *(resigned on 15 January 2010)*

Remuneration Committee

Xu Yue Yue *(Chairman) (appointed on 15 January 2010)*
Li Jianguo *(appointed on 15 January 2010)*
Wong Lai Wing *(appointed on 15 January 2010)*
Lin Wan Xin *(appointed on 16 November 2009 and resigned on 15 January 2010)*
Lin Wan Qaing *(resigned on 16 November 2009)*
Pan Chang Chi *(resigned on 15 January 2010)*
Cai Xun Shan *(resigned on 15 January 2010)*

Legal Adviser for Cayman Islands Law

Conyers Dill & Pearman

Principal Bankers

Bank of Communications
Bank of China
The China Construction Bank
China Citic Bank
Agricultural Bank of China
HSBC
Standard Chartered Bank

Auditor

KPMG

Investor Relations Consultant

Elite Investor Relations Limited

Registered Office

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

Head Office and Principal Place of Business

Units 314–315
Wing On Plaza
62 Mody Road
Tsim Sha Tsui East
Kowloon, Hong Kong

Principal Share Registrar and Transfer Office

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

Hong Kong Branch Registrar and Transfer Office

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

Trading Code on The Stock Exchange of Hong Kong Limited

1195

Website

http://kingwell.todayir.com

Financial Results

- Turnover for the year decreased to approximately RMB264.2 million.
- Gross loss for the year was approximately RMB4.2 million.
- Operating loss for the year reduced to approximately RMB291.6 million.
- Loss attributable to equity shareholders of the Company for the year was approximately RMB268.7 million.
- Loss per share was approximately RMB34 cents.
- Total equity decreased to RMB541.0 million.

Chairman's Statement

Dear Shareholders,

On behalf of the board of directors of Kingwell Group Limited ("Kingwell" or the "Company"), I am pleased to present the financial report of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 30 June 2010 (the "Year").

During the Year, the global economy remained volatile, while intense competition in the electronics industry coupled with unfavourable operating conditions continued to pose various challenges to the Group's business. Customers were still cautious in placing orders, which added to the downward pressure of average selling prices, and as such have yet to re-attain the levels reached before the economic crisis. Furthermore, rising raw material and labour costs also contributed to difficulties experienced by the Group. Despite these challenges, the Group continued to maintain its relationships with long-term customers and received constant orders which lead to stable income. At the same time, the management continued to implement various cost control measures to improve the Group's overall operation amid the harsh market conditions. During the Year, turnover of the Group amounted to RMB264,213,000.

Looking ahead, in order to meet the potential challenges of the future, the Group has decided to broaden its business so as to diversify its income stream. In June 2010, the Group entered into the property business through the acquisition of a major stake in a property development project in Anlu City, Hubei province in the PRC. The real estate project, comprising various types of properties including villas, houses, apartments, residential buildings and commercial buildings, will be favourable to the sustainable development of the Group's business.

In the coming year, leveraging on its solid foundation and strong finance position, the Group will strive to stabilise its current businesses and proactively explore potential business diversification opportunities for the Group's long-term development in order to bring maximised returns to shareholders.

Finally, I would like to express my greatest gratitude to the board of directors, management and staff for their strenuous contribution in the past year. Furthermore, I would also like to take this opportunity to sincerely thank our customers, suppliers, business partners and shareholders for their continuous support and trust. I believe all members of the Group will dedicate their best effort to drive business growth and to deliver enhanced returns to shareholders.

Xu Yue Yue
Acting Chairman

Hong Kong, 26 October 2010

Management Discussion and Analysis

Results

For the Year, turnover of the Group decreased by 16.6% to RMB264,213,000 (2009: RMB316,940,000). The decrease in turnover was mainly due to the slow recovery in sales orders and decreasing unit selling prices of the printed circuit boards ("PCBs") and related products as a consequence of lowered demand and intense competition in the electronics industry.

During the Year, the Group recorded a gross loss of approximately RMB4,156,000 (2009: gross profit of RMB46,247,000) and operating loss of RMB291,589,000 (2009: operating loss of RMB383,655,000) respectively. The gross and operating losses were mainly attributable to the slow recovery in sales and rise in production costs brought about by surging raw material and labour costs, as well as the impairment of non-current assets of RMB204,204,000 recorded during the Year.

The loss attributable to equity shareholders of the Company for the Year was RMB268,698,000 (2009: loss of RMB360,202,000). Basic loss per share was RMB34 cents (2009: basic loss per share was RMB64 cents).

Business Review

Electronic Business

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

During the Year, the economic turmoil had prolonged consequences and continued to bring challenges to the electronics industry. Both the Group's orders and average selling prices continued to be under pressure due to fierce market competition. As such, the overall turnover of the Group decreased as compared to last year. Rigid PCBs, the Group's core business segment, recorded a decrease of 27.0% in turnover. Meanwhile, turnover attributable to the FPCBs increased by 17.9%, and turnover from the SMT segment decreased by 6.6% as compared to last year. The operation of the printed circuit board assembly ("PCBA") segment was still strategically suspended during the Year.

Rigid PCBs continued to remain as the Group's core business. Being one of the largest producers in Fujian for rigid PCBs, the Group was able to receive stable orders from existing clients. However, owing to the uncertain market conditions, average selling prices have yet to rebound to previous levels.

The FPCB segment recorded an increase in revenue as compared to last year, however, due to the increase in cost of sales and downward pressure in average selling prices, the FPCB segment continued to record a loss.

As for the SMT processing service segment, the Group continued to selectively provide this service to current customers with the aim to provide a one-stop service and to enhance its relationship with long-term customers.

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

Property Business

During the Year, the Group completed the acquisition of 70% interest in a residential development project "Anlu Taihe Paradise" at Liang Ji Bei Road, Anlu Economic Development District in Anlu city, Hubei province in the PRC. The project which comprises three Phases is a residential complex including villas, houses, apartments, residential buildings, commercial buildings and undeveloped land, with total gross floor area of approximately 251,746 square meters. Phase I and Phase II of the project were completed in

2007 and 2009 respectively. The construction for Phase III has been commenced in June 2010 and is expected to be completed in June 2011. Through the acquisition, the Group has successfully entered into the property development business, achieving the strategy of business diversification and gaining new sources of income in order to improve the prospects of the Group.

Segmental Information

The Group manages its businesses by the operating subsidiaries in the PRC. On the first-time adoption of HKFRS 8, Operating segments and in a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has identified the following five reportable segments.

Fujian Fuqiang Delicate Circuit Plate Co., Ltd. ("Fuqiang")

The primary business of Fuqiang is the manufacture of rigid PCBs. During the Year, sales attributable to this reporting segment were RMB172,065,000 (2009: RMB235,865,000), representing approximately 65.1% of the Group's total turnover. This reporting segment recorded a segment loss of RMB96,449,000, as compared to a segment loss of RMB106,898,000 last year.

Gemini Electronics (Huizhou) Co., Ltd ("Gemini")

The primary business of Gemini is the manufacture of FPCBs. During the Year, sales attributable to this reporting segment were approximately RMB79,305,000 (2009: RMB67,248,000), which accounts for approximately 30.0% of the Group's total turnover during the Year. This reporting segment recorded a segment loss of approximately RMB72,033,000, as compared to a segment loss of RMB51,817,000 last year.

Shuangxiang (Fujian) Electronics Limited ("Shuangxiang")

The primary business of Shuangxiang is the provision of SMT processing services. Turnover attributable to this reporting segment was approximately RMB8,287,000 (2009: RMB13,827,000), accounting for approximately 3.1% of the Group's total turnover. This reporting segment recorded a segment loss of approximately RMB64,906,000, as compared to a segment loss of RMB131,833,000 last year.

Fuqing Haichuang Electron Technology Co. Ltd ("Haichuang")

The primary business of Haichuang will be the manufacture of PCBs. During the Year, Haichuang has not commenced business.

Anlu Taihe Real Estate Development Company ("Anlu")

The primary business of Anlu is development and sale of real estate. During the period from 4 June 2010 (date of acquisition) to 30 June 2010, the turnover of the Anlu project segment was approximately RMB4,556,000, accounting for approximately 1.7% of the Group's total turnover. This reporting segment recorded a segment loss of approximately RMB60,195,000, which included a full impairment of goodwill of RMB59,311,000 arising on acquisition of 70% of Stephigh Group Limited following an impairment testing.

Geographic Information

Geographically, sales within the PRC (excluding Hong Kong and Taiwan) remained the largest segment, generating 71.4% (2009: 71.1%) of the Group's turnover. About 11.6% and 10.3% (2009: 12.8% and 9.2%) was attributed to sales to Hong Kong and Australia respectively for the Year. The balance of approximately 6.7% of the Group' turnover (2009: 6.9%) was taken up by the U.S., Malaysia and other countries or regions.

Manufacturing Facilities

Fuqing Plants, Fujian Province

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

The construction of the Group's new plant, Fuqing Haichuang Electron Technology Co. Ltd., has been completed but has yet to commence operations during the Year. It will focus on the production of multilayer PCBs and covers an area of 13 Chinese acres, or about 8,592 square meters. Once demand is resumed, the Group is well positioned to capture opportunities and realise economies of scale and enhanced operational efficiency through the production capacity expansion.

Shuangxiang, Fujian Province

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

Gemini ("Huizhou Plant"), Guangdong Province

The manufacturing facility in Huizhou city, Guangdong Province focuses on the production of FPCBs. The site covers 70 Chinese acres, or approximately 46,669 square meters. Utilisation of the plant was increased due to the slight rebound in orders.

Prospects

The uncertain global economic outlook continues to pose many challenges to the Group. The intense competition in the industry together with rising production expenses due to the surge in labour and raw material costs contribute to additional difficulties in operations. Furthermore, acquisition of new sales orders was limited as clients continued to be cautious. The management expects that it will take some time before demand returns to levels attained prior to the financial crisis in 2008. In view of the above, the Group will continue to implement various cost control measures to further improve the Group's overall business competitiveness, so as to be better positioned for capturing business opportunities arising from the resumption of overall demand.

To achieve long-term development, the Group has adopted a strategy to seek opportunities through business diversification. During the Year, the Group entered into the property development business through the acquisition of a major stake in a residential development project in Hubei Province, PRC. The property project possesses development potential and as it is anticipated that the demand for residential property in the PRC still has room for growth in the coming years, it will contribute to the sustainable development of the Group's business. In the future, the Group will cautiously monitor the property market while developing the project.

Looking ahead, leveraging on its solid foundation, high-quality products and cutting-edge technology, the Group will endeavour to maintain business stability and be fully prepared to capture business opportunities arising from the economic recovery. The Group will also proactively seek to realise its strategy of business diversification in order to broaden its income sources and enhance future development prospects, striving to maximise returns for its shareholders.

Liquidity and Financial Resources and Capital Structure

For the year ended 30 June 2010, the Group's working capital requirement was principally financed by its internal resources, banking facilities and other financial instruments.

As at 30 June 2010, the Group had cash and cash equivalents, net current assets and total assets less current liabilities of RMB476,972,000 (2009: RMB648,450,000), RMB392,081,000 (2009: RMB281,381,000) and RMB624,971,000 (2009: RMB657,326,000) respectively.

As at 30 June 2010, the Group had total bank borrowings (excluding obligations under finance leases) of RMB170,000,000 (2009: RMB266,972,000). Included in these utilised bank loans, RMB144,000,000 was short term and RMB26,000,000 was long term. All of the utilised bank loans were secured by equity interests in operating subsidiaries and interests in leasehold land for own use under operating leases and buildings held for own use.

As at 30 June 2010, the Group had other interest-bearing borrowings of RMB134,000,000 (2009: Nil), which were unsecured and repayable within one year.

On 10 November 2008, Deutsche Bank AG served a notice to the Company to early terminate the Swap Agreements effective on 12 November 2008 as a result of the Company not paying the interest payment under one of the Swap Agreements on the due date in October 2008. In addition, the Company received a statement dated 13 November 2008 from Deutsche Bank AG requesting a payment of US$23,714,693 (equivalent to approximately RMB163,092,000) in total as a result of the early termination of the Swap Agreements.

In March 2009, the Company received the Writ issued by Deutsche Bank AG as plaintiff with the Company named as defendant, in a claim arising from the Swap Agreements. In June 2009, the Company filed a defence and counterclaim against Deutsche Bank AG and an employee of Deutsche Bank AG to rescind the Swap Agreements transactions for the reason that it had been misrepresented in the true risks associated with the Swap Agreements.

As disclosed in the Company's announcement dated 17 November 2009, the Company entered into the Settlement Agreement on 16 November 2009 with Deutsche Bank AG for the settlement of the Action. Under the Settlement Agreement, the Company is obliged to pay Deutsche Bank AG less than the early termination amount of US$23,714,693, of which Mr. Lin Wan Qaing, the former controlling shareholder, is obliged to pay HK$28.7 million to the Company for settlement of his obligation under the Deed of Indemnity. The Company had settled all of the obligation amount at 30 June 2010 in accordance with the Settlement Agreement. At 30 June 2010, Mr. Lin Wan Qaing had discharged his obligation in full to the Company under the Deed of Indemnity.

On 29 December 2009, the Company completed an open offer of 279,482,500 new ordinary shares on the basis of one share for every two existing shares held on the record date at HK$0.18 per ordinary share. The net proceeds have been used for settlement of liabilities under the Settlement Agreement with Deutsche Bank AG.

On 13 January 2010, the Company completed the placing of 111,793,000 new ordinary shares at a consideration of HK$0.38 per ordinary share. The net proceeds have been used for general working capital and for settlement of liabilities under the Settlement Agreement with Deutsche Bank AG. The following table summarises the number of placing shares to each of the subscribers:

Name of Subscriber	Number of Placing Shares
Mr. Zhang Shaofen	14,000,000
Ms. Chen Li Hua	25,000,000
Ms. Yu Wai Fong	13,000,000
Ms. Tsang Siu Lan	23,000,000
Ms. Zheng Qing Hong	36,793,000
Total	111,793,000

On 19 March 2010, the Company completed the placing of 111,792,000 new ordinary shares to not less than six placees at a consideration of HK$0.369 per ordinary share. The net proceeds are for general working capital.

On 4 June 2010, the Company issued convertible bonds with face value of HK$126,000,000 (equivalent to approximately RMB110,300,000) in order to satisfy the consideration of HK$126,000,000 (equivalent to approximately RMB110,300,000) for acquisition of 70% equity interest in Stephigh Group Limited as stated under "Acquisition and Disposal of Subsidiaries and Associated Companies". The convertible bonds entitle the holders of the convertible bonds the right to convert the convertible bonds into 450,000,000 shares of the Company in total upon full conversion at conversion price of HK$0.28 per conversion share. The convertible bonds with face value of HK$80,000,000 were issued to Mr. Hui Lung Hing and those with face value of HK$23,000,000 were issued to each of Mr. Zhang Jian and Mr Du Hua Wei. At 30 June 2010, convertible bonds with face value of HK$66,000,000 had been converted into 235,714,000 new ordinary shares of the Company and the convertible bonds with face value of HK$60,000,000 were outstanding.

The total bank borrowings and structured financial instruments of the Group were mainly for business expansion, capital expenditure and working capital purposes and were mainly denominated in Renminbi, Hong Kong dollars and United States dollars.

Total equity attributable to equity shareholders of the Company as at 30 June 2010 decreased by RMB114,955,000 to RMB519,510,000 (2009: RMB634,465,000). The gearing ratio (calculated as the ratio of current liabilities plus non-current liabilities: equity) of the Group as at 30 June 2010 was approximately 1.17 (2009: 0.92).

Significant Investments

Save as disclosed elsewhere under the section headed "Management Discussion and Analysis", the Group held no other significant investment during the Year.

Acquisition and Disposal of Subsidiaries and Associated Companies

On 25 March 2010, the Company entered into an agreement with Mr. Hui Lung Hing in respect of the acquisition of 70% of the equity interest in Stephigh Group Limited ("Stephigh"). The principal asset of Stephigh is its 100% indirect equity interest in Anlu, which owns the properties located in Anlu City of Hubei province of the PRC and is a residential complex including villas, houses, apartments, residential buildings, commercial buildings and undeveloped land. The acquisition was completed on 4 June 2010.

Save as disclosed above, the Group had no material acquisition and disposal of subsidiaries and affiliated companies during the Year.

Employee Information

As at 30 June 2010, the Group employed a total of 1,503 (2009: 1,452) employees. It is a policy of the Group to review its employees' pay levels and performance bonus system regularly to ensure that the remuneration policy is competitive within the relevant industry. During the Year, the employment cost (including Directors' emoluments) amounted to approximately RMB53,428,000. In order to align the interests of staff, Directors and consultants with the Group, share options may be granted to staff, Directors and consultants under the Company's 2010 share options scheme ("2010 Scheme"). During the Year, a total of 75,000,000 share options were granted to the Directors, staff and consultants under the 2010 Scheme and there were 75,000,000 share options outstanding under the 2010 Scheme as at 30 June 2010.

Charges on Group Assets

As at 30 June 2010, a bank loan with principal amount of US$4,000,000 (equivalent to RMB27,509,000) granted to the Company had been fully settled. This bank loan was secured by its entire equity interest in Superford Holding Limited, Tempest Trading Limited, Winrise International Limited and Herowin Limited (the "BVI subsidiaries"). The BVI subsidiaries are the immediate holding companies of Fujian Fuqiang Delicate Circuit Plate Co., Ltd, Gemini Electronics (Huizhou) Co., Ltd, Shuangxiang (Fujian) Electronics Limited and Fuqing Haichuang Electron Technology Co., Ltd, respectively (the "PRC subsidiaries"). The PRC subsidiaries are the operating subsidiaries of the Group. Total net asset value of the BVI and PRC subsidiaries as at 30 June 2010 was approximately RMB253,741,000. The Company had received the deed of release of share pledge from the bank on 30 July 2010.

As at 30 June 2010, certain interests in leasehold land held for own use under operating leases and buildings held for own use of RMB83,444,000 (2009: RMB135,528,000) were pledged to banks for bank loans totalling RMB87,500,000 (2009: RMB78,000,000) granted to the Group.

Future Plans for Material Investments and Expected Sources of Funding

The Group had no future plans for material investments as at 30 June 2010.

However, the management will continue to monitor the industry and review its business expansion plans regularly, so as to take necessary measures in the Group's best interests. The management, if considered beneficial to the future of the Group, may invest in new business projects. In view of the current difficult market situation, the management may consider raising capital for funding new projects while reserving internal financial resources to support its core business.

Exposure to Fluctuations in Exchange Rates

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

Capital Commitments

As at 30 June 2010, in respect of capital expenditure, the Group had capital commitments that were contracted for amounting to approximately RMB100,817,000 and that were authorised but not contracted for amounting to approximately RMB69,840,000.

Contingent Liabilities

Save as discussed elsewhere under the section headed "Liquidity and Financial Resources and Capital Structure" and disclosed in note 35 to the financial statements, the Group did not have any material contingent liabilities as at 30 June 2010.

Biographical Information of Directors and Senior Management

Directors

Executive Directors

Ms. Xu Yue Yue (許月悦), aged 32, is an Executive Director and the Acting Chairman of the Company. She has over 6 years experience in the electronics industry (mainly manufacture of central processing units of computers), and is the chief executive officer of a central processing unit manufacturing company in Shenzhen, PRC. Ms. Xu graduated from the Economics and Management Cadre College, Hubei Province (湖北省經濟管理幹部學院). Ms. Xu is a director of Union Day Group Limited, the controlling shareholder of the Company. On 15 January 2010, she has been appointed as the Acting Chairman of the Company in place of Mr. Lin Wan Xin.

Mr. Xiang Song (項松), aged 39, is an Executive Director and the Chief Executive Officer of the Company. Mr. Xiang graduated with a bachelor's degree in mechanical engineering from the University of Science and Technology of Beijing (北京科技大學) in 1993. Prior to joining the Group in July 1998, Mr. Xiang had gained substantial management experience when he served as the plant general manager and engineer of Guangzhou Printronics Circuit Corp. (廣州普林電路公司). He has more than 15 years of management experience in the PCB industry. Mr. Xiang was appointed as an Executive Director in September 2000 and he is principally responsible for the supervision of the Group's technology, production and quality control.

Mr. Sze Ming Yee (施明義), aged 45, is an Executive Director of the Company. He has more than 15 years experience in property development and investment and is currently engaged in property development primarily in the PRC and primarily in Wenzhou. He also invests in securities in the PRC. He is a postgraduate student of Zhejiang University. Mr. Sze joined the Group on 15 January 2010 and is a director of Union Day Group Limited, the controlling shareholder of the Company.

Mr. Lin Wan Xin (林萬新), aged 56, is an Executive Director of the Company. He is also a director of Fujian Fuqiang Delicate Circuit Plate Co., Ltd., a subsidiary of the Company. He graduated from Fujian Normal University (福建師範大學) and has gained extensive administration experience as the production director, administration director and vice-president of the general administration department of Fujian Normal University (福建師範大學). Mr. Lin is currently a member of the 11th and 12th Political Consultative Standing Committee of Fuqing City in Fujian Province and a council member of the Printed Circuit Industry Association respectively. He joined the Group in March 1998 and was one of the founding members. On 28 October 2008, he has been appointed as the Chairman of the Company but resigned the post on 15 January 2010.

Mr. Hui Lung Hing (許隆興), aged 57, is an Executive Director of the Company. He holds a bachelor's degree in Philosophy from the Huazhong Normal University. Mr. Hui is a businessman in Hong Kong and the PRC and has more than 30 years experience in corporate management, sale and development of properties and investments. Mr. Hui was appointed as an Executive Director on 2 July 2010 and is currently the chairman of Truroll Investment Limited, a private company engaged in diversified business. Mr. Hui is a director and the former controlling shareholder of Stephigh Group Limited, and a director of Rise Win Group Limited and Rising Ray China Group Limited, all of which are 70% owned subsidiaries of the Company.

Mr. Yang Xue Jun (楊學軍), aged 46, is an Executive Director of the Company. He holds a bachelor's degree in Marine Meteorology from the Ocean University of China and is a postgraduate student of Financial Management of the La Trobe University of Australia. Mr. Yang, with over 20 years experience in marketing and promotion and strategic planning, had held various senior executive positions with firms in the PRC. Mr. Yang was appointed as an Executive Director on 2 July 2010 and was a consultant of the Company prior to joining the Group.

Independent Non-executive Directors

Mr. Cheung Chuen (張全), aged 36, is an Independent Non-executive Director of the Company. He is a certified public accountant practicing in the United States of America and Hong Kong. Mr. Cheung graduated from Hong Kong Shue Yan University in 1999 with majoring in accounting and obtained a master degree in professional accounting from the Hong Kong Polytechnic University in 2004. He is a member of the American Institute of Certified Public Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants. Mr. Cheung has over the years gained extensive experience in accounting and auditing. He has been appointed as an Independent Non-executive Director of the Company since September 2004. Mr. Cheung currently is an executive director and independent non-executive director of China High Precision Automation Group Limited and Anxin-China Holdings Limited, respectively which both are listed companies in Hong Kong.

Mr. Li Jianguo (李建國), aged 60, is an Independent Non-executive Director of the Company. He is the president of Shenzhen Longshengshiye Company Ltd. (深圳龍升實業有限公司) since 1994. Shenzhen Longshengshiye Company Ltd. (深圳龍升實業有限公司) is principally engaged in trading business. Mr. Li was the deputy director of the Overseas Chinese Affairs Office of Longkou City, Government of Shandong Province from 1987 to 1993. He also worked in the Chinese Communist Party Committee in Inner Mongolian Autonomous Region from 1977 to 1986. Mr. Li has about 20 years' experience in business management. He graduated from the Foreign Language Department of Lanzhou Normal University in 1976. Mr. Li was appointed as an Independent Non-executive Director on 15 January 2010.

Ms. Wong Lai Wing (王麗榮), aged 52, is an Independent Non-executive Director of the Company. She is the deputy general manager of China Tonghe Economic Development Corporation since 2004. She was the general manager of Sunnry Oceania Pty. Ltd., Australia from 1999 to 2004. She was the deputy general manager in Hong Kong Jinmaoshiye Company Ltd. (香港金茂實業公司), from 1993 to 1999, responsible for domestic trading business. . She worked as the deputy general manager of Beijing Xingmao Enterprises Corporation (北京興茂實業公司) from 1987 to 1990. Ms. Wong also worked as an assistant researcher for China National People's Congress from 1985 to 1986. Ms. Wong has working experience in both the government and the private sector within PRC and abroad, and is very experienced in business management. Ms. Wong graduated from the English Faculty of Wuhan Jianghan University in 1981, and gained a MA degree of International Relations from the Monash University in Australia in 1992. Ms. Wong was appointed as an Independent Non-executive Director on 15 January 2010.

Senior Management

Ms. Kuo Kwan Belinda (郭群), aged 40, is the Company Secretary and an Authorized Representative of the Company. Ms. Kuo holds a Bachelor's Degree in Commerce from the University of Melbourne. Prior to joining the Group, she worked for listed companies in Hong Kong and an international accounting firm. She is a member of CPA Australia and an associate member of the Hong Kong Institute of Certified Public Accountants.

Mr. Li Fei (李飛), aged 53, the chairman of Gemini Electronics (Huizhou) Co. Ltd, with tertiary education qualification. Prior to joining the Group, Mr. Li worked as senior executive in production and sales department in a PRC listed company. Mr. Li joined the Group in 2002, and has been appointed as chairman of Gemini Electronics (Huizhou) Co. Ltd in early 2004.

Mr. Li Jia Quan (李加全), aged 36, is the chief engineer of Gemini Electronics (Huizhou) Co. Ltd, and he is mainly responsible for the aspects in technology, research and development. He graduated from Chongqing University (重慶大學) majoring in Material Science and Engineering. Prior to joining the Group in 2005, Mr. Li worked as senior executive in a Hong Kong listed company which focuses on flexible printed circuit boards production, and therefore has accumulated over 12 years' manufacturing and managerial experience in flexible printed circuit boards industry.

Mr. Wen Song Tang (文松堂), aged 37, is the director and financial manager of Gemini Electronics (Huizhou) Co. Ltd. He graduated from South-Central University For Nationalities (中南民族大學), majoring in Accountancy, and obtained a bachelor degree in Economics. Mr. Wen had worked in financial department of Guangdong Province Zhanjiang Farming (廣東省湛江農墾集團). He joined the Group in 2001 and has been assigned by the Group to Gemini Electronics (Huizhou) Co. Ltd in early 2004.

Mr. Jiang Wei Tao (江偉濤), aged 40, is the chairman of Shuangxiang (Fujian) Electronics Limited. He graduated from Fuzhou University (福州大學) and worked as marketing manager in Fujian Fuhui Jewelry (福建福輝珠寶). He joined the Group in 1996 as the regional manager in marketing department of Fuqiang and accumulated extensive managerial experience.

Corporate Governance Report

The Group is committed to statutory and regulatory corporate governance standards and adherence to the principles of corporate governance emphasising accountability, transparency, independence, fairness and responsibility.

The Group has complied with the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the Year.

A. Securities Transactions by Directors

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules (the "Model Code") as its own code of conduct regarding securities transactions by the directors of the Company (the "Directors").

Having made specific enquiries of all Directors, the Company confirmed that all Directors have complied with the required standard set out in the Model Code throughout the Year.

B. Board of Directors

1. Composition of the Board of Directors

As at 30 June 2010, the Board consisted of six Executive Directors, namely Ms. Xu Yue Yue, Mr. Xiang Song, Mr. Sze Ming Yee, Mr. Lin Wan Xin, Mr. Chan Kin, and Mr. Tu Shuguang, and three Independent Non-executive Directors, namely Mr. Li Jianguo, Mr. Cheung Chuen and Ms. Wong Lai Wing. Ms. Xu Yue Yue and Mr. Sze Ming Yee were appointed as executive Directors on 15 January 2010. Mr. Chan Kin and Mr. Tu Shuguang were appointed as Executive Directors on 25 September 2009 but resigned from the post on 2 July 2010. Mr. Hui Lung Hing and Mr. Yang Xue Jun were appointed as Executive Directors on 2 July 2010. Mr. Li Jianguo and Ms. Wong Lai Wing were appointed as Independent Non-executive Directors on 15 January 2010. Each of Directors' respective biographical details is set out in the section headed "Biographical Information of Directors and Senior Management" of this annual report.

The composition of the Board is well balanced with each Director having sound knowledge, experience and/or expertise relevant to the business of the Group. To the best knowledge of the Company, save as disclosed in the section headed "Biographical Information of Directors and Senior Management" of this annual report, there is no financial, business, family or other material/relevant relationship among members of the Board (including the Acting Chairman and the Chief Executive Officer).

2. Functions of the Board of Directors

The Board is responsible for the oversight of the Company's business and affairs with the objective of enhancing shareholder value. The Board also makes decisions on matters such as approving the annual results and interim results, notifiable and connected transactions, appointment and re-appointment of directors, declaring dividends and adopting accounting policies, etc. Details of the experience and qualifications of Directors are set out in the section headed "Biographical Information of Directors and Senior Management" of this annual report.

The Board delegates the authority and responsibility for implementing day-to-day operations, business strategies and management of the Group's businesses to the Executive Directors and the management. When the Board delegates aspects of its management and administration functions to the management, it has given clear directions as to the powers of the management, in particular, with respect to the circumstances where the management shall report back and obtain prior approval from the Board before making decisions or entering into any commitments on behalf of the Company.

3. *Board Meetings and Board Practices*

During the Year, the Board conducts 17 meetings a year and the Board will meet on other occasions when a boardlevel decision on a particulars matter is required. The attendance records of those meetings held are set out below:

Directors' Attendance at Board Meetings	No. of attendance
Executive Directors	
Mr. Lin Wan Xin	7/17
Mr. Xiang Song	8/17
Ms. Xu Yue Yue *(appointed as Executive Director on 15 January 2010)*	10/10
Mr. Sze Ming Yee *(appointed as Executive Director on 15 January 2010)*	2/10
Mr. Hui Lung Hing *(appointed as Executive Director on 2 July 2010)*	0/0
Mr. Yang Xue Jun *(appointed as Executive Director on 2 July 2010)*	0/0
Mr. Lin Wan Qaing *(resigned as Executive Director on 16 November 2009)*	4/4
Mr. Hu Zhao Rui *(resigned as Executive Director on 15 January 2010)*	3/7
Mr. Tu Shuguang *(resigned as Executive Director on 2 July 2010)*	9/15
Mr. Chan Kin *(resigned as Executive Director on 2 July 2010)*	6/15
Independent Non-executive Directors	
Mr. Li Jianguo *(appointed as Independent Non-executive Director on 15 January 2010)*	3/10
Ms. Wong Lai Wing *(appointed as Independent Non-executive Director on 15 January 2010)*	2/10
Mr. Cheung Chuen	8/17
Mr. Pan Chang Chi *(resigned on 15 January 2010)*	2/7
Mr. Cai Xun Shan *(resigned on 15 January 2010)*	2/7

The Directors will receive details of agenda items for decision and minutes of committee meetings in advance of each Board meeting. The Company Secretary is responsible for distributing detailed documents to Directors prior to the Board meetings to ensure that the Directors are able to make informed decisions regarding the matters discussed in the meetings. The Company Secretary is also responsible for ensuring the procedures of the Board meetings are observed and providing to the Board opinions on matters in relation to the compliance with the procedures of the Board meetings.

4. *Independent Non-executive Directors*

In compliance with Rule 3.10(1) of the Listing Rules, there are three Independent Non-executive Directors representing one-third of the Board. Among the three Independent Non-executive Directors, one of them has appropriate professional qualifications in accounting or relevant financial management expertise as required by Rule 3.10(2) of the Listing Rules.

The Independent Non-executive Directors bring independent judgment on issues of strategy, performance and risk. The Company has received from each of the Independent Non-executive Directors written confirmations of their independence pursuant to Rule 3.13 of the Listing Rules. Based upon the said confirmations, the Board considers that all the Independent Non-executive Directors are independent.

5. *Chairman and Chief Executive Officer*

The role of the Chairman is performed by Ms. Xu Yue Yue, and prior to her appointment on 15 January 2010, was performed by Mr. Lin Wan Xin. The role of the Chief Executive Officer is performed by Mr. Xiang Song. This segregation ensures a clear distinction between the Chairman's and the Chief Executive Officer's responsibilities which allows a balance of power between the Board and the management of the Group, and ensures their independence and accountability.

Ms. Xu Yue Yue, an Executive Director, has been appointed as the Acting Chairman of the Company following Mr. Lin Wan Xin's resignation as the Chairman on 15 January 2010.

6. *Appointment, Re-election and Removal of Directors*

According to the articles of association of the Company, one-third of the Directors are required to retire from office at each annual general meeting, provided that every Director shall be subject to retirement by rotation at least once in every three years.

According to the code provision A.4.1 of the CG Code, Non-executive Directors should be appointed for a specific term of service. Mr. Cheung Chuen was appointed as an Independent Non-executive Director on 30 September 2004 and his appointment letter has been renewed with the Company for a term of one year commencing from 1 January 2010. As Mr. Li Jianguo and Ms. Wong Lai Wing were appointed as the Independent Non-executive Directors on 15 January 2010, they have entered into the appointment letters with the Company respectively for a term of one year commencing from their appointment date. According to their terms of service, Mr. Cheung Chuen, Mr. Li Jianguo and Ms. Wong Lai Wing are subject to retirement by rotation and offer themselves for re-election in accordance with the articles of association of the Company.

7. *Nomination of Directors*

According to recommended best practices A.4.4 of the CG Code, listed issuers are recommended to set up a nomination committee with a majority of the members thereof being independent non-executive directors. As the Board considers that may be taken up by the Board members, the Company has not established a nomination committee. The Board is responsible for selecting and recommending candidates for directorship, based on assessment of their professional qualifications and experience and is also responsible for determining the independence of each Independent Non-executive Director. During the Year, the Board has assessed the independence of the Independent Non-executive Directors.

C. Board Committees

1. Remuneration Committee

The Company established a remuneration committee in November 2005 with written terms of reference no less exacting terms than the CG Code. The remuneration committee is responsible for advising the Board on the remuneration policy and framework of the Directors and senior management, as well as reviewing and determining the remuneration of Directors and senior management, including benefits in kinds, pension rights and compensation payments, with reference to the Company's objectives from time to time.

During the Year, the remuneration committee consisted of three members, comprising one Executive Director, Ms. Xu Yue Yue, and two Independent Non-executive Directors, Mr. Li Jianguo and Ms. Wong Lai Wing. Ms. Xu Yue Yue is the chairman of the remuneration committee. During the Year, two meetings were held to review the remuneration packages of the Board and the senior management. The attendance records of the remuneration committee meetings held are set out below:

Directors' Attendance at Remuneration Committee Meetings	**No. of attendance**
Ms. Xu Yue Yue *(appointed on 15 January 2010)*	1/1
Mr. Li Jianguo *(appointed on 15 January 2010)*	1/1
Ms. Wong Lai Wing *(appointed on 15 January 2010)*	1/1
Mr. Lin Wan Qaing *(resigned on 16 November 2010)*	1/1
Mr. Pan Chang Chi *(resigned on 15 January 2010)*	1/1
Mr. Cai Xun Shan *(resigned on 15 January 2010)*	1/1

2. Audit Committee

The Company established an audit committee in May 2001 with written terms of reference revised to be substantially the same as the provisions as set out in the CG Code. The audit committee acts as an important link between the Board and the Company's auditors in matters within the scope of the Group's audit. The duties of the audit committee are to review and discuss on the effectiveness of the external audit and risk evaluation of the Company, as well as the Company's annual report and accounts, interim reports and to provide advice and comments to the Board. The audit committee is also responsible for reviewing and supervising the Group's financial reporting and internal control. The audit committee has reviewed the annual results of the Group for the year ended 30 June 2010.

As at 30 June 2010, the audit committee consisted of three members and they are all the Independent Non-executive Directors, namely Mr. Li Jianguo, Mr. Cheung Chuen and Ms. Wong Lai Wing. Mr. Li Jianguo is the chairman of the audit committee. During the Year, two meetings were held to review the consolidated financial statements for the Year and the unaudited consolidated financial statements for the six months ended 31 December 2009 with the recommendations to the Board for approval; and to review the accounting principals and policies adopted by the Group and its system of internal control. The attendance records of the audit committee meetings held are set out below:

Directors' Attendance at Audit Committee Meetings	**No. of attendance**
Mr. Li Jianguo *(appointed on 15 January 2010)*	1/1
Mr. Cheung Chuen	2/2
Ms. Wong Lai Wing *(appointed on 15 January 2010)*	1/1
Mr. Pan Chang Chi *(resigned on 15 January 2010)*	1/1
Mr. Cai Xun Shan *(resigned on 15 January 2010)*	1/1

D. Accountability and Audit

1. Directors' Responsibility for the Consolidated Financial Statements

The Directors are responsible for the preparation of the consolidated financial statements. The Company's consolidated financial statements are prepared in accordance with all relevant statutory requirements and applicable accounting standards. The Directors are responsible for ensuring that appropriate accounting policies have been adopted and applied consistently, and that judgments and estimates made are prudent and reasonable.

The Directors acknowledge their responsibility for preparing the consolidated financial statements of the Group. Having made appropriate enquiries, the Board is not aware of any material uncertainties relating to events or conditions which may cast significant doubt over the Group's ability to continue as a going concern. Accordingly, the Board has continued to adopt the going concern basis in preparing the consolidated financial statements.

2. Internal Controls

The Board had conducted a review of the effectiveness of the system of internal control of the Group covering all material controls, including financial, operation, compliance control, etc. The Group's internal control system includes a defined management structure with limits of authority, is designed to help the achievement of business objectives, safeguard assets against unauthorized use or disposition, ensure the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and ensure compliance with relevant legislation and regulations. The system is designed to provide reasonable, but not absolute, assurance against material misstatement or loss and to manage rather than eliminate risks of failure in operation systems and achievement of the Group's objectives. The Board throughout the Group maintains and monitors the internal control systems on an ongoing basis.

3. Auditors' Remuneration

During the Year, the remuneration paid/payable to the Company's auditors, KPMG, is set out as follows:

Nature of Services	**Fee paid/payable** RMB'000
Audit services	2,670
Non-audit services	—
Total:	2,670

E. Investor and Shareholders Relations

The Company continues to pursue a proactive policy in promoting investor relations and communications with the shareholders of the Company. The Board also recognised that effective communication with investors is the key to establish investor confidence and to attract new investors.

The Company communicates with its shareholders and investors through the publication of annual and interim reports, press announcements and releases, also the Company's website at http://kingwell.todayir.com.

The annual general meeting of the Company also provides an important opportunity for constructive communication between the Board and the shareholders of the Company. The Chairman as well as the chairman of the audit and remuneration committees, or in their absence, members of the relevant committees are available to answer any questions raised by the shareholders.

The Group regularly releases corporate information, such as awards received, and the latest news of the Group's developments on the Company's website. The public are welcome to give their comments and make their enquiries through the Company's website, the management will give their prompt response thereto.

Report of the Directors

The Directors submit herewith their annual report together with the audited consolidated financial statements for the Year.

Principal activities

The principal activity of the Company is investment holding. The principal activities and other particulars of the subsidiaries are set out in note 16 to the financial statements.

The analysis of the principal activities and geographical locations of the operations of the Group during the financial year are set out in note 12 to the financial statements.

Major customers and suppliers

The information in respect of the Group's sales and purchases attributable to the major customers and suppliers respectively during the financial year is as follows:

	Percentage of the Group's total	
	Sales	**Purchases**
The largest customer	28%	
Five largest customers in aggregate	64%	
The largest supplier		18%
Five largest suppliers in aggregate		50%

At no time during the year have the Directors, their associates or any shareholders of the Company (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had any interest in these major customers and suppliers.

Financial statements

The loss of the Group for the Year and the state of the Company's and the Group's affairs as at that date are set out in the financial statements on pages 35 to 127.

Dividends

The Board does not recommend the payment of a final dividend (2009: Nil) for the Year.

Closure of register of members

The register of members will be closed from 2 December 2010 to 6 December 2010, both days inclusive, during which period o transfer of shares will be effected. In order to qualify for attending the forthcoming annual general meeting, all transfers accompanied by the relevant share certificates and transfer forms must be lodged with the Company's Hong Kong branch share registrar, Hong Kong Registrars Limited of 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration not later than 4:30 p.m. on 1 December 2010.

Share capital

Details of movements in share capital of the Company during the Year are set out in note 30 to the financial statements. Shares were issued during the Year on open offering, placings and conversions of convertible bonds.

Transfer to reserves

Losses attributable to equity shareholders of RMB268,698,000 (2009: losses of RMB360,202,000) have been transferred to reserves.

Distributable reserves

Details of the movements in reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity and note 30 to the financial statements respectively.

As at 30 June 2010, the distributable reserves of the Company available for distribution to shareholders amounted to RMB Nil (2009: RMB Nil) computed in accordance with the Companies Law (Revised) of the Cayman Islands and the Company's articles of association. This includes the Company's share premium, exchange reserves surplus, capital contribution reserve and capital redemption reserve of approximately RMB342,184,000 (2009: RMB237,842,000), RMB Nil (2009: RMB20,847,000), RMB48,448,000 (2009: RMB85,000,000) and RMB19,000 (2009: RMB19,000), respectively, less accumulated losses and exchange reserve deficit of approximately RMB428,679,000 (2009: RMB310,613,000) and RMB26,281,000 (2009: RMB Nil), which is available for distribution provided that immediately following the date on which the dividend is proposed, the Company will be able to pay off its debts as they fall due in the ordinary course of business of the Company.

Subsidiaries

Particulars of the Company's subsidiaries as at 30 June 2010 are set out in note 16 to the financial statements.

Property, plant and equipment

During the Year, the Group recognised an impairment loss of RMB204,204,000 against the non-current assets.

Details of these and other movements in property, plant and equipment of the Group during the year are set out in note 13 to the financial statements.

Banking facilities

Particulars of the banking facilities of the Group as at 30 June 2010 are set out in note 24 to the financial statements.

Charitable donations

Charitable donations made by the Group during the Year amounted to RMB1,195,000 (2009: RMB662,000).

Commitments

Particulars of the commitments of the Group as at 30 June 2010 are set out in note 34 to the financial statements.

Share option scheme (2003)

At the extraordinary general meeting of the Company held on 9 January 2003, an ordinary resolution was passed to adopt a share option scheme (the "2003 Scheme").

Summary of the 2003 Scheme

(A) Purpose of the 2003 Scheme

The purpose of the 2003 Scheme is to provide incentives and rewards to Eligible Participants (as defined hereinafter) who contribute to the success of the Group.

(B) Participants of the 2003 Scheme

Pursuant to the 2003 Scheme, the Board may offer eligible participants (being employees (whether full time or part time) or executives or officers of the Company or any of its subsidiaries (including executive and non-executive Directors of the Company or any of its subsidiaries) and business consultants, agents, legal or financial advisers who the Board considers, in its sole discretion, will contribute or have contributed to the Company or any of its subsidiaries) ("Eligible Participants") options to subscribe for such number of shares in the Company.

(C) Total number of shares available for issue under the 2003 Scheme

The total number of shares which may be issued upon exercise of all options to be granted under the 2003 Scheme will be 40,262,500 shares, representing 10% of the shares in issue as at the adoption date on 9 January 2003. On 23 December 2005 and 22 December 2006, an ordinary resolution was passed at each of that annual general meeting to refresh the number of shares available for issue up to 10% of the shares in issue as at the resolution date, representing 46,762,500 and 55,316,900 shares respectively. The maximum number of shares to be issued upon the exercise of all outstanding options granted and yet to be exercised under the 2003 Scheme must not in aggregate exceed 30% of the relevant shares of the Company in issue from time to time.

As at 30 June 2010, a total of 63,000,000 options have been granted since the adoption of the 2003 Scheme. With a total of 12,000,000 options having been exercised in prior years, and with a total of 51,000,000 options having lapsed or been cancelled, no options remained outstanding as at 30 June 2010.

(D) Maximum entitlement of each participant

The maximum number of shares in respect of which options may be granted to any individual in any 12-month period is not permitted to exceed 1% of the shares of the Company in issue at any point of time. Any further grant of options in excess of this 1% limit shall be subject to the issue of a circular by the Company and the approval of the shareholders in general meeting.

(E) Option period

Option may be exercised after it has vested at any time during the year to be notified by the Board at the time of the grant of the option but shall be in any event not later than 10 years from the offer date, subject to the provisions for early termination of the 2003 Scheme.

(F) Payment on acceptance of option

Options granted must be taken up within 21 days from the offer date, upon payment of HK$1.00 per grant.

(G) Basis of determining the subscription price

The subscription price per share under the 2003 Scheme is determined by the Board, save that such price must not be less than the highest of (a) the closing price of the shares as stated in the Stock Exchange's daily quotation sheet on the date of offer to grant option, which must be a business day; (b) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotation sheet for the five business days immediately preceding the date of offer to grant option; and (c) the nominal value of the share of the Company.

(H) Remaining life of the 2003 Scheme

The 2003 Scheme has been terminated following the adoption of a new share option scheme on 11 February 2010.

Share options

The following table discloses movements in the Company's share options of the 2003 Scheme during the Year:

	Name or category of participant	Date of grant	Number of share options: Outstanding as at 1 July 2009	Granted during the year	Exercised during the year	Cancelled/ Lapsed during the year	Outstanding as at 30 June 2010	Exercisable period	Exercise price per share HK$	Market value per share at date of grant of options HK$
(a)	*Directors*									
	Lin Wan Xin	4 September 2006	1,000,000	–	–	1,000,000	–	4 September 2006 to 3 September 2009	1.038	1.03
	Xiang Song	4 September 2006	1,500,000	–	–	1,500,000	–	4 September 2006 to 3 September 2009	1.038	1.03
	Liu Zhao Cai (Note)	4 September 2006	1,500,000	–	–	1,500,000	–	4 September 2006 to 3 September 2009	1.038	1.03
	Hu Zhao Rui	4 September 2006	1,000,000	–	–	1,000,000	–	4 September 2006 to 3 September 2009	1.038	1.03
(b)	*Eligible employees*	4 September 2006	5,500,000	–	–	5,500,000	–	4 September 2006 to 3 September 2009	1.038	1.03
			10,500,000	–	–	10,500,000	–			

Information on the accounting policy for share options granted and the weighted average value per option is provided in notes 1(q)(ii) and 32 to the financial statements.

Apart from the foregoing, at no time during the year was the Company, any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

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

Share option scheme (2010)

At the extraordinary general meeting of the Company held on 11 February 2010, an ordinary resolution was passed to adopt a share option scheme (the "2010 Scheme").

Summary of the 2010 Scheme

(A) Purpose of the 2010 Scheme

The purpose of the 2010 Scheme is to provide incentives and rewards to Eligible Participants (as defined hereinafter) who contribute to the success of the Group.

(B) Participants of the 2010 Scheme

Pursuant to the 2010 Scheme, the Board may offer eligible participants (being employees (whether full time or part time) or executives or officers of the Company or any of its subsidiaries (including executive and non-executive Directors of the Company or any of its subsidiaries) and business consultants, agents, legal or financial advisers who the Board considers, in its sole discretion, will contribute or have contributed to the Company or any of its subsidiaries) ("Eligible Participants") options to subscribe for such number of shares in the Company.

(C) Total number of shares available for issue under the 2010 Scheme

The initial total number of shares which may be issued upon exercise of all options to be granted under the 2010 Scheme will be 95,024,050 shares, representing 10% of the shares in issue as at the adoption date. On 24 May 2010, an ordinary resolution was passed at that extraordinary general meeting to refresh the number of shares available for issue up to 10% of the shares in issue as at the resolution date, representing 106,203,250 shares. The maximum number of shares to be issued upon the exercise of all outstanding options granted and yet to be exercised under the 2010 Scheme must not in aggregate exceed 30% of the relevant shares of the Company in issue from time to time.

As at 30 June 2010, a total of 75,000,000 options have been granted since the adoption of the 2010 Scheme. With no options having been exercised, lapsed or having been cancelled, 75,000,000 options remained outstanding, representing approximately 5.78% of the total issued number of shares of the Company as at 30 June 2010.

(D) Maximum entitlement of each participant

The maximum number of shares in respect of which options may be granted to any individual in any 12-month period is not permitted to exceed 1% of the shares of the Company in issue at any point of time. Any further grant of options in excess of this 1% limit shall be subject to the issue of a circular by the Company and the approval of the shareholders in general meeting.

(E) Option period

An option may be exercised after it has vested at any time during the year to be notified by the Board at the time of the grant of the option but shall be in any event not later than 10 years from the offer date, subject to the provisions for early termination of the 2010 Scheme.

(F) Payment on acceptance of option

Options granted must be taken up within 7 days from the offer date, upon payment of HK$1.00 per grant.

(G) Basis of determining the subscription price

The subscription price per share under the 2010 Scheme is determined by the Board, save that such price must not be less than the highest of (a) the closing price of the shares as stated in the Stock Exchange's daily quotation sheet on the date of offer to grant option, which must be a business day; (b) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotation sheet for the five business days immediately preceding the date of offer to grant option; and (c) the nominal value of the share of the Company.

(H) Remaining life of the 2010 Scheme

The 2010 Scheme will remain valid until 10 February 2020.

Share options

The following table discloses movements in the Company's share options of the 2010 Scheme during the Year:

	Name or category of participant	Date of grant	Number of share options: Outstanding as at 1 July 2009	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding as at 30 June 2010	Exercisable period	Exercise price per share	Market value per share at date of grant of options
(a)	*Directors*									
	Xu Yue Yue	26 May 2010	—	10,000,000	—	—	10,000,000	26 May 2010 to 25 May 2015	0.287	0.285
	Chan Kin *(Note)*	26 May 2010	—	2,000,000	—	—	2,000,000	26 May 2010 to 25 May 2015	0.287	0.285
	Sze Ming Yee	26 May 2010	—	2,000,000	—	—	2,000,000	26 May 2010 to 25 May 2015	0.287	0.285
	Tu Shuguang (Note)	26 May 2010	—	1,000,000	—	—	1,000,000	26 May 2010 to 25 May 2015	0.287	0.285
(b)	*Eligible employees*	26 May 2010	—	11,000,000	—	—	11,000,000	26 May 2010 to 25 May 2015	0.287	0.285
(c)	*Eligible consultants*	26 May 2010	—	49,000,000	—	—	49,000,000	26 May 2010 to 25 May 2015	0.287	0.285
			—	75,000,000	—	—	75,000,000			

Information on the accounting policy for share options granted and the weighted average value per option is provided in notes 1(q)(ii) and 32 to the financial statements.

Apart from the foregoing, at no time during the year was the Company, any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Note: Mr. Chan Kin and Mr. Tu Shuguang resigned as the executive Directors on 2 July 2010. Pursuant to the 2010 Scheme, the share options shall lapse on the date of cessation of their employment. However, the share options shall remain valid and are exercisable during the exercisable period stated above as determined by the Board.

Retirement benefit schemes

Details of the Group's retirement benefit schemes for the Year are set out in note 31 to the financial statements.

Connected transactions

On 1 February 1999, the Group entered into a lease agreement with Ms. He Yu Zhu, the spouse of Mr. Lin Wan Qaing who is the former controlling shareholder and a former director of the Company, pursuant to which the Group agreed to pay a monthly rental of RMB35,200 in respect of the Group's occupation of 15 level, Zhong Mei Building, No. 107 Gu Tian Road, Fuzhou City, Fujian Province, PRC for a term of five years commencing on 1 February 1999 and the lease agreement has been further extended to 1 February 2014 with a revised monthly rental of RMB29,250.

On 1 June 2010, the Group entered into a lease agreement with Truroll Investment Limited, of which Mr. Hui Lung Hing, a substantial shareholder and an Executive Director of the Company, is the Chairman. Pursuant to the agreement, the Group agreed to pay a monthly rental of HK$45,000 in respect of the Group's occupation of Units 314–315, Wing On Plaza, 62 Mody Road, Tsimshatsui East, Kowloom, Hong Kong.

In the opinion of the Independent Non-executive Directors of the Company, the rentals as referred to in the above lease agreements are based on normal commercial terms and has been conducted in the ordinary and usual course of business of the Group. This transactions constitute de minimus on-going connected transactions in accordance with Rule 14A.31 of the Listing Rules.

Directors

The Directors during the Year and up to the date of this annual report are:

Executive Directors

Ms. Xu Yue Yue	*(appointed as Acting Chairman on 15 January 2010)*
Mr. Xiang Song	*(Chief Executive Officer)*
Mr. Sze Ming Yee	*(appointed as Executive Director on 15 January 2010)*
Mr. Hui Lung Hing	*(appointed as Executive Director on 2 July 2010)*
Mr. Yang Xue Jun	*(appointed as Executive Director on 2 July 2010)*
Mr. Lin Wan Qaing	*(resigned as Executive Director on 16 November 2009)*
Mr. Lin Wan Xin	*(resigned as Chairman on 15 January 2010)*
Mr. Hu Zhao Rui	*(resigned as Executive Director on 15 January 2010)*
Mr. Tu Shuguang	*(resigned as Executive Director on 2 July 2010)*
Mr. Chan Kin	*(resigned as Executive Director on 2 July 2010)*

Independent Non-executive Directors

Mr. Li Jianguo	*(appointed as Independent Non-executive Director on 15 January 2010*
Ms. Wong Lai Wing	(appointed as Independent Non-executive Director on 15 January 2010
Mr. Cheung Chuen	
Mr. Pan Chang Chi	*(resigned as Indepndent Non-executive Director on 15 January 2010)*
Mr. Cai Xun Shan	*(resigned as Indepndent Non-executive Director on 15 January 2010)*

In accordance with articles 87(1) and 87(2) of the Company's articles of association, Mr. Cheung Chuen shall retire by rotation and, being eligible, offer himself for re-election at the forthcoming annual general meeting. Ms. Xu Yue Yue, Mr. Sze Ming Yee, Mr. Hui Lung Hing, Mr. Yang Xue Jun and Ms. Wong Lai Wing shall retire as Directors at the forthcoming annual general meeting pursuant to article 86(3) of the articles of association of the Company and, being eligible, will offer themselves for re-election. Mr. Li Jianguo shall retire as Director at the forthcoming annual general meeting pursuant to article 86(3) of the articles of association of the Company and will not offer himself for re-election.

Directors' service agreements

Mr. Xiang Song, an Executive Director has entered into a service agreement with the Company for a term of three years, with a fixed term of one year, which shall be terminated by either party giving the other not less than six months prior written notice provided that such notice period shall not expire during the first 12 months of the said 3 years' term. The commencement date of the service agreement with Mr. Xiang Song is on 8 May 2010.

Mr. Lin Wan Xin, an Executive Director has entered into the service agreement with the Company for a term of one year from the date of the commencement of the contract and his appointment will continue thereafter until terminated by six months' notice in writing served by either party on the other. The commencement date of the service agreement with Mr. Lin Wan Xin is on 24 October 2010.

Each of the newly appointed Executive Directors after 1 July 2009 listed below has entered into a service contract with the Company for a term of one year from the date of their appointments and their appointments will continue thereafter until terminated by six months' notice in writing served by either party on the other. The commencement dates of the agreements with each of the Executive Directors are as follows:

Ms. Xu Yue Yue	15 January 2010
Mr. Sze Ming Yee	15 January 2010
Mr. Hui Lung Hing	2 July 2010
Mr. Yang Xue Jun	2 July 2010

Mr. Cheung Chuen was appointed as an Independent Non-executive Director on 30 September 2004 and his appointment letter has been renewed with the Company for a term of one year commencing from 1 January 2010. As Mr. Li Jianguo and Ms. Wong Lai Wing were appointed as the Independent Non-executive Directors on 15 January 2010, they have entered into the appointment letters with the Company respectively for a term of one year commencing from their appointment date. According to their terms of service, Mr. Cheung Chuen, Mr. Li Jianguo and Ms. Wong Lai Wing are subject to retirement by rotation and offer themselves for re-election in accordance with the articles of association of the Company.

Save as disclosed above, none of the Directors has a service agreement with the Company or any of its subsidiaries, which is not determinable by the Group within one year without payment of compensation other than statutory compensation.

Directors' and chief executives' interests and short positions in shares, underlying shares and debentures

As at 30 June 2010, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and the chief executives of the Company were deemed or taken to have under such provisions of the SFO), or which were recorded in the register required to be kept pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Long positions in the shares of the Company

Name	Capacity	Number of Shares	Number of issued ordinary shares held	Number of underlying shares held pursuant to share options	Total approximate % of the issued share capital
Chan Kin	Beneficial owner	2,000,000	—	2,000,000	0.15
Sze Ming Yee	Interest held as beneficial owner and through controlled corporations	347,778,539	345,778,539 (Note)	2,000,000	26.80
Tu Shuguang	Beneficial owner	1,000,000	—	1,000,000	0.08
Xu Yue Yue	Beneficial owner	10,000,000	—	10,000,000	0.77

Note: 345,778,539 Shares are held by Union Day Group Limited (a company incorporated in the British Virgin Islands with limited liability) which is 72% beneficially owned by Sze Ming Yee.

Save as disclosed above, as at 30 June 2010, none of the Directors nor the chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company which had to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions 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, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

Shareholders' interests and short positions in the shares and underlying shares of the Company

As at 30 June 2010, according to the register of members kept by the Company pursuant to Section 336 of the SFO and so far as is known to, or can be ascertained after reasonable enquiry by the Directors, the following person/entity (other than the Directors or chief executives of the Company) had an interest or short position in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which would fall to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO, or be directly and indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote on all circumstances at general meetings of the Company:

Long positions in the shares of the Company

Name	Capacity	Number of shares	Number of issued ordinary shares held	Number of underlying shares held pursuant to Convertible Bonds	Total Approximate % of the issued share capital
Union Day Group Limited	Beneficial Owner	345,778,539	345,778,539	—	26.64
Hui Lung Hing	Beneficial Owner	285,714,286	71,428,571	214,285,715	22.02
Du Hua Wei	Beneficial Owner	82,142,857	82,142,857	—	6.33
Zhang Jian	Beneficial Owner	82,142,857	82,142,857	—	6.33

Save as disclosed above, the Company has not been notified of any other interests or short positions representing 5% or more of the issued share capital of the Company and recorded in the register maintained under Section 336 of the SFO as at 30 June 2010.

Directors' rights to acquire shares or debt securities

Other than as disclosed under the sections "Share option scheme", "Share options" and "Directors' and chief executives' interests and short positions in shares, underlying shares and debentures" above, at no time during the year was the Company or any of its subsidiaries, or any of its fellow subsidiaries, a party to any arrangement to enable the Directors or chief executives of the Company or their respective associates (as defined in the Listing Rules) to have any right to subscribe for securities of the Company or any of its associated corporations as defined in the SFO or to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

Director's interests in contracts

Save as disclosed in note 38 to the financial statements, there was no contract, commitment or agreement of significance in relation to the Company's business, to which the Company or any of its subsidiaries was a party and in which any of the Directors had a material interest, either directly or indirectly, subsisted at the end of the year or at any time during the year.

Director's interests in competing business

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

Management contract

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year.

Financial summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 128 of the annual report.

Purchase, sale or redemption of listed securities

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Year.

Pre-emptive rights

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

Audit committee

The Company has established an audit committee since 8 May 2001 with written terms of reference and the duties of the audit committee include reviewing the Company's annual reports and interim reports and providing advice and comments to the Directors. The audit committee is also responsible for reviewing and supervising the financial reporting and internal control procedures of the Group.

As at the date of this annual report, the audit committee comprises three Independent Non-executive Directors, namely Mr. Cheung Chuen, Mr. Li Jianguo and Ms. Wong Lai Wing. During the Year, the audit committee has met twice to review the interim and annual results of the Group.

Sufficiency of public float

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this annual report, the Company has maintained the prescribed public float under the Listing Rules.

Auditors

KPMG retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditors of the Company is to be proposed at the forthcoming annual general meeting.

By Order of the Board

Xu Yue Yue
Acting Chairman

Hong Kong, 26 October 2010

Report of the Independent Auditor

Independent auditor's report to the shareholders of Kingwell Group Limited
(Formerly known as Sinotronics Holdings Limited)
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Kingwell Group Limited ("the Company") set out on pages 35 to 127, which comprise the consolidated and company balance sheets as at 30 June 2010, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 30 June 2010 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

26 October 2010

Consolidated Income Statement

For the year ended 30 June 2010
(Expressed in Renminbi)

	Note	2010 RMB'000	2009 RMB'000
Turnover	3	264,213	316,940
Cost of sales		(268,369)	(270,693)
Gross (loss)/profit		(4,156)	46,247
Other revenue	4	2,703	5,002
Other net income/(loss)	4	41,127	(95,248)
Distribution costs		(11,556)	(16,278)
Administrative expenses		(40,563)	(30,500)
Repair and maintenance costs	5(d)	(14,426)	(9,720)
Other operating expenses		(1,203)	(820)
Impairment of non-current assets	13(a)	(204,204)	(282,338)
Impairment of goodwill	15	(59,311)	—
Loss from operations		(291,589)	(383,655)
Finance costs	5(a)	(10,376)	(19,866)
Loss before taxation	5	(301,965)	(403,521)
Income tax	6(a)	32,903	43,319
Loss for the year		(269,062)	(360,202)
Attributable to:			
Equity shareholders of the Company		(268,698)	(360,202)
Non-controlling interests		(364)	—
Loss for the year		(269,062)	(360,202)
Loss per share	11		
Basic		(34) cents	(64) cents
Diluted		(34) cents	(64) cents

The notes on pages 44 to 127 form part of these financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2010
(Expressed in Renminbi)

	Note	2010 RMB'000	2009 RMB'000
Loss for the year		(269,062)	(360,202)
Other comprehensive income for the year (after tax)	10		
Exchange differences on translation of financial statements of operations outside the People's Republic of China (the "PRC")		(833)	(689)
Impairment of buildings held for own use, net of deferred tax		—	(10,536)
		(833)	(11,225)
Total comprehensive income for the year		(269,895)	(371,427)
Attributable to:			
Equity shareholders of the Company		(269,530)	(371,427)
Non-controlling interests		(365)	—
Total comprehensive income for the year		(269,895)	(371,427)

The notes on pages 44 to 127 form part of these financial statements.

Consolidated Balance Sheet

At 30 June 2010

(Expressed in Renminbi)

	Note	2010 RMB'000	2009 RMB'000
Non-current assets			
Property, plant and equipment	13(a)	124,682	290,472
Interests in leasehold land held for own use under operating leases	14	17,642	18,143
Deposits for the purchase of property, plant and equipment		335	9,580
Deferred tax assets	27(b)	90,231	57,750
		232,890	375,945
Current assets			
Trading securities	17	1,081	1,570
Inventories	18	314,615	25,997
Trade and other receivables	19	133,734	94,068
Derivative financial instruments	20	1,758	—
Amount due from the controlling shareholder (the "CS")	29	—	61,975
Pledged deposits	22	10,731	8,662
Cash and cash equivalents	22	476,972	648,450
		938,891	840,722
Current liabilities			
Trade and other payables	23	265,545	143,926
Bank loans	24	144,000	250,972
Convertible bonds	25	473	—
Other interest-bearing borrowings	26	134,000	—
Taxation	27(a)	2,792	—
Other financial liabilities	28	—	164,443
		546,810	559,341
Net current assets		392,081	281,381
Total assets less current liabilities		624,971	657,326

Consolidated Balance Sheet *(continued)*

At 30 June 2010
(Expressed in Renminbi)

	Note	2010 RMB'000	2009 RMB'000
Non-current liabilities			
Bank loans	24	26,000	16,000
Convertible bonds	25	38,822	—
Deferred tax liabilities	27(b)	19,151	6,861
		83,973	22,861
NET ASSETS		540,998	634,465
CAPITAL AND RESERVES			
Share capital	30(c)	123,651	58,661
Reserves		395,859	575,804
Total equity attributable to equity shareholders of the Company		519,510	634,465
Non-controlling interests		21,488	—
TOTAL EQUITY		540,998	634,465

Approved and authorised for issue by the board of directors on 26 October 2010

Xu Yue Yue
Director

Xiang Song
Director

The notes on pages 44 to 127 form part of these financial statements.

Balance Sheet

At 30 June 2010
(Expressed in Renminbi)

	Note	2010 RMB'000	2009 RMB'000
Non-current assets			
Property, plant and equipment	13(b)	670	13
Investments in subsidiaries	16	144,113	93,975
		144,783	93,988
Current assets			
Other receivables	19	97,788	206,930
Derivative financial instruments	20	1,758	—
Amount due from the CS	29	—	61,975
Cash and cash equivalents	22	12,472	1,175
		112,018	270,080
Current liabilities			
Other payables	23	136,369	78,735
Bank loans	24	—	26,388
Convertible bonds	25	473	—
Other financial liabilities	28	—	164,443
		136,842	269,566
Net current (liabilities)/assets		(24,824)	514
Total assets less current liabilities		119,959	94,502

Balance Sheet *(continued)*

At 30 June 2010
(Expressed in Renminbi)

	Note	2010 RMB'000	2009 RMB'000
Non-current liabilities			
Convertible bonds	25	38,822	—
NET ASSETS		81,137	94,502
CAPITAL AND RESERVES	30(a)		
Share capital		123,651	58,661
Reserves		(42,514)	35,841
TOTAL EQUITY		81,137	94,502

Approved and authorised for issue by the board of directors on 26 October 2010

Xu Yue Yue
Director

Xiang Song
Director

The notes on pages 44 to 127 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 30 June 2010
(Expressed in Renminbi)

		Attributable to equity shareholders of the Company													
	Note	Share capital RMB'000	Share premium RMB'000	Share-based compensation reserve RMB'000	Statutory reserve RMB'000	Capital reserve RMB'000	Exchange reserve RMB'000	Building valuation reserve RMB'000	Capital contribution reserve RMB'000	Capital redemption reserve RMB'000	Convertible bonds reserve RMB'000	Retained profits/ (accumulated losses) RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 July 2008		58,661	239,811	3,083	14,274	63,947	28,612	14,427	3,272	19	–	500,027	926,133	–	926,133
Realisation of surplus on revaluation of buildings held for own use upon disposal, net of deferred tax		–	–	–	–	–	–	(3,891)	–	–	–	3,891	–	–	–
Contributions by the CS upon termination of derivative financial instruments	29	–	–	–	–	–	–	–	81,167	–	–	–	81,167	–	81,167
Fair value adjustment of amount due to the CS	29	–	–	–	–	–	–	–	561	–	–	–	561	–	561
Dividend approved in respect of the previous financial year	30(b)	–	(1,969)	–	–	–	–	–	–	–	–	–	(1,969)	–	(1,969)
Lapse of share options		–	–	(337)	–	–	–	–	–	–	–	337	–	–	–
Total comprehensive income for the year		–	–	–	–	–	(689)	(10,536)	–	–	–	(360,202)	(371,427)	–	(371,427)
At 30 June 2009		58,661	237,842	2,746	14,274	63,947	27,923	–	85,000	19	–	144,053	634,465	–	634,465
At 1 July 2009		58,661	237,842	2,746	14,274	63,947	27,923	–	85,000	19	–	144,053	634,465	–	634,465
Issue of convertible bonds		–	–	–	–	–	–	–	–	–	31,529	–	31,529	–	31,529
Issue of shares by open offer and placing	30(c)(iii)	44,255	66,824	–	–	–	–	–	–	–	–	–	111,079	–	111,079
Issue of shares upon conversion of convertible bonds	30(c)(iv)	20,735	37,518	–	–	–	–	–	–	–	(16,513)	–	41,740	–	41,740
Adjustment of contributions by the CS under the Deed	29	–	–	–	–	–	–	–	(36,552)	–	–	–	(36,552)	–	(36,552)
Equity-settled share-based transactions		–	–	6,779	–	–	–	–	–	–	–	–	6,779	–	6,779
Lapse of share options		–	–	(2,746)	–	–	–	–	–	–	–	2,746	–	–	–
Acquisition of subsidiaries	36	–	–	–	–	–	–	–	–	–	–	–	–	21,853	21,853
Total comprehensive income for the year		–	–	–	–	–	(832)	–	–	–	–	(268,698)	(269,530)	(365)	(269,895)
At 30 June 2010		123,651	342,184	6,779	14,274	63,947	27,091	–	48,448	19	15,016	(121,899)	519,510	21,488	540,998

The notes on pages 44 to 127 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 30 June 2010
(Expressed in Renminbi)

	Note	2010 RMB'000	2009 RMB'000
Operating activities			
Cash (used in)/generated from operations	22(b)	(24,376)	73,663
Tax paid			
— PRC enterprise income tax paid		(345)	(13,515)
Net cash (used in)/generated from operating activities		(24,721)	60,148
Investing activities			
Decrease/(increase) in deposits for the purchase of property, plant and equipment		8,842	(21,557)
Payments for the purchase of property, plant and equipment		(60,975)	(227,401)
Proceeds from disposal of property, plant and equipment		67	—
Payment for the purchase of trading securities		(1,000)	(1,500)
Proceed from sale of trading securities		1,571	—
Interest received		2,280	4,782
Net cash outflow for acquisition of subsidiaries	36	(38,144)	—
Net cash used in investing activities		(87,359)	(245,676)
Financing activities			
Proceeds from new bank loans		154,000	215,585
Repayment of bank loans		(252,031)	(232,568)
Proceeds from other interest-bearing borrowings		3,000	—
Increase in pledged deposits		(700)	(4,355)
Payment for derivative financial instruments		—	(3,434)
Settlement of other financial liabilities		(126,501)	—
Capital element of finance lease rentals paid		—	(3,104)
Interest element of finance lease rentals paid		—	(86)
Decrease in amount due to a director		(2,211)	(2,298)
Financial assistance from the CS		25,284	3,434
Proceeds from the issue of convertible bonds		40,268	—
Net proceeds from the issue of new shares		111,079	—
Interest paid		(11,444)	(17,580)
Dividends paid		—	(1,969)
Net cash used in financing activities		(59,256)	(46,375)

Consolidated Cash Flow Statement *(continued)*

For the year ended 30 June 2010

(Expressed in Renminbi)

	Note	2010 RMB'000	2009 RMB'000
Net decrease in cash and cash equivalents		(171,336)	(231,903)
Cash and cash equivalents at 1 July 2009/2008		648,450	880,366
Effect of foreign exchange rate changes		(142)	(13)
Cash and cash equivalents at 30 June 2010/2009	22(a)	476,972	648,450

The notes on pages 44 to 127 form part of these financial statements.

1 Significant accounting policies

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"). A summary of the significant accounting policies adopted by the Company and its subsidiaries (together referred to as the "Group") is set out below.

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 and the Company. Note 2 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The Company changed its name from Sinotronics Holdings Limited (華翔微電子控股有限公司) to Kingwell Group Limited (京維集團有限公司) on 25 February 2010. The consolidated financial statements for the year ended 30 June 2010 comprise the Company and its subsidiaries.

The functional currencies of the Company and its subsidiaries in the PRC are Hong Kong dollars and Renminbi ("RMB") respectively. For the purpose of presenting the consolidated financial statements, the Group has adopted RMB as its presentation currency. The measurement basis used in the preparation of the financial statements is the historical cost basis except as set out in the accounting policies below.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 37.

(c) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

1 Significant accounting policies *(continued)*

(c) Subsidiaries and non-controlling interests *(continued)*

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the portion of the net assets of subsidiaries attributable to interests that are not owned by the Company, whether directly or indirectly through subsidiaries, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. Non-controlling interests are presented in the consolidated balance sheet within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated income statement and the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company.

Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated balance sheet in accordance with notes 1(n) or (o) depending on the nature of the liability.

In the Company's balance sheet, an investment in a subsidiary is stated at cost less impairment losses (see note 1(j)).

(d) Goodwill

Goodwill represents the excess of the cost of a business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash-generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 1(j)).

Any excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of a business combination is recognised immediately in profit or loss.

On disposal of a cash-generating unit, any attributable amount of the purchased goodwill is included in the calculation of the profit or loss on disposal.

(e) Trading securities

Investments in equity securities are initially stated at fair value, which is their transaction price unless fair value can be more reliably estimated using valuation techniques whose variables include only data from observable markets. Cost includes attributable transaction costs.

Investments in securities held for trading are classified as current assets. Any attributable transaction costs are recognised in profit or loss as incurred. At each balance sheet date the fair value is remeasured, with any resultant gain or loss being recognised in profit or loss. The net gain or loss recognised in profit or loss does not include any dividends or interest earned on these investments as these are recognised in accordance with the policies set out in notes 1(t)(iv) and (v).

1 Significant accounting policies *(continued)*

(f) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At each balance sheet date the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

(g) Property, plant and equipment

(i) Property, plant and equipment is carried in the balance sheet on the following bases:

— buildings held for own use are stated in the balance sheet at revalued amount less accumulated depreciation (see note 1(i)) and impairment losses (see note 1(j)). The cost of self-constructed buildings includes the cost of materials, direct labour, the initial estimates, where relevant, of the cost of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 1(v));

— other items of plant and equipment are stated in the balance sheet at cost less accumulated depreciation (see note 1(i)) and impairment losses (see note 1(j)); and

— construction-in-progress represents buildings under construction and machinery pending installation and is stated at cost, which includes construction expenditure incurred, cost of machinery and other direct costs capitalised during the construction and installation period.

(ii) Revaluations of buildings held for own use are performed with sufficient regularity to ensure that the carrying amount of these assets does not differ materially from that which would be determined using fair values at the balance sheet date.

(iii) Changes arising on the revaluation of buildings held for own use are generally dealt with in other comprehensive income and accumulated separately in equity in the building revaluation reserve. The only exceptions are as follows:

— when a deficit arises on revaluation, it will be charged to profit or loss to the extent that it exceeds the amount held in the reserve in respect of that same asset immediately prior to the revaluation; and

— when a surplus arises on revaluation, it will be credited to profit or loss to the extent that a deficit on revaluation in respect of that same asset had previously been charged to profit or loss.

(iv) Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal. Any related revaluation surplus is transferred from the building revaluation reserve to retained profits and is not reclassified to profit or loss.

(h) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

1 Significant accounting policies *(continued)*

(h) Leased assets (continued)

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, except that land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee.

(ii) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in property, plant and equipment and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost or valuation of the assets over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset, as set out in note 1(i). Impairment losses are accounted for in accordance with the accounting policy as set out in note 1(j). Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(iii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term.

(i) Depreciation

(i) No depreciation is provided on construction-in-progress until it is available for use.

(ii) Depreciation is calculated to write off the cost or valuation of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

— buildings held for own use situated on leasehold land are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being 25 years from the date of completion.

— Machinery	10 years
— Fixture, furniture and equipment	5 years
— Motor vehicles	5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

1 Significant accounting policies *(continued)*

(j) Impairment of assets

(i) Impairment of trade and other receivables

Trade and other current receivables that are stated at cost or amortised cost are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

— significant financial difficulty of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

If any such evidence exists, the impairment loss is determined and recognised as follows:

— For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

  For other current receivables and other financial assets carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated recoverable amount.

— If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade receivables and bills receivable included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade receivables and bills receivable directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

1 Significant accounting policies *(continued)*

(j) Impairment of assets (continued)

(ii) Impairment of other assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

— property, plant and equipment;

— pre-paid interests in leasehold land classified as being held under operating lease;

— investments in subsidiaries; and

— goodwill.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, the recoverable amount is estimated annually whether or not there is any indication of impairment.

— Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

— Recognition of impairment losses

An impairment loss is recognised in profit or loss, except for buildings carried at revalued amounts, for which the impairment loss is recognised in other comprehensive income to the extent that the impairment loss does not exceed the amount in the building revaluation reserve relating to that same asset, if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

1 Significant accounting policies *(continued)*

(j) Impairment of assets (continued)

(ii) Impairment of other assets *(continued)*

— Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss, except for buildings carried at revalued amounts, for which the reversals of impairment losses are credited to profit or loss only to the extent that an impairment loss relating to that same revalued asset was previously recognised in profit or loss and the remaining differences are credited to other comprehensive income, in the year in which the reversals are recognised.

(iii) Interim financial reporting and impairment

Under the Listing Rules, the Group is required to prepare an interim financial report in compliance with HKAS 34, *Interim financial reporting*, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 1(j)(i) and (ii)).

(k) Inventories

(i) Manufacturing of printed circuit boards

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(ii) Property development

Inventories in respect of property development activities are carried at the lower of cost and net realisable value. Cost and net realisable values are determined as follows:

— Properties under development for sale

The cost of properties under development for sale comprises specifically identified cost, including the acquisition cost of land, aggregate cost of development, materials and supplies, wages and other direct expenses and borrowing costs capitalised (see note 1(v)). Net realisable value represents the estimated selling price less estimated costs of completion and costs to be incurred in selling the properties.

1 Significant accounting policies *(continued)*

(k) Inventories (continued)

(ii) Property development *(continued)*

— Completed properties held for sale

In the case of completed properties developed by the Group, cost is determined by apportionment of the total development costs for that development project, attributable to the unsold properties. Net realisable value represents the estimated selling price less costs to be incurred in selling the properties.

Cost of completed properties held for sale comprises all costs of purchase, costs of conversion and other costs incurred in bringing the properties to their present location and condition.

(l) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment of doubtful debts (see note 1(j)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(m) Convertible bonds

Convertible bonds that can be converted to equity share capital at the option of the holder, where the number of shares that would be issued on conversion and the value of the consideration that would be received at that time do not vary, are accounted for as compound financial instruments which contain both a liability component and an equity component. The non-equity derivative component embedded in the convertible bonds is accounted for as derivative financial instrument.

At initial recognition the liability component of the convertible bonds, including the non-equity derivative component, is measured at fair value which is determined by reference to the fair value of a similar stand-alone debt instrument that includes the non-equity derivative feature but does not have an associated equity conversion option. Any excess of proceeds over the amount initially recognised as the liability component (including the non-equity derivative component) is recognised as the equity component.

Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability, non-equity derivative and equity components in proportion to the allocation of proceeds. The portion of the transaction costs relating to the non-equity derivative component is recognised immediately to profit or loss.

The non-derivative liability component is subsequently carried at amortised cost. The interest expense recognised in profit or loss on the non-derivative liability component is calculated using the effective interest method. The derivative component is subsequently remeasured in accordance with note 1(f). The equity component is recognised in the convertible bonds reserve until either the convertible bonds are converted or redeemed.

If the convertible bonds are converted, the convertible bonds reserve, together with the carrying amount of the non-derivative liability and non-equity derivative components at the time of conversion, are transferred to share capital and share premium as consideration for the shares issued. If the convertible bonds are redeemed, the convertible bonds reserve is released directly to retained profits.

1 Significant accounting policies *(continued)*

(n) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(o) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with note 1(s)(i), trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(p) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

(q) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at the grant date using the Binomial Option Pricing Model or the Black-Scholes-Merton Option Pricing Model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the share options, the total estimated fair value of the share options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

1 Significant accounting policies *(continued)*

(r) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities and all deferred tax assets, to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

1 Significant accounting policies *(continued)*

(r) Income tax (continued)

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

— in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

— in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  — the same taxable entity; or

  — different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(s) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 1(s)(ii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

(ii) Other provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

1 Significant accounting policies *(continued)*

(t) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sale of goods

Revenue arising from the sale of goods is recognised when the customer has accepted the goods and the related risks and rewards of ownership, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably and there is no continuing management involvement with the goods. Revenue excludes value-added tax or other sales taxes and is stated after deduction of any trade discounts.

(ii) Sale of properties

Revenue arising from the sale of properties held for sale is recognised when the risks and rewards of ownership of the properties have passed to the buyer. The Group considers the significant risk and rewards of ownership are transferred when the properties are completed and delivered to the buyers and the collectability of the related receivables is probable. Revenue from sale of properties excludes business tax and other sales related taxes and is stated after deduction of any trade discounts. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the consolidated balance sheet under receipts in advance.

(iii) Processing service income

Processing service income is recognised when services are rendered.

(iv) Interest income

Interest income is recognised as it accrues using the effective interest method.

(v) Dividends

Dividend income is recognised when the shareholder's right to receive payment is established.

(u) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results of operations outside the PRC are translated into Renminbi at the exchange rates approximating the foreign exchange rates ruling at the dates of transactions. Balance sheet items are translated into Renminbi at the foreign exchange rates ruling at the balance sheet date. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of an operation outside the PRC, the cumulative amount of the exchange differences recognised in equity which relate to that foreign operation is included in the calculation of the profit or loss on disposal.

1 Significant accounting policies *(continued)*

(v) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(w) Dividends

Dividends are recognised as a liability in the period in which they are declared.

(x) Contributions by shareholders

Contributions made by shareholders of the Company to the Group which the Group has no obligation to repay are recognised directly in the capital contribution reserve within equity.

(y) Related parties

For the purposes of these financial statements, a party is considered to be related to the Group if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

(ii) the Group and the party are subject to common control;

(iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;

(iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

(vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

1 Significant accounting policies *(continued)*

(z) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

2 Changes in accounting policies

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

— HKFRS 3 (revised 2008), *Business combinations*

— HKFRS 8, *Operating segments*

— HKAS 1 (revised 2007), *Presentation of financial statements*

— Amendments to HKFRS 7, *Financial instruments: Disclosures—improving disclosures about financial instruments*

— Improvements to HKFRSs (2008)

— Amendments to HKAS 27, *Consolidated and separate financial statements*

— HKAS 23 (revised 2007), *Borrowing costs*

— Amendments to HKFRS 2, *Share-based payment—vesting conditions and cancellations*

— HK(IFRIC) 15, *Agreements for the construction of real estate*

The Group has not applied any new standard or Interpretation that is not yet effective for the current accounting period.

The Improvements to HKFRSs (2008), amendments to HKAS 23 and HKFRS 2 and Interpretation HK(IFRIC) 15 have had no material impact on the Group's financial statements as the amendments were consistent with policies already adopted by the Group.

2 Changes in accounting policies *(continued)*

The impact of the remainder of these developments is as follows:

— HKFRS 8 requires segment disclosure to be based on the way that the Group's chief operating decision maker regards and manages the Group, with the amounts reported for each reportable segment being the measures reported to the Group's chief operating decision maker for the purposes of assessing segment performance and making decisions about operating matters. This contrasts with the presentation of segment information in prior years which was based on a disaggregation of the Group's financial statements into segments based on related products and services and on geographical areas. The adoption of HKFRS 8 has resulted in the presentation of segment information in a manner that is more consistent with internal reporting provided to the Group's most senior executive management and has resulted in additional reportable segments being identified and presented (see note 12). Corresponding amounts have been provided on a basis consistent with the revised segment information.

— As a result of the adoption of HKAS 1 (revised 2007), details of changes in equity during the period arising from transactions with equity shareholders in their capacity as such have been presented separately from all other income and expenses in a revised consolidated statement of changes in equity. All other items of income and expense are presented in the consolidated income statement, if they are recognised as part of profit or loss for the period, or otherwise in a new primary statement, the consolidated statement of comprehensive income. Corresponding amounts have been restated to conform to the new presentation. This change in presentation has no effect on reported profit or loss, total income and expense or net assets for any period presented.

— As a result of the adoption of the amendments to HKFRS 7, the financial statements include expanded disclosures in note 33(f) about the fair value measurement of the Group's financial instruments, categorising these fair value measurements into a three-level fair value hierarchy according to the extent to which they are based on observable market data. The Group has taken advantage of the transitional provisions set out in the amendments to HKFRS 7, under which comparative information for the newly required disclosures about the fair value measurements of financial instruments has not been provided.

— The amendments to HKAS 27 have removed the requirement that dividends out of pre-acquisition profits should be recognised as a reduction in the carrying amount of the investment in the investee, rather than as income. As a result, as from 1 July 2009, all dividends receivable from subsidiaries, whether out of pre- or post-acquisition profits, will be recognised in the Company's profit or loss and the carrying amount of the investment in the investee will not be reduced unless that carrying amount is assessed to be impaired as a result of the investee declaring the dividend. In such cases, in addition to recognising dividend income in profit or loss, the Company would recognise an impairment loss. In accordance with the transitional provisions in the amendment, this new policy will be applied prospectively to any dividends receivable in the current or future periods and previous periods have not been restated.

2 Changes in accounting policies *(continued)*

The impact of the remainder of these developments is as follows: *(continued)*

— As a result of the adoption of HKFRS 3 (revised 2008), any business combination on or after 1 July 2009 will be recognised in accordance with the new requirements and detailed guidance contained in HKFRS 3 (revised 2008). These include the following changes in accounting policies:

  — Transaction costs that the Group incurs in connection with a business combination, such as finder's fees, legal fees, due diligence fees and other professional and consulting fees, will be expensed as incurred, whereas previously they were accounted for as part of the cost of the business combination and therefore impacted the amount of goodwill recognised.

  — If the Group holds interests in the acquiree immediately prior to obtaining control, these interests will be treated as if disposed of and re-acquired at fair value on the date of obtaining control. Previously, the step-up approach would have been applied, whereby goodwill was computed as if accumulated at each stage of the acquisition.

  — Contingent consideration will be measured at fair value at the acquisition date. Any subsequent changes in the measurement of that contingent consideration will be recognised in profit or loss, unless they arise from obtaining additional information about facts and circumstances that existed at the acquisition date within 12 months from the date of acquisition (in which case they will be recognised as an adjustment to the cost of the business combination). Previously, contingent consideration was recognised at the acquisition date only if payment of the contingent consideration was probable and it could be measured reliably. All subsequent changes in the measurement of contingent consideration and from its settlement were previously recognised as an adjustment to the cost of the business combination and therefore impacted the amount of goodwill recognised.

  — If the acquiree has accumulated tax losses or other temporary deductible differences and these fail to meet the recognition criteria for deferred tax assets at the date of acquisition, then any subsequent recognition of these assets will be recognised in profit or loss, rather than as an adjustment to goodwill as was previously the policy.

  — In addition to the Group's existing policy of measuring the non-controlling interests (previously known as the "minority interests") in the acquiree at the non-controlling interest's proportionate share of the acquiree's net identifiable assets, in future the Group may elect, on a transaction by transaction basis, to measure the non-controlling interest at fair value.

  — In accordance with the transitional provisions in HKFRS 3 (revised 2008), these new accounting policies will be applied prospectively to any business combinations in the current or future periods. The new policy in respect of recognition in the movement of deferred tax assets will also be applied prospectively to accumulated tax losses and other temporary deductible differences acquired in previous business combinations. No adjustments have been made to the carrying values of assets and liabilities that arose from business combinations whose acquisition dates preceded the application of this revised standard.

2 Changes in accounting policies *(continued)*

The impact of the remainder of these developments is as follows: *(continued)*

— As a result of the adoption of HKAS 27 (amended 2008), the following changes in policies will be applied as from 1 July 2009:

— If the Group acquires an additional interest in a non-wholly owned subsidiary, the transaction will be accounted for as a transaction with equity shareholders (the non-controlling interests) in their capacity as owners and therefore no goodwill will be recognised as a result of such transactions. Similarly, if the Group disposes of part of its interest in a subsidiary but still retains control, this transaction will also be accounted for as a transaction with equity shareholders (the non-controlling interests) in their capacity as owners and therefore no profit or loss will be recognised as a result of such transactions.

Previously the Group treated such transactions as step-up transactions and partial disposals, respectively.

— If the Group loses control of a subsidiary, the transaction will be accounted for as a disposal of the entire interest in that subsidiary, with any remaining interest retained by the Group being recognised at fair value as if reacquired. In addition, as a result of the adoption of the amendment to HKFRS 5, if at the balance sheet date the Group has the intention to dispose of a controlling interest in a subsidiary, the entire interest in that subsidiary will be classified as held for sale (assuming that the held for sale criteria in HKFRS 5 are met) irrespective of the extent to which the Group will retain an interest. Previously such transactions were treated as partial disposals.

— In accordance with the transitional provisions in HKAS 27, these new accounting policies will be applied prospectively to transactions in current or future periods and therefore previous periods have not been restated.

Other changes in accounting policies which are relevant to the Group's financial statements are as follows:

— As a result of the amendments to HKAS 27, as from 1 January 2010 any losses incurred by a non-wholly owned subsidiary will be allocated between the controlling and non-controlling interests in proportion to their interests in that entity, even if this results in a deficit balance within consolidated equity being attributed to the non-controlling interests. Previously, if the allocation of losses to the non-controlling interests would have resulted in a deficit balance, the losses were only allocated to the non-controlling interests if the non-controlling interests were under a binding obligation to make good the losses. In accordance with the transitional provisions in HKAS 27, this new accounting policy is being applied prospectively and therefore previous periods have not been restated.

3 Turnover

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

3 Turnover *(continued)*

Turnover comprises: (i) the sales value of goods supplied to customers and service income from SMT processing services, which excludes value-added tax and business tax and is stated after deduction of all goods returns and trade discounts; and (ii) revenue from sales of properties, which excludes business tax and other sales related taxes and is after deduction of any trade discounts. The amount of each significant category of revenue recognised in turnover during the year is as follows:

	2010 RMB'000	2009 RMB'000
Sales of PCBs	251,370	303,113
Sales of PCBs assembling products	—	4,953
Sales of properties	4,556	—
SMT processing service income	8,287	8,874
	264,213	316,940

The Group's customer base is diversified and includes only one customer with whom transactions have exceeded 10% of the Group's revenue. During the year ended 30 June 2010, revenue from this customer, including sales to entities which are known to the Group to be under common control with this customer, amounted to approximately RMB73,158,000 (2009: RMB55,566,000) and arose in the Fuqiang and Shuangxiang segments. Details of concentrations of credit risk arising from this customer are set out in note 33(a).

4 Other revenue and other net income/(loss)

	2010 RMB'000	2009 RMB'000
Other revenue		
Interest income	2,280	4,782
Rentals receivable from operating leases	301	—
Sundry income	122	220
	2,703	5,002
Other net income/(loss)		
Reversal of impairment of trade and other receivables	5,105	5,258
Impairment of trade and other receivables	(815)	(68,162)
Loss on disposal of property, plant and equipment	(178)	(31,940)
Exchange gain/(loss)	561	(465)
Net realised and unrealised gains on trading securities	82	70
Derecognition of other financial liabilities (note 4(a))	36,221	—
Others	151	(9)
	41,127	(95,248)

Note:

(a) ***Derecognition of other financial liabilities***

Derecognition of other financial liabilities arose from the actual settlement of a claim against the Company during the year ended 30 June 2010 for an amount less than the termination amount originally demanded by a commercial bank for the early termination of two structured interest rate swaps on 12 November 2008 (notes 20(b) and 35(a)).

5 Loss before taxation

Loss before taxation is arrived at after charging/(crediting):

	2010 RMB'000	2009 RMB'000
(a) Finance costs:		
Interest on bank loans and other borrowings wholly repayable within five years	12,550	17,580
Finance charges on obligations under finance leases	—	86
Interest on other financial liabilities	(1,349)	1,351
Interest on amount due to the CS	—	288
Interest on convertible bonds	675	—
Loss on termination of derivative financial instruments	—	1,087
Other borrowing costs	14	152
Total borrowing costs	11,890	20,544
Less: Borrowing costs capitalised into construction-in-progress and properties under development*	(1,514)	(678)
	10,376	19,866
(b) Staff costs:#		
Salaries, wages and other benefits	37,281	31,307
Contributions to defined contribution retirement plans	13,316	11,452
Equity-settled share-based payment expenses	2,831	—
	53,428	42,759
(c) Other items:		
Cost of inventories#	268,369	270,693
Amortisation of interests in leasehold land held for own use under operating leases#	501	500
Depreciation#		
— owned fixed assets	27,423	35,696
— assets held for use under finance leases	—	735
Operating lease rentals for premises#	1,263	1,462
Auditors' remuneration	2,670	2,639

* The borrowing costs have been capitalised at rates of 5.58%–7.27% (2009: 6.05%–7.65%) per annum.

\# Cost of inventories includes RMB75,034,000 (2009: RMB67,231,000) relating to staff costs, depreciation expenses, operating lease charges and amortisation of interests in leasehold land held for own use under operating leases, which amount is also included in the respective total amounts disclosed separately above or in notes 5(b) and 5(c) for each of these types of expenses.

(d) Repair and maintenance costs

During the year ended 30 June 2009, the building and underground infrastructure of one of the company's subsidiaries, Shuangxiang (Fujian) Electronics Limited ("Shuangxiang"), located in the coastal area of Mawei, Fuzhou City of Fujian Province in the PRC, were damaged by land subsidence and repair and maintenance costs totalling RMB9,720,000 were incurred during that year to restore the building and underground infrastructure to their original condition.

5 Loss before taxation *(continued)*

(d) Repair and maintenance costs *(continued)*

During the year ended 30 June 2010, the building and underground infrastructure of Shuangxiang was damaged again by land subsidence. Additional repair and maintenance costs of RMB14,426,000 were incurred as a result of further damage caused by land subsidence during the year.

6 Income tax in the consolidated income statement

(a) Taxation in the consolidated income statement represents:

	2010 RMB'000	2009 RMB'000
Current tax		
Provision for PRC enterprise income tax	277	8,786
Provision for PRC land appreciation tax	229	—
	506	8,786
Deferred tax		
Origination and reversal of temporary differences	(33,409)	(52,105)
	(32,903)	(43,319)

Notes:

(i) ***Overseas income tax***

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

(ii) ***Hong Kong profits tax***

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

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

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

	Note	2010	2009
Fujian Fuqiang Delicate Circuit Plate Co., Ltd. ("Fuqiang")	(1)	22%	20%
Gemini Electronics (Huizhou) Co., Ltd ("Gemini")	(2)	11%	10%
Shuangxiang	(2)	11%	10%
Fuqing Haichuang Electron Technology Co., Ltd. ("Haichuang")	(3)	N/A	N/A
Anlu Taihe Real Estate Development Company ("Anlu")	(4)	25%	N/A

6 Income tax in the consolidated income statement *(continued)*

(a) *Taxation in the consolidated income statement represents:* *(continued)*

Notes: (continued)

(iii) PRC enterprise income tax (continued)

Notes:

(1) As Fuqiang is located in an economic and technological development zone, it is entitled to enjoy a reduced tax rate of 22% in 2010 (2009: 20%). The details are explained below.

(2) Gemini and Shuangxiang are subject to PRC enterprise income tax at a reduced rate of 11% in 2010 (2009: 10%). The details are explained below.

(3) Pursuant to the income tax rules and regulations in the PRC, Haichuang is not subject to PRC enterprise income tax as it did not commence business during the years presented.

(4) Anlu is subject to the standard PRC enterprise income tax rate of 25%.

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

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

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

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

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

(iv) PRC land appreciation tax ("LAT")

According to the requirements of the Provisional Regulations of the PRC on LAT effective from 1 January 1994 and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT effective from 27 January 1995, all income from the sale or transfer of state-owned land use rights, buildings and their attached facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value.

6 Income tax in the consolidated income statement *(continued)*

(b) Reconciliation between tax benefit and accounting loss at applicable tax rates:

	2010 RMB'000	2009 RMB'000
Loss before taxation	(301,965)	(403,521)
Notional tax on loss before taxation, calculated at the rates applicable in the jurisdictions concerned	(65,588)	(79,368)
Tax effect of non-deductible expenses	18,210	4,417
Tax effect of non-taxable income	(7,236)	(422)
Tax effect of land appreciation tax deductible for PRC enterprise income tax	(57)	—
Tax effect of differential tax rates	(6,992)	(9,142)
Tax effect of temporary differences and tax losses not recognised	28,531	41,196
	(33,132)	(43,319)
Land appreciation tax	229	—
Actual tax benefit	(32,903)	(43,319)

7 Directors' remuneration

Directors' remuneration disclosed pursuant to the Listing Rules is as follows:

	Directors' fees		Salaries and other emoluments		Discretionary bonuses		Retirement scheme contributions		Share-based payments (note)		Total	
	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
Executive directors:												
Lin Wan Xin	–	–	330	316	–	–	–	–	–	–	330	316
Xiang Song	–	–	317	317	–	–	–	–	–	–	317	317
Sze Ming Yee (appointed on 15 January 2010)	–	–	146	–	–	–	1	–	259	–	406	–
Xu Yue Yue (appointed on 15 January 2010)	–	–	488	–	440	–	–	–	1,296	–	2,224	–
Tu Shu Guang (appointed on 25 September 2009)	–	–	162	–	440	–	–	–	130	–	732	–
Chan Kin (appointed on 25 September 2009)	–	–	161	–	–	–	1	–	259	–	421	–
Lin Wan Qaing (resigned on 16 November 2009)	–	–	79	424	–	–	4	12	–	–	83	436
Hu Zhao Rui (resigned on 15 January 2010)	–	–	189	236	–	–	–	–	–	–	189	236
Tong Yiu On (resigned on 7 November 2008)	–	–	–	216	–	–	–	4	–	–	–	220
Liu Zhao Cai (resigned on 7 February 2009)	–	–	–	236	–	–	–	–	–	–	–	236
Independent non-executive directors:												
Cheung Chuen	106	106	–	–	–	–	–	–	–	–	106	106
Li Jian Guo (appointed on 15 January 2010)	49	–	–	–	–	–	–	–	–	–	49	–
Wong Lai Wing (appointed on 15 January 2010)	49	–	–	–	–	–	–	–	–	–	49	–
Pan Chang Chi (resigned on 15 January 2010)	53	106	–	–	–	–	–	–	–	–	53	106
Cai Xun Shan (resigned on 15 January 2010)	53	106	–	–	–	–	–	–	–	–	53	106
	310	318	1,872	1,745	880	–	6	16	1,944	–	5,012	2,079

Note: These represent the estimated value of share options granted to the directors under the Company's share option scheme. The value of these share options is measured according to the Group's accounting policies for share-based payment transactions as set out in note 1(q)(ii).

The details of these benefits in kind, including the principal terms and number of options granted, are disclosed under the paragraph "Share options" in the directors' report and note 32.

8 Individuals with highest emoluments

Of the five individuals with the highest emoluments, three (2009: four) are directors whose emoluments are disclosed in note 7. The aggregate of the emoluments in respect of the other two (2009: one) individual are as follows:

	2010 RMB'000	2009 RMB'000
Salaries and other emoluments	204	289
Share-based payments	886	—
Retirement scheme contributions	4	7
	1,094	296

The emoluments of the two (2009: one) individual with the highest emoluments are within the following band:

	2010 Number of individuals	2009 Number of individuals
HK$ Nil – 1,000,000	2	1

9 Loss attributable to equity shareholders of the Company

The consolidated loss attributable to equity shareholders of the Company includes a profit of approximately RMB24,051,000 (2009: a loss of approximately RMB16,844,000) which has been dealt with in the financial statements of the Company.

Reconciliation of the above amount to the Company's profit/(loss) for the year:

	2010 RMB'000	2009 RMB'000
Amount of profit/(loss) attributable to equity shareholders dealt with in the Company's financial statements	24,051	(16,844)
Impairment loss on investments in subsidiaries and amounts due from subsidiaries	(144,863)	(203,137)
Company's loss for the year (note 30(a))	(120,812)	(219,981)

10 Other comprehensive income

Tax effects relating to each component of other comprehensive income

	2010			2009		
	Before-tax amount RMB'000	Tax (expense)/ benefit RMB'000	Net-of-tax amount RMB'000	Before-tax amount RMB'000	Tax (expense)/ benefit RMB'000	Net-of-tax amount RMB'000
Exchange differences on translation of financial statements of operations outside the PRC	(833)	–	(833)	(689)	–	(689)
Impairment of buildings held for own use	–	–	–	(13,740)	3,204	(10,536)
Other comprehensive income	(833)	–	(833)	(14,429)	3,204	(11,225)

11 Loss per share

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to equity shareholders of the Company of RMB268,698,000 (2009: RMB360,202,000) and the weighted average number of 785,407,000 (2009: 558,965,000) ordinary shares in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2010 '000	2009 '000
Issued ordinary shares at 1 July 2009/2008	558,965	558,965
Effect of open offer and placing	224,505	—
Effect of conversion of convertible bonds	1,937	—
Weighted average number of ordinary shares at 30 June 2010/2009	785,407	558,965

(b) Diluted loss per share

The diluted loss per share for the years ended 30 June 2009 and 2010 is the same as the basic loss per share as the potential ordinary shares are anti-dilutive.

(c) Placing of warrants after the balance sheet date

On 30 August 2010, the Company completed the placing of warrants under which the holders thereof may subscribe for 105,000,000 new ordinary shares of the Company. Had the placing of warrants occurred before 30 June 2010, the number of potential ordinary shares outstanding as at 30 June 2010 would have been increased by 105,000,000 shares.

12 Segment reporting

The Group manages its businesses by the operating subsidiaries in the PRC. On the first-time adoption of HKFRS 8, *Operating segments* and in a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has identified the following five reportable segments.

— Fuqiang: this segment manufactures and sells rigid PCBs.

— Gemini: this segment manufactures and sells flexible PCBs.

— Shuangxiang: this segment provides SMT processing services.

— Haichuang: this segment is currently in a development phase and its principal activity will be the manufacture and sale of PCBs.

— Anlu: this segment develops and sells commercial and residential properties.

No operating segments have been aggregated to form the above reportable segments.

(a) Segment results and assets

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results attributable to each reporting segment on the following bases:

Segment assets include all tangible, intangible assets and current assets with the exception of tax recoverable, deferred tax assets and other corporate assets.

Revenue and expenses represent revenue generated and the expenses incurred by the respective segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

The measure used for reporting segment profit or loss is "profit or loss before taxation".

12 Segment reporting *(continued)*

(a) *Segment results and assets (continued)*

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 30 June 2010 and 2009 is set out below.

	Fuqiang		Gemini		Shuangxiang		Haichuang		Anlu		Total	
	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
Reportable segment revenue	172,065	235,865	79,305	67,248	8,287	13,827	–	–	4,556	–	264,213	316,940
Cost of sales	(176,227)	(186,088)	(81,125)	(67,183)	(6,786)	(17,422)	–	–	(4,231)	–	(268,369)	(270,693)
Reportable segment gross (loss)/profit	(4,162)	49,777	(1,820)	65	1,501	(3,595)	–	–	325	–	(4,156)	46,247
Reportable segment (loss)/profit	(96,449)	(106,898)	(72,033)	(51,817)	(64,906)	(131,833)	(25,979)	(95,442)	(60,195)	–	(319,562)	(385,990)
Depreciation and amortisation for the year	16,920	17,569	9,827	9,452	1,050	9,661	51	238	45	–	27,893	36,920
Impairment of												
– non-current assets other than goodwill	73,048	51,698	61,083	43,247	44,491	105,922	25,582	95,211	–	–	204,204	296,078
– goodwill	–	–	–	–	–	–	–	–	59,311	–	59,311	–
Reportable segment assets	812,819	1,018,223	136,934	202,356	24,165	169,393	11,662	27,585	286,977	–	1,272,557	1,417,557

12 Segment reporting *(continued)*

(b) Reconciliation of reportable segment revenue, profit or loss and assets

	2010 RMB'000	2009 RMB'000
Revenue		
Reportable segment revenue	264,213	316,940
Consolidated revenue	264,213	316,940
Loss		
Reportable segment loss	(319,562)	(385,990)
Unallocated head office and corporate income/(expenses)	17,597	(17,531)
Consolidated loss before taxation	(301,965)	(403,521)
Assets		
Reportable segment assets	1,272,557	1,417,557
Elimination of inter-segment receivables	(76,302)	(260,447)
	1,196,255	1,157,110
Elimination of head office and corporate receivables	(137,390)	(63,570)
Deferred tax assets	90,231	57,750
Unallocated head office and corporate assets	22,685	65,377
Consolidated total assets	1,171,781	1,216,667

12 Segment reporting *(continued)*

(c) *Geographic information*

The following table sets out information about the geographical locations of (i) the Group's revenue from external customers and (ii) the Group's property, plant and equipment, interests in leasehold land held for own use under operating leases and deposits for the purchase of property, plant and equipment ("specified non-current assets"). The geographical location of customers is based on the location at which the services were provided or goods delivered. The geographical location of the specified non-current assets is based on the physical location of the asset.

	Revenue from external customers		Specified non-current assets	
	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
PRC, excluding Hong Kong and Taiwan (place of domicile)	188,764	225,210	141,893	318,084
Hong Kong	30,611	40,457	766	111
Australia	27,202	29,048	—	—
Malaysia	3,277	2,308	—	—
USA	70	1,013	—	—
Germany	—	5,619	—	—
Others	14,289	13,285	—	—
	75,449	91,730	766	111
	264,213	316,940	142,659	318,195

13 Property, plant and equipment

(a) The Group

Year 2008/2009

	Buildings held for own use RMB'000	Machinery RMB'000	Fixture, furniture and equipment RMB'000	Motor vehicles RMB'000	Construction-in-progress RMB'000	Total RMB'000
Cost or valuation:						
At 1 July 2008	249,140	205,560	9,673	6,365	16,639	487,377
Additions	—	54,592	294	173	172,265	227,324
Disposals	(30,501)	(14,613)	(405)	—	(299)	(45,818)
Transfer to fixed assets	20,501	—	95,787	—	(116,288)	—
Exchange adjustments	—	—	1	—	—	1
At 30 June 2009	239,140	245,539	105,350	6,538	72,317	668,884
Representing:						
Cost	—	245,539	105,350	6,538	72,317	429,744
Valuation	239,140	—	—	—	—	239,140
	239,140	245,539	105,350	6,538	72,317	668,884
Accumulated depreciation and impairment losses:						
At 1 July 2008	—	88,318	5,339	3,421	—	97,078
Depreciation charge for the year	11,904	16,100	7,811	616	—	36,431
Impairment losses	111,156	56,180	32,229	1,792	57,423	258,780
Written back on disposals	(1,305)	(12,213)	(360)	—	—	(13,878)
Exchange adjustments	—	—	1	—	—	1
At 30 June 2009	121,755	148,385	45,020	5,829	57,423	378,412
Net book value:						
At 30 June 2009	117,385	97,154	60,330	709	14,894	290,472

13 Property, plant and equipment *(continued)*

(a) The Group (continued)

Year 2009/2010

	Buildings held for own use RMB'000	Machinery RMB'000	Fixture, furniture and equipment RMB'000	Motor vehicles RMB'000	Construction-in-progress RMB'000	Total RMB'000
Cost or valuation:						
At 1 July 2009	239,140	245,539	105,350	6,538	72,317	668,884
Additions	40,413	2,509	1,332	917	17,304	62,475
Acquisition of subsidiaries (note 36)	1,966	—	122	1,115	—	3,203
Disposals	(156)	(120)	—	(361)	—	(637)
Exchange adjustments	—	—	(35)	—	—	(35)
At 30 June 2010	281,363	247,928	106,769	8,209	89,621	733,890
Representing:						
Cost	—	247,928	106,769	8,209	89,621	452,527
Valuation	281,363	—	—	—	—	281,363
	281,363	247,928	106,769	8,209	89,621	733,890
Accumulated depreciation and impairment losses:						
At 1 July 2009	121,755	148,385	45,020	5,829	57,423	378,412
Depreciation charge for the year	6,025	10,433	10,927	38	—	27,423
Impairment losses	85,839	54,390	37,003	1,244	25,325	203,801
Written back on disposals	(17)	(50)	—	(325)	—	(392)
Exchange adjustments	—	—	(36)	—	—	(36)
At 30 June 2010	213,602	213,158	92,914	6,786	82,748	609,208
Net book value:						
At 30 June 2010	67,761	34,770	13,855	1,423	6,873	124,682

The construction-in-progress at 30 June 2010 primarily relates to the additional production premises and facilities of subsidiaries in the PRC.

13 Property, plant and equipment *(continued)*

(a) The Group *(continued)*

Impairment loss

During the year ended 30 June 2009, the Group experienced a significant drop in demand for its PCBs and related products under the prevailing market environment and consequently recorded operating losses. The directors considered that the existence of the above conditions indicated that non-current assets of the Fuqiang, Gemini, Shuangxiang and Haichuang may be impaired. In view of this, the directors prepared a cash flow projection to estimate the recoverable amount of these assets and recognised an impairment loss of RMB296,078,000 against those non-current assets for that year.

During the year ended 30 June 2010, the market conditions surrounding the Group's PCBs and related products were far more difficult than expected and the Group continued to record operating losses. As a result, the directors revised the cash flow projection based on the prevailing market information to reassess the recoverable amount of the non-current assets and recognised an additional impairment loss of RMB204,204,000 for the year.

The estimates of recoverable amount were determined based on a value-in-use calculation using cash flow projections based on the five-year financial forecast approved by the directors, and a pre-tax discount rate.

Cash flows beyond the five-year period were extrapolated using a zero growth rate to cover the remaining useful lives of related non-current assets.

Key assumptions used for the value in use calculation:

Sales volume growth rate	1%–40%
Gross contribution rate	14%–74%
Pre-tax discount rate	11.66%–14.27%

The directors determined the growth rate and gross contribution rate based on the expectation for market development.

The directors concluded that it is appropriate to recognise impairment losses of RMB204,204,000 (2009: RMB296,078,000) against these non-current assets, details of which are as follows:

		The Group	
	Note	2010 RMB'000	2009 RMB'000
Property, plant and equipment	13(a)	203,801	258,780
Deposits for the purchase of property, plant and equipment		403	37,298
		204,204	296,078
Charged to profit or loss		204,204	282,338
Charged to building valuation reserve		—	13,740
		204,204	296,078

13 Property, plant and equipment *(continued)*

(b) The Company

	Fixture, furniture and equipment	
	2010	2009
	RMB'000	RMB'000
Cost:		
At 1 July 2009/2008	**125**	125
Additions	**685**	—
Exchange adjustments	**(29)**	—
At 30 June 2010/2009	**781**	125
Accumulated depreciation:		
At 1 July 2009/2008	**112**	112
Depreciation charge for the year	**18**	—
Exchange adjustments	**(19)**	—
At 30 June 2010/2009	**111**	112
Net book value:		
At 30 June 2010/2009	**670**	13

(c) Revaluation of buildings held for own use

All the Group's buildings are located in the PRC. At 30 June 2008, the Group's buildings were revalued by an independent firm of surveyors, Ample Appraisal Limited who had among their staff a Professional Member of Hong Kong Institute of Surveyors and a Professional Member of Royal Institution of Chartered Surveyors, with recent experience in the location and category of property being valued, on a depreciated replacement cost basis.

Had the revalued buildings held for own use of the Group been carried at cost less accumulated depreciation and impairment losses, their carrying amount would have been RMB66,625,000 (2009: RMB112,106,000).

13 Property, plant and equipment *(continued)*

(d) Property, plant and equipment leased out under operating lease

The Group leases out a portion of buildings held for own use under an operating lease. The lease runs for an initial period of one year, with an option to renew the lease after that date at which time all terms are renegotiated. The lease does not include contingent rentals.

The Group's total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	2010 RMB'000	2009 RMB'000
Within 1 year	363	—

14 Interests in leasehold land held for own use under operating leases

The analysis of the net book value of leasehold land held for own use under operating leases is as follows:

	The Group	
	2010 RMB'000	2009 RMB'000
Outside Hong Kong—medium-term leases	17,642	18,143

15 Goodwill

	The Group RMB'000
Cost:	
At 1 July 2008 and 30 June 2009	—
Acquisition of subsidiaries (note 36)	59,311
At 30 June 2010	59,311
Accumulated impairment losses:	
At 1 July 2008 and 30 June 2009	—
Impairment loss	(59,311)
At 30 June 2010	(59,311)
Carrying amount:	
At 30 June 2010	—
At 30 June 2009	—

Impairment tests for cash-generating unit containing goodwill

Goodwill is allocated to the Group's cash-generating unit ("CGU"), Anlu, an identifiable reportable segment.

The recoverable amount of the CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using an estimated weighted average growth rate of 0%. The growth rates used do not exceed the long-term average growth rates for the business in which the CGU operates. The cash flows are discounted using a discount rate of 15.5%. The discount rate used is pre-tax and reflects specific risks relating to the relevant segment.

The impairment loss recognised during the year solely relates to the Group's property development activities in the PRC.

16 Investments in subsidiaries

	The Company	
	2010 RMB'000	2009 RMB'000
Unlisted shares, at cost	203,683	93,975
Less: impairment loss	(59,570)	—
	144,113	93,975

Details of the subsidiaries as at 30 June 2010 were as follows:

Name of Company	Place of incorporation and/ or operation	Particulars of issued and fully paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Superford Holding Limited ("Superford")	BVI/Hong Kong	10,001 shares of US$1 each	100%	100%	—	Investment holding
Artic Hong Kong Limited	Hong Kong	2 shares of HK$1 each	100%	100%	—	Provision of administrative services to the Group
Dynamic Fortune Technology Limited	BVI/Hong Kong	100 shares of US$1 each	100%	100%	—	Investment holding
China Electronic Holdings Limited	Hong Kong	2 shares of HK$1 each	100%	100%	—	Not yet commenced business
Tempest Trading Limited ("Tempest")	BVI/Hong Kong	1 share of US$1 each	100%	100%	—	Investment holding
Winrise International Limited ("Winrise")	BVI/Hong Kong	100 shares of US$ 1 each	100%	100%	—	Investment holding
Herowin Limited ("Herowin")	BVI/Hong Kong	100 shares of US$1 each	100%	100%	—	Investment holding
Stephigh Group Limited ("Stephigh")	BVI/Hong Kong	50,000 shares of US$1 each	70%	70%	—	Investment holding
Rise Win Group Limited	BVI/Hong Kong	50,000 shares of US$1 each	70%	—	100%	Investment holding

16 Investments in subsidiaries *(continued)*

Details of the subsidiaries as at 30 June 2010 were as follows: *(continued)*

			Proportion of ownership interest			
Name of Company	Place of incorporation and/ or operation	Particulars of issued and fully paid up capital	Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Rising Ray China Group Limited	Hong Kong	10,000 shares of HK$1 each	70%	–	100%	Investment holding
Fuqiang*	PRC	RMB109,652,300	100%	–	100%	Manufacturing and trading of PCBs
Gemini*	PRC	US$10,760,000	100%	–	100%	Manufacturing and trading of PCBs
Shuangxiang*	PRC	US$14,201,738	100%	–	100%	Manufacturing and trading of PCBs assembling products and provision of SMT processing services
Haichuang*	PRC	US$11,950,000	100%	–	100%	Not yet commenced business
Anlu*	PRC	RMB30,000,000	70%	–	100%	Development and sale of real estate

* Registered under the laws of the PRC as a foreign investment enterprise.

The shares of certain subsidiaries were pledged as part of the security against financing facilities granted to the Company. The total net asset value of these subsidiaries as at 30 June 2010 is disclosed in note 24(ii).

17 Trading securities

	2010 RMB'000	2009 RMB'000
Equity securities listed outside Hong Kong, at fair value	1,081	1,570

18 Inventories

	The Group	
	2010 RMB'000	2009 RMB'000
Manufacturing of printed circuit boards		
Raw materials	21,301	16,131
Work-in-progress	8,376	5,046
Finished goods	3,418	4,820
	33,095	25,997
Property development		
Properties under development for sale	15,805	—
Completed properties held for sale	265,715	—
	281,520	—
	314,615	25,997

The analysis of the amount of inventories recognised as an expense is as follows:

	The Group	
	2010 RMB'000	2009 RMB'000
Carrying amount of inventories sold	266,999	275,866
Write-down of inventories	1,810	1,327
Reversal of write-down of inventories	(440)	(6,500)
	268,369	270,693

All properties under development for sale are expected to be recovered after more than one year. All of the other inventories are expected to be recovered within one year.

The carrying amounts of properties under development for sale and completed properties held for sale include the cost of leasehold land under medium-term leases in the PRC.

19 Trade and other receivables

	The Group		The Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Bills receivable	**23,074**	13,810	**—**	—
Trade receivables	**165,173**	143,508	**—**	—
Less: allowance for doubtful debts (note 19(b))	**(65,605)**	(69,895)	**—**	—
	122,642	87,423	**—**	—
Amounts due from subsidiaries	**—**	—	**381,669**	410,067
Rental and other deposits	**452**	436	**78**	—
Advances to directors (note 21)	**—**	381	**—**	—
Advances to employees	**1,787**	808	**—**	—
Prepayments	**3,824**	2,478	**—**	—
Others	**5,029**	2,542	**705**	—
Less: impairment losses	**—**	—	**(284,664)**	(203,137)
	133,734	94,068	**97,788**	206,930

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

All of the trade and other receivables, apart from rental and other deposits, are expected to be recovered within one year.

19 Trade and other receivables *(continued)*

(a) *Ageing analysis*

Included in trade and other receivables are trade receivables and bills receivable (net of allowance for doubtful debts) with the following ageing analysis as of the balance sheet date:

	The Group	
	2010 RMB'000	2009 RMB'000
Current	96,825	76,229
Less than 1 month past due	12,429	2,543
1 to 3 months past due	3,926	1,583
More than 3 months but less than 12 months past due	4,642	6,948
More than 12 months but less than 2 years past due	4,820	120
Amount past due	25,817	11,194
	122,642	87,423

The Group's credit policy is set out in note 33(a).

(b) *Impairment of trade receivables and bills receivable*

Impairment losses in respect of trade receivables and bills receivable are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables and bills receivable directly (see note 1(j)(i)).

The movement in the allowance for doubtful debts during the year is as follows:

	The Group	
	2010 RMB'000	2009 RMB'000
At 1 July 2009/2008	69,895	11,206
Impairment loss recognised	815	68,021
Write-back of impairment losses	(5,105)	(5,258)
Uncollectible amounts written off	—	(4,074)
At 30 June 2010/2009	65,605	69,895

19 Trade and other receivables *(continued)*

(b) *Impairment of trade receivables and bills receivable (continued)*

At 30 June 2010, the Group's trade receivables and bills receivable of RMB66,596,000 (2009: RMB70,484,000) were individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties and management assessed that only a portion of the receivables is expected to be recovered. Consequently, specific allowances for doubtful debts of RMB65,605,000 (2009: RMB69,895,000) were recognised. The Group does not hold any collateral over these balances.

(c) *Trade receivables and bills receivable that are not impaired*

The ageing analysis of trade receivables and bills receivable that are neither individually nor collectively considered to be impaired are as follows:

	The Group	
	2010 RMB'000	2009 RMB'000
Neither past due nor impaired	96,219	76,145
Less than 1 month past due	12,311	2,543
1 to 3 months past due	3,926	1,410
More than 3 months but less than 12 months past due	4,617	6,736
More than 12 months but less than 2 years past due	4,578	—
	25,432	10,689
	121,651	86,834

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

20 Derivative financial instruments

	The Group and the Company	
	2010 RMB'000	2009 RMB'000
The Company's early redemption option embedded in convertible bonds (note 20(a))	**1,758**	—

(a) The Company's early redemption option embedded in convertible bonds

	The Group and the Company RMB'000
At 1 July 2009	—
Issue of convertible bonds	3,493
Derecognised upon conversion (note 30(c)(iv))	(1,864)
Changes in fair value recognised in profit or loss during the year	131
Exchange adjustments	(2)
At 30 June 2010	1,758
Total gains or losses for the year included in profit or loss for assets held at the balance sheet date	25

The derivative financial instruments at 30 June 2010 represent the fair value of the Company's early redemption option embedded in the convertible bonds issued on 4 June 2010. Details of the convertible bonds are set out in note 25.

(b) Structured interest rate swaps

	The Group and the Company	
	2010 RMB'000	2009 RMB'000
As at 1 July 2009/2008	**—**	165,067
Payments made during the year	**—**	(3,434)
Change in fair value	**—**	—
Loss on termination	**—**	1,087
Exchange adjustments	**—**	372
Derecognition upon termination (note 28)	**—**	(163,092)
Structured interest rate swaps as at 30 June 2010/2009	**—**	—

(Expressed in Renminbi unless otherwise indicated)

20 Derivative financial instruments *(continued)*

(b) Structured interest rate swaps *(continued)*

During the year ended 30 June 2007, the Company entered into two structured interest rate swaps (the "Swaps") with maturity in 2012 with a commercial bank (the "Bank"), under which total upfront payments (the "Upfront Payments") of approximately RMB113,490,000 were received at the inception of the Swaps and were initially recognised as derivative financial liabilities in the balance sheet. The Swaps were remeasured at fair value as provided and estimated by the Bank using a valuation technique based on certain assumptions at each balance sheet date.

The Swaps were structured and packaged utilising a combination of different financial instruments. These included but were not limited to cash instruments, futures and forward instruments, options instruments and other types of derivatives. The fair value of the Swaps at each balance sheet date, besides taking into account the expected cashflows of the Swaps, also took into consideration the aggregate market value of the different underlying financial instruments on that particular valuation date. In addition, factors such as the forward interest rates, interest rate volatility, the yield curve, the shape of the yield curve, the level of an index published on Bloomberg and other market data which the Bank believed to be appropriate at the time of calculating the fair value, affected the final valuation of the Swaps.

Key terms of the interest rate swaps are summarised as follows:

	Swap 1	Swap 2
Notional amounts:	HK$390,000,000	US$100,000,000
Upfront Payments:	HK$39,000,000	US$10,000,000
Effective date:	14 February 2007	19 April 2007
Maturity date:	14 February 2012	19 April 2012
Bank pays:		8% (semi-annually)
— First six months	7% (semi-annually)	
— Thereafter	7%* N/D (semi-annually) (Note (i))	
The Company pays:	9% (semi-annually)	First six months: 10% (semi-annually) Thereafter: 10% – 5* (Index YoY Return – 1%) Coupon capped at 13% and floored at 0% (semi-annually) (Note (ii))

20 Derivative financial instruments *(continued)*

(b) Structured interest rate swaps *(continued)*

Notes:

(i) N equals the number of business days in the Observation Period* (each such date a "Reference Date") for which Reference Rate 1** minus Reference Rate 2*** is greater than or equal to 0%.

D equals the actual number of business days in such Observation Period.

For purpose of calculating "N" for each Observation Period, the Reference Rate 1 and Reference Rate 2 shall be observed on each Reference Date during such Observation Period (each such date an "Observation Date").

* Observation Period means each period beginning from and including the day which is five business days prior to the previous payment date (or the effective date in the case of the first six months), to but excluding the day that is six business days prior to the next following payment date.

** Reference Rate 1 means the HKD-Swap Rate published by the International Swaps and Derivatives Association, Inc. with a designated maturity of ten years.

*** Reference Rate 2 means the HKD-Swap Rate published by the International Swaps and Derivatives Association, Inc. with a designated maturity of two years.

(ii) Index means the Deutsche Bank Pan-Asian Forward Rate Bias Index (the "Index") as published on Bloomberg.

Index YoY Return is the closing level of the Index five business days prior to the end of the relevant coupon payment period/closing level of the Index five business days prior to the coupon payment date which is two coupon payment periods prior to the relevant coupon payment (or effective date in cash of the second coupon payment period) – 1.

In accordance with the terms and conditions of the Swaps, the Group was required to settle with the Bank semi-annually on a net basis. During the year ended 30 June 2009, the Group made payments of approximately RMB3,434,000 to the Bank, which were financed by the controlling shareholder of the Company. The details of the financial assistance from the controlling shareholder are disclosed in note 29.

On 12 November 2008, the Swaps were early terminated by the Bank as a result of the Company not paying the interest payment under the Swap 2 on the due date in October 2008 and the Company received a statement of demand dated 13 November 2008 for an early termination amount (the "Termination Amount") of US$23,714,693 (equivalent to approximately RMB163,092,000) and a loss of RMB1,087,000 was recognised upon termination of the Swaps on the same date. Subsequently, the Bank filed a claim at the High Court of Hong Kong against the Company, details of which are set out in note 35(a). The Termination Amount remained unsettled with the Bank as at 30 June 2009 and was included under "Other financial liabilities" (see note 28) in the balance sheet as at that date.

21 Advances to directors

Advances to directors of the Company disclosed pursuant to section 161B of the Hong Kong Companies Ordinance are as follows:

Name of borrower	Mr Lin Wan Xin	Mr Hu Zhao Rui	Mr Lin Wan Qaing
Position	Director	Director (resigned on 15 January 2010)	Director (resigned on 16 November 2009)
Terms of the loan			
— duration and repayment terms	Repayable on demand	Repayable on demand	Repayable on demand
— interest rate	Interest-free	Interest-free	Interest-free
— security	None	None	None
Balance of the loan			
— at 1 July 2008	RMB58,790	RMB102,000	—
— at 30 June 2009 and 1 July 2009	RMB278,790	RMB102,000	—
— at 30 June 2010	—	—	—
Maximum balance outstanding			
— during 2009/10	RMB278,790	RMB102,000	—
— during 2008/09	RMB278,790	RMB102,000	RMB4,277,879

There was no amount due but unpaid, nor any provision made against the principal amount of these loans at 30 June 2009 and 2010.

22 Cash and cash equivalents

(a) *Cash and cash equivalent comprise:*

	The Group		The Company	
	2010 RMB'000	2009 RMB'000	**2010 RMB'000**	2009 RMB'000
Deposits with banks	10,731	8,662	—	—
Cash at bank and in hand	476,972	648,450	12,472	1,175
	487,703	657,112	12,472	1,175
Less: Pledged deposits	(10,731)	(8,662)	—	—
	476,972	648,450	12,472	1,175

Pledged deposits mainly represent the amounts pledged to the banks to secure bills payable of the Group.

At 30 June 2010, cash and cash equivalents of RMB474,548,000 (2009: RMB655,202,000) of the Group were subject to exchange controls in the PRC.

22 Cash and cash equivalents *(continued)*

(b) Reconciliation of loss before taxation to cash (used in)/generated from operations:

	2010 RMB'000	2009 RMB'000
Loss before taxation	(301,965)	(403,521)
Adjustments for:		
— Loss on disposal of property, plant and equipment	178	31,940
— Depreciation	27,423	36,431
— Amortisation of interests in leasehold land held for own use under operating leases	501	500
— Interest on bank loans and other borrowings	11,050	16,902
— Interest on other financial liabilities	(1,349)	1,351
— Interest on amount due to the CS	—	288
— Interest element of finance leases	—	86
— Interest on convertible bonds	675	—
— Interest income	(2,280)	(4,782)
— Impairment of trade and other receivables	815	68,162
— Impairment of non-current assets	204,204	282,338
— Impairment of goodwill	59,311	—
— Reversal of impairment of trade and other receivables	(5,105)	(5,258)
— Change in fair value of derivative financial assets	(131)	—
— Loss on termination of derivative financial instruments	—	1,087
— Derecognition of other financial liabilities	(36,221)	—
— Net realised and unrealised gains on trading securities	(82)	(70)
— Equity-settled share-based payment expenses	6,779	—
— Foreign exchange (gain)/loss	(1,027)	681
Operating (loss)/profit before changes in working capital	(37,224)	26,135
— (Increase)/decrease in inventories	(3,731)	19,462
— (Increase)/decrease in trade and other receivables	(33,243)	43,962
— Increase/(decrease) in trade and other payables	49,822	(15,896)
Cash (used in)/generated from operations	(24,376)	73,663

23 Trade and other payables

	The Group		The Company	
	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
Trade payables	101,225	58,875	—	—
Bills payable	25,463	17,323	—	—
Other payables and accruals	28,675	14,591	3,136	2,744
Other tax payable	7,281	3,692	—	—
Payables for the purchase of property, plant and equipment	3,820	5,739	—	—
Staff welfare payable	51,688	38,482	—	—
Utilities and rentals payable	3,119	2,802	—	—
Amounts due to subsidiaries	—	—	133,036	71,057
Amount due to a director	197	2,422	197	4,934
Receipts in advance	44,077	—	—	—
	265,545	143,926	136,369	78,735

Amount due to a director is unsecured, non-interest bearing and has no fixed terms of repayment.

Included in trade and other payables are trade payables and bills payable with the following ageing analysis as of the balance sheet date:

	The Group	
	2010 RMB'000	2009 RMB'000
Due within 6 months or on demand	126,688	76,198

24 Bank loans

At 30 June 2010, the bank loans were repayable as follows:

	The Group		The Company	
	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
Within 1 year or on demand	144,000	250,972	–	26,388
After 1 year but within 2 years	8,000	4,000	–	–
After 2 years but within 5 years	18,000	12,000	–	–
	26,000	16,000	–	–
	170,000	266,972	–	26,388

At 30 June 2010, the bank loans were secured as follows:

	The Group		The Company	
	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
Secured by leasehold land and buildings held for own use (note (i))	87,500	78,000	–	–
Secured by shares (note (ii))	–	26,388	–	26,388
Secured by bills receivable (note (iii))	–	10,785	–	–
Secured by land and buildings of a third party (note (iv))	–	54,000	–	–
Unsecured	82,500	97,799	–	–
	170,000	266,972	–	26,388

24 Bank loans *(continued)*

Notes:

(i) At 30 June 2010, certain interests in leasehold land held for own use under operating leases and buildings held for own use with a carrying value of RMB83,444,000 (2009: RMB135,528,000) were pledged to banks for bank loans totalling RMB87,500,000 (2009: RMB78,000,000) granted to the Group.

(ii) As at 30 June 2009, a bank loan with outstanding principal amount of US$4,000,000 (equivalent to approximately RMB27,509,000) granted to the Company was secured by the entire equity interest in Superford, Tempest, Winrise and Herowin (the "BVI subsidiaries"). The BVI subsidiaries are the immediate holding companies of Fuqiang, Gemini, Shuangxiang and Haichuang, respectively (the "PRC subsidiaries"). The PRC subsidiaries are the operating subsidiaries of the Group. The bank loan was fully repaid on 16 December 2009 and the release of the share charges was subsequently completed on 30 July 2010. Total net asset value of the BVI and PRC subsidiaries as at 30 June 2010 was approximately RMB253,741,000 (2009: RMB474,166,000).

(iii) The Group's discounted bills with recourse have been accounted for as collateralised bank advances. The discounted bills receivable and the related proceeds received from discounting banks are included in the Group's "Bills receivable" and "Bank loans" as at the balance sheet date. There were no discounted bills with recourse as at 30 June 2010 (2009: RMB10,785,000).

(iv) As at 30 June 2009, bank loans totalling RMB54,000,000 granted to the Group were secured by land and buildings of an unrelated individual, Zhou Hong Mei. The directors have confirmed that this individual is not related to the Group. The bank loans were fully repaid during the year ended 30 June 2010.

(v) At 30 June 2010, the Group did not have any undrawn committed borrowing facilities (2009: RMBNil).

(vi) The Company signed a Waiver Agreement with the bank in December 2008 (the "Waiver Agreement"), allowing the Company to repay the loan under a revised schedule and settle the outstanding amount in terms of instalments from January 2009 to October 2009. However, at 30 June 2009, the Company breached one of the conditions imposed under the Waiver Agreement that restricted the Group's capital expenditure at a ceiling of US$1,000,000 (equivalent to approximately RMB6,877,000). At 30 June 2009, the outstanding principal amount of the bank loan was US$4,000,000 (equivalent to approximately RMB27,509,000). Subsequent to the balance sheet date, the Company defaulted on payment of the monthly instalment of US$1,000,000 (equivalent to approximately RMB6,877,000) due in August 2009. The Company negotiated with the bank for a revised repayment schedule and fully settled all outstanding balances on 31 December 2009.

Other than the above, none of the covenants relating to drawn down facilities had been breached as at 30 June 2010 (2009: RMB Nil). Further details of the Group's management of liquidity risk are set out in note 33(b).

(vii) As at 30 June 2009, corporate guarantees had been issued by the Company in respect of bank loans of RMB83,800,000 granted to subsidiaries. The directors did not consider it probable that a claim would be made against the Company under the guarantees. The maximum liability of the Company at 30 June 2009 under the guarantees issued amounted to RMB83,800,000. The Company had not recognised any deferred income in respect of the guarantees as the fair value of such guarantees could not be reliably measured and the transaction price was nil. There were no outstanding corporate guarantees issued by the Company in respect of bank loans granted to subsidiaries as at 30 June 2010.

25 Convertible bonds

At 30 June 2010, the convertible bonds were repayable as follows:

	The Group and the Company	
	2010	2009
	RMB'000	RMB'000
Within 1 year or on demand	**473**	—
After 1 year but within 2 years	**419**	—
After 2 years but within 5 years	**38,403**	—
	38,822	—
	39,295	—

On 4 June 2010, the Company issued convertible bonds with total face value of HK$126,000,000 and a maturity date of 3 June 2013. The convertible bonds bear interest at 1% per annum and are unsecured.

The holders of the convertible bonds have the right to convert the convertible bonds in whole or in part (in an integral multiple of HK$1,000,000) of the outstanding principal amount of the convertible bonds into new ordinary shares of the Company on any business day or any other day as the holders and the Company may agree in writing at HK$0.28 per share, subject to adjustments for, among other things, customary anti-dilution provisions, during the period after the date of issue of the convertible bonds but before the fourteen-day period ending on the maturity date.

At any time prior to the maturity date and on and only on any anniversary day of the convertible bonds, the Company may, by giving at least fourteen business day's advance notice in writing to the holders, redeem the convertible bonds at an amount equal to 110% of the outstanding principal amount of the convertible bonds. The Company's early redemption option embedded in the convertible bonds is accounted for as a derivative financial instrument (note 20(a)).

On 28 June 2010, convertible bonds with face value totalling HK$66,000,000 were converted into 235,714,000 ordinary shares of the Company at HK$0.28 per share (see note 30(c)(iv)). The converted shares rank pari passu in all respects with the Company's existing shares in issue at the date of conversion.

26 Other interest-bearing borrowings

Other interest-bearing borrowings bear interest at rates ranging from 6.00% to 8.98% per annum, are unsecured and are repayable within one year.

27 Income tax in the balance sheet

(a) Current taxation in the balance sheet represents

	The Group	
	2010 RMB'000	2009 RMB'000
PRC enterprise income tax		
— Provision for the year	760	8,786
— Amount paid relating to the current year	(345)	(8,786)
	415	—
Provision for PRC land appreciation tax	2,377	—
	2,792	—

27 Income tax in the balance sheet (continued)

(b) Deferred tax (assets)/liabilities recognised

The components of deferred tax (assets)/liabilities recognised in the consolidated balance sheet and the movements during the year are as follows:

	The Group							
	General provision RMB'000	Withholding tax on undistributed profits of PRC subsidiaries RMB'000	Depreciation and impairment in excess of the related depreciation allowances RMB'000	Fair value adjustment of properties for sale RMB'000	Pre-sale of properties RMB'000	Unused tax losses RMB'000	Others RMB'000	Total RMB'000
Deferred tax arising from:								
At 1 July 2008	(2,392)	5,280	3,293	—	—	(458)	(1,303)	4,420
Charged/(credited) to profit or loss	2,392	1,581	(52,555)	—	—	(4,362)	839	(52,105)
Credited to reserves	—	—	(3,204)	—	—	—	—	(3,204)
At 30 June 2009	—	6,861	(52,466)	—	—	(4,820)	(464)	(50,889)
At 1 July 2009	—	6,861	(52,466)	—	—	(4,820)	(464)	(50,889)
Acquisitions of subsidiaries	—	—	85	19,546	(5,904)	—	(509)	13,218
Charged/(credited) to profit or loss	—	(750)	(35,488)	(316)	111	2,939	95	(33,409)
At 30 June 2010	—	6,111	(87,869)	19,230	(5,793)	(1,881)	(878)	(71,080)

	The Group 2010 RMB'000	2009 RMB'000
Net deferred tax assets recognised on the balance sheet	(90,231)	(57,750)
Net deferred tax liabilities recognised on the balance sheet	19,151	6,861
	(71,080)	(50,889)

27 Income tax in the balance sheet *(continued)*

(c) Deferred tax assets not recognised

At 30 June 2010, the Group had not recognised deferred tax assets in respect of tax losses and other deductible temporary differences of approximately RMB62,423,000 (2009: RMB15,168,000) and RMB267,201,000 (2009: RMB196,784,000) respectively as it is not probable that future taxable profits against which the losses could be utilised will be available in the relevant tax jurisdiction and entity.

Expiration of tax losses not recognised as deferred tax assets:

	The Group	
	2010 RMB'000	2009 RMB'000
2013	5,091	5,091
2014	29,356	10,077
2015	27,976	—
	62,423	15,168

28 Other financial liabilities

	The Group and the Company	
	2010 RMB'000	2009 RMB'000
Upon early termination of swaps on 12 November 2008 (note(i))	–	163,092
Accrued interest (note(ii))	–	1,351
At 30 June 2010/2009	–	164,443

Notes:

(i) The balance as at 30 June 2009 represents the Termination Amount demanded by the Bank as a result of the early termination of the Swaps by the Bank (see note 20(b)).

(ii) Interest was accrued on the Termination Amount for the period from 12 November 2008 to 30 June 2009 at a rate per annum equal to the cost to the Bank if it were to fund the relevant amount plus 1% per annum in accordance with the ISDA 2002 Master Agreement of the Swaps. The directors used the overnight USD London Interbank Offered Rates plus 1% per annum to estimate the accrued interest.

(iii) The balance was settled by the CS during the year ended 30 June 2010. Details of the settlement are set out in notes 29 and 35(a).

29 Amount due from the CS

	The Group and the Company	
	2010	2009
	RMB'000	RMB'000
Amount due from the CS — current asset	**–**	61,975

In order to minimise speculation on the financial exposure of the Company under the Swaps, on 12 December 2007, Mr Lin Wan Qaing, the former CS and a former director of the Company, executed a deed of indemnity (the "Deed") providing interest-free and unsecured financial assistance to the Company in respect of its interest payment obligations in connection with the Swaps to the extent as follows:

— in respect of each payment period, payment by the CS was limited to the amount payable by the Company to the Bank after netting off the amount payable by the Bank to the Company, if any;

— where the Company received amount from the Bank after netting off the amount payable by the Company to the Bank and the amount payable by the Bank, the Company was to keep such amount received from the Bank; and

— at the maturity date of the Swaps, the Company was to reimburse the CS such amount of sum(s) paid by the CS to the Company under the Deed to the extent of the amount of the Cash Inflow (as defined as the aggregate amount of the payments of approximately RMB113,490,000 received at the inception of the Swaps ("Upfront Payments") as disclosed in note 20(b) and the amount received from the Bank), and for the avoidance of doubt, if the Cash Inflow were to have exceeded the aggregate amount of sums actually paid by the CS to the Company under the Deed, the Company was only required to reimburse the CS such amount equivalent to the sum actually paid by the CS to the Company under the Deed.

In addition, under the Deed, the CS was to indemnify and at all times keep the Company fully indemnified against all liabilities, claims, damages, costs and expenses which the Company may suffer, incur or sustain by reason of the CS's failure in his performance of obligations under the Deed.

As a result of the arrangement under the Deed, given the CS assumed the obligations of the Company and the Company was required to reimburse the CS to the extent of the Cash Inflow, if the Company was eventually liable to pay more than it received from the Bank (i.e. the Company made a loss), the maximum future cash outflows of the Company under the Swaps would have been contained at the amount of the Upfront Payments. If however, the aggregate receivables by the Company from the Bank were greater than the payables by the Company to the Bank (i.e. the Company made a gain), this would mean that the amount actually paid out by the CS was less than the amount received by the Company, the Company would still have been entitled to keep the difference (i.e. the net amount received) since the Company was only required to reimburse the CS such amount equivalent to the sum actually paid by the CS to the Company under the Deed.

29 Amount due from the CS *(continued)*

The movements during the year are as follows:

	The Group and the Company	
	2010 RMB'000	2009 RMB'000
As at 1 July 2009/2008	61,975	(16,089)
Payments made by the CS to the Bank during the year	(25,284)	(3,434)
Fair value adjustment of amount due to the CS (note (i))	—	561
Interest on amount due to the CS (note (i))	—	(288)
Contributions by the CS upon termination (note (ii))	—	81,167
Adjustment of contributions by the CS upon settlement (note (iii))	(36,552)	—
Exchange adjustments	(139)	58
As at 30 June 2010/2009	—	61,975

Notes:

(i) In accordance with the accounting policies set out in notes 1(n) and (x), the amount of financial assistance received was initially recognised at fair value, as the indemnified amounts were expected to be settled upon the original maturity dates of the Swaps in 2012. During the year ended 30 June 2009, a total amount of RMB561,000, being the difference between the fair value based on expected cash flows and the nominal amount of cash received by the Company was recognised as a capital contribution by the CS in the capital contribution reserve within equity. The financial assistance was subsequently stated at amortised cost and the related interest expense calculated using the effective interest method was recognised in profit or loss.

(ii) According to the Deed, the CS was obligated to indemnify the Company the semi-annual interest payments made after the execution of the indemnity, the early termination amount, the interest accrued subsequent to termination and all related costs incurred thereon, while the Company was required to reimburse the CS such amount equivalent to the sum actually paid by the CS to the Company under the Deed to the extent of the amount of the Company's Cash Inflow from the Bank.

(iii) As discussed in note 35(a), the Company agreed with the Bank on 16 November 2009 to settle for an amount less than the Termination Amount originally claimed by the Bank. Accordingly, the amount to be indemnified by the CS under the Deed was adjusted.

30 Capital, reserves and dividends

(a) Movements in component of equity

The reconciliation between the operating and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

	Note	Share capital RMB'000	Share premium RMB'000	Share-based compensation reserve RMB'000	Exchange reserve RMB'000	Capital contribution reserve RMB'000	Capital redemption reserve RMB'000	Convertible bonds reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 July 2008		58,661	239,811	3,083	21,302	3,272	19	—	(90,969)	235,179
Changes in equity for 2008/09:										
Contributions by the CS upon termination of derivative financial instruments	29	—	—	—	—	81,167	—	—	—	81,167
Fair value adjustment of the amount due to the CS	29	—	—	—	—	561	—	—	—	561
Lapse of share options		—	—	(337)	—	—	—	—	337	—
Dividend approved in respect of the previous year	30(b)	—	(1,969)	—	—	—	—	—	—	(1,969)
Total comprehensive income for the year		—	—	—	(455)	—	—	—	(219,981)	(220,436)
At 30 June 2009 and 1 July 2009		58,661	237,842	2,746	20,847	85,000	19	—	(310,613)	94,502
Changes in equity for 2009/10:										
Issue of convertible bonds		—	—	—	—	—	—	31,529	—	31,529
Issue of shares by open offer and placing	30(c)(iii)	44,255	66,824	—	—	—	—	—	—	111,079
Issue of shares upon conversion of convertible bonds	30(c)(iv)	20,735	37,518	—	—	—	—	(16,513)	—	41,740
Adjustment of contributions by the CS under the Deed	29	—	—	—	—	(36,552)	—	—	—	(36,552)
Equity-settled share-based transactions		—	—	6,779	—	—	—	—	—	6,779
Lapse of share options		—	—	(2,746)	—	—	—	—	2,746	—
Total comprehensive income for the year		—	—	—	(47,128)	—	—	—	(120,812)	(167,940)
At 30 June 2010		123,651	342,184	6,779	(26,281)	48,448	19	15,016	(428,679)	81,137

30 Capital, reserves and dividends *(continued)*

(b) Dividends

(i) Dividends payable to equity shareholders of the Company attributable to the year

No final dividends were proposed after the balance sheet date of 2009 and 2010.

(ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

	2010 RMB'000	2009 RMB'000
Final dividend of HK$Nil (equivalent to approximately RMB Nil) per ordinary share (2009: HK$0.004 (equivalent to approximately RMB0.003) per ordinary share) in respect of the previous financial year, approved and paid during the year	**–**	1,969

(c) Share capital

(i) Authorised and issued share capital

	The Group and the Company			
	2010 Number of shares '000	**Amount HK$'000**	2009 Number of shares '000	Amount HK$'000
Authorised:				
Ordinary shares of HK$0.10 each	**5,000,000**	**500,000**	1,000,000	100,000

	2010 Number of shares '000	**Amount RMB$'000**	2009 Number of shares '000	Amount RMB$'000
Ordinary shares issued and fully paid:				
At 1 July	**558,965**	**58,661**	558,965	58,661
Issue of shares by open offer and placing	**503,068**	**44,255**	—	—
Issue of shares upon conversion of convertible bonds	**235,714**	**20,735**	—	—
At 30 June	**1,297,747**	**123,651**	558,965	58,661

30 Capital, reserves and dividends *(continued)*

(c) *Share capital (continued)*

(i) Authorised and issued share capital *(continued)*

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(ii) Increase in authorised share capital

By an ordinary resolution passed at the extraordinary general meeting held on 11 February 2010, the Company's authorised ordinary share capital was increased to HK$500,000,000 by the creation of additional 4,000,000,000 ordinary shares of HK$0.10 each, ranking *pari passu* with the existing ordinary shares of the Company in all respects.

(iii) Issue of shares by open offer and placing

On 29 December 2009, the Company completed an open offer of 279,482,500 new ordinary shares on the basis of one share for every two existing shares held on the record date at HK$0.18 per ordinary share.

On 13 January 2010, the Company completed the placing of 111,793,000 new ordinary shares at a consideration of HK$0.38 per ordinary share.

On 19 March 2010, the Company completed the placing of 111,792,000 new ordinary shares at a consideration of HK$0.369 per ordinary share.

Total net proceeds, after deducting costs of HK$7,770,000, amounted to HK$126,269,000 (equivalent to approximately RMB111,079,000) of which HK$50,307,000 (equivalent to approximately RMB44,255,000) was credited to share capital and the balance of HK$75,962,000 (equivalent to approximately RMB66,824,000) was credited to the share premium account.

(iv) Issue of shares upon conversion of convertible bonds

On 28 June 2010, convertible bonds with a face value totalling HK$66,000,000 were converted into 235,714,000 new ordinary shares of Company. The related portion recognised in the convertible bonds reserve upon initial recognition and the carrying amount of the liability component (see note 25) and the non-equity derivative component (see note 20(a)) were transferred to the share capital and share premium accounts in accordance with the accounting policy set out in note 1(m).

(Expressed in Renminbi unless otherwise indicated)

30 Capital, reserves and dividends *(continued)*

(c) *Share capital* *(continued)*

(v) Terms of unexpired and unexercised share options at balance sheet date

Exercise period	Exercise price	2010 Number	2009 Number
4 September 2006 to 3 September 2009	HK$1.038	—	10,500,000
26 May 2010 to 25 May 2015	HK$0.287	75,000,000	—
		75,000,000	10,500,000

Each option entitles the holder to subscribe for one ordinary share in the Company. Further details of these options are set out in note 32 to the financial statements.

(d) *Nature and purposes of reserves*

(i) Share premium

Under the Companies Law (Revised) of the Cayman Islands, share premium is distributable to shareholders, subject to the condition that the Company cannot declare or pay a dividend, or make a distribution out of share premium if (i) it is, or would after the payment be, unable to pay its liabilities as they become due, or (ii) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital account.

(ii) Share-based compensation reserve

Share-based compensation reserve comprises the portion of grant date fair value of unexercised share options granted under the share option scheme adopted by the Company that has been recognised in accordance with the accounting policy adopted for share-based payments in note 1(q)(ii).

(iii) Statutory reserve

According to the relevant rules and regulations in the PRC, Gemini, Shuangxiang, Fuqiang, Haichuang and Anlu are required to appropriate 10% of their after-tax profit (after offsetting prior year losses), based on their PRC statutory financial statements prepared in accordance with the relevant accounting principles and financial regulations applicable to foreign investment enterprises in the PRC, to a general reserve fund until the balance of the reserve reaches 50% of their respective registered capital. Thereafter, any further appropriations can be made at the directors' discretion. The general reserve fund can be utilised to offset losses, or be utilised for issuance of bonus shares on condition that the general reserve fund shall be maintained at a minimum of 25% of the registered capital after such issuance.

30 Capital, reserves and dividends *(continued)*

(d) Nature and purposes of reserves (continued)

(iv) Capital reserve

The capital reserve of the Group comprises:

(a) capital reserve of a subsidiary;

(b) the difference between the nominal value of the ordinary shares issued by the Company and the aggregate of the share capital and share premium of a subsidiary acquired through an exchange of shares pursuant to the Group reorganisation in 2001; and

(c) the amount of non-controlling interests as at acquisition date in excess of the fair value of the consideration paid directly recognised in equity.

(v) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations outside the PRC. The reserve is dealt with in accordance with the accounting policy set out in note 1(u).

(vi) Building valuation reserve

The revaluation reserve has been set up and is dealt with in accordance with the accounting policy adopted for buildings in note 1(g)(ii).

(vii) Capital contribution reserve

The capital contribution reserve represents the difference between the fair value of the interest-free financial assistance provided by the controlling shareholder of the Company (see note 29) initially recognised in the financial statements and the nominal amount of cash received/receivable by the Group.

(viii) Capital redemption reserve

The capital redemption reserve represents the nominal value of the shares repurchased which has been paid out of the distributable reserves of the Company.

(ix) Convertible bonds reserve

The convertible bonds reserve comprises the amount allocated to the unexercised equity component of convertible bonds issued by the Company recognised in accordance with the accounting policy adopted for convertible bonds in note 1(m).

(e) Distributability of reserves

As at 30 June 2010, the Company's reserves available for distribution to shareholders amounted to RMB Nil (2009: RMB Nil) computed in accordance with the Companies Law (Revised) of the Cayman Islands and the Company's articles of association.

30 Capital, reserves and dividends *(continued)*

(f) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of a net debt-to-capital ratio. For this purpose the Group defines net debt as total debt (which includes bank loans, trade and other payables, derivative financial instruments and other long term payables) less cash and cash equivalents. Capital comprises all components of equity.

It is the Group's strategy to keep the net debt-to-capital ratio at a reasonable level. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

The net debt-to-capital ratio at 30 June 2010 and 2009 was as follows:

		The Group		The Company	
	Note	**2010 RMB'000**	2009 RMB'000	**2010 RMB'000**	2009 RMB'000
Trade and other payables	23	265,545	143,926	136,369	78,735
Bank loans	24	170,000	266,972	—	26,388
Convertible bonds	25	39,295	—	39,295	—
Other interest-bearing borrowings	26	134,000	—	—	—
Other financial liabilities	28	—	164,443	—	164,443
Total debt		608,840	575,341	175,664	269,566
Less: Cash and cash equivalents	22	(476,972)	(648,450)	(12,472)	(1,175)
Net debt/(cash)		131,868	(73,109)	163,192	268,391
Total equity	30	540,998	634,465	81,137	94,502
Net debt-to-capital ratio		24%	N/A	201%	284%

30 Capital, reserves and dividends *(continued)*

(f) Capital management (continued)

As at 30 June 2009, as imposed by a bank loan agreement between a bank and the Company, the Group was required to maintain a ratio of "consolidated gross borrowings" to "equity" not exceeding 100%. For the purpose of this capital requirement, "consolidated gross borrowings" was defined as the aggregate of secured and unsecured financial indebtedness of the Group, and "equity" was defined as the aggregate of the amount paid up or credited as paid up on the issued share capital (other than any redeemable share capital) of the Company. The bank loan was fully repaid in December 2009.

Other than the above, neither the Company nor any of its subsidiaries were subject to externally imposed capital requirements in either the current or the prior year.

31 Employee retirement benefits

Hong Kong

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution retirement scheme administered by independent trustees. Under the MPF Scheme, the employer and its employees are each required to make contributions to the MPF Scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$20,000. Contributions to the MPF Scheme vest immediately.

PRC, other than Hong Kong

The PRC subsidiaries of the Group participate in a mandatory central pension scheme organised by the PRC government for certain of their employees, the assets of which are held separately from those of the Group. Contributions made are based on a percentage of the eligible employees' salaries and are charged to profit or loss as they became payable, in accordance with the rules of the scheme. The employers' contributions vest fully once they are made. Under this scheme, retirement benefits of existing and retired employees are payable by the relevant scheme administrators and the Group has no further obligations beyond the annual contributions.

The Group does not have any other pension schemes for its employees in respect of the subsidiaries outside Hong Kong and PRC. In the opinion of the directors of the Company, the Group did not have any significant liabilities beyond the above contributions in respect of the retirement benefits of its employees.

(Expressed in Renminbi unless otherwise indicated)

32 Equity-settled share-based transactions

The Company adopted a share option scheme for a period of 10 years commencing from 9 January 2003. On 11 February 2010, this scheme was terminated and the Company adopted a new share option scheme for a period of 10 years commencing from 11 February 2010. Under the terms of this scheme, the exercise price of options will be determined by the board of directors of the Company and should not be less than the highest of (i) the nominal value of the Company's ordinary shares, (ii) the closing price of the ordinary shares on the Main Board of the Stock Exchange on the date of grant and (iii) the average closing price of the ordinary shares on the Main Board of the Stock Exchange for the five business days immediately preceding the date of grant. The options vest immediately at the date of grant and are then exercisable within a period not more than ten years from the date of grant. Each option gives the holder the right to subscribe for one ordinary share in the Company.

(a) The terms and conditions of the grants that existed during the years are as follows, whereby all options are settled by physical delivery of shares:

	Number of instruments	Vesting conditions	Contractual life of Options
Options granted to employees:			
— on 4 September 2006	5,500,000	Immediate at the date of grant	3 years
— on 26 May 2010	11,000,000	Immediate at the date of grant	5 years
Options granted to directors:			
— on 4 September 2006	5,000,000	Immediate at the date of grant	3 years
— on 26 May 2010	15,000,000	Immediate at the date of grant	5 years
Options granted to consultants:			
— on 26 May 2010	49,000,000	Immediate at the date of grant	5 years
Total share options	85,500,000		

(Expressed in Renminbi unless otherwise indicated)

32 Equity-settled share-based transactions *(continued)*

(b) The number and weighted average exercise prices of share options are as follows:

	2010 Weighted average exercise price	2010 Number of options	2009 Weighted average exercise price	2009 Number of Options
Outstanding at 1 July 2009/2008	HK$1.038	10,500,000	HK$1.038	12,000,000
Lapsed during the year	HK$1.038	(10,500,000)	HK$1.038	(1,500,000)
Granted during the year	HK$0.287	75,000,000	—	—
Outstanding at 30 June 2010/2009	HK$0.287	75,000,000	HK$1.038	10,500,000
Exercisable at 30 June 2010/2009	HK$0.287	75,000,000	HK$1.038	10,500,000

No share option was exercised during the year.

The options outstanding at 30 June 2010 had an exercise price of HK$0.287 (2009: HK$1.038) and a weighted average remaining contractual life of 4.90 years (2009: 0.17 years).

(c) Fair value of share options and assumptions

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the services received was measured based on a binomial lattice model. The contractual life of the share option is used as an input into this model. Expectations of early exercise are incorporated into the binomial lattice model.

(Expressed in Renminbi unless otherwise indicated)

32 Equity-settled share-based transactions *(continued)*

(c) Fair value of share options and assumptions (continued)

	Options granted to directors on 26 May 2010	Options granted to employees and consultants on 26 May 2010
Fair value at measurement date	HK$0.1473	HK$0.0916
Exercise price	HK$0.287	HK$0.287
Risk-free interest rate (based on Exchange Fund Notes)	1.524%	1.524%
Nature of the share options	Call	Call
Expected life	5 years	5 years
Expected volatility	68.608%	68.608%
Expected dividend yield	0%	0%
Suboptional factor	2.80	1.50

The expected volatility is based on the historical share price of the Company over the 260 trading days immediately before the valuation date. Expected dividends are based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

The above calculation is based on the assumption that there is no material difference between the expected volatility over the whole life of the options and the historical volatility of the ordinary shares as set out above.

33 Financial risk management and fair values

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group is also exposed to equity price risk arising from its equity investments in other entities and movement in its own equity price.

The Group's exposure to these risks are limited by the Group's financial management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

The Group's credit risk is primarily attributable to deposits with banks and trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

The major concentration of credit risk arises from exposures to deposits placed in financial institutions operating in one geographical region, the PRC. The Group only places deposits with the major financial institutions of sound credit standing in the PRC. Given their high credit standing, the management does not expect any of these financial institutions to default.

For year ended 30 June 2010, the largest and the five largest customers of the Group in aggregate accounted for approximately 27% (2009: 18%) and 62% (2009: 46%) respectively of the Group's total sales. At 30 June 2010, approximately 24% (2009: 35%) and 61% (2009: 58%) of trade receivables was due from the largest and the five largest customers. As a result, a termination of the relationship or a reduction in orders from the five largest customers would have a material impact on the Group's results of operations and financial position. Credit evaluations are performed on all customers requiring credit over a certain amount. Normally, these receivables are due within 90 days to 180 days from the date of billing and the Group does not obtain collateral from customers.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheets. Except for the financial guarantees given by the Company and the Group as set out in notes 24(vii) and 35(b) respectively, the Company and the Group do not provide any other guarantees which would expose the Company and the Group to credit risk. The maximum exposure to credit risk in respect of these financial guarantees at the balance sheet date is disclosed in notes 24(vii) and 35(b).

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of surplus cash and the raising of loans to cover expected cash requirements, subject to approval by the Company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

33 Financial risk management and fair values *(continued)*

(b) Liquidity risk *(continued)*

The following table details the remaining contractual maturities at the balance sheet date of the Group's and the Company's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the balance sheet date) and the earliest date the Group and the Company can be required to pay.

The Group

	2010 Contractual undiscounted cash outflow				
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	Total RMB'000	Balance sheet carrying amount RMB'000
Trade and other payables	265,545	—	—	265,545	265,545
Bank loans	148,631	9,048	18,338	176,017	170,000
Convertible bonds	522	522	52,764	53,808	39,295
Other interest-bearing borrowings	138,607	—	—	138,607	134,000
	553,305	9,570	71,102	633,977	608,840

	2009 Contractual undiscounted cash outflow				
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	Total RMB'000	Balance sheet carrying amount RMB'000
Trade and other payables	143,926	—	—	143,926	143,926
Bank loans	258,687	4,937	12,578	276,202	266,972
Other financial liabilities	164,443	—	—	164,443	164,443
	567,056	4,937	12,578	584,571	575,341

33 Financial risk management and fair values *(continued)*

(b) *Liquidity risk* *(continued)*

The Company

	2010 Contractual undiscounted cash outflow				
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	Total RMB'000	Balance sheet carrying amount RMB'000
Other payables	136,369	—	—	136,369	136,369
Convertible bonds	522	522	52,764	53,808	39,295
	136,891	522	52,764	190,177	175,664

	2009 Contractual undiscounted cash outflow				
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	Total RMB'000	Balance sheet carrying amount RMB'000
Other payables	78,735	—	—	78,735	78,735
Bank loans	26,629	—	—	26,629	26,388
Other financial liabilities	164,443	—	—	164,443	164,443
	269,807	—	—	269,807	269,566

As at 30 June 2009, under the Deed executed by the CS (see note 29), the Group's liquidity risk arising from the early termination of the Swaps (see note 28) was fully covered.

33 Financial risk management and fair values *(continued)*

(c) Interest rate risk

The Group's interest rate risk arises primarily from bank loans, convertible bonds and other interest-bearing borrowings. The interest-bearing borrowings issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group's interest rate profile of the non-derivative financial instruments as monitored by management is set out in (i) below.

(i) Interest rate profile

The following table details the interest rate profile of the Group's and the Company's net borrowings (being interest-bearing borrowings less cash and cash equivalents and pledged deposits) at the balance sheet date.

	The Group				The Company			
	2010		2009		**2010**		2009	
	Effective interest rate %	**RMB'000**	Effective interest rate %	RMB'000	**Effective interest rate %**	**RMB'000**	Effective interest rate %	RMB'000
Net fixed rate borrowings:								
Bank loans	5.56	31,000	5.35	115,584	–	–	–	–
Convertible bonds	11.49	39,295	–	–	11.49	39,295	–	–
Other interest-bearing borrowings	7.16	134,000	–	–	–	–	–	–
		204,295		115,584		39,295		–
Net variable rate borrowings:								
Bank loans	5.27	139,000	5.15	151,388	–	–	2.72	26,388
Other financial liabilities	–	–	1.28	164,443	–	–	1.28	164,443
Less: Pledged deposits	0.36	(10,731)	0.36	(8,662)	–	–	–	–
Less: Cash and cash equivalents	0.35	(476,972)	0.36	(648,450)	0.01	(12,472)	0.01	(1,175)
		(348,703)		(341,281)		(12,472)		189,656
Total net (deposits)/borrowings		(144,408)		(225,697)		26,823		189,656
Net fixed rate borrowings as a percentage of total net borrowings		N/A		N/A		N/A		0%

33 Financial risk management and fair values *(continued)*

(c) *Interest rate risk (continued)*

(ii) Sensitivity analysis

The Group's sensitivity to interest rate risk at each balance sheet date with all other variables were held constant is as follows:

	2010 RMB'000	2009 RMB'000
(Decrease)/increase in loss for the year and in accumulated losses (2009: (decrease)/increase in loss for the year and (increase)/decrease in retained profits) if interest rates has been 100 basis points higher:		
— for net variable rate borrowings	(2,594)	(1,363)
— for derivative financial instruments (note 20(a))	141	—
	(2,453)	(1,363)
Increase/(decrease) in loss for the year and in accumulated losses (2009: increase/(decrease) in loss for the year and decrease/(increase) in retained profits) if interest rates has been 100 basis points lower:		
— for net variable rate borrowings	2,594	1,363
— for derivative financial instruments (note 20(a))	(146)	—
	2,448	1,363

Other components of consolidated equity would not be affected by changes in interest rates.

The sensitivity analysis above indicates the instantaneous change in the Group's loss after taxation and accumulated losses/retained profits that would have arisen assuming that the change in interest rates had occurred at the balance sheet date and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the balance sheet date. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the balance sheet date, the impact on the Group's loss after tax and accumulated losses/retained profits is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis has been performed on the same basis for 2009.

33 Financial risk management and fair values *(continued)*

(d) Currency risk

(i) The Group is exposed to currency risk primarily through sales and purchases and certain financial assets and liabilities that are denominated in a currency other than the functional currency of the operations to which they relate. The currencies giving rise to this risk are primarily Euros, United States dollars and Hong Kong dollars.

(ii) **Exposure to currency risk**

The following table details the Group's and the Company's exposure at the balance sheet date to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in Renminbi, translated using the spot rate at the year end date. Differences resulting from the translation of the financial statements of operations outside the PRC into the Group's presentation currency are excluded.

The Group

	2010			2009		
	United States Dollars RMB'000	Euros RMB'000	Hong Kong Dollars RMB'000	United States Dollars RMB'000	Euros RMB'000	Hong Kong Dollars RMB'000
Trade and other receivables	24,022	2,703	1,713	22,015	3,142	1,742
Amount due from the CS	—	—	—	95,670	—	—
Cash and cash equivalents	1,353	—	12,572	2,261	289	109
Trade and other payables	(12,595)	(3,099)	(1,331)	(2,234)	(434)	(1,531)
Bank loans	—	—	—	(26,388)	—	—
Other financial liabilities	—	—	—	(164,443)	—	—
Overall net exposure	12,780	(396)	12,954	(73,119)	2,997	320

The Company

	2010			2009		
	United States Dollars RMB'000	Euros RMB'000	Hong Kong Dollars RMB'000	United States Dollars RMB'000	Euros RMB'000	Hong Kong Dollars RMB'000
Amount due from the CS	—	—	—	95,670	—	—
Cash and cash equivalents	416	—	12,056	704	—	—
Bank loans	—	—	—	(26,388)	—	—
Other financial liabilities	—	—	—	(164,443)	—	—
Overall net exposure	416	—	12,056	(94,457)	—	—

33 Financial risk management and fair values *(continued)*

(d) Currency risk (continued)

(iii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's loss after taxation and accumulated losses/ retained profits that would have arisen if foreign exchange rates to which the Group has significant exposure at the balance sheet date had changed at that date, assuming all other risk variables remained constant. Other components of consolidated equity would not be affected by changes in foreign exchange rates.

The Group

	2010			2009		
	Increase/ (decrease) in foreign exchange rates	Increase/ (decrease) in loss after taxation RMB'000	Increase/ (decrease) in accumulated losses RMB'000	Increase/ (decrease) in foreign exchange rates	Increase/ (decrease) in loss after taxation RMB'000	Increase/ (decrease) in retained profits RMB'000
United States Dollars	10%	(1,005)	(1,005)	10%	1,776	(1,776)
	(10)%	1,005	1,005	(10)%	(1,776)	1,776
Euros	15%	46	46	10%	(240)	240
	(15)%	(46)	(46)	(10)%	240	(240)
Hong Kong Dollars	10%	(1,098)	(1,098)	10%	(44)	44
	(10)%	1,098	1,098	(10)%	44	(44)

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the group entities' loss after taxation and equity measured in the respective functional currencies, translated into Renminbi at the exchange rates ruling at the balance sheet date for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the balance sheet date, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of operations outside the PRC into the Group's presentation currency. The analysis has been performed on the same basis for 2009.

33 Financial risk management and fair values *(continued)*

(e) *Equity price risk*

The Group is exposed to equity price changes arising from equity investments classified as trading securities which are listed (see note 17).

The Group's listed investments are mutual funds listed on the Shenzhen Stock Exchange or the Shanghai Stock Exchange. The management monitors regularly the performance of the investments against expectation, as well as the Group's liquidity needs.

The Group also exposed to equity price risk arising from changes in the Company's own share price to the extent that the Company's own equity instruments underlie the fair values of derivatives of the Group. As at the balance sheet date, the Group is exposed to this risk through the Company's early redemption option embedded in the convertible bonds issued by the Company as disclosed in notes 20(a) and 25.

At 30 June 2010, it is estimated that an increase/(decrease) of 10% (2009: 10%) in the relevant stock market index (for listed equity investments) or the Company's own share price (for the Company's early redemption option embedded in the convertible bonds) as applicable, with all other variables held constant, would not have effect on other components of consolidated equity and would have (decreased)/increased the Group's loss after taxation and accumulated losses (2009: (increase)/decrease in retained profits) as follows:

The Group

	2010			2009		
		Effect on loss after taxation RMB'000	Effect on accumulated losses RMB'000		Effect on loss after taxation RMB'000	Effect on retained profits RMB'000
Change in relevant equity price risk variable:						
— Increase	10%	(33)	(33)	10%	(60)	60
— Decrease	(10)%	81	81	(10)%	60	(60)

The sensitivity analysis indicate the instantaneous change in the Group's loss after taxation and accumulated losses/retained profits that would have arisen assuming that the changes in the stock market index or other relevant risk variables had occurred at the balance sheet date and had been applied to re-measure those financial instruments held by the Group which expose the Group to equity price risk at the balance sheet date. It is also assumed that the fair values of the Group's equity investments would change in accordance with the relevant stock market index or the relevant risk variables, and that all other variables remain constant. The analysis has been performed on the same basis for 2009.

33 Financial risk management and fair values *(continued)*

(f) Fair values

(i) Financial instruments carried at fair value

The following table presents the carrying value of financial instruments measured at fair value at the balance sheet date across the three levels of the fair value hierarchy defined in HKFRS 7, *Financial Instruments: Disclosures*, with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to the fair value measurement. The levels are defined as follows:

— Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments.

— Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data.

— Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data.

	The Group			The Company		
	Level 1	**Level 3**	**Total**	**Level 1**	**Level 3**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
2010						
Assets						
Trading securities	1,081	—	1,081	—	—	—
Derivative financial instruments	—	1,758	1,758	—	1,758	1,758
	1,081	1,758	2,839	—	1,758	1,758

During the year there were no significant transfers between instruments in Level 1 and Level 2.

The movement during the period in the balance of Level 3 fair value measurements is set out in note 20(a).

(ii) Fair values of financial instruments carried at other than fair value

The non-trade balances between the Company and its subsidiaries and the advances to directors are unsecured, interest-free and repayable on demand. The amount receivable from the CS at 30 June 2009 was unsecured, interest-free and had no fixed terms of repayment. Given these terms, it is not meaningful to disclose their fair values.

All other significant financial assets and liabilities are carried at amounts not materially different from their fair values as at 30 June 2010 and 2009.

33 Financial risk management and fair values *(continued)*

(g) Estimation of fair values

The following summarises the major methods and assumption used in estimating the fair values of financial instruments.

(i) Securities

Fair value is based on quoted market prices at the balance sheet date without any deduction for transaction costs.

(ii) Derivatives

The estimate of fair value of the Company's early redemption option embedded in the convertible bonds is measured using the binomial lattice model.

Fair value of early redemption option and assumptions

	2010
Fair value at measurement date	HK$3,990,000
Share price	HK$0.37
Expected volatility	82.21%
Option life	3 years
Expected dividends	0%
Risk-free interest rate	1.049%

34 Commitments

(a) Capital commitments outstanding at 30 June 2010 not provided for in the financial statements were as follows:

	The Group	
	2010 RMB'000	2009 RMB'000
Contracted for	100,817	62,559
Authorised but not contracted for	69,840	43,296
	170,657	105,855

34 Commitments *(continued)*

(b) At 30 June 2010, the total future minimum lease payments in respect of buildings under non-cancellable operating leases are payable as follows:

	The Group		The Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within 1 year	**1,240**	461	**540**	—
After 1 year but within 5 years	**1,331**	120	**1,035**	—
	2,571	581	**1,575**	—

The Group leases a number of properties under operating leases. The leases typically run for an initial period of two to five years, with an option to renew each lease upon expiry when all terms are renegotiated. None of the leases includes contingent rentals.

(c) At 30 June 2010, a subsidiary of the Company is required to inject capital of RMB67,954,000 (2009: RMB88,438,000) into a wholly owned subsidiary of that subsidiary in the PRC.

35 Contingent liabilities

(a) Litigation

On 10 November 2008, the Bank served a notice to the Company to early terminate the Swaps effective on 12 November 2008 as a result of the Company not paying the interest payment under the Swap 2 on the due date in October 2008. In addition, the Company received a statement dated 13 November 2008 from the Bank requesting a payment of US$23,714,693 (equivalent to approximately RMB163,092,000) in total as a result of the early termination of the Swaps. The Bank was also entitled to claim under the indemnity reasonable out-of-pocket expenses including legal fees, execution fees and stamp duty, incurred by reason of the enforcement and protection of their rights under the master agreement of the Swaps or by reason of the early termination entered thereunder, including but not limited to costs of collection.

In March 2009, the Company received a Writ of Summons ("the Writ") issued by the Bank as plaintiff, with the Company named as defendant, in a claim arising from the Swaps.

In the Writ, the plaintiff claims against the Company for:

(a) Damages in the liquidated sum of US$23,714,693;

(b) Interest on the said sum of US$23,714,693 at the contractual rate;

(c) Further or alternatively, interest at such rate and for such period as the Court thinks fit under sections 48 and 49 of the High Court Ordinance (Cap 4);

(d) Further or other relief; and

(e) Costs.

35 Contingent liabilities *(continued)*

(a) Litigation *(continued)*

After consultation with external legal counsel in June 2009, the Company filed a defence and counterclaim against the Bank and an employee of the Bank to rescind the Swaps transactions for the reason that it had been misrepresented in the true risks associated with the Swaps. The directors were advised by their external legal counsel that the case would not be concluded in a short period of time and that the outcome was uncertain. Based on the available information at 30 June 2009, the directors were of the opinion that no provision for legal or other related costs was required as at that date.

In addition, under the Deed, the CS undertook to perform the interest payment obligation of the Company under the Swaps as disclosed in note 29 and was obligated to indemnify the Company against all liabilities, claims, damages, costs and expenses which the Company may suffer by reason of the CS's failure in performance of the said obligations. On 16 November 2009, the Company entered in a settlement agreement with the Bank and the employee of the Bank (the "Settlement Agreement") and agreed to a full and final settlement of the claim against the Company and the counterclaim against the Bank and the employee of the Bank (the "Action") for an amount less than US$23,714,693 to be paid by the Company. The Company has settled the payment in accordance with the terms set out in the Settlement Agreement. On 27 April 2010, the Action was discontinued by the consent order that:

(a) The Action be and do stand discontinued;

(b) All costs orders therein, insofar as not previously satisfied, be set aside; and

(c) There be no order as to the costs of the Action or the application of the consent order.

The Company and the Group had no further liabilities in respect of the litigation as at 30 June 2010.

(b) Guarantees

The Group provided guarantees in respect of mortgage facilities granted by certain banks in connection with the mortgage loans entered into by purchasers of the Group's properties. Pursuant to the terms of the guarantees, if there is any default in the mortgage payments by these purchasers, the Group is responsible for paying the outstanding mortgage loans together with any accrued interest and penalty owed by the defaulting purchasers to these banks. The Group's guarantee period commences from the dates of draw-down of the relevant mortgage loans and ends after the purchasers have obtained the individual property ownership certificates of the properties purchased. As at 30 June 2010, the maximum amounts of guarantees given to banks for mortgage facilities granted to the purchasers of the Group's properties was RMB5,085,000 (2009: RMB Nil).

The directors consider that it is not probable that the Group will sustain a loss under these guarantees as during the periods under guarantee, the Group can take back the ownership of the related properties and resell the properties to recover any amounts payable by the Group to the banks. The Group has not recognised any deferred income in respect of these guarantees as their fair value is considered to be minimal by the directors. The directors also consider that the fair market value of the underlying properties is able to cover the outstanding mortgage loans guaranteed by the Group in the event the purchasers default on their payments to the banks.

36 Acquisition of subsidiaries

On 4 June 2010, the Company obtained control of Stephigh and its subsidiaries, a group which develops and sells real estate in the PRC, by acquiring 70% of the shares and voting interests in Stephigh. The acquisition-date fair value of the total consideration transferred was HK$126,000,000 (equivalent to approximately RMB110,300,000), which comprised HK$80,000,000 (equivalent to approximately RMB70,032,000) convertible bonds, which are convertible to 285,714,000 ordinary shares of the Company, issued to the vendor and cash of HK$46,000,000 (equivalent to approximately RMB40,268,000). The acquisition is expected to improve the prospects of the Group by diversification into the property development business in the PRC.

Identifiable assets acquired and liabilities assumed:

	Note	**Recognised values on acquisition** RMB'000
Property, plant and equipment	13(a)	3,203
Inventories		284,873
Trade and other receivables		2,146
Pledged deposits		1,369
Cash and cash equivalents		2,124
Trade and other payables		(74,023)
Taxation		(2,632)
Other interest-bearing borrowings		(131,000)
Deferred tax liabilities	27(b)	(13,218)
Total identifiable net assets		72,842
Less: Non-controlling interests		(21,853)
Add: Goodwill	15	59,311
Consideration		110,300
— settled by cash		*40,268*
— settled by convertible bonds issued to the vendor		*70,032*
Cash consideration		40,268
Cash and cash equivalents acquired		(2,124)
Net cash outflow for the year		38,144

The trade and other receivables represent the gross contractual amounts receivable. None of the receivables was expected to be uncollectible at the acquisition date.

The non-controlling interests are measured at the non-controlling interests' proportionate share of the recognised amounts of Stephigh's identifiable net assets.

36 Acquisition of subsidiaries *(continued)*

From 4 June 2010 to 30 June 2010 Stephigh contributed revenue of RMB4,556,000 and a loss of RMB864,000 to the Group's results. If the acquisition had occurred on 1 July 2009, management estimates that consolidated revenue would have been RMB295,717,000 and the consolidated loss for the year would have been RMB265,305,000. In determining these amounts, management has assumed that the fair value adjustments, that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 July 2009.

Goodwill arose from the directors' decision to acquire the business for more than the aggregate of the fair value of its identifiable net assets. None of the goodwill recognised is expected to be deductible for income tax purposes.

The Group incurred acquisition-related costs of RMB571,000 related to external legal fees and due diligence costs. The legal fee and due diligence costs have been included in administrative expenses in the Group's consolidated income statement.

37 Accounting estimates and judgements

Key sources of estimation uncertainty

The method, estimates and judgements the directors use in applying the Group's accounting policies have a significant impact on the Group's financial position and operating results. Notes 15, 32 and 33 contain information about the assumptions and their risk factors relating to goodwill impairment, fair value of financial instruments and share options granted. Other key sources of estimation uncertainty are as follows:

Impairment of assets

The Group reviews the carrying amounts of the assets at each balance sheet date to determine whether there is objective evidence of impairment. When indication of impairment is identified, management prepares a discounted future cash flow to assess the differences between the carrying amount and value in use and provides for impairment losses, if appropriate. Any change in the assumptions adopted in the cash flow forecasts would increase or decrease in the provision for impairment losses and affect the net asset value of the Group and the Company.

Impairment losses for bad and doubtful debts are assessed and provided for based on the management's regular review of ageing analysis and evaluation of collectibility. A considerable level of judgement is exercised when assessing the credit worthiness and past collection history of each individual customer.

An increase or decrease in the above impairment loss would affect the results of the Group and the Company in future years.

37 Accounting estimates and judgements *(continued)*

Key sources of estimation uncertainty (continued)

Write-down of inventories

The Group reviews the carrying amounts of the inventories at each balance sheet date to determine whether the inventories are carried at the lower of cost and net realisable value in accordance with accounting policy as set out in note 1(k). Management estimates the net realisable value based on the current market situation and historical experience for similar inventories. Any change in the assumptions would increase or decrease the amount of inventories write-down or the related reversals of write-down made in prior years and affect the Group's net asset value.

Valuation of buildings held for own use

Buildings held for own use are stated at their revalued amount less accumulated depreciation and impairment losses. Revaluations are performed regularly. As disclosed in note 13(c), as at 30 June 2008 the buildings held for own use were revalued by independent professional valuers on a depreciated replacement cost basis. Such valuations are based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. Any increase or decrease in the valuations would affect the net asset value and the results of the Group in future years.

Recognition of deferred tax assets

Recognition of deferred tax assets, which principally relates to deductible temporary differences and tax losses, depends on whether it is probable that future taxable profits or taxable temporary differences will be available against which deferred tax assets can be utilised. In cases where the actual future taxable profits or taxable temporary differences generated are less than expected, a reversal of deferred tax assets may arise, which will be recognised in profit or loss for the period in which such a reversal takes place.

Depreciation

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives. The Group reviews the estimated useful lives and residual values of the assets annually in order to determine the amount of depreciation expense to be recorded during any reporting period. The useful lives and residual values are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

37 Accounting estimates and judgements *(continued)*

Key sources of estimation uncertainty (continued)

Land appreciation taxes

PRC land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sales of properties less deductible expenditure including sales charges, borrowing costs and all property development expenditure.

The Group is subject to land appreciation taxes in the PRC which have been included in income tax of the Group. However, the Group has not finalised its land appreciation tax returns with the tax authorities for the property development project of the Group. Accordingly, significant judgement is required in determining the amount of land appreciation and related taxes. The ultimate tax determination is uncertain until agreed with the tax authorities of the completion of the project. The Group recognises these liabilities based on management's best estimates. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

Provision for properties under development and completed properties held for sale

As explained in Note 1(k)(ii), the Group's properties under development and completed properties held for sale are stated at the lower of cost and net realisable value. Based on the Group's recent experience and the nature of the subject properties, the Group makes estimates of the selling prices, the costs of completion in case for properties under development and the costs to be incurred in selling the properties based on prevailing market conditions.

If there is an increase in costs to completion or a decrease in net sales value, the net realisable value will decrease and this may result in provision for properties under development and completed properties held for sale. Such provision requires the use of judgement and estimates. Where the expectation is different from the original estimate, the carrying value and provision for properties in the periods in which such estimate is changed will be adjusted accordingly.

In addition, given the volatility of the PRC property market and the unique nature of individual properties, the actual outcomes in terms of costs and revenue may be higher or lower than estimated at the balance sheet date. Any increase or decrease in the provision would affect profit or loss in future years.

38 Material related party transactions

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group entered into the following material related party transactions:

		The Group	
		2010	2009
	Note	**RMB'000**	RMB'000
Lease rental charged by He Yu Zhu	(i)	**132**	277
Remuneration for key management personnel	(ii)		
— short-term employee benefits		**4,892**	3,504
— post-employment benefits		**47**	59
— equity compensation benefits		**2,830**	—

Notes:

(i) The Group entered into a lease arrangement with Ms He Yu Zhu, the spouse of Mr Lin Wan Qaing who is the former controlling shareholder and a former director of the Company, for leasing of an office premises in Fuzhou, the PRC. Office rentals are payable at a pre-determined amount per month by reference to market rates in accordance with the terms of the tenancy agreement signed by the Group and Ms He Yu Zhu. Ms He Yu Zhu ceased to be a related party on 16 November 2009.

(ii) Remuneration for key management personnel includes amounts paid to the Company's directors as disclosed in note 7 and certain of the highest paid employee as disclosed in note 8. Total remuneration is included in staff costs (see note 5(b)).

39 Comparative figures

As a result of the application of HKAS 1 (revised 2007), *Presentation of financial statements*, and HKFRS 8, *Operating segments*, certain comparative figures have been adjusted to conform to current year's presentation and to provide comparative amounts in respect of items disclosed for the first time in 2010. Further details of these developments are disclosed in note 2.

(Expressed in Renminbi unless otherwise indicated)

40 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 30 June 2010

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 30 June 2010 and which have not been adopted in these financial statements.

	Effective date (for annual financial statements covering periods beginning on or after unless specified)
Improvements to HKFRSs 2009	1 January 2010
Amendment to HKFRS 2, *Share-based payment—Group cash-settled share-based payment transactions*	1 January 2010
Amendment to HKAS 32, *Financial instruments: Presentation—Classification of rights issues*	1 February 2010
HK(IFRIC) 19, *Extinguishing financial liabilities with equity instruments*	1 July 2010
Improvements to HKFRSs 2010	1 July 2010 or 1 January 2011
Revised HKAS 24, *Related party disclosures*	1 January 2011
Amendment to HK(IFRIC) 14, HKAS 19—*The limit on a defined benefit asset, minimum funding requirements and their interaction—Prepayments of a minimum funding requirement*	1 January 2011
HKFRS 9, *Financial instruments*	1 January 2013

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to result in a restatement of the Group's or the Company's results of operations and financial position.

Financial Summary

	2010 RMB'000	2009 RMB'000	2008 RMB'000	2007 RMB'000	2006 RMB'000
	Years ended 30 June				
RESULTS					
Turnover	264,213	316,940	564,317	695,936	525,953
(Loss)/profit from operations	(291,589)	(383,655)	117,603	191,917	162,551
Finance costs	(10,376)	(19,866)	(81,833)	(49,962)	(33,239)
(Loss)/profit from ordinary activities before taxation	(301,965)	(403,521)	35,770	141,955	129,312
Taxation	32,903	43,319	(24,591)	(23,695)	(21,225)
(Loss)/profit from ordinary activities after taxation	(269,062)	(360,202)	11,179	118,260	108,087
Attributable to:					
Equity shareholders of the Company	(268,698)	(360,202)	11,179	115,085	101,816
Non-controlling interests	(364)	—	—	3,175	6,271
	(269,062)	(360,202)	11,179	118,260	108,087
Dividends	—	—	1,977	18,838	19,942
ASSETS AND LIABILITIES					
Property, plant and equipment	124,682	290,472	390,299	358,242	331,957
Other non-current assets	108,208	85,473	46,111	32,688	22,811
Net current assets	392,081	281,381	542,889	635,815	383,386
Total assets less current liabilities	624,971	657,326	979,299	1,026,745	738,154
Other non-current liabilities	(83,973)	(22,861)	(53,166)	(139,958)	(36,878)
	540,998	634,465	926,133	886,787	701,276
EQUITY					
Share capital	123,651	58,661	58,661	58,123	49,568
Reserves	395,859	575,804	867,472	828,664	620,465
Non-controlling interests	21,488	—	—	—	31,243
	540,998	634,465	926,133	886,787	701,276
(Loss)/earnings per share — basic	RMB(34) cents	RMB(64) cents	RMB2 cents	RMB21 cents	RMB22 cents
— diluted	RMB(34) cents	RMB(64) cents	RMB2 cents	RMB20 cents	RMB21 cents