



KINGWELL GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 1195

Interim Report 2010-2011



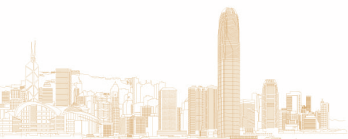


INTERIM REPORT

For the six months ended 31 December 2010

HIGHLIGHTS

- Turnover of the Group for the six months ended 31 December 2010 amounted to approximately RMB170,520,000, representing an increase of about 33.48% as compared with the corresponding period in 2009;
- Loss from operations for the six months ended 31 December 2010 amounted to approximately RMB41,960,000, which was increased by about 133% as compared with the corresponding period in 2009;
- Net loss attributable to equity shareholders of the Company for the six months ended 31 December 2010 amounted to approximately RMB52,391,000, which was increased by about 108% as compared with the corresponding period in 2009;
- Loss per share was RMB3.6 cents for the six months ended 31 December 2010;
- Shareholders' equity reached approximately RMB506,386,000.



CORPORATION INFORMATION

DIRECTORS

Xu Yue Yue (*Acting Chairman*)

Xiang Song (*Chief Executive Officer*)

Sze Ming Yee

Lin Wan Xin

Hui Lung Hing (*appointed as Executive Director on 2 July 2010*)

Yang Xue Jun (*appointed as Executive Director on 2 July 2010*)

Tu Shuguang (*resigned as Executive Director on 2 July 2010*)

Chan Kin (*resigned as Executive Director on 2 July 2010*)

Huang Jian Zi* (*appointed as Independent Non-executive Director on 7 December 2010*)

Cheung Chuen*

Wong Lai Wing*

Li Jianguo* (*retired as Independent Non-executive Director on 7 December 2010*)

* *Independent non-executive Director*

COMPANY SECRETARY

Chiu Ka Wing (*appointed on 3 January 2011*)

AUTHORISED REPRESENTATIVES

Xiang Song

Chiu Ka Wing (*appointed on 3 January 2011*)

AUDIT COMMITTEE

Huang Jian Zi (*Chairman*) (*appointed on 7 December 2010*)

Cheung Chuen

Wong Lai Wing

Li Jianguo (*resigned on 7 December 2010*)



REMUNERATION COMMITTEE

Xu Yue Yue (*Chairman*)

Huang Jian Zi (*appointed on 7 December 2010*)

Wong Lai Wing

Li Jianguo (*resigned on 7 December 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

INVESTOR RELATIONS CONSULTANT

Elite Investor Relations Limited

REGISTERED OFFICE

Cricket Square

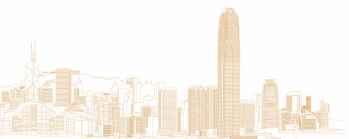
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Butterfield House
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Cayman Islands

HONG KONG BRANCH REGISTRAR AND TRANSFER OFFICE

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TRADING CODE ON THE STOCK EXCHANGE OF HONG KONG LIMITED

1195

WEBSITE

<http://kingwell.todayir.com>



RESULTS

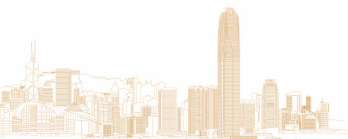
The board (the “Board”) of directors (the “Directors”) of Kingwell Group Limited (“Kingwell” or the “Company”) herein presents the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 31 December 2010 together with the comparative figures for the corresponding six months ended 31 December 2009 as follows:

Consolidated Income Statement

For the six months ended 31 December 2010

(Express in Renminbi)

		(Unaudited) Six months ended 31 December	
	<i>Notes</i>	2010 RMB'000	2009 RMB'000
Turnover	4	170,520	127,753
Cost of sales		(165,751)	(126,480)
Gross profit		4,769	1,273
Other revenue	5	1,991	1,257
Other net loss		(2,199)	—
Distribution costs		(10,371)	(6,581)
Administrative expenses		(36,150)	(13,769)
Other operating expenses		—	(155)
Loss from operations		(41,960)	(17,975)
Finance costs	6(a)	(8,478)	(6,876)
Loss before taxation	6	(50,438)	(24,851)
Income tax	7	(1,028)	—
Loss for the period		(51,466)	(24,851)
Attributable to:			
Equity shareholders of the Company		(52,391)	(24,851)
Non-controlling interests		925	—
Loss for the period		(51,466)	(24,851)
		RMB	RMB
Loss per share	8		
Basic		(3.6) cents	(3.6) cents
Diluted		(3.6) cents	(3.6) cents



Consolidated Statement of Comprehensive Income

For the six months ended 31 December 2010

(Express in Renminbi)

	(Unaudited)	
	Six months ended	
	31 December	
	2010	2009
	RMB'000	RMB'000
Loss for the period	(51,466)	(24,851)
Other comprehensive income for the period:		
Exchange differences on translation of:		
— financial statements of holding company and certain subsidiaries	652	2,066
	652	2,066
Total comprehensive income for the period	(50,814)	(22,785)
Attributable to:		
Equity shareholders of the Company	(51,739)	(22,785)
Non-controlling interests	925	—
Total comprehensive income for the period	(50,814)	(22,785)

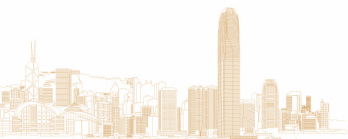


Consolidated Statement of Financial Position

At 31 December 2010

(Express in Renminbi)

	<i>Notes</i>	(Unaudited) At 31 December 2010 RMB'000	(Audited) At 30 June 2010 RMB'000
Non-current assets			
Property, plant and equipment	10	183,016	124,682
Interests in leasehold land held for own use under operating leases		17,419	17,642
Deposits for the purchase of property, plant and equipment		335	335
Deferred tax assets		90,231	90,231
		291,001	232,890
Current assets			
Trading securities		81	1,081
Inventories		293,051	314,615
Trade and other receivables	11	195,453	133,734
Derivative financial instruments		—	1,758
Pledged deposits		8,960	10,731
Cash and cash equivalents		420,498	476,972
		918,043	938,891
Current liabilities			
Trade and other payables	12	330,915	265,545
Bank loans	13	180,500	144,000
Convertible bonds		—	473
Other interest-bearing borrowings		—	134,000
Taxation		4,678	2,792
		516,093	546,810
Net current assets		401,950	392,081



	<i>Notes</i>	(Unaudited) At 31 December 2010 RMB'000	(Audited) At 30 June 2010 RMB'000
Total assets less current liabilities		692,951	624,971
Non-current liabilities			
Bank loans	13	145,000	26,000
Convertible bonds		—	38,822
Deferred tax liabilities		19,152	19,151
		164,152	83,973
NET ASSETS		528,799	540,998
Capital and reserves			
Share capital	14	142,152	123,651
Reserves		364,234	395,859
Total equity attributable to equity shareholders of the Company		506,386	519,510
Non-controlling interests		22,413	21,488
TOTAL EQUITY		528,799	540,998

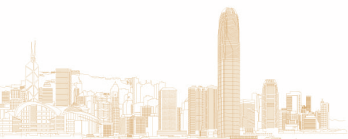


Consolidated Statement of Changes in Equity — Unaudited

For the six months ended 31 December 2010

(Express in Renminbi)

	Attributable to equity shareholders of the Company														
	Share capital	Share premium	Share-based compensation		Statutory reserve	Capital reserve	Exchange reserve	Warrants reserve	Capital contribution reserve	Capital redemption reserve	Convertible bonds reserve	Retained profits/	Non-controlling interests	Total equity	
			reserve	reserve								(accumulated losses)			Total
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
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	44,255	66,824	—	—	—	—	—	—	—	—	—	—	111,079	—	111,079
Issue of shares upon conversion of convertible bonds	20,735	37,518	—	—	—	—	—	—	—	—	(16,513)	—	41,740	—	41,740
Adjustment of contributions by the CS under the Deed	—	—	—	—	—	—	—	(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	—	—	—	—	—	—	—	—	—	—	—	—	—	21,853	21,853
Total comprehensive income for the year	—	—	—	—	—	(832)	—	—	—	—	—	(268,698)	(268,530)	(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
At 1 July 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
Conversion of convertible bonds	18,443	33,195	—	—	—	—	—	—	—	—	(15,016)	—	36,622	—	36,622
Exercise of share options	58	109	—	—	—	—	—	—	—	—	—	—	167	—	167
Issue of warrants	—	—	—	—	—	—	1,828	—	—	—	—	—	1,828	—	1,828
Equity-settled share-based transactions	—	—	6,011	—	—	—	—	(6,011)	—	—	—	—	—	—	—
Total comprehensive income	—	—	—	—	—	652	—	—	—	—	—	(52,391)	(51,739)	925	(50,814)
At 31 December 2010	142,152	375,488	12,790	14,274	63,947	27,743	1,828	42,437	19	—	—	(174,290)	506,386	22,413	528,799



Condensed Consolidated Cash Flow Statement

For the six months ended 31 December 2010

(Express in Renminbi)

	(Unaudited) As at 31 December 2010 RMB'000	(Unaudited) As at 31 December 2009 RMB'000
Cash (used in)/generated from operations	(9,759)	72,374
Tax paid	(400)	—
Net cash (used in)/generated from operating activities	(10,159)	72,374
Net cash used in investing activities	(75,015)	(47,240)
Net cash generated from/(used in) financing activities	28,048	(114,950)
Net decrease in cash and cash equivalents	(57,126)	(89,816)
Cash and cash equivalents at 1 July	476,972	648,450
Effect of foreign exchange rates changes	652	2,066
Cash and cash equivalents at 31 December	420,498	560,700
Analysis of balances of cash and cash equivalents:		
Cash and bank balances	420,498	560,700



Notes to the unaudited Interim Financial Report

For the six months ended 31 December 2010

(Express in Renminbi)

1. BACKGROUND OF THE COMPANY

The Company was incorporated in the Cayman Islands on 29 September 2000 as an exempted company with limited liability under the Companies Law (Revised) of the Cayman Islands. Its shares had been listed on the Growth Enterprise Market (the “GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since 17 May 2001. On 20 January 2003, the Company withdrew the listing of its shares on the GEM and on the same date, the Company’s shares were listed on the Main Board of the Stock Exchange by way of introduction.

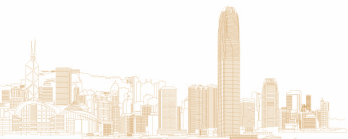
2. BASIS OF PREPARATION

This unaudited interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (HKAS) 34, Interim financial reporting, issued by the Hong Kong Institute of Certified Public Accountants (HKICPA). It was authorised for issue on 26 August 2009.

The unaudited interim financial report has been prepared in accordance with the same accounting policies adopted in the 2010 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2011 annual financial statements. Details of these changes in accounting policies are set out in note 3.

The preparation of an unaudited interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This unaudited interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the group since the 2010 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with applicable Hong Kong Financial Reporting Standards (“HKFRSs”).



2. BASIS OF PREPARATION *(continued)*

The financial information relating to the financial year ended 30 June 2010 that is included in the unaudited interim financial report as being previously reported information does not constitute the company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 30 June 2010 are available from the company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 26 October 2010.

3. CHANGES IN ACCOUNTING POLICIES

The Hong Kong Institute of Certified Public Accountants (the "HKICPA") issued a number of new and revised standards, amendments to standards and interpretations ("new and revised HKFRSs") that are first effective for the current accounting period of the Group, as follow.

HKFRSs (Amendments)	Improvements to HKFRSs 2009
HKAS 32 (Amendment)	Classification of Rights Issues
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters
HKFRS 1 (Amendment)	Limited Exemptions from Comparative HKFRS 7 Disclosures for First-time Adopters
HKFRS 2 (Amendment)	Group Cash settled Share-based Payment Transactions
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments

The adoption of the new and revised HKFRSs had no material effect on the condensed consolidated financial statements of the Group.

Certain new standards, amendments and interpretations to existing standards which have been published are relevant to the Group's business and are mandatory for the Group's accounting periods beginning on or after 1 January 2011 or later periods. The Group has not early adopted these standards, amendments and interpretations during the Period. The Group has already commenced an assessment of their impact but is not yet in a position to state whether they would have a material impact on the Group's results and financial positions for the Period.

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvement to HKFRSs 2010 ¹
HKFRS 9	Financial Instruments ³
HKAS 12 (Amendments)	Income taxes ²
HKAS 24 (Revised)	Related Party Disclosures ¹
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 Prepayments of a Minimum Funding Requirement ¹



3. CHANGES IN ACCOUNTING POLICIES *(continued)*

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

² Effective for annual periods beginning on or after 1 January 2012

³ Effective for annual periods beginning on or after 1 January 2013

4. TURNOVER

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.

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 period is as follows:

	Six months ended 31 December	
	2010 RMB'000	2009 RMB'000
Sales of PCBs	137,190	123,040
Sales of properties	30,940	—
SMT processing service income	2,390	4,713
	170,520	127,753

5. OTHER REVENUE

	Six months ended 31 December	
	2010 RMB'000	2009 RMB'000
Other revenue		
Interest income from banks	1,381	1,257
Others	610	—
	1,991	1,257



6. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

	Six months ended 31 December	
	2010 RMB'000	2009 RMB'000
(a) Finance costs:		
Interest on bank loans wholly repayable within five years	8,478	6,472
Other borrowing costs	—	404
Total borrowing costs	8,478	6,876
(b) Staff costs:		
Contributions to defined contribution plans	723	203
Salaries, wages and other benefits	14,124	17,137
	14,847	17,340
(c) Other items:		
Cost of inventories	165,751	126,480
Amortisation of interest in leasehold land held for own use under operating lease	223	145
Depreciation		
— owned fixed assets	17,682	17,837
Operating lease rentals for premises	632	643
Donation	15,100	—



7. INCOME TAX

Taxation in the consolidated income statement represents:

	Six months ended 31 December	
	2010 RMB'000	2009 RMB'000
Current tax – Overseas		
Provision for PRC enterprise income tax (see note (iii) below)	1,028	—

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 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 periods presented.

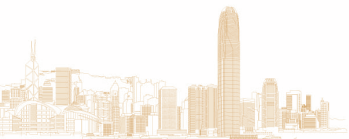
(iii) PRC enterprise income tax

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	Six months ended 31 December	
		2010	2009
Fujian Fuqiang Delicate Circuit Plate Co., Ltd. ("Fuqiang")	(1)	22%	20%
Gemini Electronics (Huizhou) Co., Ltd ("Gemini")	(2)	11%	10%
Shuangxiang (Fujian) Electronics Limited ("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

Notes:

- (1) As Fuqiang is located in an economic and technological development zone, it is entitled to enjoy a reduced tax rate of 22% (2009: 20%) in 2010. The details are explained below.
- (2) In 2010, Gemini and Shuangxiang are subject to PRC enterprise income tax at a reduced rate of 11% (2009: 10%). The details are explained below.



7. INCOME TAX (continued)

- (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 periods 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 CIT 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 CIT Law 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 is reduced from 33% to 25%. Further, according to the Notice 39, for enterprise located in economic and technological development zones which had previously enjoyed a 15% reduced tax rate, 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 years 2006 and 2007. According to Notice 39, 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 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 British Virgin Islands, which currently does not enter into a DTA with China, 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.



7. INCOME TAX (continued)

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.

There is no significant unprovided deferred taxation for both interim periods.

8. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share for the six months ended 31 December 2010 is based on the unaudited consolidated loss attributable to equity shareholders of the Company of approximately RMB52,391,000 (2009: loss of approximately RMB24,851,000) and the weighted average of 1,476,432,210 ordinary shares (2009: 698,166,818 ordinary shares in issue during the interim period).

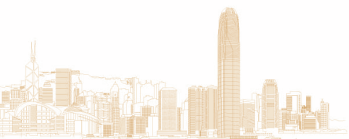
(b) Diluted loss per share

The diluted loss per share for the six months ended 31 December 2010 is the same as the basic loss per share as the potential ordinary shares are anti-dilutive.

9. 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.



9. SEGMENT REPORTING *(continued)*

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".

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 periods ended 31 December 2010 and 2009 is set out below.

	(Unaudited) Six months ended 31 December											
	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	84,901	85,507	52,289	37,533	2,390	4,713	—	—	30,940	—	170,520	127,753
Cost of sales	(82,255)	(77,272)	(52,807)	(42,904)	(8,085)	(6,304)	—	—	(20,418)	—	(163,565)	(126,480)
Reportable segment gross (loss)/profit	2,639	8,235	(518)	(5,371)	(5,697)	(1,591)	—	—	8,345	—	4,769	1,273
Reportable segment (loss)/profit	(29,620)	(206)	(7,167)	(9,075)	(8,638)	(4,301)	(119)	—	7,274	—	(38,270)	(13,582)
Depreciation and amortisation for the period	(4,707)	(4,865)	(8,152)	(8,239)	(4,628)	(4,610)	—	—	(93)	—	(17,580)	(17,714)
Reportable segment assets	797,781	913,268	174,366	200,032	34,759	68,032	28,058	—	285,262	—	1,320,226	1,181,332



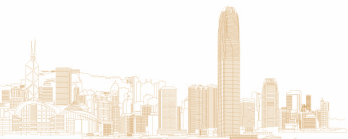
9. SEGMENT REPORTING (continued)

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

	2010 RMB'000	2009 RMB'000
Revenue		
Reportable segment revenue	170,520	127,753
Consolidated revenue	170,520	127,753
Loss		
Reportable segment loss	(38,270)	(13,582)
Unallocated head office and corporate income/(expenses)	(12,168)	(11,269)
Consolidated loss before taxation	(50,438)	(24,851)
Assets		
Reportable segment assets	1,320,226	1,181,332
Elimination of inter-segment receivables	(209,638)	(63,530)
	1,110,588	1,117,802
Elimination of head office and corporate receivables	(377,025)	(445,235)
Deferred tax assets	90,231	57,750
Unallocated head office and corporate assets	385,250	377,005
Consolidated total assets	1,209,044	1,107,322

10. PROPERTY, PLANT AND EQUIPMENT

For the six months ended 31 December 2010, the Group acquired property, plant and equipment amounting to approximately RMB76,015,109 (six months ended 31 December 2009: approximately RMB49,897,000).



11. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade receivables and bills receivable (net of allowance for doubtful debts) with the following aging analysis:

	(Unaudited) As at 31 December 2010 RMB'000	(Audited) As at 30 June 2010 RMB'000
Current	83,381	96,825
Less than 1 month past due	11,605	12,429
1 to 3 months past due	5,393	3,926
More than 3 months but less than 12 months past due	914	4,642
More than 12 months but less than 2 years past due	3,978	4,820
Amount past due	21,890	25,817
	105,271	122,642



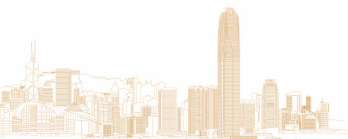
12. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables and bills payable with the following aging analysis:

	(Unaudited) As at 31 December 2010 RMB'000	(Audited) As at 30 June 2010 RMB'000
Due within 6 months or on demand	105,545	126,688
Due after 6 months but within 1 year	6,845	—
Due after 1 year	—	—
	112,390	126,688

13. BANK LOANS

	(Unaudited) As at 31 December 2010 RMB'000	(Audited) As at 30 June 2010 RMB'000
Within 1 year or on demand	180,500	144,000
After 1 year but within 2 years	79,000	8,000
After 2 years but within 5 years	66,000	18,000
	325,500	170,000



14. SHARE CAPITAL

	(Unaudited)	
	As at 31 December 2010	
	Number of	Amount
	shares	Amount
	'000	HK'000
<hr/>		
<i>Authorised:</i>		
Ordinary shares of HK\$0.10 each	5,000,000	500,000
<hr/>		
	Number of	Amount
	shares	Amount
	'000	RMB'000
<hr/>		
<i>Ordinary shares issued and fully paid:</i>		
At 1 July 2010	1,297,747	123,651
Conversion of convertible bonds (<i>note 1</i>)	214,286	18,443
Exercise of share options (<i>note 2</i>)	684	58
<hr/>		
At 31 December 2010	1,512,717	142,152
<hr/>		

Notes:

- (1) During July 2010, HK\$60,000,000 convertible bonds were converted into 214,286,000 ordinary shares.
- (2) During December 2010, 684,000 share options were exercised at HK\$0.287 per share.



15. COMMITMENTS

- (a) Capital commitments outstanding at 31 December 2010 not provided for in the consolidated financial statements were as follows:

	(Unaudited) As at 31 December 2010 RMB'000	(Audited) As at 30 June 2010 RMB'000
Contracted for	103,596	100,817
Authorised but not contracted for	69,840	69,840
	173,436	170,657

- (b) At 31 December 2010, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	(Unaudited) As at 31 December 2010 RMB'000	(Audited) As at 30 June 2010 RMB'000
Within 1 year	816	1,240
After 1 year but within 5 years	1,390	1,331
	2,206	2,571



16. MATERIAL RELATED PARTY TRANSACTIONS

During the period, particulars of significant transactions between the Group and related parties were as follows:

	(Unaudited) Six months ended 31 December 2010 RMB'000	(Unaudited) Six months ended 31 December 2009 RMB'000
(i) Lease rental charged by Ms. He Yu Zhu (<i>note (i)</i>)	—	161
(ii) Lease rental charged by Mr. Hui Lung Hing (<i>note (ii)</i>)	232	—
	232	161

Notes:

- (i) 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, 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) The Group entered into a lease agreement with Mr. Hui Lung Hing, the executive and major shareholder of the Company for leasing the head office in Hong Kong. Office rentals are payable at a pre-determined amount by reference to market rates in accordance with the terms of the tenancy agreement signed by the Group and Mr. Hui Lung Hing.

17. COMPARATIVE FIGURES

As a result of the application of Revised HKAS 1, Presentation of financial statements, and HKFRS 8, Operating Segments, certain comparative figures have been adjusted to conform to current period'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 3.



18. EVENTS AFTER THE END OF THE REPORTING PERIOD

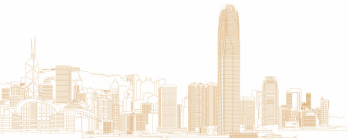
(a) *Discloseable and Connected Transaction in acquisition of 30% Equity Interest in Stephigh Group Limited*

On 28 January 2011, the Company and Mr. Yin Jia Tang (the “Vendor”), a connected person of the Company by virtue only of his 30% shareholding in Stephigh Group Limited, which is incorporated in the British Virgin Islands with limited liability, owned as to 30% by the Vendor and 70% beneficially by the Company (“Kingwell”), entered into the acquisition agreement in respect of the acquisition of 30% of the equity interest in Stephigh (the “Acquisition Agreement”), pursuant to which the Vendor conditionally agreed to sell, and the Company conditionally agreed to purchase 30% equity interest in Stephigh at the consideration of HK\$93 million payable to the Vendor by the Company which will be satisfied by the issue of 93 million Convertible Preferred Shares of HK\$1.00 each in the capital of the Company, convertible at HK\$0.30 per Conversion Share.

Stephigh is a 70% owned subsidiary of the Company engaged in property development in the People’s Republic of China (the “PRC”). Upon completion of the Acquisition Agreement, Stephigh will become a wholly-owned subsidiary of the Company. The Convertible Preferred Shares are convertible into 310,000,000 Conversion Shares. The principal asset of Stephigh is Anlu Taihe Real Estate Development Company, a wholly foreign owned company incorporated in the PRC (“Anlu”), which is principally engaged in sale and development of properties. The major asset of Anlu is the property (the “Property”). As at 31 December 2010, the value of the Property was RMB411.7 million (equivalent to approximately HK\$487.0 million).

(b) *Amendments to the Memorandum and Articles of Association*

The Board proposes to amend the memorandum and articles of association of the Company for the purpose of incorporating the terms of the Convertible Preferred Shares to be issued by the Company. Such proposed amendments will be subject to the approval of the shareholders of the Company by way of a special resolution at an extraordinary general meeting.



18. EVENTS AFTER THE END OF THE REPORTING PERIOD *(continued)*

(c) Fire Accident

On 18 January 2011, there was a fire accident at one of the plants of the Gemini (Huizhou) Co. Ltd. The accident was overcome within two hours. Nobody was hurt in the accident. However, the fire destroyed 11 production lines including electroplate line, and the Group initially estimate that the total loss was about RMB10 million.

After the fire accident, the Company immediately claimed from the insurance company. But due to the long spring vacation, the amount of the compensation is still under calculation. However, in order to maintain the customers' orders, the Company has temporary sub-contracted some of the production line and repurchased some of the equipment.

19. REVIEW OF INTERIM FINANCIAL STATEMENTS

The Company's Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing control and financial reporting matters including the review of the Group's unaudited interim results for the six months ended 31 December 2010.



MANAGEMENT DISCUSSION AND ANALYSIS

Results

For the six months ended 31 December 2010 (the “Period”), turnover of the Group amounted to RMB170,520,000 (2009: RMB127,753,000), representing an increase of approximately 33.48% as compared to the corresponding period last year. The increase in turnover was mainly due to extra revenue brought in by the Group’s new business segment — property development.

During the Period, the Group recorded a gross profit of approximately RMB4,769,000 (2009: gross profit of RMB1,273,000) and operating loss of RMB41,960,000 (2009: operating loss of RMB17,975,000) respectively. The gross profit was mainly due to the contribution from the Group’s property development project. The operating loss was mainly attributable to the slow recovery in sales and rise in production costs brought about by surging raw material, labour and operating costs during the Period.

The loss attributable to equity shareholders of the Company for the Period was RMB52,391,000 (2009: loss of RMB24,851,000). Basic loss per share during the Period was RMB3.6 cents (2009: basic loss per share was RMB3.6 cents).

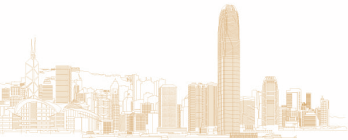
Business Review

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 Period, although the economy gradually improved, the unfavorable operating environment still posed many challenges to the electronics industry. Under intense market competition, both the Group’s orders and average selling prices were constantly under pressure. As such, the overall turnover of the Group could not perform an obvious increase as compared to the corresponding period last year.

Rigid PCBs continued to remain as the Group’s core business. Leveraging on the solid foundation and strong client base, the Group as one of the leading manufacturers in Fujian for rigid PCBs received stable orders from existing clients and maintained its market share in the region. However, because of the uncertain market conditions, average selling prices and sales orders have yet to rebound to previous levels.



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.

Property Development Business

The Group currently owns 70% interest in the 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 comprises three phases, with a total gross floor area of approximately 251,746 square meters. The construction for Phase III commenced in June 2010, while Phase I and Phase II of the project were completed in 2007 and 2009 respectively. The project was under stable development and the construction work progressed smoothly during the Period. Construction of Phase III is expected to be completed in November 2011. The project marks the successful entry by the Group into the property development business and provides strong support in achieving the strategy of business diversification and generating new sources of income in order to improve future prospects.

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 Period, sales attributable to this reporting segment recorded approximately RMB84,901,000 (2009: RMB85,507,000), representing approximately 50% of the Group’s total turnover. This reporting segment recorded a segment loss of approximately RMB29,620,000, as compared to a segment loss of RMB206,000 in the corresponding period last year.

Gemini Electronics (Huizhou) Co., Ltd (“Gemini”)

The primary business of Gemini is the manufacture of FPCBs. During the Period, sales attributable to this reporting segment were approximately RMB52,289,000 (2009: RMB37,533,000), which accounts for approximately 31% of the Group’s total turnover during the Period. This reporting segment recorded a segment loss of approximately RMB7,167,000, as compared to a segment loss of RMB9,075,000 in the corresponding period 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 RMB2,390,000 (2009: RMB4,713,000), accounting for approximately 1% of the Group’s total turnover. This reporting segment recorded a segment loss of approximately RMB8,638,000, as compared to a segment loss of RMB4,301,000 in the corresponding period last year.



Fuqing Haichuang Electron Technology Co. Ltd (“Haichuang”)

The primary business of Haichuang will be the manufacture of PCBs. During the Period, Haichuang has not commenced business. However, this reporting segment recorded a segment loss of approximately RMB119,000.

Anlu Taihe Real Estate Development Company (“Anlu”)

The primary business of Anlu is development and sale of real estate. During the Period, the turnover of the Anlu project segment was approximately RMB30,940,000, accounting for approximately 18% of the Group’s total turnover. During the Period, this reporting segment recorded a segment profit of approximately RMB7,274,000.

Rising Cost and Cost Controls

With growing raw material cost, wages and overhead due to appreciation of RMB, inflation, shortage of labour in southern China and governmental measures to set the lowest limits of wage rates, increase in cost of production was accelerating. Yet the Group has implemented various cost controls, internal controls and budgetary control to lower the operating costs.

Manufacturing Facilities

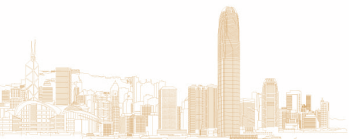
Fuqing Plants, Fujian Province

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, leveraging on its solid foundation and reputation for producing high quality products, the Group continued to receive stable sales 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 Period. 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 Period, 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. The management has continued to implement cost-control initiatives and improve operational efficiency to sustain the FPCBs business.

Prospects

Looking forward, the unfavourable market conditions will continue to pose great challenges to the Group. With growing inflation in China, which causes surging manufacture cost due to the rapid rise in labour and raw material costs, leads to a harsh industry operating environment. The fierce competition in the industry and the appreciation of the Renminbi also add pressure to the recovery of sales orders and selling prices of products of the Group. Furthermore, acquisition of new sales orders was limited as clients continued to be cautious and the demand is yet to return to levels attained prior to the financial crisis in 2008. In view of the above, the Group will continue to strictly implement various cost control measures to further enhance the Group’s overall business competitiveness, so as to be better positioned for capturing business opportunities arising from the gradual resumption of overall demand.

In order to sustain long-term business development, the Group has been proactively seeking opportunities in business diversification. The Group has entered into the property development business and owns a major stake in a high quality residential development project in Hubei Province, PRC. The project is under steady development and the construction work is progressing as planned. The management expects that the project will meet the still growing demand for residential property in the third and fourth-tier markets in the PRC in the coming years. It will contribute to the sustainable development of the Group’s business. In the future, the Group will continue to monitor the property market cautiously while developing the project.

Fortunately, in the property development segment, the Group is optimistic with her market segment penetration with the viewpoint that the China Government is only implementing various measures to control the property prices of the first and second-tier markets in the PRC, but not the Group’s property development of the third and fourth-tier cities.

In the future, 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 be devoted to realizing its strategy of business diversification in order to broaden its income sources and enhance future development prospects, striving to maximize returns for its shareholders.

Liquidity and Financial Resources and Capital Structure

For the six months ended 31 December 2010, the Group’s working capital requirement was principally financed by its internal resources and banking facilities.



At 31 December 2010, the Group had cash and cash equivalents, net current assets and total assets less current liabilities of approximately RMB420,498,000 (30 June 2010: approximately RMB476,972,000), RMB401,950,000 (30 June 2010: approximately RMB392,081,000) and RMB692,951,000 (30 June 2010: approximately RMB624,971,000) respectively.

At 31 December 2010, the Group had total bank borrowings of RMB325,500,000 (30 June 2010: approximately RMB170,000,000), included in these utilized bank loans, RMB180,500,000 were short-term and RMB145,000,000 were long-term. All of the utilized bank loans were either unsecured or secured by interest in leasehold land given by subsidiary companies.

The total bank borrowings of the Group were mainly for business expansion, capital expenditure and working capital purposes and were mainly denominated in Renminbi.

Total equity attributable to equity shareholders of the Group at 31 December 2010 decreased by approximately RMB13,124,000 to approximately RMB506,386,000 (30 June 2010: approximately RMB519,510,000). The gearing ratio (calculated as the ratio of current liabilities plus non-current liabilities: total equity) of the Group at 31 December 2010 was approximately 1.29 (30 June 2010: approximately 1.17).

HK\$126,000,000 convertible bonds were issued by the Company on 4 June 2010 at conversion price of HK\$0.28 per share, with the conversion dates as follows:

On 28 June 2010, HK\$66,000,000 convertible bonds were converted at HK\$0.28 per Share.

On 19 July 2010, HK\$10,000,000 convertible bonds were converted at HK\$0.28 per Share.

On 30 July 2010, HK\$50,000,000 convertible bonds were converted at HK\$0.28 per Share.

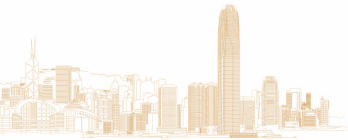
On 30 August 2010 and 18 November 2010, the Company completed the placing of 105,000,000 and 107,400,000 warrants to six placees and one placee respectively at the issue price of HK\$0.01 per warrant. The net proceeds were for general working capital.

Significant Investments

Saved as disclosed under the section headed “Management Discussion and Analysis”, the Group had no other significant investment held during the six months ended 31 December 2010.

Acquisition and Disposal of Subsidiaries and Associated Companies

Saved as disclosed under the section headed “Management Discussion and Analysis”, the Group had no other material acquisition and disposals of subsidiaries and affiliated companies, during the six months ended 31 December 2010.



Employment Information

At 31 December 2010, the Group employed a total of 1,422 (2009: 1,414) employees. It is the Group's policy to review its employee's pay levels and performance bonus system regularly to ensure the competitiveness of the Group's remuneration policy within the relevant industry. During the six months ended 31 December 2010, the employment cost (including directors' emoluments) amounted to approximately RMB14,847,000. In order to align the interests of staff, Directors and consultants with the Group, share options would be granted to staff, Directors and consultants under the Company's 2010 share options schemes (the "2010 Scheme"). During the six months ended and at 31 December 2010, a total of share options 684,000 out of 106,200,000 share options have been exercised.

Charges on Group Assets

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 (June 2010: RMB83,444,000) were pledged to banks for bank loans totalling RMB87,500,000 (June 2010: RMB87,500,000) granted to the Group.

Future Plans for Material Investments and Expected Sources of Funding

Saved as disclosed under the section headed "Management Discussion and Analysis", the Board intends to buy the remaining 30% of the Stephigh Group Limited of which the Group have acquired 70% in 2010.

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.

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 Commitment

At 31 December 2010, in respect of capital expenditures, the Group had contracted for but not provided in and authorized but not contract for capital commitment in the financial statements amounted to approximately RMB103,596,000 and RMB69,840,000 respectively.

Contingent Liabilities

At 31 December 2010, the Group did not have any material contingent liabilities.



DIVIDENDS

The Board did not recommend the payment of any interim dividend for the six months ended 31 December 2010 (2009: Nil).

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

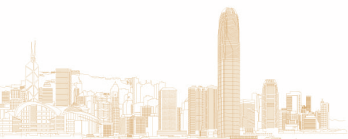
As at 31 December 2010, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") which were notified 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
Sze Ming Yee	Interest held as beneficial owner and through controlled corporations	347,778,539	345,778,539 <i>(Note)</i>	2,000,000	22.99
Hui Lung Hing	Beneficial owner	250,000,000	250,000,000	—	16.53
Yang Xue Jun	Beneficial owner	10,500,000	—	10,500,000	0.69
Xu Yue Yue	Beneficial owner	10,000,000	—	10,000,000	0.66

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 31 December 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.



SHARE OPTIONS

The following table discloses details of the Company's share options held by the Directors, employees and consultants of the Group pursuant to the Company's 2010 Scheme and movements in such holdings during the Period:

Name or category of participant	Date of grant	Outstanding as at 1 July 2010	Granted during the period	Exercised during the period	Cancelled/ Lapsed during the period	Outstanding as at 31 December 2010	Exercisable Period	Exercise price HK\$	Market value per share at date of grant of options HK\$
(a) Directors									
Yang Xue Jun (Note 1)	26 May 2010	10,500,000	—	—	—	10,500,000	26 May 2010 to 25 May 2015	0.287	0.285
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 2)	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 2)	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
	8 November 2010	—	21,200,000	—	—	21,200,000	8 November 2010 to 7 November 2015	0.449	0.435
(c) Eligible consultants									
	26 May 2010	38,500,000	—	684,000	—	37,816,000	26 May 2010 to 25 May 2015	0.287	0.285
	8 November 2010	—	10,000,000	—	—	10,000,000	8 November 2010 to 7 November 2015	0.449	0.435
		75,000,000	31,200,000	684,000	—	105,516,000			

The value of 31,200,000 share options granted during the Period is HK\$6,985,067.



Notes:

- (1) Mr. Yang Xue Jun has been appointed as Executive Director with effect from 2 July 2010. He has been the consultant of the Company before his appointment.
- (2) 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.

DISCLOSURE OF INFORMATION ON DIRECTORS

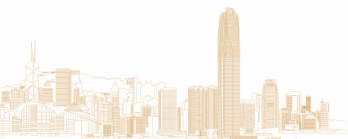
Pursuant to rule 13.51B(1) of the Listing Rules, the changes of information on Directors are as follows:

Mr. Cheung Chuen and Ms. Wong Lai Wing, are independent non-executive Directors, have re-entered into appointment letters with the Company for a term of one year commencing from 1 January 2011 and 15 January 2011 respectively.

Mr. Huang Jian Zi has been appointed as an independent non-executive Director, chairman of audit committee and member of remuneration committee of the Company with effect from 7 December 2010. He has entered into appointment letter with the Company for a term of one year commencing from 7 December 2010.

SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 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	Approximate % of the issued share capital	Total
Union Day Group Limited	Beneficial Owner	345,778,539	345,778,539 <i>(Note)</i>	—	22.86	
Yan She Bin	Beneficial Owner	128,188,000	128,188,000	—	8.47	
Du Hua Wei	Beneficial Owner	82,142,857	82,142,857	—	5.43	
Zhang Jian	Beneficial Owner	82,142,857	82,142,857	—	5.43	

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, 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 31 December 2010.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

Saved as disclosed under the section headed "Share Options" and "Directors' Interests in Securities" above, at no time during the Period was the Company or any of its subsidiaries, its holding company, 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 acquire benefits by means of acquisition of shares in or debentures of, the Company or any other body corporate.



PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 31 December 2010, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

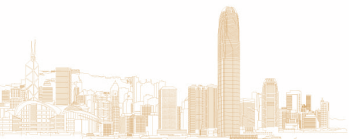
The Company has complied with the code provisions in Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules throughout the six months ended 31 December 2010, with the exception of the deviation on code provision E.1.2 in respect of the communication with shareholders of the Company as absence of the chairman of the Board and chairman or another member of the remuneration committee of the Company at the Company's annual general meeting on 7 December 2010 because the respective chairmen have commitments on other business occasions on the same day.

MODEL CODE

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors (the "Model Code"). Having made specific enquiry of all Directors, the Company confirmed that all Directors have complied with the required standard set out in the Model Code for the Period under review.

DIRECTORS' INTEREST 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.



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.

REMUNERATION COMMITTEE

The remuneration committee of the Company, currently comprising executive Director, namely Ms. Xu Yue Yue, and independent non-executive Directors, namely Mr. Huang Jian Zi and Ms. Wong Lai Wing, is responsible for advising the Board on the remuneration policy and framework of the Directors and senior management of the Company, as well as reviews and determines the remuneration of all the executive Directors and senior management of the Company with reference to the Company's objectives from time to time.

AUDIT COMMITTEE

The Company has established an audit committee on 8 May 2001 with written terms of reference. The duties of the audit committee of the Company 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 of the Company comprised three independent non-executive Directors, namely Mr. Huang Jian Zi, Ms. Wong Lai Wing and Mr. Cheung Chuen. The audit committee of the Company had met to review the interim results of the Group for the six months ended 31 December 2010.

On behalf of the Board

Xu Yue Yue

Acting Chairman

Hong Kong, 28 February 2011