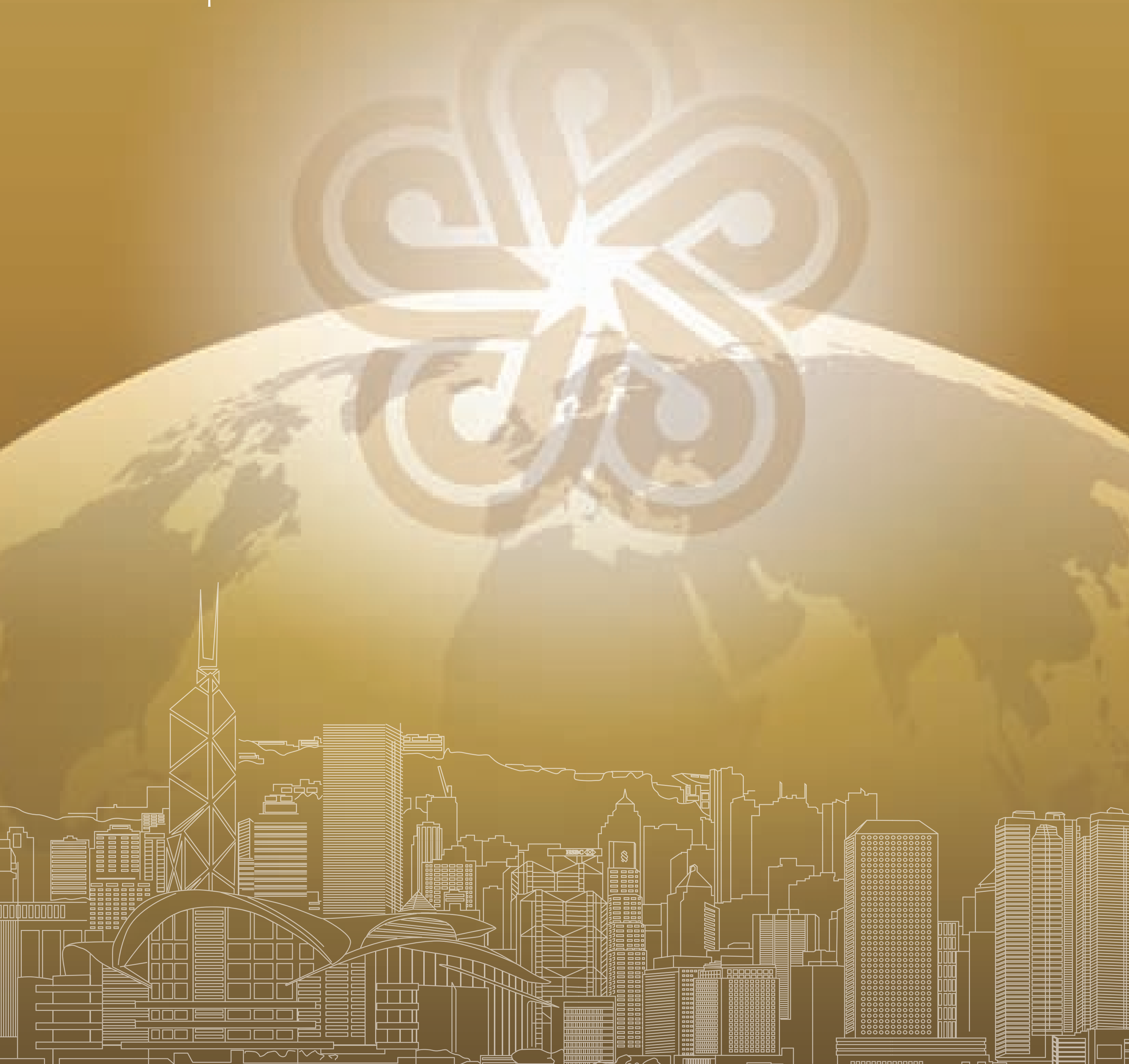
KINGWELL GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 1195

2011
Annual Report



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Corporate 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

Poon Yan Wai

Authorised Representatives

Xiang Song
Poon Yan Wai

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

Auditor

Ernst & Young

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 increased to approximately RMB354.6 million.
- Gross profit for the Year was approximately RMB30.8 million.
- Operating loss for the Year reduced to approximately RMB147.4 million.
- Loss attributable to ordinary equity holders of the Company for the Year was approximately RMB229.7 million.
- Loss per share was approximately RMB15 cents.
- Total equity decreased to RMB357.0 million.

Chairman's Statement

Dear Shareholders,

On behalf of the board of directors of Kingwell Group Limited ("Kingwell" or the "Company"), I am presented the financial report of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 30 June 2011 (the "Year").

During the Year, uncertainties in the global economy, the slowdown in the development of the electronics industry caused by the earthquake in Japan, intense competition in the electronics industry and unfavourable operating environment continued to pose great challenges to the Group's business. During the Year, demand for electronic products recovered at a slow pace. Customers were still cautious in placing orders which added to the downward pressure of average selling prices. Furthermore, the growing inflation in China led to rising raw material and labour costs, which increased production costs and undermined the profitability of the Group. In order to meet these challenges, the Group continued to maintain its relationships with long-term customers and received constant orders, which brought stable income. Meanwhile, the Group continued to implement various cost control measures to improve its overall performance.

In order to sustain the continuous growth of the Group and meet the coming challenges, the Group has decided to adopt a diversification strategy, so as to broaden its business and expand its income sources. The Group has successfully entered into the property business through the acquisition of 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 continue to contribute to the income of the Group and be favorable to the sustainable development of the Group's overall business. During the Year, turnover of the Group amounted to RMB354.6 million.

In the future, the Group will continue to implement its diversified development strategy and proactively search for potential investment opportunities, particularly in natural resources and mining projects, so as to promote long-term development. Leveraging on its solid foundation and strong financial position, the Group will strive to stabilise its current businesses and proactively explore potential business diversification opportunities for its 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, 23 September 2011

Management Discussion and Analysis

Results

For the Year, turnover of the Group increased by 34.2% to RMB354,577,000 (2010: RMB264,213,000). The increase in turnover was mainly due to the contribution from the property development business.

During the Year, the Group recorded a gross profit of approximately RMB30,847,000 (2010: gross loss of RMB4,156,000) and operating loss of RMB147,417,000 (2010: operating loss of RMB291,589,000) respectively. The increase in gross profit was mainly due to the contribution from the property development business. The operating loss was 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 RMB30,010,000 recorded during the Year.

The loss attributable to ordinary equity holders of the Company for the Year was RMB229,653,000 (2010: loss of RMB268,698,000). Basic loss per share was RMB15 cents (2010: basic loss per share was RMB34 cents).

Business Review

Electronic Business

The Group is principally engaged in the manufacture and sales of rigid PCBs ("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 uncertainties in the global economy and the unfavorable operating environment continued to pose various challenges to the electronics industry. Both the Group's orders and average selling prices were under pressure and amid intense market competition.

PCBs and FPCBs continued to remain as the Group's core business. By leveraging on its strong client base, the Group continued to receive stable orders from existing clients and maintained its market share in the region. However, owing to the uncertain market conditions, average selling prices and sales orders have yet to rebound to previous levels.

As for the SMT processing services, the Group continued to selectively provide these services to current customers with the aim to provide one-stop shop services and to enhance its relationship with long-term customers.

Property Development Business

The residential development project "Anlu Taihe Paradise" at Liang Ji Bei Road, Anlu Economic Development District in Anlu city, Hubei province in the PRC is currently wholly owned by the Group subsequent to the acquisition of 70% and 30% interest of the project in 2010 and 2011 respectively. The project comprises three phases, with a total gross floor area of approximately 272,568 square meters. The construction for Phase III commenced in June 2010, while Phase I and Phase II of the project were completed. The project was under stable development and the construction work progressed smoothly during the Year. 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 the Group's results during the Year.

Segmental Information

For management purposes, the Group is organised into business units based on their products and services and has three reportable operating segments as follows:

(a) the electronic products segment engages in the manufacture and sales of rigid printed circuit boards ("PCBs") and flexible printed circuit boards ("FPCBs");

(b) the electronic processing services segment engages in the provision of surface mounting technology ("SMT") processing services; and

(c) the property development segment engages in the development of villas, houses, apartments, residential buildings, and commercial buildings.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment.

Electronic Products

During the Year, revenue attributable to this segment was approximately RMB244,808,000 (2010: RMB251,370,000), representing approximately 69.0% of the Group's total turnover. This segment recorded a loss of RMB92,843,000, as compared to a loss of RMB51,761,000 in last year.

SMT Processing Services

During the Year, revenue attributable to this segment was approximately RMB5,326,000 (2010: RMB8,287,000), representing approximately 1.5% of the Group's total turnover. This segment recorded a loss of RMB15,842,000, as compared to a loss of RMB61,887,000 in last year.

Property Development

During the Year, revenue attributable to this segment was approximately RMB104,443,000 (2010: RMB4,556,000), representing approximately 29.5% of the Group's total turnover. This segment recorded a profit of RMB15,581,000, as compared to a loss of approximately RMB59,410,000 in last year, which included a full impairment of goodwill of RMB59,311,000 arising on acquisition of 70% of Stephigh Group Limited following an impairment testing in last year.

Geographic Information

Geographically, sales within the Mainland China remained the largest segment, generating 83.1% (2010: 71.4%) of the Group's turnover. The balance of approximately 16.9% of the Group's turnover (2010: 28.6%) was taken up by the overseas customers.

Rising Costs and Cost Controls

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

Manufacturing Facilities

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

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 stable sales orders from existing customers. Hence, the utilisation rate of the Fuqing plant was maintained at a relatively high level.

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

The construction of the Group's new plant 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) Electronics Limited (the "Shuangxiang")

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

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.

Property Development Project

Anlu Taihe Real Estate Development Company (the "Anlu")

The residential development project "Anlu Taihe Paradise" is located 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 272,568 square meters. The construction for Phase III commenced in June 2010, while Phase I and Phase II of the project were completed. The project was under stable development and the construction work progressed smoothly during the Year.

Prospects

Looking forward, the uncertainties in global economy, the unfavourable market conditions and the slowdown in the electronics industry caused by the earthquake in Japan will continue to pose challenges to the industry as well as the Group. The growing inflation in China will drive surging manufacture cost due to the rapid rise in labour and raw material costs, leading to an unfavourable industry operating environment. In the future, the competition among the industry will become increasing intensive. The appreciation of the Renminbi will constantly add pressure to the recovery of sales orders and selling prices of products of the Group. Furthermore, it is anticipated that acquisition of new sales orders will be limited as clients continue 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.

The Group has successfully entered into the property development business and is currently developing a high quality residential development project in Hubei province, PRC. The project comprises three phases, with a gross floor area of approximately 272,568 square meters. The construction for Phase III commenced in June 2010, while Phase I and Phase II of the project were completed. The Phase III construction work is progressing as planned. The project is anticipated to meet the growing demand for residential properties in the third and fourth-tier markets in the PRC and contribute to the Group's income. It will drive sustainable development of the Group's business. In the future, the Group will continue to monitor the property market cautiously while developing the project.

In order to promote long-term business development and achieve higher profit, the Group has determined to adopt a diversification strategy, including allocation of resources to investigate and identify investment opportunities in natural resources and mining projects.

Looking ahead, leverage 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 realising 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 2011, the Group's working capital requirement was principally financed by its internal resources, banking facilities and other financial instruments.

As at 30 June 2011, the Group had cash and cash equivalents, net current assets and total assets less current liabilities of RMB400,298,000 (2010: RMB476,972,000), RMB204,546,000 (2010: RMB392,081,000) and RMB413,219,000 (2010: RMB624,971,000) respectively.

As at 30 June 2011, the Group had total bank borrowings of RMB257,000,000 (2010: RMB170,000,000). Included in these utilised bank loans, RMB224,000,000 were short term and RMB33,000,000 were long term. All of the utilised bank loans were either unsecured or secured by interest in leasehold land and buildings given by subsidiary companies.

As at 30 June 2011, the Group had other interest-bearing borrowing of RMB66,000,000 (2010: RMB134,000,000), which were unsecured and repayable within one year.

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 holders of the Company as at 30 June 2011 decreased by RMB162,469,000 to RMB357,041,000 (2010: RMB519,510,000). The gearing ratio (calculated as the ratio of net debt: capital and net debt) of the Group as at 30 June 2011 was 31% (2010: 14%).

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.

Pursuant to an ordinary resolution passed on 26 April 2011, the authorised share capital was increased from HK$500,000,000 to HK$600,000,000 (divided into 5,000,000,000 shares of HK$0.10 each and 100,000,000 convertible preferred shares of HK$1.00 each).

On 3 May 2011, 93,000,000 non-redeemable convertible preferred shares of HK$1.00 were issued, which are convertible into 310,000,000 ordinary shares upon full conversion thereof at the conversion price of HK$0.30 per conversion share.

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 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 (the "Stephigh"), which is incorporated in the British Virgin Islands with limited liability, owned as to 30% by the Vendor and 70% beneficially by the Company, 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 non-redeemable convertible preferred shares of HK$1.00 each in the capital of the Company, convertible at HK$0.30 per conversion share. The acquisition was completed which approved by independent shareholders of the Company on 26 April 2011.

Details of the acquisition has been published on the Company's announcements dated 31 January 2011, 2 February 2011, 17 February 2011, 3 March 2011, 18 March 2011, 1 April 2011 and 26 April 2011.

Save as disclosed above, the Group has no other material acquisition and disposals of subsidiaries and affiliated companies during the Year.

Employee Information

As at 30 June 2011, the Group employed a total of 1,286 (2010: 1,503) 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 RMB83,872,000. 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 76,200,000 share options were granted to the directors, staff and consultants under the 2010 Scheme and there were 150,516,000 share options outstanding under the 2010 Scheme as at 30 June 2011.

Charges on Group Assets

As at 30 June 2011, certain interests in leasehold lands and buildings with a net carrying amount of approximately RMB134,604,000 (2010: RMB84,267,000) were pledged to banks for bank loans totalling RMB257,000,000 (2010: RMB87,500,000) 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 2011.

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 affect the Group's result of operations. The Group did not employ any financial instruments for hedging purposes.

Capital Commitments

As at 30 June 2011, in respect of capital expenditure, the Group had capital commitments that were contracted for amounting to approximately RMB1,621,000.

Contingent Liabilities

The Group did not have any material contingent liabilities as at 30 June 2011.

Directors

Executive Directors

Ms. Xu Yue Yue (許月悦), aged 33, is an Executive Director and the Acting Chairman of the Company. She has over 7 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 substantial shareholder of the Company.

Mr. Xiang Song (項松), aged 40, 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 16 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 46, is an Executive Director of the Company. He has more than 16 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 substantial shareholder of the Company.

Mr. Lin Wan Xin (林萬新), aged 57, 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 58, 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 31 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 wholly owned subsidiaries of the Company.

Mr. Yang Xue Jun (楊學軍), aged 47, 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 21 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. Huang Jian Zi (黃健子), aged 31, is an Independent Non-executive Director of the Company. He is the lecturer of Life Science College of Shenzhen University (深圳大學生命科學學院) since 2008. Mr. Huang obtained a doctorate degree in Botany and a bachelor's degree in Biochemistry from the Sun Yat-Sen University in 2007 and 2002 respectively. Mr. Huang was appointed as an Independent Non-executive Director on 7 December 2010.

Mr. Cheung Chuen (張全), aged 37, 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.

Ms. Wong Lai Wing (王麗榮), aged 53, 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 Sunrry 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

Mr. Poon Yan Wai (潘仁偉), aged 41, is the Company Secretary and an Authorised Representative of the Company. Mr. Poon is a Fellow Member of The Hong Kong Institute of Certified Public Accountants. He also holds a Bachelor's degree in Accountancy and Master's degree in Corporate Finance from the Hong Kong Polytechnic University.

Mr. Li Fei (李飛), aged 54, 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 37, 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 13 years' manufacturing and managerial experience in flexible printed circuit boards industry.

Mr. Wen Song Tang (文松堂), aged 38, 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 41, 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.

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, except for the following deviations:

Code Provision A.4.2

Under the code provision A.4.2, all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment. The Board considers that such deviation is not material as in accordance with the articles of association of the Company, any director appointed to fill a casual vacancy shall hold office only until the next following annual general meeting and shall then be eligible for re-election.

Code Provision E.1.2

Under the 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 (the "AGM") on 7 December 2010 because the respective chairmen have commitments on other business occasions on the same day. An executive director had chaired the 2010 AGM and answered questions from the shareholders.

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, except for the following deviation:

B. Board of Directors

1. *Composition of the Board of Directors*

As at 30 June 2011, the Board consisted of six Executive Directors, namely Ms. Xu Yue Yue, Mr. Xiang Song, Mr. Sze Ming Yee, Mr. Lin Wan Xin, Mr. Hui Lung Hing, and Mr. Yang Xue Jun, and three Independent Non-executive Directors, namely Mr. Huang Jian Zi, Mr. Cheung Chuen and Ms. Wong Lai Wing. Mr. Chan Kin and Mr. Tu Shuguang were resigned as Executive Directors 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. Huang Jian Zi was appointed as Independent Non-executive Director on 7 December 2010. Mr. Li Jianguo as Independent Non-executive Director was retired on 7 December 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 23 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	
Executive Directors	
Xu Yue Yue *(Acting Chairman)*	23/23
Xiang Song *(Chief Executive Officer)*	4/23
Sze Ming Yee	2/23
Lin Wan Xin	4/23
Hui Lung Hing *(appointed as Executive Director on 2 July 2010)*	12/23
Yang Xue Jun *(appointed as Executive Director on 2 July 2010)*	23/23
Tu Shuguang *(resigned as Executive Director on 2 July 2010)*	0/0
Chan Kin *(resigned as Executive Director on 2 July 2010)*	0/0
Independent Non-executive Directors	
Huang Jian Zi *(appointed as Independent Non-executive Director on 7 December 2010)*	5/10
Cheung Chuen	5/23
Wong Lai Wing	6/23
Li Jianguo *(retired as Independent Non-executive Director on 7 December 2010)*	3/13

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 and Chief Executive Officer are performed by Ms. Xu Yue Yue and Mr. Xiang Song respectively. 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.

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 and Ms. Wong Lai Wing were appointed as an Independent Non-executive Directors on 30 September 2004 and 15 January 2010, their appointment letters have been renewed with the Company for a term of one year commencing from 1 January 2011 and 15 January 2011 respectively. As Mr. Huang Jian Zi was appointed as the Independent Non-executive Director on 7 December 2010, he has entered into the appointment letter with the Company for a term of one year commencing from 7 December 2010. According to their terms of service, Mr. Cheung Chuen, Mr. Huang Jian Zi 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. Huang Jian Zi 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	2/2
Mr. Huang Jian Zi (*appointed on 7 December 2010)*	1/1
Ms. Wong Lai Wing	2/2
Mr. Li Jianguo (*resigned on 7 December 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 2011.

As at 30 June 2011, the audit committee consisted of three members and they are all the Independent Non-executive Directors, namely Mr. Huang Jian Zi, Mr. Cheung Chuen and Ms. Wong Lai Wing. Mr. Huang Jian Zi is the chairman of the audit committee. During the Year, three 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 2010 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. Huang Jian Zi *(appointed on 7 December 2010)*	2/2
Mr. Cheung Chuen	3/3
Ms. Wong Lai Wing	2/3
Mr. Li Jianguo *(resigned on 7 December 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 unauthorised 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 and Ernst & Young, is set out as follows:

Nature of Services	**Fee paid/payable** RMB'000
Audit services	1,461
Non-audit services	—
Total:	1,461

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.

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 15 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 4 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	15%	
Five largest customers in aggregate	46%	
The largest supplier		22%
Five largest suppliers in aggregate		59%

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 33 to 107.

Dividends

The Board does not recommend the payment of a final dividend (2010: Nil) for the Year.

Closure of register of members

The register of members will be closed from 16 December 2011 to 21 December 2011, both days inclusive, during which period no 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 Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration not later than 4:30 p.m. on 15 December 2011.

Share capital

Details of movements in share capital of the Company during the Year are set out in note 27 to the financial statements. Shares were issued during the Year on conversions of convertible bonds.

Transfer to reserves

Loss attributable to ordinary equity holders of the Company of RMB229,653,000 (2010: loss of RMB268,698,000) has 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 29 to the financial statements respectively.

As at 30 June 2011, the distributable reserves of the Company available for distribution to shareholders amounted to RMB Nil (2010: RMB Nil), were computed in accordance with the Companies Law (Revised) of the Cayman Islands and the Company's articles of association. These include the Company's share premium account, capital contribution reserve and capital reserve of approximately RMB375,550,000 (2010: RMB342,184,000), RMB48,448,000 (2010: RMB48,448,000) and RMB19,000 (2010: RMB19,000), respectively, less accumulated losses and exchange fluctuation reserve of approximately RMB484,891,000 (2010: RMB428,679,000) and RMB23,387,000 (2010: RMB26,281,000), which are 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 2011 are set out in note 15 to the financial statements.

Property, plant and equipment

During the Year, the Group recognised an impairment loss of RMB30,010,000 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 2011 are set out in note 24 to the financial statements.

Charitable donations

Charitable donations made by the Group during the Year amounted to RMB Nil (2010: RMB1,195,000).

Commitments

Particulars of the commitments of the Group as at 30 June 2011 are set out in note 33 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.

No options remains outstanding under 2003 share option scheme as at 30 June 2011.

(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 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 151,234,450 shares, representing 10% of the shares in issue as at the date of the 2010 annual general meeting. 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 2011, a total of 151,200,000 options have been granted and a total of 684,000 options have been exercised since the adoption of the 2010 Scheme. 150,516,000 options remained outstanding, representing approximately 9.95% of the total issued number of shares of the Company as at 30 June 2011.

(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 or such other period as the Board may decide 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	Outstanding as at 1 July 2010	Granted during the year	Exercised during the year	Cancelled/ Lapsed during the year	Outstanding as at 30 June 2011	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
Hui Ling Hing	11 May 2011	–	13,000,000	–	–	13,000,000	11 May 2011 to 10 May 2016	0.306	0.305
(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
	11 May 2011	–	18,000,000	–	–	18,000,000	11 May 2011 to 10 May 2016	0.306	0.305
(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
	11 May 2011	–	14,000,000	–	–	14,000,000	11 May 2011 to 10 May 2016	0.306	0.305
		75,000,000	76,200,000	684,000	–	150,516,000			

The value of 76,200,000 share options granted during the Year is HK$13,763,000.

Information on the accounting policy for share options granted and the weighted average value per option is provided in notes 2.4 and 28 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.

Notes:

(1) Mr. Yang Xue Jun was appointed as Executive Director with effect from 2 July 2010. He was a 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.

Connected transactions

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, Kowloon, 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.

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, which is incorporated in the British Virgin Islands with limited liability, owned as to 30% by the Vendor and 70% beneficially by the Company, 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 non-redeemable convertible preferred shares of HK$1.00 each in the capital of the Company, convertible at HK$0.30 per conversion share.

Stephigh was 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 became a wholly-owned subsidiary of the Company. The non-redeemable convertible preferred shares are convertible into 310,000,000 conversion shares. The principal asset of Stephigh is Anlu Taihe Real Estate Development Company ("Anlu"), a wholly foreign owned company incorporated in the PRC, which is principally engaged in sale and development of properties. The major asset of Anlu is the properties. As at 31 December 2010, the value of the properties was RMB411.7 million (equivalent to approximately HK$487.0 million).

Directors

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

Executive 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)*

Independent Non-executive Directors

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)*

In accordance with articles 87(1) and 87(2) of the Company's articles of association, Mr. Xiang Song, Mr. Lin Wan Xin and Mr. Cheung Chuen shall retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting. Mr. Huang Jian Zi shall retire as Director at the forthcoming annual general meeting pursuant to article 86(3) of the articles of association of the Company and, being eligible, will 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 from the date of the commencement of the contract and his appointment will continue thereafter for successive terms of one year commencing from the day next after the expiry of the then current term unless and until terminated by six months' notice in writing served by either party on the other. The commencement date of the service agreement with Mr. Xiang Song was on 22 August 2011.

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 was on 24 October 2010.

Each of the Executive Directors appointed 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 were 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 and Ms. Wong Lai Wing were appointed as an Independent Non-executive Directors on 30 September 2004 and 15 January 2010 respectively which each of their appointment letter have been renewed with the Company for a term of one year commencing from 1 January 2011 and 15 January 2011. As Mr. Huang Jian Zi was appointed as the Independent Non-executive Director on 7 December 2010, he has entered into the appointment letter with the Company for a term of one year commencing from 7 December 2010. According to their terms of service, Mr. Cheung Chuen, Ms. Wong Lai Wing and Mr. Huang Jian Zi 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 2011, 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 (Note)	2,000,000	22.99
Hui Lung Hing	Beneficial owner	263,000,000	250,000,000	13,000,000	17.39
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 Mr. Sze Ming Yee.

Save as disclosed above, as at 30 June 2011, 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 2011, 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 non-redeemable convertible preferred shares	Total Approximate % of the issued share capital
Union Day Group Limited	Beneficial Owner	345,778,539	345,778,539 (Note 1)	—	22.86
Yin Jia Tang	Beneficial Owner	310,000,000	—	93,000,000 (Note 2)	20.49
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 1: 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 Mr. Sze Ming Yee.

Note 2: 93,000,000 non-redeemable convertible preferred shares are held by Mr. Yin Jia Tang which is convertible into 310,000,000 conversion shares at HK$0.30 per conversion share.

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 2011.

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 34 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 108 of the annual report.

Purchase, sale or redemption of listed securities

Save as disclosed above, 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. Huang Jian Zi, Mr. Cheung Chuen and Ms. Wong Lai Wing. During the Year, the audit committee has met three times 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

On 16 May 2011, KPMG resigned as auditors of the Company and its subsidiaries, and Ernst & Young was appointed to fill the casual vacancy by the resignation of KPMG, to hold office until the conclusion of the next annual general meeting of the Company.

By Order of the Board

Xu Yue Yue
Acting Chairman

Hong Kong, 23 September 2011

ERNST & YOUNG

To the shareholders of Kingwell Group Limited
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Kingwell Group Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 33 to 107, which comprise the consolidated and company statements of financial position as at 30 June 2011, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view 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, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our 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 about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 consolidated 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 2011, 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.

Ernst & Young
Certified Public Accountants

18th Floor, Two International Finance Centre
8 Finance Street
Central
Hong Kong

23 September 2011

Consolidated Statement of Comprehensive Income

Year ended 30 June 2011

	Notes	**2011 RMB'000**	2010 RMB'000
REVENUE	5	**354,577**	264,213
Cost of sales		**(323,730)**	(268,369)
Gross profit/(loss)		**30,847**	(4,156)
Other income and gains	5	**4,716**	39,650
Selling and distribution costs		**(24,479)**	(11,556)
Administrative expenses		**(59,757)**	(40,563)
Other expenses		**(98,744)**	(274,964)
Finance costs	7	**(19,118)**	(10,376)
LOSS BEFORE TAX	6	**(166,535)**	(301,965)
Income tax expense	10	**(63,824)**	32,903
LOSS FOR THE YEAR		**(230,359)**	(269,062)
OTHER COMPREHENSIVE INCOME			
Exchange differences on translation of foreign operations		**4,128**	(833)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**4,128**	(833)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(226,231)**	(269,895)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	12		
Basic			
— For loss for the year		**(15) cents**	(34) cents
Diluted			
— For loss for the year		**(15) cents**	(34) cents

Consolidated Statement of Financial Position

30 June 2011

	Notes	2011 RMB'000	2010 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**161,799**	124,682
Prepaid land lease payments	14	**16,646**	17,642
Intangible assets		**626**	—
Deferred tax assets	26	**29,602**	90,231
Prepayments, deposits and other receivables		**—**	335
Total non-current assets		**208,673**	232,890
CURRENT ASSETS			
Inventories	16	**237,836**	314,615
Trade and bills receivables	17	**72,804**	122,642
Prepayments, deposits and other receivables	18	**22,801**	11,092
Equity investments at fair value through profit or loss	19	**570**	1,081
Derivative financial instruments	27	**—**	1,758
Pledged deposits	20	**9,786**	10,731
Cash and cash equivalents	20	**400,298**	476,972
Total current assets		**744,095**	938,891
CURRENT LIABILITIES			
Trade and bills payables	21	**102,114**	126,689
Other payables and accruals	22	**139,116**	138,659
Due to directors	23	**2,267**	197
Interest-bearing bank and other borrowings	24	**290,000**	278,000
Convertible bonds	24	**—**	473
Tax payable		**6,052**	2,792
Total current liabilities		**539,549**	546,810
NET CURRENT ASSETS		**204,546**	392,081
TOTAL ASSETS LESS CURRENT LIABILITIES		**413,219**	624,971

	Notes	2011 RMB'000	2010 RMB'000
NON-CURRENT LIABILITIES			
Convertible bonds	24	—	38,822
Non-redeemable convertible preferred shares	25	8,183	—
Interest-bearing bank and other borrowings	24	33,000	26,000
Deferred tax liabilities	26	14,995	19,151
Total non-current liabilities		56,178	83,973
Net assets		357,041	540,998
EQUITY			
Equity attributable to owners of the Company			
Issued capital	27	142,152	123,651
Equity component of convertible bonds	27	—	15,016
Non-redeemable convertible preferred shares	25	69,801	—
Reserves		145,088	380,843
		357,041	519,510
Non-controlling interests		—	21,488
Total equity		357,041	540,998

Xu Yue Yue
Director

Xiang Song
Director

Consolidated Statement of Changes in Equity

Year ended 30 June 2011

		Attributable to owners of the Company													
	Notes	Issued capital RMB'000	Share premium account RMB'000	Share option reserve RMB'000	Non-redeemable convertible preferred shares# RMB'000	Statutory reserve RMB'000	Warrants reserve RMB'000	Capital reserve RMB'000	Capital contribution reserve RMB'000	Equity component of convertible bonds RMB'000	Exchange fluctuation reserve RMB'000	Retained profits/ accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 July 2009		58,661	237,842	2,746	–	14,274	–	63,966	85,000	–	27,923	144,053	634,465	–	634,465
Loss for the year		–	–	–	–	–	–	–	–	–	–	(268,698)	(268,698)	(364)	(269,062)
Other comprehensive income for the year:															
Exchange differences on translation of foreign operations		–	–	–	–	–	–	–	–	–	(832)	–	(832)	(1)	(833)
Total comprehensive loss for the year		–	–	–	–	–	–	–	–	–	(832)	(268,698)	(269,530)	(365)	(269,895)
Acquisition of subsidiaries		–	–	–	–	–	–	–	–	–	–	–	–	21,853	21,853
Issue of convertible bonds		–	–	–	–	–	–	–	–	31,529	–	–	31,529	–	31,529
Issue of shares by open offer and placing	27(b)	44,255	66,824	–	–	–	–	–	–	–	–	–	111,079	–	111,079
Issue of shares upon conversion of convertible bonds	27(c)	20,735	37,518	–	–	–	–	–	–	(16,513)	–	–	41,740	–	41,740
Adjustments of contributions by a former shareholder under the deed		–	–	–	–	–	–	–	(36,552)	–	–	–	(36,552)	–	(36,552)
Equity-settled share option arrangements	28	–	–	6,779	–	–	–	–	–	–	–	–	6,779	–	6,779
Lapse of share options		–	–	(2,746)	–	–	–	–	–	–	–	2,746	–	–	–
At 30 June 2010		123,651	342,184*	6,779*	–	14,274*	–	63,966*	48,448*	15,016	27,091*	(121,899)*	519,510	21,488	540,998
At 1 July 2010		123,651	342,184	6,779	–	14,274	–	63,966	48,448	15,016	27,091	(121,899)	519,510	21,488	540,998
Loss for the year		–	–	–	–	–	–	–	–	–	–	(229,653)	(229,653)	(706)	(230,359)
Other comprehensive income for the year:															
Exchange differences on translation of foreign operations		–	–	–	–	–	–	–	–	–	4,128	–	4,128	–	4,128
Total comprehensive loss for the year		–	–	–	–	–	–	–	–	–	4,128	(229,653)	(225,525)	(706)	(226,231)
Acquisition of non-controlling interests	25	–	–	–	69,801	–	–	(57,037)	–	–	–	–	12,764	(20,782)	(8,018)
Issue of shares upon conversion of convertible bonds	27(c)	18,443	33,195	–	–	–	–	–	–	(15,016)	–	–	36,622	–	36,622
Equity-settled share option arrangements	28	–	–	11,675	–	–	–	–	–	–	–	–	11,675	–	11,675
Exercise of share options	27	58	109	–	–	–	–	–	–	–	–	–	167	–	167
Transfer from share option reserve	27	–	62	(62)	–	–	–	–	–	–	–	–	–	–	–
Issue of warrants	29	–	–	–	–	–	1,828	–	–	–	–	–	1,828	–	1,828
At 30 June 2011		142,152	375,550*	18,392*	69,801	14,274*	1,828*	6,929*	48,448*	–	31,219*	(351,552)*	357,041	–	357,041

\# The non-redeemable convertible preferred shares were issued to Mr. Yin Jia Tang as the consideration paid for the 30% equity interest in Stephigh Group Limited. Please refer to note 30 for details.

* These reserve accounts comprise the consolidated reserves of RMB145,088,000 (2010: RMB380,843,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 30 June 2011

	Notes	2011 RMB'000	2010 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(166,535)**	(301,965)
Adjustments for:			
Finance costs	7	**19,118**	10,376
Interest income	5	**(1,899)**	(2,280)
Loss on disposal of items of property, plant and equipment	6	**10,759**	178
Fair value gains, net:			
Equity investments at fair value through profit or loss	5	**(32)**	(82)
Derivative instruments — transactions not qualifying as hedges	5	**—**	(131)
Depreciation	13	**12,958**	27,423
Amortisation of prepaid land lease payments	14	**498**	498
Amortisation of intangible assets		**70**	—
Provision against inventories	6	**31**	1,370
Provision for/(reversal of) impairment of trade and other receivables	6	**3,704**	(4,290)
Written-back of payables		**(1,768)**	—
Impairment of goodwill	6	**—**	59,311
Impairment of property, plant and equipment	6	**30,010**	203,801
Derecognition of other financial liabilities	5	**—**	(36,221)
Equity-settled share option expense	28	**11,675**	6,779
		(81,411)	(35,233)
Decrease/(increase) in inventories		**50,175**	(5,101)
Decrease/(increase) in trade and bills receivables		**51,854**	(35,219)
(Increase)/decrease in deposits and other receivables		**(13,534)**	1,976
(Decrease)/increase in trade and bills payables		**(22,806)**	50,490
Increase/(decrease) in other payables and accruals		**29,099**	(3,500)
Decrease/(increase) in pledged deposits		**945**	(700)
Cash generated from/(used in) operations		**14,322**	(27,287)
Taxes paid		**(4,091)**	(345)
Net cash flows from/(used in) operating activities		**10,231**	(27,632)

	Notes	2011 RMB'000	2010 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	5	1,899	2,280
Purchases of items of property, plant and equipment		(92,919)	(52,133)
Proceeds from disposal of items of property, plant and equipment		2,369	67
Purchase of equity investments at fair value through profit or loss		(500)	(1,000)
Proceeds from sales of equity investments at fair value through profit or loss		1,043	1,571
Additions to intangible assets		(696)	—
Acquisition of subsidiaries		—	(38,144)
Net cash flows used in investing activities		(88,804)	(87,359)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares	27	—	111,079
Proceeds from issue of convertible bonds		—	40,268
Proceeds from issue of warrants	29	1,828	—
Proceeds from exercise of share options		167	—
New bank loans and other borrowings		266,000	157,000
Repayment of bank and other borrowings		(247,000)	(252,031)
Settlement of other financial liabilities		—	(126,501)
Financial assistance from a former shareholder		—	25,284
Interest paid		(18,953)	(11,444)
Net cash flows from/(used in) financing activities		2,042	(56,345)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(76,531)	(171,336)
Cash and cash equivalents at beginning of year		476,972	648,450
Effect of foreign exchange rate changes, net		(143)	(142)
CASH AND CASH EQUIVALENTS AT END OF YEAR		400,298	476,972
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	20	400,298	476,972

Statement of Financial Position

30 June 2011

	Notes	2011 RMB'000	2010 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	794	670
Investments in subsidiaries	15	221,932	144,113
Total non-current assets		222,726	144,783
CURRENT ASSETS			
Due from subsidiaries	15	95,138	97,005
Prepayments, deposits and other receivables	18	767	783
Derivative financial instruments	27	—	1,758
Cash and cash equivalents	20	2,734	12,472
Total current assets		98,639	112,018
CURRENT LIABILITIES			
Due to subsidiaries	15	162,822	133,036
Other payables and accruals	22	785	3,136
Due to directors	23	1,663	197
Convertible bonds	24	—	473
Total current liabilities		165,270	136,842
NET CURRENT LIABILITIES		(66,631)	(24,824)
TOTAL ASSETS LESS CURRENT LIABILITIES		156,095	119,959
NON-CURRENT LIABILITIES			
Convertible bonds	24	—	38,822
Non-redeemable convertible preferred shares	25	8,183	—
Total non-current liabilities		8,183	38,822
Net assets		147,912	81,137
EQUITY			
Issued capital	27	142,152	123,651
Equity component of convertible bonds	27	—	15,016
Non-redeemable convertible preferred shares	25	69,801	—
Reserve		(64,041)	(57,530)
Total equity		147,912	81,137

Xu Yue Yue
Director

Xiang Song
Director

1. Corporate Information

Kingwell Group Limited is a limited liability company incorporated in the Cayman Islands. The registered office address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, the Cayman Islands.

During the year, the Group was involved in the following principal activities:

- manufacture and sales of rigid printed circuit boards ("PCBs") and flexible printed circuit boards ("FPCBs")
- provision for surface mounting technology processing services
- property development

2.1 Basis of Preparation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for derivative financial instruments, equity investments, convertible bonds and non-redeemable convertible preferred shares, which have been measured at fair value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

Basis of consolidation from 1 July 2010

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 30 June 2011. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate.

2.1 Basis of Preparation (continued)

Basis of consolidation (continued)

Basis of consolidation prior to 1 July 2010

Certain of the above-mentioned requirements have been applied on a prospective basis. The following differences, however, are carried forward in certain instances from the previous basis of consolidation:

- Acquisitions of non-controlling interests, prior to 1 July 2010, were accounted for using the parent entity extension method, whereby the differences between the consideration and the book value of the share of the net assets acquired were recognised in goodwill.

- Losses incurred by the Group were attributed to the non-controlling interest until the balance was reduced to nil. Any further excess losses were attributable to the parent, unless the non-controlling interest had a binding obligation to cover these. Losses prior to 1 July 2010 were not reallocated between non-controlling interest and the parent shareholders.

- Upon loss of control, the Group accounted for the investment retained at its proportionate share of net asset value at the date control was lost. The carrying amount of such investment at 1 July 2010 has not been restated.

2.2 Changes in Accounting Policies and Disclosures

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards — Additional Exemptions for First-time Adopters*
HKFRS 1 Amendment	Amendment to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards — Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters*
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment — Group Cash-settled Share-based Payment Transactions*
HKAS 32 Amendments	*Classification of Rights Issues*
Improvements to HKFRSs 2009	Amendments to a number of HKFRSs issued in May 2009
HK Interpretation 4 Amendment	Amendments to HK Interpretation 4 *Leases — Determination of the Length of Lease Term in respect of Hong Kong Land Leases*
HK Interpretation 5	*Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause*
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments*

2.2 Changes in Accounting Policies and Disclosures (continued)

Other than as further explained below regarding the impact of amendments to HKAS 7 and HKAS 17 included in *Improvements to HKFRSs 2009* and HK Interpretation 4 (Revised in December 2009), the adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

The principal effects of adopting these new and revised HKFRSs are as follows:

Improvements to HKFRSs 2009 issued in May 2009 sets out amendments to a number of HKFRSs. There are separate transitional provisions for each standard. While the adoption of some of the amendments results in changes in accounting policies, none of these amendments has had a significant financial impact on the Group. Details of the key amendments most applicable to the Group are as follows:

- HKAS 7 *Statement of Cash Flows*: Requires that only expenditures that result in a recognised asset in the statement of financial position can be classified as a cash flow from investing activities.

- HKAS 17 *Leases*: Removes the specific guidance on classifying land as a lease. As a result, leases of land should be classified as either operating or finance leases in accordance with the general guidance in HKAS 17.

Amendment to HK Interpretation 4 *Leases — Determination of the Length of Lease Term in respect of Hong Kong Land Leases* is revised as a consequence of the amendment to HKAS 17 *Leases* included in *Improvements to HKFRSs 2009*. Following this amendment, the scope of HK Interpretation 4 has been expanded to cover all land leases, including those classified as finance leases. As a result, this interpretation is applicable to all leases of property accounted for in accordance with HKAS 16, HKAS 17 and HKAS 40.

2.3 Issued but not yet Effective Hong Kong Financial Reporting Standards

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of HKFRSs — Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters* [2]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures — Transfers of Financial Assets* [2]
HKFRS 9	*Financial Instruments* [5]
HKFRS 10	*Consolidated Financial Statements* [5]
HKFRS 11	*Joint Arrangements* [5]
HKFRS 12	*Disclosure of Interests in Other Entities* [5]
HKFRS 13	*Fair Value Measurement* [5]
HKAS 1 Amendments	*Presentation of Financial Statements* [4]
HKAS 12 Amendments	Amendments to HKAS 12 *Income Taxes — Deferred Tax: Recovery of Underlying Assets* [3]
HKAS 19 (2011)	*Employee Benefits* [5]
HKAS 24 (Revised)	*Related Party Disclosures* [1]
HKAS 27 (2011)	*Separate Financial Statements* [5]
HKAS 28 (2011)	*Investments in Associates and Joint Ventures* [5]
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement* [1]

Apart from the above, the HKICPA has issued *Improvements to HKFRSs 2010* which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to HKFRS 1, HKFRS 7, HKAS 1, HKAS 34 and HK(IFRIC)-Int 13 are effective for annual periods beginning on or after 1 January 2011 although there are separate transitional provisions for each standard.

1 Effective for annual periods beginning on or after 1 January 2011
2 Effective for annual periods beginning on or after 1 July 2011
3 Effective for annual periods beginning on or after 1 January 2012
4 Effective for annual periods beginning on or after 1 July 2012
5 Effective for annual periods beginning on or after 1 January 2013

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group considers that these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

2.4 Summary of Significant Accounting Policies

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's profit or loss to the extent of dividends received and receivable. The Company's investments in subsidiaries are stated at cost less any impairment losses.

Business combinations and goodwill

Business combinations from 1 July 2010

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the net identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets of the subsidiary acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 30 June. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

2.4 Summary of Significant Accounting Policies (continued)

Business combinations and goodwill (continued)

Business combinations from 1 July 2010 (continued)

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Business combinations prior to 1 July 2010 but after 1 January 2005

In comparison to the above-mentioned requirements which were applied on a prospective basis, the following differences applied to business combinations prior to 1 July 2010:

Business combinations were accounted for using the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for as separate steps. Any additional acquired share of interest did not affect previously recognised goodwill.

When the Group acquired a business, embedded derivatives separated from the host contract by the acquiree were not reassessed on acquisition unless the business combination resulted in a change in the terms of the contract that significantly modified the cash flows that otherwise would have been required under the contract.

Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration were recognised as part of goodwill.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, construction contract assets, financial assets, investment properties, goodwill and non-current assets/a disposal group classified as held for sale), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

2.4 Summary of Significant Accounting Policies (continued)

Impairment of non-financial assets (continued)

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises (*only if there are revalued assets in the financial statements*), unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Related parties

A party is considered to be related to the Group if:

(a) The party is a person or a close member of that person's family and that person

- (i) has controls or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

- (i) the entity and the Group are members of the same Group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a); and
- (vii) a person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

2.4 Summary of Significant Accounting Policies (continued)

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost or valuation less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation.

Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Changes in the values of property, plant and equipment are dealt with as movements in the asset revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to the income statement. Any subsequent revaluation surplus is credited to the income statement to the extent of the deficit previously charged. An annual transfer from the asset revaluation reserve to retained profits is made for the difference between the depreciation based on the revalued carrying amount of an asset and the depreciation based on the asset's original cost. On disposal of a revalued asset, the relevant portion of the asset revaluation reserve realised in respect of previous valuations is transferred to retained profits as a movement in reserves.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	3.6%
Leasehold improvements	Over the shorter of the lease terms and 20%
Plant and machinery	9%
Furniture and fixtures	18%
Motor vehicles	28%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

2.4 Summary of Significant Accounting Policies (continued)

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Computer software

Software is stated at cost less impairment losses and are amortised on the straight-line basis over their estimated useful lives of five years.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets within the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

The Group's financial assets include cash and bank balances, trade and other receivables, equity investments at fair value through profit or loss and derivative financial instruments.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with changes in fair value recognised in other income and gains or finance costs in profit or loss. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

2.4 Summary of Significant Accounting Policies (continued)

Investments and other financial assets (continued)

Subsequent measurement (continued)

Financial assets at fair value through profit or loss (continued)

The Group evaluates its financial assets at fair value through profit or loss (held for trading) to assess whether the intent to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intent to sell them in the foreseeable future significantly changes, the Group may elect to reclassify these financial assets in rare circumstances. The reclassification from financial assets at fair value through profit or loss to loans and receivables, available-for-sale financial assets or held-to-maturity investments depends on the nature of the assets. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance income in the profit or loss. The loss arising from impairment is recognised in profit or loss in other expenses.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

2.4 Summary of Significant Accounting Policies (continued)

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to other expenses in the profit or loss.

2.4 Summary of Significant Accounting Policies (continued)

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of HKAS 39 are classified as loans and borrowings or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, convertible preferred shares and interest-bearing bank and other borrowings.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate method amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Non-redeemable convertible preferred shares

Non-redeemable convertible preferred shares issued by the Group that contain both the liability and conversion option components are classified separately into respective items on initial recognition. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument.

Non-redeemable convertible preferred shares are classified as a liability if interest payments are not discretionary. On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debts. The difference between the gross proceeds of the issue of the preferred shares and the fair value assigned to the liability component, representing the conversion option for the holder to convert the preferred shares into equity, is included in equity.

In subsequent periods, the liability component of non-redeemable convertible preferred shares is carried at amortised cost using the effective interest method. The equity component will remain in equity until the conversion options are exercised and will be transferred to share capital and share premium of the Company.

2.4 Summary of Significant Accounting Policies (continued)

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

2.4 Summary of Significant Accounting Policies (continued)

Income tax (continued)

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2.4 Summary of Significant Accounting Policies (continued)

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) from the rendering of services, upon completion of such services;

(c) rental income, on a time proportion basis over the lease terms;

(d) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

Share-based payment transactions

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using the Binomial Option Pricing model and Black-Scholes model, further details of which are given in note 28 to the financial statements.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

2.4 Summary of Significant Accounting Policies (continued)

Share-based payment transactions (continued)

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph. All cancellations of equity-settled transaction awards are treated equally.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Other employee benefits

Pension scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute 5% of its payroll costs to the central pension scheme. The contributions are charged to the profit or loss as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

2.4 Summary of Significant Accounting Policies (continued)

Foreign currencies

These financial statements are presented in RMB. The functional currencies of the Company and its subsidiary in Mainland China are Hong Kong dollars and RMB, respectively. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. All differences are taken to the profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currency of subsidiaries outside Mainland China is Hong Kong dollars. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at exchange rates ruling at the end of the reporting period and their profit or loss are translated into RMB at the weighted average exchange rate for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of subsidiaries outside Mainland China are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of subsidiaries outside the Mainland China which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

3. Significant Accounting Judgements and Estimates

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Operating lease commitments — Group as lessor

The Group has entered into commercial property leases on its building. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

Recognition of a deferred tax liability for withholding taxes

Deferred income tax liabilities have been established for withholding tax that would be payable on certain profits of the subsidiaries in Mainland China to be repatriated and distributed by way of dividends.

3. Significant Accounting Judgements and Estimates (continued)

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Provision for impairment of trade and other receivables

Provision for impairment of trade and other receivables is made based on the assessment of the recoverability of trade receivables and other receivables. The identification of impairment of trade and other receivables requires management's judgement and estimates. Where the actual outcome or expectation in future is different from the original estimate, such differences will have an impact on the carrying amounts of the receivables and impairment of trade and other receivables in the year in which such estimate has been changed.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The calculation of the fair value less costs to sell is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Recognition of deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. No deferred tax assets related to tax losses is recognised in respect to these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

PRC land appreciation taxes

The Group is subject to land appreciation taxes in Mainland China. The provision for land appreciation taxes is based on management's best estimates according to its understanding of the requirements set forth in the relevant PRC tax laws and regulations. The actual land appreciation tax liabilities are subject to the determination by the tax authorities upon the completion of the property development projects. The Group has not finalised its land appreciation tax calculations and payments with the tax authorities for certain property development projects. The final outcome could be different from the amounts that were initially recorded, and any differences will impact the land appreciation tax expenses and the related provision in the period in which the differences realise.

4. Operating Segment Information

For management purposes, the Group is organised into business units based on their products and services and has three reportable operating segments as follows:

(a) the electronic products segment engages in the manufacture and sales of rigid printed circuit boards ("PCBs") and flexible printed circuit boards ("FPCBs");

(b) the electronic processing services segment engages in the provision of surface mounting technology ("SMT") processing services; and

(c) the property development segment engages in the development of villas, houses, apartments, residential buildings, and commercial buildings.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's profit before tax except that interest income, finance costs, as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude deferred tax assets, equity investments at fair value through profit or loss, derivative financial instruments and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude convertible bonds, tax payable, deferred tax liabilities, due to directors and other unallocated head office and corporate liabilities, as these liabilities are managed on a group basis.

4. Operating Segment Information (continued)

Year ended 30 June 2011	Electronic products RMB'000	SMT processing services RMB'000	Property development RMB'000	Total RMB'000
Segment revenue:				
Sales to external customers	244,808	5,326	104,443	354,577
Other revenue	1,795	983	39	2,817
	246,603	6,309	104,482	357,394
Segment results	(92,843)	(15,842)	15,581	(93,104)
Reconciliation:				
Interest income				1,899
Corporate and other unallocated expenses				(56,212)
Finance costs				(19,118)
Loss before tax				(166,535)
Segment assets	585,847	107,540	231,828	925,215
Reconciliation:				
Elimination of intersegment receivables				(6,914)
Corporate and other unallocated assets				34,467
				952,768
Segment liabilities	226,850	204,021	140,092	570,963
Reconciliation:				
Elimination of intersegment payables				(6,914)
Corporate and other unallocated liabilities				31,678
				595,727
Other segment information:				
Impairment of property, plant and equipment	30,010	—	—	30,010
Depreciation and amortisation	10,881	2,186	459	13,526
Provision against inventories	31	—	—	31
Impairment of trade and other receivables	3,814	(110)	—	3,704
Capital expenditure	87,179	4,481	1,955	93,615

4. Operating Segment Information (continued)

Year ended 30 June 2010	Electronic products RMB'000	SMT processing services RMB'000	Property development RMB'000	Total RMB'000
Segment revenue:				
Sales to external customers	251,370	8,287	4,556	264,213
Other revenue	37,069	301	—	37,370
	288,439	8,588	4,556	301,583
Segment results	(51,761)	(61,887)	(59,410)	(173,058)
Reconciliation:				
Interest income				2,280
Corporate and other unallocated expenses				(120,811)
Finance costs				(10,376)
Loss before tax				(301,965)
Segment assets	758,772	95,338	286,977	1,141,087
Reconciliation:				
Elimination of intersegment receivables				(76,302)
Corporate and other unallocated assets				106,996
				1,171,781
Segment liabilities	332,447	101,167	208,899	642,513
Reconciliation:				
Elimination of intersegment payables				(76,302)
Corporate and other unallocated liabilities				64,572
				630,783
Other segment information:				
Impairment of property, plant and equipment	159,310	44,491	—	203,801
Impairment of goodwill	—	—	59,311	59,311
Depreciation and amortisation	26,824	1,052	45	27,921
Provision against inventories	1,370	—	—	1,370
Reversal of impairment trade and other receivables	(4,279)	(11)	—	(4,290)
Capital expenditure	55,952	34,325	—	90,277

4. Operating Segment Information (continued)

Geographical information

(a) Revenue from external customers

	2011 RMB'000	2010 RMB'000
Mainland China	294,786	188,764
Overseas	59,791	75,449
	354,577	264,213

(b) Non-current assets

	2011 RMB'000	2010 RMB'000
Mainland China	177,830	141,989
Hong Kong	1,241	670
	179,071	142,659

5. Revenue, Other Income and Gains

Revenue, which is also the Group's turnover, represents: (i) the sales value of goods supplied to customers and service income from SMT processing services, net of value-added tax ("VAT") and other sales taxes, after allowances for returns and trade discounts; and (ii) revenue from sales of properties, net of business tax and other sales related taxes and is after deduction of any trade discounts.

An analysis of revenue, other income and gains from continuing operations is as follows:

	2011 RMB'000	2010 RMB'000
Revenue		
Sales of goods	244,808	251,370
Sales of properties	104,443	4,556
SMT processing service income	5,326	8,287
	354,577	264,213
Other income		
Bank interest income	1,899	2,280
Rental income	601	301
Derecognition of other financial liabilities	—	36,221
Others	2,184	635
	4,684	39,437
Gains		
Fair value gains on equity investments	32	82
Fair value gains on derivative instruments	—	131
	4,716	39,650

6. Loss Before Tax

The Group's loss before tax is arrived at after charging/(crediting):

	Notes	2011 RMB'000	2010 RMB'000
Cost of inventories sold		**234,399**	257,352
Cost of properties sold		**85,195**	4,231
Cost of services provided		**4,136**	6,786
Depreciation	*13*	**12,958**	27,423
Amortisation of intangible assets		**70**	—
Amortisation of prepaid land lease payments	*14*	**498**	498
Operating lease rental		**1,520**	1,263
Auditors' remuneration		**1,461**	2,670
Staff costs (excluding directors' remuneration):			
Salaries and wages		**67,801**	37,281
Pension scheme contributions		**5,036**	13,316
Equity-settled share option expense		**6,350**	2,831
		79,187	53,428
Repair and maintenance costs		**34,022**	14,426
Impairment of goodwill*		**—**	59,311
Impairment of property, plant and equipment	*13*	**30,010**	203,801
Provision for/(reversal of) impairment of trade and other receivables		**3,704**	(4,290)
Provision against inventories		**31**	1,370
Loss on disposal of items of property, plant and equipment		**10,759**	178
Foreign exchange differences, net		**4,929**	6,065
Changes in fair value of derivative financial instruments		**(32)**	(82)

* The impairment of goodwill has been included in "Other expenses" in the consolidated statement of comprehensive income.

7. Finance Costs

	2011 RMB'000	2010 RMB'000
Interest on:		
Bank and other borrowings	19,281	12,564
Non-redeemable convertible preferred shares	167	—
Convertible bonds	—	675
Other financial liabilities	—	(1,349)
	19,448	11,890
Less: Interest capitalised	(330)	(1,514)
	19,118	10,376

8. Directors' Remuneration

Directors' remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Group	
	2011 RMB'000	2010 RMB'000
Fees	300	310
Other emoluments:		
Salaries, allowances and benefits in kind	2,730	1,872
Performance related bonuses	—	880
Equity-settled share option expense	1,636	1,944
Pension scheme contributions	19	6
	4,385	4,702
	4,685	5,012

8. Directors' Remuneration (continued)

During the year and in prior years, certain directors were granted share options, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in note 28 to the financial statements. The fair value of such options which has been recognised in profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors' remuneration disclosures.

(a) *Independent non-executive directors*

The fees paid to independent non-executive directors during the year were as follows:

	2011	2010
	RMB'000	RMB'000
Mr. Cheung Chuen	**100**	106
Mr. Li Jianguo	**43**	49
Ms. Wong Lai Wing	**100**	49
Mr. Pan Chang Chi	**—**	53
Mr. Cai Xunshan	**—**	53
Mr. Huang Jian Zi	**57**	—
	300	310

There were no other emoluments payable to the independent non-executive directors during the year (2010: nil).

8. Directors' Remuneration (continued)

(b) *Executive directors*

	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Equity-settled share option expense RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
2011					
Executive directors:					
Mr. Xiang Song	299	—	—	—	299
Mr. Lin Wan Xin	536	—	—	—	536
Ms. Xu Yue Yue	998	—	—	—	998
Mr. Sze Ming Yee	299	—	—	10	309
Mr. Hui Lung Hing	299	—	1,636	9	1,944
Mr. Yang Xue Jun	299	—	—	—	299
	2,730	—	1,636	19	4,385
2010					
Executive directors:					
Mr. Xiang Song	317	—	—	—	317
Mr. Lin Wan Xin	330	—	—	—	330
Ms. Xu Yue Yue	488	440	1,296	—	2,224
Mr. Sze Ming Yee	146	—	259	1	406
Mr. Tu Shu Guang	162	440	130	—	732
Mr. Chan Kin	161	—	259	1	421
Mr. Lin Wanqaing	79	—	—	4	83
Mr. Hu Zhaorui	189	—	—	—	189
	1,872	880	1,944	6	4,702

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

9. Five Highest Paid Employees

The five highest paid employees during the year included three (2010: three) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining two (2010: two) non-directors, highest paid employees for the year are as follows:

	Group	
	2011	2010
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	**675**	204
Equity-settled share option expense	**755**	886
Pension scheme contributions	**14**	4
	1,444	1,094

During the year and in prior years, share options were granted to a non-director, highest paid employee in respect of his services to the Group, further details of which are included in the disclosures in note 28 to the financial statements. The fair value of such options, which has been recognised in profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above non-directors, highest paid employees' remuneration disclosures.

10. Income Tax Expense

The Company is a tax exempted company registered in the Cayman Islands and conducts substantially all of its business through its subsidiaries established in Mainland China (the "PRC Subsidiaries").

No provision for Hong Kong profits tax has been made (2010: Nil) as the Group did not generate any assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	2011	2010
	RMB'000	RMB'000
Group:		
Current — Mainland China		
provision for enterprise income tax	**7,351**	277
provision for land appreciation tax	**—**	229
	7,351	506
Deferred	**56,473**	(33,409)
Total tax charge for the year	**63,824**	(32,903)

10. Income Tax Expense (continued)

A reconciliation of the tax expense applicable to loss before tax at the statutory tax rate for the country in which the majority of the Company's subsidiaries are domiciled to the tax expense at the effective tax rate is as follows:

Group

	2011 RMB'000	2010 RMB'000
Loss before tax	**(166,535)**	(301,965)
Tax at the statutory tax rate of 25%	**(41,634)**	(75,491)
Lower tax rates for specific provinces or enacted by local authorities	**—**	9,903
Income not subject to tax	**(1,651)**	(7,236)
Expenses not deductible for tax	**12,004**	18,210
Effect of withholding tax at 10% on the distributable profits of the Group's PRC Subsidiaries	**(6,111)**	—
Tax effect of deferential tax rates	**—**	(6,992)
Land appreciation tax ("LAT") deductible for PRC enterprise income tax	**—**	(57)
Tax losses not recognised	**31,981**	28,531
Temporary differences not recognised	**69,235**	—
LAT expense	**—**	229
Tax charge/(credit) at the Group's effective rate	**63,824**	(32,903)
The Group's effective income tax rate	**(38.3%)**	10.9%

11. Loss Attributable to Owners of the Company

The consolidated loss attributable to owners of the Company for the year ended 30 June 2011 includes a loss of RMB56,212,000 (2010: RMB120,812,000) which has been dealt with in the financial statements of the Company (note 29).

12. Loss Per Share Attributable to Ordinary Equity Holders of the Company

The calculation of basic loss per share is based on the loss for the year attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 1,495,877,000 (2010: 785,407,000) in issue during the year.

No adjustment has been made to the basic loss per share amounts presented for the years ended 30 June 2011 and 2010 in respect of a dilution as the impact of the warrants, share options, convertible bonds and non-redeemable convertible preferred shares outstanding had an anti-dilutive effect on the basic loss per share amounts presented.

The calculations of basic and diluted loss per share are based on:

	2011	2010
	RMB'000	RMB'000
Loss		
Loss attributable to ordinary equity holders of the Company, used in the basic loss per share calculation:	**229,653**	268,698

	Number of shares	
	2011	2010
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic loss per share calculation	**1,495,877,000**	785,407,000
Effect of dilution — weighted average number of ordinary shares:		
Warrants	**153,363,000**	—
Share options	**100,483,000**	7,192,000
Convertible bonds	**—**	15,264,000
Non-redeemable convertible preferred shares	**49,260,000**	—
	303,106,000	22,456,000
	1,798,983,000	807,863,000

For the years ended 30 June 2011 and 2010, because the diluted loss per share amounts decreased when taking the warrants, share options, convertible bonds and non-redeemable convertible preferred shares into account, the warrants, share options, convertible bonds and non-redeemable convertible preferred shares had an anti-dilutive effect on the basic loss per share for the years and were ignored in the calculation of diluted loss per share. Therefore, diluted loss per share amounts were based on the loss for the years of RMB229,653,000 and RMB268,698,000, respectively, and the weighted average number of ordinary shares of 1,495,877,000 and 785,407,000, respectively, in issue during the years.

13. Property, Plant and Equipment

Group

	Buildings RMB'000	Leasehold improvements RMB'000	Plant and machinery RMB'000	Furniture and fixtures RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
30 June 2011							
Cost or valuation:							
At 1 July 2010	280,812	551	247,928	106,769	8,209	89,621	733,890
Additions	5,324	—	5,689	25	3,653	78,563	93,254
Transfers	76,313	—	—	2,108	—	(78,421)	—
Disposals	(6,000)	—	(31,377)	—	(796)	—	(38,173)
Exchange realignment	—	(26)	—	(33)	(21)	—	(80)
At 30 June 2011	356,449	525	222,240	108,869	11,045	89,763	788,891
Accumulated depreciation:							
At 1 July 2010	16,698	77	102,588	23,627	3,527	—	146,517
Depreciation provided during the year	4,505	121	3,698	3,296	1,338	—	12,958
Disposals	(2,485)	—	(10,588)	—	(292)	—	(13,365)
Exchange realignment	—	(8)	—	(19)	(3)	—	(30)
At 30 June 2011	18,718	190	95,698	26,904	4,570	—	146,080
Impairment:							
At 1 July 2010	196,772	55	110,570	69,287	3,259	82,748	462,691
Additions	22,995	—	—	—	—	7,015	30,010
Disposals	(3,178)	—	(8,246)	—	(256)	—	(11,680)
Exchange realignment	—	(2)	—	(7)	—	—	(9)
At 30 June 2011	216,589	53	102,324	69,280	3,003	89,763	481,012
Net book value:							
At 30 June 2010	67,342	419	34,770	13,855	1,423	6,873	124,682
At 30 June 2011	121,142	282	24,218	12,685	3,472	—	161,799
Analysis of cost or valuation:							
At cost	—	525	222,240	108,869	11,045	89,763	432,442
At valuation	356,449	—	—	—	—	—	356,449
	356,449	525	222,240	108,869	11,045	89,763	788,891

13. Property, Plant and Equipment (continued)

Group

	Buildings RMB'000	Leasehold improvements RMB'000	Plant and machinery RMB'000	Furniture and fixtures RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
30 June 2010							
Cost or valuation:							
At 1 July 2009	239,140	—	245,539	105,350	6,538	72,317	668,884
Additions	39,862	551	2,509	1,332	917	17,304	62,475
Acquisition of subsidiaries	1,966	—	—	122	1,115	—	3,203
Disposal	(156)	—	(120)	—	(361)	—	(637)
Exchange realignment	—	—	—	(35)	—	—	(35)
At 30 June 2010	280,812	551	247,928	106,769	8,209	89,621	733,890
Accumulated depreciation:							
At 1 July 2009	10,767	—	92,205	12,736	3,814	—	119,522
Depreciation provided during the year	5,948	77	10,433	10,927	38	—	27,423
Disposals	(17)	—	(50)	—	(325)	—	(392)
Exchange realignment	—	—	—	(36)	—	—	(36)
At 30 June 2010	16,698	77	102,588	23,627	3,527	—	146,517
Impairment:							
At 1 July 2009	110,988	—	56,180	32,284	2,015	57,423	258,890
Additions	85,784	55	54,390	37,003	1,244	25,325	203,801
At 30 June 2010	196,772	55	110,570	69,287	3,259	82,748	462,691
Net book value:							
At 30 June 2009	117,385	—	97,154	60,330	709	14,894	290,472
At 30 June 2010	67,342	419	34,770	13,855	1,423	6,873	124,682
Analysis of cost or valuation:							
At cost	—	551	247,928	106,769	8,209	89,621	453,078
At valuation	280,812	—	—	—	—	—	280,812
	280,812	551	247,928	106,769	8,209	89,621	733,890

At 30 June 2011, certain of the Group's buildings with a net carrying amount of approximately RMB117,460,000 (2010: RMB66,625,000) were pledged to secure general banking facilities granted to the Group (note 24).

13. Property, Plant and Equipment (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 Fujian Fuqiang Delicate Circuit Plate Co., Ltd., Gemini Electronics (Huizhou) Co., Ltd., Shuangxiang (Fujian) Electronic Limited and Fuqing Haichuang Electron Technology Co., Ltd. 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 RMB203,801,000 for the year.

During the year ended 30 June 2011, the market conditions surrounding the Group's PCBs and related products were continued to record operating losses. The directors considered that the existing of the above conditions indicated that non-current assets of the Fuqiang, Gemini, Shuangxiang and Haichuang may be impaired. As a result, the Group's PCBs and related products' buildings were revalued by an independent firm of surveyors, Greater China Appraisal Limited who had among their staff a Professional Member of Hong Kong Institute of Surveyors, with recent experience in the location and category being valued on a market approach. As a result, the Group recognised an additional impairment loss of RMB30,010,000 for the year.

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 RMB119,816,000 (2010: RMB66,625,000).

13. Property, Plant and Equipment (continued)

Company

	Leasehold improvements RMB'000	Furniture and fixtures RMB'000	Motor vehicles RMB'000	Total RMB'000
30 June 2011				
Cost or valuation:				
At 1 July 2010	437	344	—	781
Additions	—	30	361	391
Exchange realignment	(19)	(17)	(8)	(44)
At 30 June 2011	418	357	353	1,128
Accumulated depreciation:				
At 1 July 2010	18	93	—	111
Depreciation provided during the year	121	52	60	233
Exchange realignment	(3)	(6)	(1)	(10)
At 30 June 2011	136	139	59	334
Net book value:				
At 30 June 2010	419	251	—	670
At 30 June 2011	282	218	294	794
30 June 2010				
Cost or valuation:				
At 1 July 2009	—	125	—	125
Additions	466	219	—	685
Exchange realignment	(29)	—	—	(29)
At 30 June 2010	437	344	—	781
Accumulated depreciation:				
At 1 July 2009	—	112	—	112
Depreciation provided during the year	18	—	—	18
Exchange realignment	—	(19)	—	(19)
At 30 June 2010	18	93	—	111
Net book value:				
At 30 June 2009	—	13	—	13
At 30 June 2010	419	251	—	670

14. Prepaid Land Lease Payments

	Group 2011 RMB'000	2010 RMB'000
Carrying amount at 1 July	**17,642**	18,140
Recognised during the year	**(498)**	(498)
Carrying amount at 30 June	**17,144**	17,642
Current portion included in prepayments, deposits and other receivables	**(498)**	—
Non-current portion	**16,646**	17,642

At 30 June 2011, the Group's prepaid land lease payments with an aggregate carrying amount of RMB17,144,000 (2010: RMB17,642,000) were pledged to secure general banking facilities granted to the Group (note 24).

15. Investments in Subsidiaries

	Company 2011 RMB'000	2010 RMB'000
Unlisted shares, at cost	**281,502**	203,683
Impairment#	**(59,570)**	(59,570)
	221,932	144,113

The impairment loss recognised in 2010 mainly related to the Group's property development activities in the PRC.

The amounts due from and to subsidiaries included in the Company's current assets and current liabilities of RMB95,138,000 (2010: RMB97,005,000) and RMB162,822,000 (2010: RMB133,036,000), respectively, are unsecured, interest-free and are repayable on demand or within one year.

15. Investments in Subsidiaries (continued)

Particulars of the subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Superford Holding Limited	BVI/Hong Kong	US$10,001	100%	—	Investment holding
Artic Hong Kong Limited	Hong Kong	HK$2	100%	—	Provision of administrative services to the Group
Tempest Trading Limited	BVI/Hong Kong	US$1	100%	—	Investment holding
Winrise International Limited	BVI/Hong Kong	US$100	100%	—	Investment holding
Herowin Limited	BVI/Hong Kong	US$100	100%	—	Investment holding
Stephigh Group Limited	BVI/Hong Kong	US$50,000	100%	—	Investment holding
Rise Win Group Limited	BVI/Hong Kong	US$50,000	—	100%	Investment holding
Rising Ray China Group Limited	Hong Kong	HK$10,000	—	100%	Investment holding
Fujian Fuqiang Delicate Circuit Plate Co., Ltd.*	PRC/Mainland China	RMB138,000,000	—	100%	Manufacturing and trading of PCBs
Gemini Electronics (Huizhou) Co., Ltd.*	PRC/Mainland China	US$10,760,000	—	100%	Manufacturing and trading of FPCBs
Shuangxiang (Fujian) Electronic Limited*	PRC/Mainland China	US$14,201,738	—	100%	Provision of SMT processing services
Fuqing Haichuang Electron Technology Co., Ltd.*	PRC/Mainland China	US$11,950,000	—	100%	Not yet commenced business
Anlu Taihe Real Estate Development Company*	PRC/Mainland China	RMB30,000,000	—	100%	Development and sales of real estate

* Registered as a wholly-foreign-owned enterprise under the PRC law.

16. Inventories

	Group 2011 RMB'000	2010 RMB'000
Manufacturing of printed circuit boards		
Raw materials	14,415	21,301
Work in progress	4,981	8,376
Finished goods	4,029	3,418
	23,425	33,095
Property development		
Properties under development for sale	57,201	15,805
Completed properties held for sale	157,210	265,715
	214,411	281,520
	237,836	314,615

17. Trade and Bills Receivables

	Group 2011 RMB'000	2010 RMB'000
Trade and bills receivables	139,752	188,247
Impairment	(66,948)	(65,605)
	72,804	122,642

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally three months, extending up to six months for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade and bills receivables are non-interest-bearing.

17. Trade and Bills Receivables (continued)

An aged analysis of the trade and bills receivables as at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

	Group	
	2011	2010
	RMB'000	RMB'000
Within 1 month	**34,058**	96,825
1 to 3 months	**30,399**	16,355
3 months to 1 year	**8,347**	4,642
Over 1 year	**—**	4,820
	72,804	122,642

The movements in provision for impairment of trade and bills receivables are as follows:

	Group	
	2011	2010
	RMB'000	RMB'000
At 1 July	**65,605**	69,895
Impairment losses recognised/(reversed)	**1,343**	(4,290)
	66,948	65,605

Included in the above provision for impairment of trade and bills receivables is a provision for individually impaired trade and bills receivables of RMB66,948,000 (2010: 65,605,000) with a carrying amount before provision of RMB66,948,000 (2010: 66,596,000).

The individually impaired trade and bills receivables relate to customers that were in financial difficulties or were in default in both interest and/or principal payments. The Group does not hold any collateral or other credit enhancements over these balances.

The aged analysis of the trade and bills receivables that are not individually nor collectively considered to be impaired is as follows:

	Group	
	2011	2010
	RMB'000	RMB'000
Neither past due nor impaired	**37,502**	96,219
Within 1 month past due	**16,420**	12,311
1 to 3 months past due	**16,288**	3,926
3 months to 1 year past due	**2,594**	4,617
Over 1 year past due	**—**	4,578
	72,804	121,651

17. Trade and Bills Receivables (continued)

Receivables that were neither past due nor impaired relate to a large number of diversified 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, the directors of the Company are of the opinion that no provision for impairment 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 or other credit enhancements over these balances.

18. Prepayments, Deposits and Other Receivables

	Group		Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Advances to suppliers	**5,208**	3,824	**—**	—
Current portion of prepaid land lease payments (note 14)	**498**	—	**—**	—
Deposits and other receivables	**17,095**	7,268	**767**	783
	22,801	11,092	**767**	783

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

19. Equity Investments at Fair Value Through Profit or Loss

	Group	
	2011	2010
	RMB'000	RMB'000
Equity investments, at market value:		
PRC	**570**	1,081

The above equity investments at 30 June 2011 and 2010 were classified as held for trading and were, upon initial recognition, designated by the Group as financial assets as at fair value through profit or loss.

20. Cash and Cash Equivalents and Pledged Deposits

	Group		Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Cash and bank balances	**400,298**	476,972	**2,734**	12,472
Time deposits	**9,786**	10,731	**—**	—
	410,084	487,703	**2,734**	12,472
Less: Pledged time deposits:				
Pledged for bills payables (note 21)	**(3,450)**	(10,731)	**—**	—
Pledged for short-term loans (note 24)	**(6,336)**	—	**—**	—
Cash and cash equivalents	**400,298**	476,972	**2,734**	12,472

At the end of the reporting period, the cash and bank balances of the Group denominated in RMB amounted to RMB395,879,000 (2010: RMB474,548,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

21. Trade and Bills Payables

An aged analysis of the trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	Group	
	2011	2010
	RMB'000	RMB'000
Within 1 month	**52,412**	65,026
1 to 3 months	**33,727**	41,843
3 months to 1 year	**13,774**	17,089
Over 1 year	**2,201**	2,731
	102,114	126,689

The trade payables are non-interest-bearing and are normally settled on 180-day terms.

As at 30 June 2011, the Group's bills payable were secured by the deposit of RMB3,450,000 (2010: RMB10,731,000) (note 20).

22. Other Payables and Accruals

	Group		Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Advances from customers	**40,901**	44,077	**—**	—
Accruals	**5,280**	17,650	**234**	3,136
Other payables	**92,935**	76,932	**551**	—
	139,116	138,659	**785**	3,136

Other payables are non-interest-bearing and have an average term of six months.

23. Due to Directors

Particulars of the amounts due to directors are as follows:

	Group	
	2011	2010
	RMB'000	RMB'000
Mr. Lin Wan Xin	**2,267**	—
Ms. Xu Yue Yue	**—**	197
	2,267	197

	Company	
	2011	2010
	RMB'000	RMB'000
Mr. Lin Wan Xin	**1,663**	—
Ms. Xu Yue Yue	**—**	197
	1,663	197

The amounts due to directors are unsecured, interest-free and has no fixed terms of repayment.

24. Interest-Bearing Bank and Other Borrowings

Group

	Note	**2011** Effective interest rate (%)	**2011** Maturity	**2011** RMB'000	2010 Effective interest rate (%)	2010 Maturity	2010 RMB'000
Current							
Bank loans — unsecured		**–**	**–**	**–**	4.8–6.4	2010.12–2011.03	82,500
Bank loans — secured		**4.8–7.6**	**2012.03**	**220,000**	4.8–5.8	2010.07–2011.03	57,500
Current portion of long term bank loans — secured		**6.0–7.9**	**2012.06**	**4,000**	6.0–7.9	2011.06	4,000
Other loans — unsecured		**5.3–9.0**	**2011.12**	**66,000**	5.3–9.0	2010.12	134,000
				290,000			278,000
Convertible bonds	*27(c)*			**–**			473
Non-current							
Bank loans — secured		**5.9–7.9**	**2012.12–2014.01**	**33,000**	6.0–7.9	2012.12	26,000
Convertible bonds	*27(c)*			**–**			38,822
				323,000			343,295
Analysed into:							
Bank loans repayable:							
Within one year or on demand				**224,000**			144,000
In the second year				**18,000**			4,000
In the third to fifth years				**15,000**			22,000
				257,000			170,000
Other borrowings repayable:							
Within one year or on demand				**66,000**			134,000
				323,000			304,000

24. Interest-Bearing Bank and Other Borrowings (continued)

Company

		2011			2010		
	Note	**Effective interest rate (%)**	**Maturity**	**RMB'000**	Effective interest rate (%)	Maturity	RMB'000
Current							
Convertible bonds	*27(c)*			–			473
Non-current							
Convertible bonds	*27(c)*			–			38,822
				–			39,295

Notes:

Certain of the Group's bank loans are secured by:

(i) the pledge of certain of the Group's buildings situated in Mainland China, which had an aggregate carrying value at the end of the reporting period of approximately RMB117,460,000 (2010: RMB66,625,000) (note 13);

(ii) the pledge of the Group's leasehold land which had an aggregate carrying value at the end of the reporting period of approximately RMB17,144,000 (2010: RMB17,642,000) (note 14); and

(iii) the pledge of the Group's time deposit which had a carrying value at the end of the reporting period of approximately RMB6,336,000 (2010: nil) (note 20).

In addition, bank loans of RMB184,000,000 (2010: RMB81,000,000) were supported by guarantees provided by third parties.

25. Non-Redeemable Convertible Preferred Shares

The Company allotted and issued 93,000,000 non-redeemable convertible preferred shares (the "CPS") at HK$1.00 per CPS on 3 May 2011. The CPS recognised in the statement of financial position is calculated as follows:

	RMB'000
Fair value of non-redeemable CPS	77,820
Equity component of the CPS	(69,801)
Liabilities component of the CPS at the issuance date	8,019
Interest expenses	164
Liabilities component of the CPS as at 30 June 2011	8,183

The Black-Scholes option pricing model is used to value the fair value of the CPS. The inputs into the model were as follows:

Valuation date	3 May 2011
Share price	HK$0.32
Exercise price	HK$0.30
Risk-free rate	0.169%
Expected volatility	35.577%
Expected dividend yield	—

The liability component represents the Group's contractual obligation of interest payment to the holders of CPS. For fair value of the liability component of the CPS at initial recognition, the effective rate method is adopted in the valuation. The effective interest rate used in the valuation is 12.867%.

26. Deferred Tax

The movements in deferred tax liabilities and assets during the year are as follows:

Deferred tax liabilities

Group

	Pre-sale of properties RMB'000	Withholding taxes RMB'000	Fair value adjustment of properties for sale RMB'000	Total RMB'000
At 1 July 2009	—	6,861	—	6,861
Acquisition of subsidiaries	(6,328)	—	19,546	13,218
Charged/(credited) to profit or loss during the year	138	(750)	(316)	(928)
At 30 June 2010 and 1 July 2010	(6,190)	6,111	19,230	19,151
Charged/(credited) to profit or loss during the year	6,190	(6,111)	(4,235)	(4,156)
At 30 June 2011	**—**	**—**	**14,995**	**14,995**

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

26. Deferred Tax (continued)

Deferred tax assets

Group

	Provision for impairment of assets RMB'000	Unused tax losses RMB'000	Provision of LAT RMB'000	Accruals and other provision RMB'000	Total RMB'000
At 1 July 2009	52,466	4,820	416	48	57,750
Credited/(charged) to profit or loss during the year	22,457	(2,939)	228	12,735	32,481
At 30 June 2010 and 1 July 2010	74,923	1,881	644	12,783	90,231
Credited/(charged) to profit or loss during the year	(46,689)	(1,881)	—	(12,059)	(60,629)
At 30 June 2011	**28,234**	**—**	**644**	**724**	**29,602**

Deferred tax assets not recognised

The Group had accumulated tax losses arising in Mainland China of RMB70,827,000 (2010: RMB62,423,000) in the current year which will expire from 2013 to 2015 for offsetting against future taxable profit. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

27. Share Capital

Shares

	2011 RMB'000	2010 RMB'000
Authorised:		
5,000,000,000 (2010: 5,000,000,000) ordinary shares of HK$0.10 each	500,000	500,000
100,000,000 (2010: Nil) convertible preferred shares of HK$1.00 each	100,000	—
	600,000	500,000

	2011 RMB'000	2010 RMB'000
Issued and fully paid:		
1,512,717,000 (2010: 1,297,747,000) ordinary shares of HK$0.10 each	142,152	123,651

During the year, the movements in share capital were as follows:

(a) Pursuant to an ordinary resolution passed on 26 April 2011, the authorised share capital of the Company was increased from HK$500,000,000 to HK$600,000,000 (divided into 5,000,000,000 ordinary shares of HK$0.10 each and 100,000,000 convertible preferred shares of HK$1.00 each) by the creation of 100,000,000 convertible preferred shares of HK$1.00 each.

(b) 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 and 19 March 2010, the Company completed the placing of 111,793,000 and 111,792,000 new ordinary shares at a consideration of HK$0.38 and HK$0.369 per ordinary share, respectively.

Total net proceeds, after deducting costs, amounted to RMB111,079,000 of which RMB44,255,000 was credited to share capital and the balance of RMB66,824,000 was credited to the share premium account.

27. Share Capital (continued)

Shares (continued)

(c) On 4 June 2010, the Company issued convertible bonds with a 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 Company's early redemption option embedded in the convertible bonds is accounted for as a derivative financial instrument of RMB1,758,000 as at 30 June 2010.

On 28 June 2010, convertible bonds with a face value totalling HK$66,000,000 were converted into 235,714,000 ordinary shares of the Company. The related portion recognised in the convertible bonds reserve upon initial recognition and the carrying amount of the liability component and the non-equity derivative component were transferred to the share capital of RMB20,735,000 and share premium account of RMB37,518,000, respectively.

In July 2010, convertible bonds with a face value totalling HK$60,000,000 were converted into 214,286,000 ordinary shares of the Company. The related portion recognised in the convertible bonds reserve of RMB15,016,000 upon initial recognition and the carrying amount of the liability component of RMB39,295,000 and the non-equity derivative component of RMB1,758,000 were transferred to the share capital of RMB18,443,000 and share premium account of RMB33,195,000, respectively.

(d) The subscription rights attaching to 684,000 share options were exercised at the subscription price of HK$0.287 per share (note 28), resulting in the issue of 684,000 shares of HK$0.10 each for a total cash consideration, before expenses, of RMB167,000. An amount of RMB62,000 was transferred from the share option reserve to the share premium account upon the exercise of the share options.

A summary of the transactions during the year with reference to the above movements in the Company's issued share capital is as follows:

	Number of shares in issue	Issued capital RMB'000	Share premium account RMB'000	Total RMB'000
At 1 July 2009	558,965,000	58,661	237,842	296,503
Issue of shares by open offer and placing (b)	503,068,000	44,255	66,824	111,079
Issue of shares upon conversion of convertible bonds (c)	235,714,000	20,735	37,518	58,253
At 30 June 2010 and 1 July 2010	1,297,747,000	123,651	342,184	465,835
Issue of shares upon conversion of convertible bonds (c)	214,286,000	18,443	33,195	51,638
Share options exercised (d)	684,000	58	109	167
Transfer from share option reserve (d)	—	—	62	62
At 30 June 2011	**1,512,717,000**	**142,152**	**375,550**	**517,702**

Share options

Details of the Company's share option scheme and the share options issued under the scheme are included in note 28 to the financial statements.

28. Share Options

The Group has launched three lots of share options (the "Options") on 26 May 2010, 8 November 2010 and 11 May 2011, respectively, for the purpose of providing incentives and rewards to the eligible participants who contribute to the success of the Group's operations. Eligible participants of the Options include the Company's executive directors, employees and consultants.

The maximum number of unexercised share options currently permitted to be granted is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Options within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time and with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 21 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee.

The exercise price of share options is determinable by the directors, but may not be less than the higher of (i) the Stock Exchange closing price of the Company's shares on the date of offer of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of offer; and (iii) the nominal value of the shares.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

Details of the three lots of share options granted during the year are as follows:

(a) The First Lot of Share Options

On 26 May 2010, 75,000,000 share options were granted to the eligible participants of the Group. The exercise price of the options is HK$0.287.

The share options are exercisable any time within five years starting from 26 May 2010 with no service conditions and performance conditions attached.

The exercise price of the share options is subject to adjustment in the case of conversion of statutory reserves into capital, split-up of shares, merging of shares, dividend distribution, or other similar changes in the Company's stock price.

28. Share Options (continued)

(a) The First Lot of Share Options (continued)

The fair value of the first lot of equity-settled share options was estimated as at the date of grant using the Binomial Option Pricing Model, taking into account the terms and conditions upon which the options were granted. The fair value of options granted as at 30 June 2011 was estimated on the date of grant using the following assumptions:

	Options granted to directors	Options granted to employees and consultants
Stock price	HK$0.285	HK$0.285
Exercise price	HK$0.287	HK$0.287
Expected volatility	68.608%	68.608%
Risk-free interest rate	1.524%	1.524%
Expected life	5 years	5 years
Sub-optional factor	2.8	2.8
Fair value per share	HK$0.1473	HK$0.0916

The expected life of the options is based on the historical data and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

(b) The Second Lot of Share Options

On 8 November 2010, 31,200,000 share options were granted to the eligible participants of the Group. The exercise price of the options is HK$0.449.

The share options are exercisable any time within five years starting from 8 November 2010 with no service conditions and performance conditions attached.

The exercise price of the share options is subject to adjustment in the case of conversion of statutory reserves into capital, split-up of shares, merging of shares, dividend distribution, or other similar changes in the Company's stock price.

The fair value of the second lot of equity-settled share options was estimated as at the date of grant using the Black-Scholes model, taking into account the terms and conditions upon which the options were granted. The fair value of options granted as at 30 June 2011 was estimated on the date of grant using the following assumptions:

Stock price	HK$0.435
Exercise price	HK$0.449
Expected volatility	91.434%
Risk-free interest rate	0.454%
Expected life	2.5 years
Fair value per share	HK$0.224

The expected life of the options is based on the historical data and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

28. Share Options (continued)

(c) The Third Lot of Share Options

On 11 May 2011, 45,000,000 share options were granted to the eligible participants of the Group. The exercise price of the options is HK$0.306.

The share options are exercisable any time within five years starting from 11 May 2011 with no service conditions and performance conditions attached.

The exercise price of the share options is subject to adjustment in the case of conversion of statutory reserves into capital, split-up of shares, merging of shares, dividend distribution, or other similar changes in the Company's stock price.

The fair value of the third lot of equity-settled share options granted was estimated as at the date of grant using the Black-Scholes model, taking into account the terms and conditions upon which the options were granted. The fair value of options granted as at 30 June 2011 was estimated on the date of grant using the following assumptions:

Stock price	HK$0.305
Exercise price	HK$0.306
Expected volatility	86.216%
Risk-free interest rate	0.759%
Expected life	2.5 years
Fair value per share	HK$0.151

The expected life of the options is based on the historical data and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

Movements in the first lot of share options for eligible participants during the year were as follows:

	Total number of share options outstanding during the year ended 30 June 2011	**Weighted average exercise price per share (HK$)**	Total number of share options outstanding during the year ended 30 June 2010	Weighted average exercise price per share (HK$)
Outstanding at beginning of year	**75,000,000**	**0.287**	10,500,000	1.038
Granted during the year	**—**		75,000,000	0.287
Lapsed during the year	**—**		(10,500,000)	1.038
Exercised during the year	**(684,000)**	**0.287**	—	—
Outstanding at end of year	**74,316,000**	**0.287**	75,000,000	0.287
Exercisable at end of year	**74,316,000**		75,000,000	

28. Share Options (continued)

Movements in the second lot of share options for eligible participants during the year were as follows:

	Total number of share options outstanding during the year ended 30 June 2011	Weighted average exercise price per share (HK$)
Granted during the year	31,200,000	0.449
Outstanding at end of year	31,200,000	0.449
Exercisable at end of year	31,200,000	

Movements in the third lot of share options for eligible participants during the year were as follows:

	Total number of share options outstanding during the year ended 30 June 2011	Weighted average exercise price per share (HK$)
Granted during the year	45,000,000	0.306
Outstanding at end of year	45,000,000	0.306
Exercisable at end of year	45,000,000	

For the first lot of share options granted, a share option expense of nil was recognised during the year ended 30 June 2011 (2010: RMB6,779,000). For the second and third lot of share options granted during the year, share option expense of RMB6,011,000 and RMB5,664,000 were recognised during the year ended 30 June 2011, respectively. The aggregate share option expense recognised in 2011 amounted to RMB11,675,000 (2010: RMB6,779,000).

The 684,000 share options exercised during the year resulted in the issue of 684,000 ordinary shares of the Company and new share capital of RMB58,000 (HK$68,400) and share premium of RMB109,000 (HK$127,908) (before issue expenses), as further detailed in note 29 to the financial statements.

28. Share Options (continued)

At the end of the reporting periods, the Company had 150,516,000 (2010: 75,000,000) share options outstanding under the Options. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 150,516,000 (2010: 75,000,000) additional ordinary shares of the Company and additional share capital of RMB12,517,000 (HK$15,051,600) (2010: RMB6,382,000) and share premium of RMB28,474,000 (HK$34,056,000) (2010: RMB11,934,000) (before issue expenses).

Subsequent to the end of the reporting period, no share options was exercised.

At the date of approval of these financial statements, the Company had 150,516,000 share options outstanding under the Options, which represented approximately 9.95% of the Company's shares in issue as at that date.

29. Reserves

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 36 of the financial statements.

In accordance with the PRC regulations, each of the PRC Subsidiaries is required to allocate 10% of its profit after tax, as determined under the PRC accounting regulations, to the statutory reserve until such reserve reaches 50% of its registered capital. Part of the statutory reserve may be used either to offset losses, or to be converted to increase paid-up capital, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital.

29. Reserves (continued)

(b) Company

	Notes	Issued capital RMB'000	Share premium account RMB'000 (note (i))	Share option reserve RMB'000 (note (ii))	Non-redeemable convertible preference shares RMB'000	Warrants reserve RMB'000 (note (iii))	Capital reserve RMB'000	Capital contribution reserve RMB'000 (note (iv))	Equity component of convertible bonds RMB'000	Exchange fluctuation reserve RMB'000	Accumulated losses RMB'000	Total equity RMB'000
At 1 July 2009		58,661	237,842	2,746	–	–	19	85,000	–	20,847	(310,613)	94,502
Loss for the year		–	–	–	–	–	–	–	–	–	(120,812)	(120,812)
Other comprehensive income for the year: Exchange differences on translation of foreign operations		–	–	–	–	–	–	–	–	(47,128)	–	(47,128)
Total comprehensive loss for the year		–	–	–	–	–	–	–	–	(47,128)	(120,812)	(167,940)
Issue of convertible bonds		–	–	–	–	–	–	–	31,529	–	–	31,529
Issue of shares by open offer and placing	27(b)	44,255	66,824	–	–	–	–	–	–	–	–	111,079
Issue of shares upon conversion of convertible bonds	27(c)	20,735	37,518	–	–	–	–	–	(16,513)	–	–	41,740
Adjustments of contributions by a former shareholder under the deed		–	–	–	–	–	–	(36,552)	–	–	–	(36,552)
Equity-settled share option arrangements	28	–	–	6779	–	–	–	–	–	–	–	6,779
Lapse of share options		–	–	(2,746)	–	–	–	–	–	–	2,746	–
At 30 June 2010		123,651	342,184	6,779	–	–	19	48,448	15,016	(26,281)	(428,679)	81,137
At 1 July 2010		123,651	342,184	6,779	–	–	19	48,448	15,016	(26,281)	(428,679)	81,137
Loss for the year		–	–	–	–	–	–	–	–	–	(56,212)	(56,212)
Other comprehensive income for the year: Exchange differences on translation of foreign operations		–	–	–	–	–	–	–	–	2,894	–	2,894
Total comprehensive loss for the year		–	–	–	–	–	–	–	–	2,894	(56,212)	(53,318)
Acquisition of non-controlling interests	25	–	–	–	69,801	–	–	–	–	–	–	69,801
Issue of shares upon conversion of convertible bonds	27(c)	18,443	33,195	–	–	–	–	–	(15,016)	–	–	36,622
Equity-settled share option arrangements	28	–	–	11,675	–	–	–	–	–	–	–	11,675
Exercise of share options	27	58	109	–	–	–	–	–	–	–	–	167
Transfer from share option reserve	27	–	62	(62)	–	–	–	–	–	–	–	–
Issue of warrants	29	–	–	–	–	1,828	–	–	–	–	–	1,828
At 30 June 2011		142,152	375,550	18,392	69,801	1,828	19	48,448	–	(23,387)	(484,891)	147,912

29. Reserves (continued)

(b) Company (continued)

Notes:

(i) Share premium account

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 option reserve

Share option reserve comprises the portion of the grant date fair value of unexercised share options granted under the share option scheme adopted by the Company.

(iii) Warrants reserve

The Company subscribed 105,000,000 and 107,400,000 warrants at an issue price of HK$0.01 per warrant with subscription prices of HK$0.425 and HK$0.5 per warrant, respectively on 30 August and 18 November 2010. The total consideration of RMB1,828,000 received are added directly to the warrant reserve in equity.

(iv) Capital contribution reserve

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

30. Major Non-Cash Transactions

On 3 May 2011, the Company purchased the remaining 30% equity interests in Stephigh at a consideration of HK$93 million payable to Mr. Yin Jia Tang which will be satisfied by the issue of 93 million non-redeemable convertible preferred shares of HK$1.00 each in the capital of the Company, convertible at HK$0.3 per conversion share. After that, Stephigh became the wholly-owned subsidiary of the Company. For details of the non-redeemable convertible preferred shares, please refer to note 25.

31. Pledge of Assets

Details of the Group's bank loans which are secured by the assets of the Group, are included in note 24, to the financial statements.

32. Operating Lease Arrangements

(a) As lessor

The Group leases its buildings under operating lease arrangements, with leases negotiated for terms of one year. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At 30 June 2011, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
	2011	2010
	RMB'000	RMB'000
Within one year	**363**	363

(b) As lessee

The Group leases certain of its office premises under operating lease arrangements for lease teams ranging from one to three years. At 30 June 2011, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group		Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within one year	**800**	1,240	**449**	449
In the second to fifth years, inclusive	**968**	1,331	**412**	1,310
	1,768	2,571	**861**	1,759

33. Commitments

In addition to the operating lease commitments detailed in note 32(b) above, the Group had the following capital commitments at the end of the reporting period:

	Group	
	2011	2010
	RMB'000	RMB'000
Contracted, but not provided for:		
Buildings, plant and machinery	**1,621**	100,817
Capital injection	**–**	67,954
	1,621	168,771
Authorised, but not contracted for:		
Land and buildings	**–**	69,840

At 30 June 2011, the Company had no significant capital commitments.

34. Related Party Transactions

(a) *Other transaction with related parties:*

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 HK45,000 in respect of the Group's occupation of Units 314–315, Wing On Plaza, 62 Mody Road, Tsimshatsui East, Kowloon, Hong Kong. During the year, the Company paid a total of HK$540,000 (RMB449,000) to Truroll Investment Limited.

(b) *Outstanding balances with related parties:*

Details of the Group's loans to the Company's directors are included in note 23 to the financial statements.

(c) *Compensation of key management personnel of the Group:*

	2011	2010
	RMB'000	RMB'000
Short-term employee benefits	**3,405**	4,892
Post-employment benefits	**33**	47
Equity-settled share option expense	**6,350**	2,830
Total compensation paid to key management personnel	**9,788**	7,769

Further details of directors' emoluments are included in note 8 to the financial statements.

35. Financial Instruments by Category

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2011

Group

	Financial assets at fair value through profit or loss RMB'000	Loans and receivables RMB'000	Total RMB'000
Financial assets			
Trade and bills receivables	—	72,804	72,804
Financial assets included in prepayments, deposits and other receivables	—	6,063	6,063
Equity investments at fair value through profit or loss	570	—	570
Pledged deposits	—	9,786	9,786
Cash and cash equivalents	—	400,298	400,298
	570	488,951	489,521

	Financial liabilities at amortised cost RMB'000
Financial liabilities	
Trade and bills payables	102,114
Financial liabilities included in other payables and accruals	27,765
Interest-bearing bank and other borrowings	323,000
Non-redeemable convertible preferred shares	8,183
Due to a director	2,267
	463,329

35. Financial Instruments by Category (continued)

2010

Group

	Financial assets at fair value through profit or loss RMB'000	Loans and receivables RMB'000	Total RMB'000
Financial assets			
Trade and bills receivables	—	122,642	122,642
Financial assets included in prepayments, deposits and other receivables	—	3,628	3,628
Equity investments at fair value through profit or loss	1,081	—	1,081
Derivative financial instruments	1,758	—	1,758
Pledged deposits	—	10,731	10,731
Cash and cash equivalents	—	476,972	476,972
	2,839	613,973	616,812

	Financial liabilities at amortised cost RMB'000
Financial liabilities	
Trade and bills payables	126,689
Financial liabilities included in other payables and accruals	23,908
Interest-bearing bank and other borrowings	304,000
Convertible bonds	39,295
Due to a director	197
	494,089

35. Financial Instruments by Category (continued)

2011

Company

	Loans and receivables RMB'000
Financial assets	
Financial assets included in prepayments, deposits and other receivables	745
Due from subsidiaries	95,138
Cash and cash equivalents	2,734
	98,617

	Financial liabilities at amortised cost RMB'000
Financial liabilities	
Financial liabilities included in other payables and accruals	458
Due to subsidiaries	162,822
Due to a director	1,663
Non-redeemable convertible preferred shares	8,183
	173,126

35. Financial Instruments by Category (continued)

2010

Company

	Financial assets at fair value through profit or loss RMB'000	Loans and receivables RMB'000	Total RMB'000
Financial assets			
Financial assets included in prepayments, deposits and other receivables	—	775	775
Derivative financial instruments	1,758	—	1,758
Due from subsidiaries	—	97,005	97,005
Cash and cash equivalents	—	12,472	12,472
	1,758	110,252	112,010

	Financial liabilities at amortised cost RMB'000
Financial liabilities	
Financial liabilities included in other payables and accruals	9
Due to subsidiaries	133,036
Due to a director	197
Convertible bonds	39,295
	172,537

36. Fair Value and Fair Value Hierarchy

The carrying amounts and fair values of the Group's and the Company's financial instruments are as follows:

Group

	Carrying amounts		Fair values	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial assets				
Trade and bills receivables	**72,804**	122,642	**72,804**	122,642
Financial assets included in prepayments, deposits and other receivables	**6,063**	3,628	**6,063**	3,628
Equity investments at fair value through profit or loss	**570**	1,081	**570**	1,081
Derivative financial instruments	**—**	1,758	**—**	1,758
Pledged deposits	**9,786**	10,731	**9,786**	10,731
Cash and cash equivalents	**400,298**	476,972	**400,298**	476,972
	489,521	616,812	**489,521**	616,812
Financial liabilities				
Trade and bills payables	**102,114**	126,689	**102,114**	126,689
Financial liabilities included in other payables and accruals	**27,765**	23,908	**27,765**	23,908
Interest-bearing bank loans and other borrowings	**323,000**	304,000	**323,000**	304,000
Non-redeemable convertible preference shares	**8,183**	—	**8,183**	—
Convertible bonds	**—**	39,295	**—**	39,295
Due to directors	**2,267**	197	**2,267**	197
	463,329	494,089	**463,329**	494,089

36. Fair Value and Fair Value Hierarchy (continued)

Company

	Carrying amounts		Fair values	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial assets				
Financial assets included in prepayments, deposits and other receivables	**745**	775	**745**	775
Due from subsidiaries	**95,138**	97,005	**95,138**	97,005
Derivative financial instruments	**—**	1,758	**—**	1,758
Cash and cash equivalents	**2,734**	12,472	**2,734**	12,472
	98,617	112,010	**98,617**	112,010
Financial liabilities				
Financial liabilities included in other payables and accruals	**458**	9	**458**	9
Due to subsidiaries	**162,822**	133,036	**162,822**	133,036
Due to directors	**1,663**	197	**1,663**	197
Non-redeemable convertible preferred shares	**8,183**	—	**8,183**	—
Convertible bonds	**—**	39,295	**—**	39,295
	173,126	172,537	**173,126**	172,537

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

Cash and cash equivalents, pledged deposits, trade and bills receivables, trade and bills payables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals, amounts due to subsidiaries, amounts due to directors approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments on similar terms, credit risk and remaining maturities. The fair value of the liability portion of the non-redeemable convertible preferred shares and convertible bonds is estimated using an equivalent market interest rate for similar convertible debts.

The fair values of equity investments are based on quoted market prices. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in other comprehensive income, are reasonable, and that they were the most appropriate values at the end of the reporting period.

The fair value of the early redemption option embedded in the convertible bonds is estimated using the Binomial Lattice model.

36. Fair Value and Fair Value Hierarchy (continued)

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: fair values measured based on valuation techniques for which any inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs)

Assets measured at fair value:

Group

As at 30 June 2011

	Level 1 RMB'000	**Level 2 RMB'000**	**Level 3 RMB'000**	**Total RMB'000**
Equity investments at fair value through profit or loss	**570**	**—**	**—**	**570**

As at 30 June 2010

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Equity investments at fair value through profit or loss	1,081	—	—	1,081
Derivative financial instruments	—	—	1,758	1,758
	1,081	—	1,758	2,839

Company

As at 30 June 2010

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Derivative financial instruments	—	—	1,758	1,758

The Company did not have any financial assets measured at fair value as at 30 June 2011.

During the year, there were no transfers of fair value measurements between Level 1 and Level 3 and no transfers into or out of Level 2 (2010: nil).

Liabilities measured at fair value:

The Group and the Company did not have any financial liabilities measured at fair value as at 30 June 2011 and 2010.

37. Financial Risk Management Objectives and Policies

The Group's principal financial instruments, other than derivatives, comprise bank loans, non-redeemable convertible preferred shares, other interest-bearing loans, and cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and bills receivables, trade and bills payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with a floating interest rate. The interest rates and terms of repayment of the Group's borrowings are disclosed in note 24.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings).

	Group	
	Increase/ (decrease) in basis points	**Increase/ (decrease) in profit before tax**
		RMB'000
2011		
Renminbi	**100**	**(330)**
Renminbi	**(100)**	**330**
2010		
Renminbi	100	(260)
Renminbi	(100)	260

37. Financial Risk Management Objectives and Policies (continued)

Foreign currency risk

The Group's exposure to the foreign exchange risk arises from export sales, primarily with those settled in United States dollar. Approximately 16% (2010: 29%) of the Group's sales were denominated in United States dollar.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the exchange rates of currencies other than the functional currencies of the relevant operating units, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities).

	Group	
	Increase/ (decrease) in the United States dollar rate	Increase/ (decrease) in profit before tax
	%	RMB'000
2011		
If the Renminbi weakens against the United States dollar	**10**	**917**
If the Renminbi strengthens against the United States dollar	**(10)**	**(917)**
2010		
If the Renminbi weakens against the United States dollar	10	1,005
If the Renminbi strengthens against the United States dollar	(10)	(1,005)

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific approval of the management.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents and other receivables arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customers. At the end of the reporting period, the Group had certain concentrations of credit risk as 34% (2010: 61%) of the Group's trade receivables were due from the Group's five largest customers.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade and other receivables are disclosed in note 17 and note 18 to the financial statements.

37. Financial Risk Management Objectives and Policies (continued)

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade and bills receivables) and projected cash flows from operations.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

Group

	2011		
	On demand and less than 12 months RMB'000	**1 to 5 years RMB'000**	**Total RMB'000**
Interest-bearing bank and other borrowings	**302,882**	**34,853**	**337,735**
Trade and bills payables	**102,114**	**—**	**102,114**
Financial liabilities included in other payables and accruals	**27,765**	**—**	**27,765**
Due to a director	**2,267**	**—**	**2,267**
	435,028	**34,853**	**469,881**

	2010		
	On demand and less than 12 months RMB'000	1 to 5 years RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	287,238	27,386	314,624
Trade and bills payables	126,689	—	126,689
Financial liabilities included in other payables and accruals	23,908	—	23,908
Due to a director	197	—	197
Convertible bonds	522	53,286	53,808
	438,554	80,672	519,226

37. Financial Risk Management Objectives and Policies (continued)

Liquidity risk (continued)

The maturity profile of the Company's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

Company

	2011 On demand and less than 12 months RMB'000
Financial liabilities included in other payables and accruals	**458**
Due to subsidiaries	**162,822**
Due to a director	**1,663**
	164,943

	2010		
	On demand and less than 12 months RMB'000	1 to 5 years RMB'000	Total RMB'000
Financial liabilities included in other payables and accruals	9	—	9
Due to subsidiaries	133,036	—	133,036
Due to a director	197	—	197
Convertible bonds	522	53,286	53,808
	133,764	53,286	187,050

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 30 June 2011 and 2010.

37. Financial Risk Management Objectives and Policies (continued)

Capital management (continued)

The Group monitors capital using a gearing ratio, which is net debt divided by the adjusted capital plus net debt. Net debt includes interest-bearing bank and other borrowings, amounts due to directors, trade and bills payables, other payables and accruals, less cash and cash equivalents. Capital includes convertible bonds, non-redeemable convertible preferred shares and equity attributable to owners of the Company. The gearing ratios as at the end of the reporting periods were as follows:

	Group	
	2011	2010
	RMB'000	RMB'000
Interest-bearing bank and other borrowings	**323,000**	304,000
Trade and bills payables	**102,114**	126,689
Other payables and accruals	**139,116**	138,659
Due to directors	**2,267**	197
Less: Cash and cash equivalents	**(400,298)**	(476,972)
Net debt	**166,199**	92,573
Convertible bonds, the liability component	**—**	39,295
Non-redeemable convertible preferred shares, the liability component	**8,183**	—
Equity attributable to owners of the Company	**357,041**	519,510
Adjusted capital	**365,224**	558,805
Capital and net debt	**531,423**	651,378
Gearing ratio	**31%**	14%

38. Comparative Amounts

Certain prior year comparative amounts have been reclassified to conform with the current year's presentation.

39. Approval of the Financial Statements

The financial statements were approved and authorised for issue by the board of directors on 23 September 2011.

Financial Summary

	Years ended 30 June				
	2011	2010	2009	2008	2007
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
RESULTS					
Turnover	**354,577**	264,213	316,940	564,317	695,936
(Loss)/profit from operations	**(147,417)**	(291,589)	(383,655)	117,603	191,917
Finance costs	**(19,118)**	(10,376)	(19,866)	(81,833)	(49,962)
(Loss)/profit from ordinary activities before taxation	**(166,535)**	(301,965)	(403,521)	35,770	141,955
Taxation	**(63,824)**	32,903	43,319	(24,591)	(23,695)
(Loss)/profit from ordinary activities after taxation	**(230,359)**	(269,062)	(360,202)	11,179	118,260
Attributable to:					
Ordinary equity holders of the Company	**(229,653)**	(268,698)	(360,202)	11,179	115,085
Non-controlling interests	**(706)**	(364)	—	—	3,175
	(230,359)	(269,062)	(360,202)	11,179	118,260
Dividends	**—**	—	—	1,977	18,838
ASSETS AND LIABILITIES					
Property, plant and equipment	**161,799**	124,682	290,472	390,299	358,242
Other non-current assets	**46,874**	108,208	85,473	46,111	32,688
Net current assets	**204,546**	392,081	281,381	542,889	635,815
Total assets less current liabilities	**413,219**	624,971	657,326	979,299	1,026,745
Other non-current liabilities	**(56,178)**	(83,973)	(22,861)	(53,166)	(139,958)
	357,041	540,998	634,465	926,133	886,787
EQUITY					
Share capital	**142,152**	123,651	58,661	58,661	58,123
Equity component of convertible bonds	**—**	15,016	—	—	—
Non-redeemable convertible preferred shares	**69,801**	—	—	—	—
Reserves	**145,088**	380,843	575,804	867,472	828,664
Non-controlling interests	**—**	21,488	—	—	—
	357,041	540,998	634,465	926,133	886,787
(Loss)/earnings per share					
— basic	**RMB(15) cents**	RMB(34) cents	RMB(64) cents	RMB2 cents	RMB21 cents
— diluted	**RMB(15) cents**	RMB(34) cents	RMB(64) cents	RMB2 cents	RMB20 cents