



# KINGWELL GROUP LIMITED

*(Incorporated in the Cayman Islands with limited liability)*

Stock Code : 1195



Interim Report 2011-2012



## INTERIM REPORT

For the six months ended 31 December 2011

### HIGHLIGHTS

- Turnover of the Group for the six months ended 31 December 2011 amounted to approximately RMB137,257,000;
- Loss before tax from continuing operations for the six months ended 31 December 2011 amounted to approximately RMB30,483,000;
- Loss attributable to ordinary equity holders of the Company for the six months ended 31 December 2011 amounted to approximately RMB42,784,000;
- Basic loss per share was RMB2.8 cents for the six months ended 31 December 2011;
- Total equity decreased to RMB317,042,000.

## CORPORATE INFORMATION

### DIRECTORS

Hui Lung Hing (*Chairman*)

Xiang Song (*Chief Executive Officer*)

Sze Ming Yee

Lin Wan Xin

Xu Yue Yue

Yang Xue Jun

Huang Jian Zi\*

Cheung Chuen\*

Wong Lai Wing\*

\* *Independent non-executive Director*

### COMPANY SECRETARY

Poon Yan Wai

### AUTHORISED REPRESENTATIVES

Xiang Song

Poon Yan Wai

### AUDIT COMMITTEE

Huang Jian Zi (*Chairman*)

Cheung Chuen

Wong Lai Wing



## REMUNERATION COMMITTEE

Huang Jian Zi (*Chairman*)

Xu Yue Yue

Wong Lai Wing

## 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>

## RESULTS

The board (the “Board”) of directors (the “Directors”) of Kingwell Group Limited (“Kingwell” or the “Company”) herein presents the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 31 December 2011. The interim results of the Group are unaudited but have been reviewed by the Audit Committee of the Company:

### Condensed Consolidated Income Statement

For the six months ended 31 December 2011

(Express in Renminbi)

		<b>Six months ended 31 December</b>	
		<b>2011</b>	2010
		<b>(Unaudited)</b>	(Unaudited and restated)
		<b>RMB'000</b>	RMB'000
	<i>Notes</i>		
<b>CONTINUING OPERATIONS</b>			
REVENUE	4	<b>137,257</b>	168,130
Cost of sales		<b>(129,715)</b>	(157,664)
<b>Gross profit</b>		<b>7,542</b>	10,466
Other income and gains	4	<b>1,607</b>	1,694
Selling and distribution costs		<b>(10,552)</b>	(9,941)
Administrative expenses		<b>(17,278)</b>	(33,641)
Other expenses		<b>(4,946)</b>	(2,199)
Finance costs	5	<b>(6,856)</b>	(7,927)
<b>Loss before tax from continuing operations</b>	6	<b>(30,483)</b>	(41,548)
Income tax expense	7	<b>(4,668)</b>	(1,028)
<b>Loss for the period from continuing operations</b>		<b>(35,151)</b>	(42,576)
<b>DISCONTINUED OPERATION</b>	8		
<b>Loss for the period from discontinued operation</b>		<b>(7,633)</b>	(8,891)
<b>LOSS FOR THE PERIOD</b>		<b>(42,784)</b>	(51,467)

## Condensed Consolidated Income Statement *(continued)*

For the six months ended 31 December 2011

(Express in Renminbi)

		<b>Six months ended 31 December</b>	
		<b>2011</b>	2010
		<b>(Unaudited)</b>	(Unaudited and restated)
Notes		<b>RMB'000</b>	RMB'000
<b>ATTRIBUTABLE TO:</b>			
	Ordinary equity holders of the Company	<b>(42,784)</b>	(52,392)
	Non-controlling interests	—	925
		<b>(42,784)</b>	(51,467)
<b>Loss per share attributable to ordinary equity holders of the Company</b>		<b>RMB</b>	RMB
	9		
Basic			
	— For loss for the period	<b>(2.8) cents</b>	(3.6) cents
	— For loss from continuing operations	<b>(2.3) cents</b>	(2.9) cents
Diluted			
	— For loss for the period	<b>(2.8) cents</b>	(3.6) cents
	— For loss from continuing operations	<b>(2.3) cents</b>	(2.9) cents

## Condensed Consolidated Statement of Comprehensive Income

For the six months ended 31 December 2011

(Express in Renminbi)

	<b>Six months ended</b>	
	<b>31 December</b>	
	<b>2011</b>	2010
	<b>(Unaudited)</b>	(Unaudited
	<b>RMB'000</b>	and restated)
		<b>RMB'000</b>
<b>Loss for the period</b>	<b>(42,784)</b>	(51,467)
<b>Other comprehensive income for the period:</b>		
Exchange differences on translation of foreign operations	2,785	652
Other comprehensive income for the period, net of tax	2,785	652
<b>Total comprehensive loss for the period</b>	<b>(39,999)</b>	(50,815)
<b>Attributable to:</b>		
Ordinary equity holders of the Company	(39,999)	(51,740)
Non-controlling interests	—	925
<b>Total comprehensive loss for the period</b>	<b>(39,999)</b>	(50,815)



# Condensed Consolidated Statement of Financial Position

At 31 December 2011

(Express in Renminbi)

	Notes	At 31 December 2011 (Unaudited) RMB'000	At 30 June 2011 (Audited) RMB'000
<b>Non-current assets</b>			
Property, plant and equipment		196,650	161,799
Prepaid land lease payments		11,531	16,646
Intangible assets		498	626
Deferred tax assets		29,602	29,602
Total non-current assets		238,281	208,673
<b>Current assets</b>			
Inventories		199,688	237,836
Trade and bills receivables	10	60,000	72,804
Prepayments, deposits and other receivables		19,994	22,801
Equity investments at fair value through profit or loss		720	570
Pledged deposits		8,875	9,786
Cash and cash equivalents		226,103	400,298
Total current assets		515,380	744,095
<b>Current liabilities</b>			
Trade and bills payables	11	71,445	102,114
Other payables and accruals		113,492	139,116
Due to a director	12	3,021	2,267
Interest-bearing bank and other borrowings	13	191,635	290,000
Tax payable		8,848	6,052
Total current liabilities		388,441	539,549
<b>Net current assets</b>		<b>126,939</b>	<b>204,546</b>

## Condensed Consolidated Statement of Financial Position (Continued)

At 31 December 2011

(Express in Renminbi)

	Notes	At 31 December 2011 (Unaudited) RMB'000	At 30 June 2011 (Audited) RMB'000
<b>Total assets less current liabilities</b>		<b>365,220</b>	413,219
<b>Non-current liabilities</b>			
Non-redeemable convertible preferred shares		8,183	8,183
Interest-bearing bank and other borrowings	13	25,000	33,000
Deferred tax liabilities		14,995	14,995
Total non-current liabilities		<b>48,178</b>	56,178
<b>NET ASSETS</b>		<b>317,042</b>	357,041
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	14	142,152	142,152
Non-redeemable convertible preferred shares		69,801	69,801
Reserves		105,089	145,088
<b>TOTAL EQUITY</b>		<b>317,042</b>	357,041

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 December 2011

(Express in Renminbi)

	Attributable to owners of the Company													
	Issued capital	Share premium account	Share option reserve	Non-redeemable convertible preferred shares	Statutory reserve	Warrants reserve	Capital reserve	Capital contribution reserve	Equity component of convertible bonds	Exchange fluctuation reserve	Accumulated losses	Total	Non-controlling interests	Total equity
<i>(Audited)</i>														
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	—	—	—	69,801	—	—	(57,037)	—	—	—	—	12,764	(20,782)	(8,018)
Issued of shares upon conversion of convertible bonds	18,443	33,195	—	—	—	—	—	—	(15,016)	—	—	36,622	—	36,622
Equity-settled share option arrangements	—	—	11,675	—	—	—	—	—	—	—	—	11,675	—	11,675
Exercise of share options	58	109	—	—	—	—	—	—	—	—	—	167	—	167
Transfer from share option reserve	—	62	(62)	—	—	—	—	—	—	—	—	—	—	—
Issue of warrants	—	—	—	—	—	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
<i>(Unaudited)</i>														
At 1 July 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
Loss for the period	—	—	—	—	—	—	—	—	—	—	(42,784)	(42,784)	—	(42,784)
Other comprehensive income for the period:														
Exchange differences on translation of foreign operations	—	—	—	—	—	—	—	—	—	2,785	—	2,785	—	2,785
Total comprehensive loss for the period	—	—	—	—	—	—	—	—	—	2,785	(42,784)	(39,999)	—	(39,999)
At 31 December 2011	142,152	375,550	18,392	69,801	14,274	1,828	6,929	48,448	—	34,004	(394,336)	317,042	—	317,042

## Condensed Consolidated Cash Flow Statement

For the six months ended 31 December 2011

(Express in Renminbi)

	Six months ended 31 December	
	2011 (Unaudited) RMB'000	2010 (Unaudited) RMB'000
Cash used in operations	(3,674)	(9,759)
Tax paid	(1,827)	(400)
Net cash used in operating activities	(5,501)	(10,159)
Net cash used in investing activities	(145,653)	(75,015)
Net cash (used in)/generated from financing activities	(23,080)	28,048
Net decrease in cash and cash equivalents	(174,234)	(57,126)
Cash and cash equivalents at 1 July	400,298	476,972
Effect of foreign exchange rates changes	39	652
Cash and cash equivalents at 31 December	226,103	420,498
Analysis of balances of cash and cash equivalents:		
Cash and bank balances	226,103	420,498

# Notes to the unaudited Interim Financial Report

For the six months ended 31 December 2011

(Express in Renminbi)

## 1. BASIS OF PREPARATION

This unaudited condensed consolidated interim financial statements for the six months ended 31 December 2011 have been prepared in accordance with the disclosure requirements set out in Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and the Hong Kong Accounting Standard (HKAS) 34, Interim financial reporting, issued by the Hong Kong Institute of Certified Public Accountants (HKICPA). These unaudited condensed consolidated financial statements are presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand except when otherwise indicated.

The unaudited condensed consolidated interim financial statements do not include all the information and disclosure required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 30 June 2011.

## 2. ACCOUNTING POLICIES

The accounting policies and basis of preparation adopted in the preparation of the unaudited condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group’s financial statements for the year ended 30 June 2011, except for the adoption of the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”, which include all Hong Kong Financial Reporting Standards, HKASs and interpretations) issued by the HKICPA that affect the Group and are adopted for the first time for the current period’s financial statements.

HKFRS 1 Amendments	Amendments to HKFRS 1 <i>First-time Adoption of HKFRSs — Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters</i>
HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial instruments: Disclosures — Transfers of Financial Assets</i>
HKAS 24 (Revised)	<i>Related Party Disclosures</i>
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 <i>Prepayments of a Minimum Funding Requirement</i>
HK(IFRIC)-Int 19	<i>Extinguishing Financial Liabilities with Equity Instruments</i>
<i>Improvements to HKFRSs 2010</i>	Amendments to a numbers of HKFRSs issued in May 2010

The adoption of the new standards and interpretations has had no material effect on the accounting policies of the Group and the methods of computation in the unaudited condensed consolidated interim financial statements.

## Notes to the unaudited Interim Financial Report *(continued)*

For the six months ended 31 December 2011

(Express in Renminbi)

### 3. OPERATING SEGMENT INFORMATION

For management purpose, 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. During the period, the Group sold the whole of the SMT services segment; 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.

## Notes to the unaudited Interim Financial Report (continued)

For the six months ended 31 December 2011

(Express in Renminbi)

### 3. OPERATING SEGMENT INFORMATION (continued)

Period ended 31 December 2011

	Continuing operations		Discontinued operations	Total (Unaudited) RMB'000
	Electronic products (Unaudited) RMB'000	Property development (Unaudited) RMB'000	SMT Processing services (Unaudited) RMB'000	
<b>Segment revenue</b>				
Sales to external customers	92,680	44,577	2,309	139,566
Other revenue	636	18	2,273	2,927
	93,316	44,595	4,582	142,493
Segment results	(25,029)	8,881	(4,973)	(21,121)
<b>Reconciliation</b>				
Interest income				953
Corporate and other unallocated expenses				(7,233)
Finance costs				(10,715)
Loss before tax				(38,116)

## Notes to the unaudited Interim Financial Report (continued)

For the six months ended 31 December 2011

(Express in Renminbi)

### 3. OPERATING SEGMENT INFORMATION (continued)

Period ended 31 December 2010

	Continuing operations		Discontinued operation	Total (Unaudited and restated) RMB'000
	Electronic products (Unaudited and restated) RMB'000	Property development (Unaudited and restated) RMB'000	SMT Processing services (Unaudited and restated) RMB'000	
<b>Segment revenue</b>				
Sales to external customers	137,190	30,940	2,390	170,520
Other revenue	313	—	297	610
	137,503	30,940	2,687	171,130
Segment results	(34,490)	7,282	(8,219)	(35,427)
<b>Reconciliation</b>				
Interest income				1,381
Corporate and other unallocated expenses				(7,914)
Finance costs				(8,479)
Loss before tax				(50,439)



## Notes to the unaudited Interim Financial Report (continued)

For the six months ended 31 December 2011

(Express in Renminbi)

### 4. REVENUE, OTHER INCOME AND GAINS

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

	Six Months ended 31 December	
	2011 (Unaudited) RMB'000	2010 (Unaudited and restated) RMB'000
<b>Revenue</b>		
Sales of goods	92,680	137,190
Sales of properties	44,577	30,940
	137,257	168,130
<b>Other income and gains</b>		
Bank interest income	953	1,381
Others	654	313
	1,607	1,694

### 5. FINANCE COSTS

An analysis of finance costs from continuing operations as follows:

	Six Months ended 31 December	
	2011 (Unaudited) RMB'000	2010 (Unaudited and restated) RMB'000
Interest on:		
Bank and other borrowings	6,856	7,927

No interest was capitalised by the Group in both periods.

## Notes to the unaudited Interim Financial Report (continued)

For the six months ended 31 December 2011

(Express in Renminbi)

### 6. LOSS BEFORE TAX

The Group's loss before tax from continuing operations is arrived at after charging the following:

	Six Months ended 31 December	
	2011 (Unaudited) RMB'000	2010 (Unaudited and restated) RMB'000
Cost of inventories sold	96,785	135,069
Cost of properties sold	32,930	22,595
Depreciation	11,181	12,952
Amortisation of intangible assets	106	223
Operating lease rental	582	632
Staff costs (including directors' remuneration)	10,618	14,847

### 7. INCOME TAX EXPENSE

Taxation in the condensed consolidated income statement presents:

	Six Months ended 31 December	
	2011 (Unaudited) RMB'000	2010 (Unaudited and restated) RMB'000
Current tax — Mainland China provision for enterprise income tax	4,668	1,028

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 period. 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.

## Notes to the unaudited Interim Financial Report (continued)

For the six months ended 31 December 2011

(Express in Renminbi)

### 8. DISCONTINUED OPERATION

On 28 December 2011, the Company disposed of its equity interest in Winrise International Limited and its subsidiaries (collectively the "Winrise Group") to an independent third party. The Winrise Group is engaged in the provision of surface mounting technology processing services. The disposal of the Winrise Group was completed on 31 December 2011. The above transaction was less than 5% size tests according to the Listing rules in Hong Kong.

	Six Months ended 31 December	
	2011 (Unaudited) RMB'000	2010 (Unaudited and restated) RMB'000
Revenue	2,309	2,390
Expenses	(8,051)	(10,729)
Finance costs	(3,859)	(552)
Loss from the discontinued operation	(9,601)	(8,891)
Gain on disposal of Winrise Group	1,968	—
Loss before tax from the discontinued operation	(7,633)	(8,891)
Income tax expense	—	—
Loss for the period from the discontinued operation	(7,633)	(8,891)
Loss attributable to equity owners of the Company	(7,633)	(8,891)
The net cash flow incurred by the Winrise Group is as follows:		
Operating activities	1,272	5,616
Investing activities	98,006	(8,832)
Financing activities	(15,000)	23,500
Net cash inflow	84,278	20,284
Loss per share:		
Basic, from the discontinued operation	(0.5 cents)	(0.7 cents)
Diluted, from the discontinued operation	(0.5 cents)	(0.7 cents)

## Notes to the unaudited Interim Financial Report (continued)

For the six months ended 31 December 2011

(Express in Renminbi)

### 8. DISCONTINUED OPERATION (continued)

The calculation of basic and diluted loss per share from the discontinued operation is based on:

	2011 RMB	2010 RMB
Loss attributable to ordinary equity holders of the Company from the discontinued operation	7,633,000	8,891,000
Weighted average number of ordinary shares in issue during the period used in the basic loss per share calculation	1,512,716,500	1,479,312,137
Weighted average number of ordinary shares used in the diluted loss per share calculation	1,512,716,500	1,479,312,137

### 9. 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 period attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 1,512,716,500 (2010: 1,479,312,137) in issue during the period.

No adjustment has been made to the basic loss per share amounts presented for the period ended 31 December 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.

## Notes to the unaudited Interim Financial Report (continued)

For the six months ended 31 December 2011

(Express in Renminbi)

### 9. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY (continued)

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

	Six Months ended 31 December	
	2011  (Unaudited) RMB'000	2010  (Unaudited and restated) RMB'000
<b>Loss</b>		
Loss attributable to ordinary equity holders of the Company, used in the basic loss per share calculation:	42,784,000	52,392,000

	Number of shares	
	2011	2010
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the period used in the basic loss per share calculation	1,512,716,500	1,479,312,137
Effect of dilution — weighted average number of ordinary shares	1,512,716,500	1,479,312,137

## Notes to the unaudited Interim Financial Report *(continued)*

For the six months ended 31 December 2011

(Express in Renminbi)

### 9. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY *(continued)*

For the periods ended 31 December 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 periods and were ignored in the calculation of diluted loss per share. Therefore, diluted loss per share amounts were based on the loss for the periods of RMB42,784,000 and RMB52,392,000, respectively, and the weighted average number of ordinary shares of 1,512,716,500 and 1,479,312,137, respectively, in issue during the periods.

### 10. TRADE AND BILLS RECEIVABLES

	31 December 2011 (Unaudited) RMB'000	30 June 2011 (Audited) RMB'000
Trade and bills receivables	126,256	139,752
Impairment	(66,256)	(66,948)
	60,000	72,804

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.

## Notes to the unaudited Interim Financial Report (continued)

For the six months ended 31 December 2011

(Express in Renminbi)

### 10. 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:

	31 December 2011 (Unaudited) RMB'000	30 June 2011 (Audited) RMB'000
Within 1 month	37,673	66,497
1 to 3 months	10,367	5,393
3 months to 1 year	11,960	914
	60,000	72,804

### 11. 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:

	31 December 2011 (Unaudited) RMB'000	30 June 2011 (Audited) RMB'000
Within 1 month	31,125	52,412
1 to 3 months	21,415	33,727
3 months to 1 year	15,228	13,774
Over 1 year	3,677	2,201
	71,445	102,114

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

As at 31 December 2011, the Group's bills payable were secured by the deposit of RMB8,875,000 (30 June 2011: RMB3,450,000).

## Notes to the unaudited Interim Financial Report (continued)

For the six months ended 31 December 2011

(Express in Renminbi)

### 12. DUE TO A DIRECTOR

	31 December 2011 (Unaudited) RMB'000	30 June 2011 (Audited) RMB'000
Mr. Lin Wan Xin	3,021	2,267

The amount due to the director is unsecured, interest-free and has no fixed terms of repayment.

### 13. INTEREST-BEARING BANK AND OTHER BORROWINGS

	31 December 2011 (Unaudited) RMB'000	30 June 2011 (Audited) RMB'000
Within one year or on demand	191,635	290,000
In the second to fifth years, inclusive	25,000	33,000
	216,635	323,000



## Notes to the unaudited Interim Financial Report (continued)

For the six months ended 31 December 2011

(Express in Renminbi)

### 14. SHARE CAPITAL

	31 December 2011 (Unaudited)	30 June 2011 (Audited)
<i>Authorised:</i>		
5,000,000,000 ordinary shares of HK\$0.10 each	500,000	500,000
100,000,000 convertible preferred shares of HK\$1.00 each	100,000	100,000
	600,000	600,000

	31 December 2011 (Unaudited) RMB'000	30 June 2011 (Audited) RMB'000
<i>Issued and fully paid</i>		
1,512,716,500 ordinary shares of HK\$0.10 each	142,152	142,152

### 15. OPERATING LEASE ARRANGEMENTS

The Group had the following operating lease arrangements at the end of the reporting period:

	31 December 2011 (Unaudited) RMB'000	30 June 2011 (Audited) RMB'000
Within one year	360	800
In the second to fifth years, inclusive	605	968
	965	1,768

## Notes to the unaudited Interim Financial Report (continued)

For the six months ended 31 December 2011

(Express in Renminbi)

### 16. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	31 December 2011 (Unaudited) RMB'000	30 June 2011 (Audited) RMB'000
Contracted but not provided for: buildings, plant and machinery	29,847	1,621

### 17. RELATED PARTY TRANSACTIONS

The Group entered into a lease agreement through an arm's length transaction 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. During the period, the Company paid a total of HK\$270,000 (RMB218,889) to Truroll Investment Limited.

### 18. COMPARATIVE FIGURES

The comparative condensed consolidated income statement, condensed consolidated statement of comprehensive income and the related notes to the financial statements have been re-presented as if the operation discontinued during the current period had been discontinued at the beginning of the comparative period (note 8).

## Notes to the unaudited Interim Financial Report *(continued)*

For the six months ended 31 December 2011

(Express in Renminbi)

### 19. EVENTS AFTER THE END OF THE REPORTING PERIOD

(a) *Disposal of Herowin Group*

On 18 January 2012, the Company and the buyer, an independent third party, entered into the Sale and Purchase Agreement, in which the Company disposed of its equity interest in Herowin Limited and its subsidiaries (collectively the "Herowin Group"). The Herowin Group is not yet commenced business. The disposal of the Herowin Group was completed on 31 January 2012. The above transaction was less than 5% size tests according to the Listing rules in Hong Kong.

(b) *Issued of the warrants*

On 31 January 2012, the Company and three independent Subscribers entered into the Warrant Subscription Agreements pursuant to which the Subscribers conditionally agreed with the Company to subscribe up to 100,000,000 Warrants. The completion of the subscription of warrants took place on 10 February 2012.

The Issue Price per Warrant is HK\$0.01 and the Subscription Price is HK\$0.29 per New Share (subject to adjustment).

Upon the exercise of the subscription rights attaching to the Warrants in full, a maximum of 100,000,000 New Shares will be issued and allotted, representing approximately 6.61% of the existing issued share capital of the Company and approximately 6.20% of the issued share capital of the Company as enlarged by the issue and allotment of the New Shares.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Review of Operation

For the six months ended 31 December 2011 (the “Period”), turnover of the Group from continuing operations amounted to RMB137,257,000 (2010: RMB168,130,000), representing a decrease of approximately 18.4% as compared to the corresponding period in last year. The decrease in turnover was mainly due to the slow market in electronic business.

During the Period, the Group recorded a gross profit from continuing operations of approximately RMB7,542,000 (2010: gross profit of RMB10,466,000) and operating loss before tax from continuing operations of RMB30,483,000 (2010: operating loss before tax of RMB41,548,000). The decrease in gross profit was mainly due to the loss in electronic business. The decrease in operating loss was mainly attributable to the decrease in administrative costs during the Period.

The loss attributable to ordinary equity holders of the Company for the Period was RMB42,784,000 (2010: loss of RMB52,392,000). The loss for the period from discontinued operation was RMB7,633,000 (2010: loss of RMB8,891,000) which included the gain on disposal from discontinued operation of RMB1,968,000 (2010: Nil). Basic loss per share during the Period was RMB2.8 cents (2010: basic loss per share was RMB3.6 cents).

### Business Review

#### Electronic Business

After the disposal of the surface mounting technology processing services (“SMT”), the Electronic business is principally engaged in the manufacture and sales of rigid printed circuit boards (“PCBs”) and flexible printed circuit boards (“FPCBs”).

During the Period, the continued uncertainties in the global economy as well as the harsh operating environment in China continued to pose various challenges to the electronics industry. Both the Group’s orders and average selling prices were under pressure amid intense market competition.

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



## 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 wholly owned by the Group. The project comprises three phases, with a total gross floor area of approximately 272,568 square meters. The construction of the project has been fully completed. The property of the project has been on sale and contributed to the Group’s revenue during the Period. The project marks the successful entry by the Group into the property development business and provides support in achieving the strategy of business diversification and generating new sources of income in order to improve the Group’s results during the Period.

## Business Prospects

In 2012, it is anticipated that the global economy will become more uncertain and volatile, leading to unfavourable market conditions and continues to pose challenges to the electronics industry as well as the Group. Domestic demand growth for electronic products in China has slowed down, while exports to overseas regions are also weakened, which brings more difficulties in obtaining orders and triggers more intense competition within the industry. The unfavorable operating environment will continue as growing inflation in China causes a rapid rise in labour and raw material costs, leading to surging manufacture costs. Also, the appreciation of the Renminbi will constantly add pressure to the recovery of sales orders and selling prices of products of the Group. In view of the above, acquisition of new sales orders is expected to be limited as clients continue to be cautious and the electronic product demand is relatively unstable. The Group will continue to strictly implement various cost control measures to further enhance the Group’s overall business competitiveness.

The Group has successfully entered into the property development business and possesses a high quality residential development project in Hubei province, PRC. The construction of the project with three phases has been fully completed and the property is currently on sale. The project will continue to contribute to the Group’s income.

In order to promote long-term business development and enhance its earning base, 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. The Group is studying high quality potential projects in the field that will serve as the momentum to increase profitability of the Group and help to propel the Group’s strategy of business diversification.

Looking ahead, leverage on its solid client foundation, high quality products and cutting-edge technology, the Group will endeavour to maintain business stability and be fully prepared to meet the challenges and capture potential business opportunities in the market. 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

At 31 December 2011, the Group had cash and cash equivalents, net current assets and total assets less current liabilities of approximately RMB226,103,000 (30 June 2011: approximately RMB400,298,000), RMB126,939,000 (30 June 2011: approximately RMB204,546,000) and RMB365,220,000 (30 June 2011: approximately RMB413,219,000) respectively.

At 31 December 2011, the Group had total interest-bearing bank and other borrowings of RMB216,635,000 (30 June 2011: approximately RMB323,000,000), included in these borrowings, RMB191,635,000 were short-term and RMB25,000,000 were long-term. All of the interest-bearing bank borrowings were either unsecured or secured by interest in leasehold land given by subsidiary companies.

The total interest-bearing bank and other 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 31 December 2011 decreased by RMB39,999,000 to RMB317,042,000 (30 June 2011: RMB357,041,000). The gearing ratio (calculated as the ratio of net debt: capital and net debt) of the Group as at 31 December 2011 was 35% (30 June 2011: 31%).

## Significant Investments

The Group had no other significant investment held during the six months ended 31 December 2011.

## Acquisition and Disposal of Subsidiaries and Associated Companies

On 28 December 2011, the Company disposed of its equity interest in Winrise International Limited and its subsidiaries (collectively the “Winrise Group”) to an independent third party. The Winrise Group is engaged in the provision of surface mounting technology processing services. The disposal of the Winrise Group was completed on 31 December 2011. The above transaction was less than 5% size tests according to the Listing rules in Hong Kong.

Save as disclosed above, The Group had no other material acquisition and disposals of subsidiaries and affiliated companies, during the six months ended 31 December 2011.



## Employment Information

At 31 December 2011, the Group employed a total of 1,209 (2010: 1,422) employees. It is the Group's policy to review its employee's pay levels and performance bonus system regularly to ensure the competitiveness of the Group's remuneration policy within the relevant industry. During the six months ended 31 December 2011, the employment cost (including directors' emoluments) amounted to approximately RMB10,618,000. In order to align the interests of staff, Directors and consultants with the Group, share options would be granted to staff, Directors and consultants under the Company's 2010 share options schemes (the "2010 Scheme"). As at December 2011, there were 150,516,000 share options outstanding under the 2010 Scheme.

## Charges on Group Assets

As at 31 December 2011, certain interests in leasehold land held for own use under operating leases and buildings held for own use of RMB126,794,810 (30 June 2011: RMB134,604,000) were pledged to banks for bank loans totalling RMB158,357,681 (30 June 2011: RMB257,000,000) granted to the Group.

## Future Plans for Material Investments and Expected Sources of Funding

The Group had no future plans for material investments as at 31 December 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 affects the Group's result of operations. The Group did not employ any financial instruments for hedging purposes.

## Capital Commitment

At 31 December 2011, in respect of capital expenditures, the Group had contracted for but not provided in the financial statements amounted to approximately RMB29,847,000.

## Contingent Liabilities

At 31 December 2011, the Group did not have any material contingent liabilities.

## DIVIDENDS

The Board did not recommend the payment of any interim dividend for the six months ended 31 December 2011 (2010: Nil).

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

As at 31 December 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 Sze Ming Yee.*

Save as disclosed above, as at 31 December 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.



## SHARE OPTIONS

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

Name or category of participant	Date of grant	Outstanding as at	Granted during	Exercised during the	Cancelled/ Lapsed during the	Outstanding as at	Exercisable Period	Exercise price	Market value per share at date of grant of options
		1 July 2011	the period	period	period	31 December 2011		HK\$	HK\$
(a) Directors									
Yang Xue Jun	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
Sze Ming Yee	26 May 2010	2,000,000	—	—	—	2,000,000	26 May 2010 to 25 May 2015	0.287	0.285
Hui Lung 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	40,816,000	—	—	—	40,816,000	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
		150,516,000	—	—	—	150,516,000			



## DISCLOSURE OF INFORMATION ON DIRECTORS

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

Mr. Hui Lung Hing, Ms. Xu Yue Yue, Mr. Sze Ming Yee and Mr. Yang Xue Jun, are executive Directors, all of them have re-entered into service agreements with the Company for a term of one year commencing from 1 January 2012 and their remuneration had been adjusted to HK\$100,000, HK\$20,000, HK\$20,000, HK\$20,000 per month respectively.

Mr. Huang Jian Zi, Mr. Cheung Chuen and Ms. Wong Lai Wing, are independent non-executive Directors, have re-entered into appointment letters with the Company for a term of one year commencing from 1 December 2011, 1 January 2012 and 1 January 2012 respectively and their remuneration had been adjusted to HK\$5,000, HK\$ 10,000 and HK\$20,000 per month.

Mr. Hui Lung Hing, an Executive Director, has been appointed as the Chairman of the Company following Ms. Xu Yue Yue's resignation as the Chairman on 1 January 2012. Mr. Huang Jian Zi, an independent non-executive Director, has been appointed as the Chairman of Remuneration Committee of the Company following Ms. Xu Yue Yue's resignation as the Chairman of Remuneration Committee of the Company on 1 January 2012.

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

As at 31 December 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 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	276,666,667	—	83,000,000 (Note 2)	18.29
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 Sze Ming Yee.

Note 2: 83,000,000 non-redeemable convertible preferred shares are held by Mr. Yin Jia Tang which is convertible into 276,666,667 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 31 December 2011.



## **DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES**

Saved as disclosed under the section headed "Share Options" and "Directors' Interests in Securities" above, at no time during the Period was the Company or any of its subsidiaries, its holding company, or any of its fellow subsidiaries a party to any arrangement to enable the Directors or chief executives of the Company or their respective associates (as defined in the Listing Rules) to acquire benefits by means of acquisition of shares in or debentures of, the Company or any other body corporate.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

During the six months ended 31 December 2011, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## **CORPORATE GOVERNANCE**

The Company has complied with the code provisions in Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules throughout the six months ended 31 December 2011

## **MODEL CODE**

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

## **DIRECTORS' INTEREST IN COMPETING BUSINESS**

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

## PRE-EMPTIVE RIGHTS

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

## REMUNERATION COMMITTEE

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

## AUDIT COMMITTEE

The Company has established an audit committee on 8 May 2001 with written terms of reference. The duties of the audit committee of the Company are to review and discuss on the effectiveness of the external audit and risk evaluation of the Company, as well as the Company's annual report and accounts, interim reports and to provide advice and comments to the Board. The audit committee of the Company comprised three independent non-executive Directors, namely Mr. Huang Jian Zi, Ms. Wong Lai Wing and Mr. Cheung Chuen. The Company's interim results for the six months ended 31 December 2011 have not audited, but have reviewed by the Audit Committee.

On behalf of the Board

**Hui Lung Hing**

*Chairman*

Hong Kong, 24 February 2012