



KINGWELL GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)
Stock Code : 1195

2012-2013

INTERIM REPORT



INTERIM REPORT

For the six months ended 31 December 2012

HIGHLIGHTS

- Turnover of the Group for the six months ended 31 December 2012 amounted to approximately RMB101,839,000;
- Loss before tax for the six months ended 31 December 2012 amounted to approximately RMB15,327,000;
- Loss attributable to ordinary equity holders of the Company for the six months ended 31 December 2012 amounted to approximately RMB13,729,000;
- Loss per share was RMB0.9 cents for the six months ended 31 December 2012;
- Total equity increased to RMB234,497,000.

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

Cheung Chuen

NOMINATION COMMITTEE

Hui Lung Hing (*Chairman*)

Huang Jian Zi

Wong Lai Wing

CORPORATE GOVERNANCE COMMITTEE

Wong Lai Wing (*Chairman*)

Huang Jian Zi

Cheung Chuen

LEGAL ADVISER FOR CAYMAN ISLANDS LAW

Conyers Dill & Pearman

AUDITOR

Ernst & Young

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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road
George Town
Grand Cayman
KY1-1110
Cayman Islands

HONG KONG BRANCH REGISTRAR AND TRANSFER OFFICE

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**TRADING CODE ON THE STOCK EXCHANGE OF
HONG KONG LIMITED**

1195

WEBSITE

<http://kingwell.todayir.com>

RESULTS

The board (the “Board”) of directors (the “Directors”) of Kingwell Group Limited (“Kingwell” or the “Company”) herein presents the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 31 December 2012. 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 2012

(Express in Renminbi)

	Notes	Six months ended 31 December	
		2012 (Unaudited) RMB'000	2011 (Unaudited) RMB'000
CONTINUING OPERATIONS			
REVENUE	4	101,839	137,257
Cost of sales		(83,963)	(129,715)
Gross profit		17,876	7,542
Other income and gains	4	20,015	1,607
Selling and distribution costs		(4,135)	(10,552)
Administrative expenses		(16,019)	(17,278)
Other expenses		(26,903)	(4,946)
Finance costs	5	(6,161)	(6,856)
Loss before tax from continuing operations	6	(15,327)	(30,483)
Income tax expense	7	(3,930)	(4,668)
Loss for the period from continuing operations		(19,257)	(35,151)
DISCONTINUED OPERATION			
Loss for the period from discontinued operation	8	—	(7,633)
LOSS FOR THE PERIOD		(19,257)	(42,784)

Condensed Consolidated Income Statement *(continued)**For the six months ended 31 December 2012**(Express in Renminbi)*

	Notes	Six months ended 31 December	
		2012 (Unaudited) RMB'000	2011 (Unaudited) RMB'000
ATTRIBUTABLE TO:			
Ordinary equity holders of the Company		(13,729)	(42,784)
Non-controlling interests		(5,528)	—
Total		(19,257)	(42,784)
		RMB	RMB
Loss per share attributable to ordinary equity holders of the Company			
Basic			
— For loss for the period	9	(0.9) cents	(2.8) cents
— For loss from continuing operations		(0.9) cents	(2.3) cents
Diluted			
— For loss for the period		(0.9) cents	(2.8) cents
— For loss from continuing operations		(0.9) cents	(2.3) cents

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 31 December 2012

(Express in Renminbi)

	Six months ended 31 December	
	2012 (Unaudited) RMB'000	2011 (Unaudited) RMB'000
Loss for the period	(19,257)	(42,784)
Other comprehensive income for the period:		
Exchange differences on translation of foreign operations	13	2,785
Other comprehensive income for the period, net of tax	13	2,785
Total comprehensive loss for the period	(19,244)	(39,999)
Attributable to:		
Ordinary equity holders of the Company	(13,716)	(39,999)
Non-controlling interests	(5,528)	—
Total comprehensive loss for the period	(19,244)	(39,999)

Condensed Consolidated Statement of Financial Position

At 31 December 2012

(Express in Renminbi)

	Notes	At 31 December 2012 (Unaudited) RMB'000	At 30 June 2012 (Audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		66,817	64,611
Investment properties		1,800	1,800
Prepaid land lease payments		1,770	1,770
Intangible assets		156,485	479
Deferred tax assets		963	963
Total non-current assets		227,835	69,623
CURRENT ASSETS			
Inventories		173,035	225,402
Trade and bills receivables	10	26,695	34,485
Prepayments, deposits and other receivables		11,828	23,872
Equity investments at fair value through profit or loss		544	494
Pledged deposits		6,294	10,735
Cash and cash equivalents		175,513	147,332
Total current assets		393,909	442,320
CURRENT LIABILITIES			
Trade and bills payables	11	43,732	79,686
Other payables and accruals		81,359	80,512
Due to directors	12	1,380	582
Interest-bearing bank and other borrowings	13	163,791	103,597
Liability component of convertible note		9,532	—
Tax payable		4,413	7,117
Total current liabilities		304,207	271,494
NET CURRENT ASSETS		89,702	170,826

Condensed Consolidated Statement of Financial Position (continued)

At 31 December 2012

(Express in Renminbi)

	Notes	At 31 December 2012 (Unaudited) RMB'000	At 30 June 2012 (Audited) RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		317,537	240,449
Non-current liabilities			
Due to directors	12	22,523	—
Non-redeemable convertible preferred shares		9,236	9,236
Interest-bearing bank and other borrowings	13	37,000	62,800
Deferred tax liabilities		14,281	14,281
Total non-current liabilities		83,040	86,317
NET ASSETS		234,497	154,132
EQUITY			
Equity attributable to owners of the Company			
Issued capital	14	143,052	142,239
Non-redeemable convertible preferred shares		69,801	69,801
Equity component of convertible note		611	—
Reserves		(69,952)	(57,908)
		143,512	154,132
Non-controlling interests		90,985	—
TOTAL EQUITY		234,497	154,132

Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 December 2012

(Express in Renminbi)

	Attributable to owners of the Company													Total equity RMB'000
	Issued capital RMB'000	Share premium RMB'000	Share option reserve RMB'000	Non-redeemable convertible preferred shares RMB'000	Equity component of convertible note RMB'000	Statutory reserve RMB'000	Warrants reserve RMB'000	Capital reserve RMB'000	Capital contribution reserve RMB'000	Exchange fluctuation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	
(Audited)														
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 year	—	—	—	—	—	—	—	—	—	—	(204,591)	(204,591)	—	(204,591)
Other comprehensive income for the year:														
Exchange differences on translation of foreign operations	—	—	—	—	—	—	—	—	—	616	—	616	—	616
Total comprehensive loss for the year	—	—	—	—	—	—	—	—	—	616	(204,591)	(203,975)	—	(203,975)
Exercise of share options	87	165	—	—	—	—	—	—	—	—	—	252	—	252
Transfer from share option reserve	—	80	(80)	—	—	—	—	—	—	—	—	—	—	—
Issue of warrants	—	—	—	—	—	—	814	—	—	—	—	814	—	814
Transfer of warrants reserve upon the expiry of the warrants	—	—	—	—	—	—	(1,828)	—	—	—	1,828	—	—	—
Transfer from retained profits	—	—	—	—	—	1,932	—	—	—	—	(1,932)	—	—	—
At 30 June 2012	142,239	375,795	18,312	69,801	—	16,206	814	6,929	48,448	31,835	(556,247)	154,132	—	154,132
(Unaudited)														
At 1 July 2012	142,239	375,795	18,312	69,801	—	16,206	814	6,929	48,448	31,835	(556,247)	154,132	—	154,132
Loss for the period	—	—	—	—	—	—	—	—	—	—	(13,729)	(13,729)	(5,528)	(19,257)
Other comprehensive income for the period:														
Exchange differences on translation of foreign operations	—	—	—	—	—	—	—	—	—	13	—	13	—	13
Total comprehensive loss for the period	—	—	—	—	—	—	—	—	—	13	(13,729)	(13,716)	(5,528)	(19,244)
Acquisition of subsidiaries	—	—	—	—	—	—	—	—	—	—	—	—	96,513	96,513
Issue of convertible note	—	—	—	—	611	—	—	—	—	—	—	611	—	611
Exercise of share options	813	1,672	—	—	—	—	—	—	—	—	—	2,485	—	2,485
At 31 December 2012	143,052	377,467	18,312	69,801	611	16,206	814	6,929	48,448	31,848	(569,976)	143,512	90,985	234,497

Condensed Consolidated Statement of Cash Flows

For the six months ended 31 December 2012

(Express in Renminbi)

	Six months ended 31 December	
	2012 (Unaudited) RMB'000	2011 (Unaudited) RMB'000
Cash generated from/(used in) operations	16,433	(3,674)
Tax paid	(6,634)	(1,827)
Net cash generated from/(used in) operating activities	9,799	(5,501)
Net cash used in investing activities	(35,880)	(145,653)
Net cash generated from/(used in) financing activities	54,249	(23,080)
Net increase/(decrease) in cash and cash equivalents	28,168	(174,234)
Cash and cash equivalents at 1 July	147,332	400,298
Effect of foreign exchange rates changes	13	39
Cash and cash equivalents at 31 December	175,513	226,103
Analysis of balances of cash and cash equivalents:		
Cash and bank balances	175,513	226,103

Notes to the unaudited Interim Financial Report

For the six months ended 31 December 2012

(Express in Renminbi)

1. BASIS OF PREPARATION

This unaudited condensed consolidated interim financial statements for the six months ended 31 December 2012 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 2012.

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 2012, 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.

HKAS 1 Amendments	Amendments to HKAS 1 <i>Presentation of Financial Statements</i> — <i>Presentation of Items of Other Comprehensive Income</i>
HKAS 12 Amendments	Amendments to HKAS 12 <i>Income Taxes</i> — <i>Deferred Tax: Recovery of Underlying Assets</i>

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 2012

(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”);
- (b) the property development segment engages in the development of villas, houses, apartments, residential buildings and commercial buildings; and
- (c) the gold mining segment engages in the exploration and exploitation of gold mines.

In last year, the Group sold the SMT services segment. Therefore, the Group presented the SMT services segment as discontinued operation.

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, gain on acquisition of subsidiaries as well as corporate and other unallocated expenses are excluded from such measurement.

Notes to the unaudited Interim Financial Report (continued)

For the six months ended 31 December 2012

(Express in Renminbi)

3. OPERATING SEGMENT INFORMATION (continued)

Period ended 31 December 2012

	Continuing operations			Discontinued operation	Total (Unaudited) RMB'000
	Electronic products (Unaudited) RMB'000	Property development (Unaudited) RMB'000	Gold mining (Unaudited) RMB'000	SMT processing services (Unaudited) RMB'000	
Segment revenue:					
Sales to external customers	40,128	61,711	—	—	101,839
Other revenue	—	18	—	—	18
	40,128	61,729	—	—	101,857
Segment results:	(31,358)	15,613	(10,601)	—	(26,346)
Reconciliation:					
Interest income					706
Gain on acquisition of subsidiaries					19,291
Corporate and other unallocated expenses					(2,817)
Finance costs					(6,161)
Loss before tax					(15,327)

Notes to the unaudited Interim Financial Report (continued)

For the six months ended 31 December 2012

(Express in Renminbi)

3. OPERATING SEGMENT INFORMATION (continued)

Period ended 31 December 2011

	Continuing operations			Discontinued operation	Total (Unaudited) RMB'000
	Electronic products (Unaudited) RMB'000	Property development (Unaudited) RMB'000	Gold mining (Unaudited) RMB'000	SMT processing services (Unaudited) RMB'000	
Segment revenue:					
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)
Reconciliation:					
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 2012

(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	
	2012 (Unaudited) RMB'000	2011 (Unaudited) RMB'000
Revenue		
Sales of goods	40,128	92,680
Sales of properties	61,711	44,577
	101,839	137,257
Other income and gains		
Bank interest income	706	953
Gain on acquisition of subsidiaries	19,291	—
Other	18	654
	20,015	1,607

5. FINANCE COSTS

An analysis of finance costs from continuing operations is as follows:

	Six Months ended 31 December	
	2012 (Unaudited) RMB'000	2011 (Unaudited) RMB'000
Interest on:		
Bank and other borrowings	6,161	6,856

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 2012

(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	
	2012	2011
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Cost of inventories sold	40,358	96,785
Cost of properties sold	43,605	32,930
Depreciation	3,994	11,181
Amortisation of intangible assets	47	106
Operating lease rental	809	582
Staff costs (including directors' remuneration)	6,831	10,618

7. INCOME TAX EXPENSE

Taxation in the condensed consolidated income statement presents:

	Six Months ended	
	31 December	
	2012	2011
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Current tax — Mainland China provision for enterprise income tax	3,930	4,668

No provision for Hong Kong profits tax has been made (2011: 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 2012

(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	
	2012 (Unaudited) RMB'000	2011 (Unaudited) RMB'000
Revenue	—	2,309
Expenses	—	(8,051)
Finance costs	—	(3,859)
Loss from the discontinued operation	—	(9,601)
Gain on disposal of Winrise Group	—	1,968
Loss before tax from the discontinued operation	—	(7,633)
Income tax expense	—	—
Loss for the period from the discontinued operation	—	(7,633)
Loss attributable to equity owners of the Company	—	(7,633)
The net cash flow incurred by the Winrise Group is as follows:		
Operating activities	—	1,272
Investing activities	—	98,006
Financing activities	—	(15,000)
Net cash inflow	—	84,278
Loss per share:		
Basic, from the discontinued operation	—	(0.5 cents)
Diluted, from the discontinued operation	—	(0.5 cents)

Notes to the unaudited Interim Financial Report (continued)

For the six months ended 31 December 2012

(Express in Renminbi)

8. DISCONTINUED OPERATION (continued)

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

	2012 RMB	2011 RMB
Loss attributable to ordinary equity holders of the Company from the discontinued operation	—	7,633,000
Weighted average number of ordinary shares in issued during the period used in the basic loss per share calculation	1,515,113,891	1,512,716,500
Weighted average number of ordinary shares used in the diluted loss per share calculation	1,515,113,891	1,512,716,500

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 1,515,113,891 (2011: 1,512,716,500) in issue during the period.

No adjustment has been made to the basic loss per share amounts presented for the period ended 31 December 2012 and 2011 in respect of a dilution as the impact of the warrants, share options, convertible note 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 2012

(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	
	2012	2011
	(Unaudited) RMB'000	(Unaudited) RMB'000
Loss		
Loss attributable to ordinary equity holders of the Company, used in the basic loss per share calculation:	13,729	42,784

	Number of shares	
	2012	2011
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic loss per share calculation	1,515,113,891	1,512,716,500
Effect of dilution — weighted average number of ordinary shares	1,515,113,891	1,512,716,500

For the periods ended 31 December 2012 and 2011, because the diluted loss per share amounts decreased when taking the warrants, share options, convertible note and non-redeemable convertible preferred shares into account, the warrants, share options, convertible note 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 RMB13,729,000 and RMB42,784,000 respectively, and the weighted average number of ordinary shares of 1,515,113,891 and 1,512,716,500, respectively, in issue during the periods.

Notes to the unaudited Interim Financial Report (continued)

For the six months ended 31 December 2012

(Express in Renminbi)

10. TRADE AND BILLS RECEIVABLES

	31 December 2012 (Unaudited) RMB'000	30 June 2012 (Audited) RMB'000
Trade and bills receivables	86,388	94,178
Impairment	(59,693)	(59,693)
	26,695	34,485

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. The Group does not hold any collateral or other credit enhancements over these balances. Trade and bills receivables are non-interest-bearing.

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 2012 (Unaudited) RMB'000	30 June 2012 (Audited) RMB'000
Within 1 month	12,636	9,486
1 to 3 months	14,059	22,602
3 months to 1 year	—	2,397
	26,695	34,485

Notes to the unaudited Interim Financial Report (continued)

For the six months ended 31 December 2012

(Express in Renminbi)

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 2012 (Unaudited) RMB'000	30 June 2012 (Audited) RMB'000
Within 1 month	24,034	32,978
1 to 3 months	10,710	30,355
3 months to 1 year	8,342	15,065
Over 1 year	646	1,288
	43,732	79,686

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

As at 31 December 2012, the Group's bills payable were secured by the deposit of RMB6,294,000 (30 June 2012: RMB8,765,000).

12. DUE TO DIRECTORS

	31 December 2012 (Unaudited) RMB'000	30 June 2012 (Audited) RMB'000
Current portion*		
Mr. Lin Wan Xin	1,380	582
Non-current portion**		
Mr. Yang Xue Jun	12,066	—
Ms. Xu Yue Yue	10,457	—
	22,523	—
	23,903	582

Notes to the unaudited Interim Financial Report (continued)

For the six months ended 31 December 2012

(Express in Renminbi)

12. DUE TO DIRECTORS (continued)

- * The amount due to Mr. Lin Wan Xin is unsecured, interest-free and has no fixed terms of repayment.
- ** The amounts due to Mr. Yang Xue Jun and Ms. Xu Yue Yue are unsecured, interest-free and repayable at the end of the third year.

13. INTEREST-BEARING BANK AND OTHER BORROWINGS

	31 December 2012 (Unaudited) RMB'000	30 June 2012 (Audited) RMB'000
Within 1 year or on demand	163,791	103,597
In the second to fifth years, inclusive	37,000	62,800
	200,791	166,397

14. SHARE CAPITAL

	31 December 2012 (Unaudited) HK\$'000	30 June 2012 (Audited) HK\$'000
<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

Notes to the unaudited Interim Financial Report (continued)

For the six months ended 31 December 2012

(Express in Renminbi)

14. SHARE CAPITAL (continued)

	31 December 2012 (Unaudited) RMB'000	30 June 2012 (Audited) RMB'000
<i>Issued and fully paid</i> 1,523,897,000 (30 June 2012: 1,513,797,000) ordinary shares of HK\$0.10 each	143,052	142,239

In December 2012, the subscription rights attaching to 10,100,000 share options were exercised. In which, 100,000 share options were exercised at the subscription price of HK\$0.287 and 10,000,000 share options were exercised at HK\$0.306 per share, resulting in the issue of 10,100,000 shares of HK\$0.10 each.

15. OPERATING LEASE ARRANGEMENTS

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

	31 December 2012 (Unaudited) RMB'000	30 June 2012 (Audited) RMB'000
Within one year	1,465	1,926
In the second to fifth years, inclusive	1,459	1,961
	2,924	3,887

Notes to the unaudited Interim Financial Report (continued)

For the six months ended 31 December 2012

(Express in Renminbi)

16. COMMITMENTS

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

	31 December 2012 (Unaudited) RMB'000	30 June 2012 (Audited) RMB'000
<i>Authorised but not contracted for:</i>		
Investment and equipment	25,386	82,000
	25,386	82,000

17. RELATED PARTY TRANSACTION

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. During the period, the Company paid a total of HK\$270,000 (RMB217,188) (2011: RMB218,889) to Truroll Investment Limited.

18. EVENTS AFTER THE END OF THE REPORTING PERIOD

On 11 January 2013, the Company and the vendor entered into the Share Purchase Agreement, pursuant to which the Company has conditionally agreed to purchase and the vendor has conditionally agreed to sell the entire issued share capital of the Port First Limited at the Consideration of RMB370 million. The above transaction was more than 25% but less than 100% size tests according to the Listing Rules in Hong Kong. The above transaction was not yet completed. Further details of the Acquisition information will be contained in a circular, the circular will be dispatched to the Shareholders as it is ready. Completion is conditional upon, among others things, the Shareholders' approval at the Extraordinary General Meeting.

MANAGEMENT DISCUSSION AND ANALYSIS

Review of Operation

For the six months ended 31 December 2012 (the "Period"), turnover of the Group amounted to RMB101,839,000 (2011: RMB137,257,000), representing a decrease of approximately 25.8% 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 of approximately RMB17,876,000 (2011: gross profit of RMB7,542,000) and loss before tax of RMB15,327,000 (2011: loss before tax of RMB30,483,000) respectively. The increase in gross profit and the decrease in loss before tax were mainly due to the contribution from the property development business.

The loss attributable to ordinary equity holders of the Company for the Period was RMB13,729,000 (2011: loss of RMB42,784,000). Basic loss per share during the Period was RMB0.9 cents (2011: basic loss per share was RMB2.8 cents).

Business Review

Electronic Business

The Group is principally engaged in the electronic business. Its product has a broad range of applications in items such as consumer digital devices, automotive and medical devices.

During the Period, the unfavourable market condition in the global economy 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.

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 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.

Gold Mining Business

The Company acquired 51% equity interest in a gold mining company in Russian Federation and completed the acquisition on 15 August 2012. The gold mining company is a company established under the laws of Russian Federation with limited liability and currently operates and owns the legal and beneficial interest in a mining project related to the gold mine. With an aggregate mining area of about 309.3 square kilometers, the mine is operated by the gold mining company and located in Molchan river, Zeyskiy region, Amur area, the Russian Federation. The mine is estimated to have sand gold reserve of (C 1 category) 35 tonnes. The gold mining company is in the process of devising its production and exploitation plan.

Business Prospects

Looking forward, the intense competition in the electronics industry and unfavourable operating environment will continue to pose challenges to the electronics industry as well as the Group. The demand for the electronic products recovered at a slow pace. Customers were still in 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 sustain the continuous growth of the Group and meet the coming challenges, the Group had successfully entered into the property development business through its property development project in Anlu City, Hubei province in the PRC. The real estate project, comprising various types of properties including villas, houses, apartments and commercial buildings, had made significant contribution to the Group during the Period.

Looking ahead, the Group will continue to implement its diversified development strategy and proactively search for the potential investment opportunities, particularly in gold mine projects. On 15 August 2012, the Group had completed the acquisition of 51% equity interest in a gold mining company in the Russian Federation. The acquisition provided the Group with a unique opportunity to purchase the gold mine and enabled the Group to enter into the gold mining industry. Also the Group will continue to explore gold mine business for its long-term development.

Liquidity and Financial Resources

At 31 December 2012, the Group had cash and cash equivalents, net current assets and total assets less current liabilities of approximately RMB175,513,000 (30 June 2012: approximately RMB147,332,000), RMB89,702,000 (30 June 2012: approximately RMB170,826,000) and RMB317,537,000 (30 June 2012: approximately RMB240,449,000) respectively.

At 31 December 2012, the Group had total interest-bearing bank and other borrowings of RMB200,791,000 (30 June 2012: approximately RMB166,397,000), included in these borrowings, RMB163,791,000 were short-term and RMB37,000,000 were long-term. All of the interest-bearing bank borrowings were either unsecured or secured by interest in leasehold land and buildings of subsidiaries.

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 of the Company as at 31 December 2012 increased by RMB80,365,000 to RMB234,497,000 (30 June 2012: RMB154,132,000). The gearing ratio (calculated as the ratio of net debt: adjusted capital and net debt) of the Group as at 31 December 2012 was 53% (30 June 2012: 52%).

Significant Investments

Save as disclosed elsewhere under the section headed "Acquisition and Disposal of Subsidiaries and Associated Companies", the Group had no other significant investment held during the six months ended 31 December 2012.

Acquisition and Disposal of Subsidiaries and Associated Companies

On 15 August 2012, the Group had completed the acquisition of 51% equity interest in a gold mining company in the Russian Federation. The acquisition provided the Group with a unique opportunity to purchase the gold mine and enabled the Group to enter into the gold mining industry.

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 2012.

Employment Information

At 31 December 2012, the Group employed a total of 549 (2011: 1,209) 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 2012, the employment cost (including directors' emoluments) amounted to approximately RMB6,831,000. 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"). There were 139,336,000 share options outstanding under the 2010 Scheme at 31 December 2012.

Charges on Group Assets

As at 31 December 2012, certain interests in leasehold land and buildings with a net carrying amount of RMB35,236,000 (30 June 2012: RMB32,483,000) were pledged to secure general banking facilities granted to the Group.

Future Plans for Material Investments and Expected Sources of Funding

In the future, the Group will continue to implement its diversified development strategy and proactively search for potential investment opportunities, particularly in the gold mining projects, with reference to the Company's announcement made on 11 October 2012, 6 January 2013 and 11 January 2013, the Group entered into the Share Purchase Agreement and had conditionally agreed to purchase 100% equity interest of the Port First Limited. In which, the company owned 70% equity interest of gold mines in Shandong province, PRC. The Group will be financed by the issue of Convertible Note and Promissory Note.

Save as disclosed above, the Group had no future plans for material investments as at 31 December 2012.

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 2012, in respect of capital expenditures, the Group had capital commitments that were authorized, but not contracted for the equipment amounting to RMB25,386,000.

Contingent Liabilities

At 31 December 2012, 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 2012 (2011: Nil).

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

As at 31 December 2012, 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 corporation	347,778,539	345,778,539 (Note)	2,000,000	22.82
Hui Lung Hing	Beneficial owner	263,000,000	250,000,000	13,000,000	17.26
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 2012, none of the Directors nor the chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company which had to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

SHARE OPTIONS

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

Name or category of participant	Date of grant	Outstanding as at 1 July 2012	Granted during the Period	Exercised during the Period	Cancelled/ Lapsed during the Period	Outstanding as at 31 December 2012	Exercisable Period	Exercise price HK\$	Market value per share at date of grant of options 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	8,000,000	—	—	—	8,000,000	26 May 2010 to 25 May 2015	0.287	0.285
	11 May 2011	10,000,000	—	—	—	10,000,000	11 May 2011 to 10 May 2016	0.306	0.305
(c) Eligible consultants									
	26 May 2010	42,736,000	—	100,000	—	42,636,000	26 May 2010 to 25 May 2015	0.287	0.285
	8 November 2010	31,200,000	—	—	—	31,200,000	8 November 2010 to 7 November 2015	0.449	0.435
	11 May 2011	22,000,000	—	10,000,000	—	12,000,000	11 May 2011 to 10 May 2016	0.306	0.305
		149,436,000	—	10,100,000	—	139,336,000			

DISCLOSURE OF INFORMATION ON DIRECTORS

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

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 2012, 1 January 2013 and 1 January 2013 respectively.

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

As at 31 December 2012, 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)	—	22.69
Yin Jia Tang	Beneficial Owner	276,666,667	—	83,000,000 (Note 2)	18.16
Du Hua Wei	Beneficial Owner	82,142,857	82,142,857	—	5.39
Zhang Jian	Beneficial Owner	82,142,857	82,142,857	—	5.39

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 2012.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

Saved as disclosed under the section headed "Share Options" and "Directors' and Chief Executives' Interests in Securities and Short Positions in Shares, Underlying Shares and Debentures" 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 2012, 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 the Corporate Governance Code as set out in Appendix 14 of the Listing Rules throughout the Period.

MODEL CODE

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

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 Mr. Cheung Chuen, is responsible for advising the Board on the remuneration policy and framework of the Directors and senior management of the Company, as well as reviewing and determining 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, Mr. Cheung Chuen and Ms. Wong Lai Wing. The Company's interim results for the six months ended 31 December 2012 have not audited, but have reviewed by the Audit Committee.

On behalf of the Board

Hui Lung Hing

Chairman

Hong Kong, 25 February 2013