



KINGWELL GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1195

Interim 2013-2014 Report



INTERIM REPORT

For the six months ended 31 December 2013

HIGHLIGHTS

- Revenue of the Group for the six months ended 31 December 2013 amounted to approximately RMB50,745,000;
- Loss before tax for the six months ended 31 December 2013 amounted to approximately RMB34,375,000;
- Loss attributable to owners of the Company for the six months ended 31 December 2013 amounted to approximately RMB34,542,000;
- Loss per share was RMB1.8 cents for the six months ended 31 December 2013;
- Total equity increased to RMB240,384,000.

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

REGISTERED OFFICE

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Grand Cayman

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Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Units 314–315

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Tsim Sha Tsui East

Kowloon, Hong Kong

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

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 2013. The interim results of the Group are unaudited but have been reviewed by the Audit Committee of the Company:

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 31 December 2013

(Express in Renminbi)

	Notes	Six months ended 31 December 2013 (Unaudited) RMB'000	2012 (Unaudited) RMB'000
REVENUE	5	50,745	101,839
Cost of sales		(49,713)	(83,963)
Gross profit		1,032	17,876
Other income and gains	5	1,187	20,015
Selling and distribution expenses		(3,950)	(4,135)
Administrative expenses		(18,684)	(16,019)
Other expenses		(4,752)	(26,903)
Finance costs	6	(9,208)	(6,161)
Loss before tax	7	(34,375)	(15,327)
Income tax expense	8	(480)	(3,930)
Loss for the period		(34,855)	(19,257)
OTHER COMPREHENSIVE INCOME			
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>			
Exchange differences on translation of foreign operations		397	13
OTHER COMPREHENSIVE INCOME FOR THE PERIOD		397	13
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		(34,458)	(19,244)

Condensed Consolidated Statement of Comprehensive Income (continued)

For the six months ended 31 December 2013

(Express in Renminbi)

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Kingwell Group Limited

	Notes	Six months ended 31 December	
		2013 (Unaudited) RMB'000	2012 (Unaudited) RMB'000
Loss for the period attributable to:			
Owners of the Company		(34,542)	(13,729)
Non-controlling interests		(313)	(5,528)
		(34,855)	(19,257)
Total comprehensive loss attributable to:			
Owners of the Company		(34,145)	(13,716)
Non-controlling interests		(313)	(5,528)
		(34,458)	(19,244)
Loss per share attributable to ordinary equity holders of the Company	9		
Basic			
— For loss for the period		(1.8) cents	(0.9) cents
Diluted			
— For loss for the period		(1.8) cents	(0.9) cents

Condensed Consolidated Statement of Financial Position

As at 31 December 2013

(Express in Renminbi)

		As at 31 December 2013 (Unaudited) RMB'000	As at 30 June 2013 (Audited) RMB'000
	Notes		
NON-CURRENT ASSETS			
Property, plant and equipment		44,531	45,880
Investment properties		14,660	14,660
Prepaid land lease payments		1,723	1,723
Intangible assets		122,099	122,535
Prepayments		7,231	6,527
Deferred tax assets		766	766
Total non-current assets		191,010	192,091
CURRENT ASSETS			
Inventories		146,196	155,052
Trade and bills receivables	10	26,071	31,053
Prepayments, deposits and other receivables		7,941	7,043
Equity investments at fair value through profit or loss		543	543
Pledged deposits		8,043	8,391
Cash and cash equivalents		232,588	193,197
Total current assets		421,382	395,279
CURRENT LIABILITIES			
Trade and bills payables	11	42,381	37,257
Other payables and accruals		101,806	105,583
Due to a director	12	106	249
Interest-bearing bank and other borrowings	13	178,290	198,998
Tax payable		7,150	8,158
Convertible note		—	10,005
Total current liabilities		329,733	360,250
NET CURRENT ASSETS		91,649	35,029

Condensed Consolidated Statement of Financial Position (continued)

As at 31 December 2013

(Express in Renminbi)

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Kingwell Group Limited

		As at 31 December 2013 (Unaudited) RMB'000	As at 30 June 2013 (Audited) RMB'000
	Notes		
TOTAL ASSETS LESS CURRENT LIABILITIES		282,659	227,120
Non-current liabilities			
Due to directors	12	18,870	41,421
Non-redeemable convertible preferred shares		2,010	2,462
Interest-bearing bank and other borrowings	13	7,500	31,604
Deferred tax liabilities		13,895	13,895
Total non-current liabilities		42,275	89,382
NET ASSETS		240,384	137,738
EQUITY			
Equity attributable to owners of the Company			
Issued capital	14	196,721	163,540
Non-redeemable convertible preferred shares		12,760	17,263
Equity component of the convertible note		—	305
Reserves		(43,088)	(117,674)
		166,393	63,434
Non-controlling interests		73,991	74,304
TOTAL EQUITY		240,384	137,738

Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 December 2013

(Express in Renminbi)

	Share		Non-redeemable convertible			Equity component of the			Capital		Exchange		Non-		Total equity
	Issued capital	premium account	Share option reserve	preferred shares	Statutory reserve	Warrants reserve	convertible note	Capital reserve	contribution reserve	fluctuation reserve	Accumulated losses	Total	controlling interests		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
(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 a 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	16,206	814	611	6,929	48,448	31,848	(569,976)	143,512	90,985	234,497	
(Unaudited)															
At 1 July 2013	163,540	422,243	15,787	17,263	18,872	814	305	6,929	48,448	33,830	(664,597)	63,434	74,304	137,738	
Loss for the period	—	—	—	—	—	—	—	—	—	—	(34,542)	(34,542)	(313)	(34,855)	
Other comprehensive income for the period:															
Exchange differences on translation of foreign operations	—	—	—	—	—	—	—	—	—	397	—	397	—	397	
Total comprehensive loss for the period	—	—	—	—	—	—	—	—	—	397	(34,542)	(34,145)	(313)	(34,458)	
Repayment of the convertible note	—	—	—	—	—	—	(305)	—	—	—	—	(305)	—	(305)	
Transfer from share option reserve	—	3,302	(3,302)	—	—	—	—	—	—	—	—	—	—	—	
Exercise of share options	3,300	6,279	—	—	—	—	—	—	—	—	—	9,579	—	9,579	
Conversion of warrants	4,351	8,266	—	—	—	—	—	—	—	—	—	12,617	—	12,617	
Conversion of non-redeemable convertible preferred shares	1,582	3,183	—	(4,503)	—	—	—	—	—	—	—	262	—	262	
Placing of shares	23,948	91,003	—	—	—	—	—	—	—	—	—	114,951	—	114,951	
At 31 December 2013	196,721	534,276	12,485	12,760	18,872	814	—	6,929	48,448	34,227	(699,139)	166,393	73,991	240,384	

Condensed Consolidated Statement of Cash Flow

For the six months ended 31 December 2013

(Express in Renminbi)

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Kingwell Group Limited

	2013 (Unaudited) RMB'000	2012 (Unaudited) RMB'000
Cash (used in)/from operations	(5,742)	16,433
Taxes paid	(1,488)	(6,634)
Net cash flows (used in)/from operating activities	(7,230)	9,799
Net cash flows used in investing activities	(4,075)	(35,880)
Net cash flows from financing activities	50,680	54,249
Net increase in cash and cash equivalents	39,375	28,168
Cash and cash equivalents at 1 July	193,197	147,332
Effect of foreign exchange rate changes, net	16	13
Cash and cash equivalents at 31 December	232,588	175,513
Analysis of balances of cash and cash equivalents:		
Cash and bank balances	232,588	175,513

Notes to the unaudited Interim Financial Report

For the six months ended 31 December 2013

(Express in Renminbi)

1. BASIS OF PREPARATION

These unaudited condensed consolidated interim financial statements for the six months ended 31 December 2013 (“Financial Statements”) 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 Financial Statements are presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand except when otherwise indicated.

These 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 2013.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies and basis of preparation adopted in the preparation of these Financial Statements are consistent with those followed in the preparation of the Group’s financial statements for the year ended 30 June 2013, 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 these Financial Statements.

HKFRS 1 Amendments	Amendments to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards — Government Loans</i>
HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial Instruments: Disclosures — Offsetting Financial Assets and Financial Liabilities</i>
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 — <i>Transition Guidance</i>
HKFRS 13	Fair Value Measurement
HKAS 19 (2011)	Employee Benefits
HKAS 27 (2011)	Separate Financial Statements
HKAS 28 (2011)	Investments in Associates and Joint Ventures
HKAS 36 Amendments	Amendments to HKAS 36 <i>Impairment of Assets — Recoverable Amount Disclosures for Non-Financial Assets (early adopted)</i>
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine
Annual Improvements 2009–2011 Cycle	Amendments to a number of HKFRSs issued in June 2012

Notes to the unaudited Interim Financial Report (continued)

For the six months ended 31 December 2013

(Express in Renminbi)

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

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The adoption of the new standards and interpretations had no material effect on the accounting policies of the Group and the methods of computation in these Financial Statements.

3. ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

HKFRS 9	<i>Financial Instruments</i> ³
HKFRS 9, HKFRS 7 and HKAS 39 Amendments	<i>Hedge Accounting and amendments to HKFRS 9, HKFRS 7 and HKAS 39</i> ³
HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) — <i>Investment Entities</i> ¹
HKAS 19 Amendments	Amendments to HKAS 19 <i>Employee Benefits</i> — <i>Defined Benefit Plans: Employee Contributions</i> ²
HKAS 32 Amendments	Amendments to HKAS 32 <i>Financial Instruments: Presentation</i> — <i>Offsetting Financial Assets and Financial Liabilities</i> ¹
HKAS 39 Amendments	Amendments to HKAS 39 <i>Financial Instruments: Recognition and Measurement</i> — <i>Novation of Derivatives and Continuation of Hedge Accounting</i> ¹
HK(IFRIC)-Int 21	<i>Levies</i> ¹

¹ Effective for annual periods beginning on or after 1 January 2014

² Effective for annual periods beginning on or after 1 July 2014

³ No mandatory effective date yet determined but is available for adoption

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, it has concluded that while the adoption of HKFRS 9, HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments may result in a change in accounting policy and the adoption of HKAS 32 Amendments may result in new or amended disclosures, these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

Notes to the unaudited Interim Financial Report (continued)

For the six months ended 31 December 2013

(Express in Renminbi)

4. 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 (“RPCBs”);
- (b) the gold mining segment engages in the production and sale of sand gold; and
- (c) the property development segment engages in the development of villas, houses, apartments 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 loss before tax except that interest income, gain on acquisition of subsidiaries, finance costs, as well as corporate and other unallocated expenses are excluded from such measurement.

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

Segment liabilities exclude amounts due to directors, tax payable, convertible note, non-redeemable convertible preferred shares, deferred tax liabilities and other unallocated head office and corporate liabilities, as these liabilities are managed on a group basis.

Notes to the unaudited Interim Financial Report (continued)

For the six months ended 31 December 2013

(Express in Renminbi)

4. OPERATING SEGMENT INFORMATION (continued)

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Period ended 31 December 2013

	Electronic products (Unaudited) RMB'000	Gold mining (Unaudited) RMB'000	Property development (Unaudited) RMB'000	Total (Unaudited) RMB'000
Segment revenue:				
Sales to external customers	38,234	—	12,511	50,745
Other revenue	718	—	98	816
	38,952	—	12,609	51,561
Segment results:	(21,075)	(100)	2,739	(18,436)
Reconciliation:				
Interest income				371
Corporate and other unallocated expenses				(7,102)
Finance costs				(9,208)
Loss before tax				(34,375)

Notes to the unaudited Interim Financial Report (continued)

For the six months ended 31 December 2013

(Express in Renminbi)

4. OPERATING SEGMENT INFORMATION (continued)

Period ended 31 December 2012

	Electronic products (Unaudited) RMB'000	Gold mining (Unaudited) RMB'000	Property development (Unaudited) RMB'000	Total (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)	(10,601)	15,613	(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)

	Electronic products RMB'000	Gold mining RMB'000	Property development RMB'000	Total RMB'000
Segment Assets				
31 December 2013 (Unaudited)	231,726	150,516	123,807	506,049
30 June 2013 (Audited)	264,990	151,562	168,374	584,926
Segment Liabilities				
31 December 2013 (Unaudited)	262,445	114	73,795	336,354
30 June 2013 (Audited)	267,359	4	55,912	323,275

Notes to the unaudited Interim Financial Report (continued)

For the six months ended 31 December 2013

(Express in Renminbi)

5. REVENUE, OTHER INCOME AND GAINS

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

	Six Months ended	
	31 December 2013 (Unaudited) RMB'000	2012 (Unaudited) RMB'000
Revenue		
Sales of goods	38,234	40,128
Sales of properties	12,511	61,711
	50,745	101,839
Other income and gains		
Bank interest income	371	706
Gain on acquisition of subsidiaries	—	19,291
Other tax refunds	718	—
Other	98	18
	1,187	20,015

Notes to the unaudited Interim Financial Report (continued)

For the six months ended 31 December 2013

(Express in Renminbi)

6. FINANCE COSTS

An analysis of finance costs is as follows:

	Six Months ended 31 December	
	2013 (Unaudited) RMB'000	2012 (Unaudited) RMB'000
Interest on: Bank and other borrowings	9,208	6,161

No interest was capitalised by the Group in both periods.

7. LOSS BEFORE TAX

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

	Six Months ended 31 December	
	2013 (Unaudited) RMB'000	2012 (Unaudited) RMB'000
Cost of inventories sold	41,783	40,358
Cost of properties sold	7,930	43,605
Depreciation	5,092	3,994
Amortisation of intangible assets	48	47
Minimum lease payments under operating leases:		
Land and building	792	809
Staff costs (including directors' remuneration)	8,626	6,831

Notes to the unaudited Interim Financial Report (continued)

For the six months ended 31 December 2013

(Express in Renminbi)

8. INCOME TAX EXPENSE

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Kingwell Group Limited

Taxation in the condensed consolidated statement of comprehensive income presents:

	Six Months ended 31 December	
	2013	2012
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Current tax — Mainland China provision for enterprise income tax	480	3,930

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

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 of RMB34,542,000 (2012: RMB13,729,000), and the weighted average number of ordinary shares of 1,887,648,196 (2012: 1,515,113,891) in issue during the period.

No adjustment has been made to the basic loss per share amounts presented for the period ended 31 December 2013 and 2012 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 2013

(Express in Renminbi)

10. TRADE AND BILLS RECEIVABLES

	31 December 2013 (Unaudited) RMB'000	30 June 2013 (Audited) RMB'000
Trade and bills receivables	85,050	91,622
Impairment	(58,979)	(60,569)
	26,071	31,053

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.

Notes to the unaudited Interim Financial Report (continued)

For the six months ended 31 December 2013

(Express in Renminbi)

10. TRADE AND BILLS RECEIVABLES (continued)

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Kingwell Group Limited

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 2013 (Unaudited) RMB'000	30 June 2013 (Audited) RMB'000
Within 1 month	6,780	9,929
1 to 3 months	17,383	20,518
3 months to 1 year	1,908	606
	26,071	31,053

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 2013 (Unaudited) RMB'000	30 June 2013 (Audited) RMB'000
Within 1 month	20,142	15,009
1 to 3 months	5,109	8,956
3 months to 1 year	8,049	7,714
Over 1 year	9,081	5,578
	42,381	37,257

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

Notes to the unaudited Interim Financial Report (continued)

For the six months ended 31 December 2013

(Express in Renminbi)

11. TRADE AND BILLS PAYABLES (continued)

As at 31 December 2013, the Group's bills payable were secured by the deposit of RMB5,338,000 (30 June 2013: RMB5,645,000).

12. DUE TO DIRECTORS

	31 December 2013 (Unaudited) RMB'000	30 June 2013 (Audited) RMB'000
Current portion*		
Mr. Lin Wan Xin	106	249
Non-current portion**		
Ms. Xu Yue Yue	18,870	29,473
Mr. Yang Xue Jun	—	11,948
	18,870	41,421
	18,976	41,670

* The amount due to Mr. Lin Wan Xin is unsecured, interest-free and has no fixed terms of repayment.

** The amount due to Ms. Xu Yue Yue is unsecured, interest-free and has 3-years terms of repayment.

Notes to the unaudited Interim Financial Report (continued)

For the six months ended 31 December 2013

(Express in Renminbi)

13. INTEREST-BEARING BANK AND OTHER BORROWINGS

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Kingwell Group Limited

	31 December 2013 (Unaudited) RMB'000	30 June 2013 (Audited) RMB'000
Within one year or on demand	178,290	198,998
In the second to fifth years, inclusive	7,500	31,604
	185,790	230,602

14. SHARE CAPITAL

	31 December 2013 (Unaudited) HK\$'000	30 June 2013 (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 2013

(Express in Renminbi)

14. SHARE CAPITAL (continued)

	31 December 2013 (Unaudited) RMB'000	30 June 2013 (Audited) RMB'000
<i>Issued and fully paid:</i>		
2,188,448,897 (30 June 2013: 1,769,097,833) ordinary shares of HK\$0.10 each	196,721	163,540

During the Period, the Company has issued and allotted 34,400,000 and 7,204,000 new ordinary shares at the subscription price of HK\$0.287 and HK\$0.306 each, respectively, as a result of the exercise of share options to the share option holders of the Company. The Company has issued and allotted 20,000,000 new ordinary shares by means of conversion of convertible preferred shares at a price of HK\$0.30 per share; 55,000,000 new ordinary shares by means of conversion of warrants at the subscription price of HK\$0.29 per new share; and 302,746,064 placing shares at a price of approximately HK\$0.48 per share pursuant to the placing agreements entered into between the Company and the placees.

15. OPERATING LEASE ARRANGEMENTS

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

	31 December 2013 (Unaudited) RMB'000	30 June 2013 (Audited) RMB'000
Within one year	1,585	1,854
In the second to fifth years, inclusive	844	1,502
	2,429	3,356

Notes to the unaudited Interim Financial Report (continued)

For the six months ended 31 December 2013

(Express in Renminbi)

16. COMMITMENTS

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

	31 December 2013 (Unaudited) RMB'000	30 June 2013 (Audited) RMB'000
<i>Contracted, but not provided for:</i>		
Acquisition of equity investment	370,000	370,000
Exploration and evaluation	15,450	15,450
	385,450	385,450

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 from 1 July 2012 to 31 May 2013 and HK\$50,000 from 1 June 2013 onwards 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\$300,000 (RMB235,869) (2012: RMB217,188) to Truroll Investment Limited.

Notes to the unaudited Interim Financial Report (continued)

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18. FAIR VALUE AND FAIR VALUE HIERARCHY

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonable approximate to fair values, were as follows:

	Carrying amounts		Fair values	
	As at 31 December 2013 (Unaudited) RMB'000	As at 30 June 2013 (Audited) RMB'000	As at 31 December 2013 (Unaudited) RMB'000	As at 30 June 2013 (Audited) RMB'000
Financial assets				
Equity investments at fair value through profit or loss	543	543	543	543
Financial liabilities				
Due to directors	18,976	41,670	18,976	41,670
Interest-bearing bank and other borrowings	185,790	230,602	185,790	230,602
Convertible note	—	10,005	—	10,005
Non-redeemable convertible preferred shares	2,010	2,462	2,010	2,462
	206,776	284,739	206,776	284,739

Notes to the unaudited Interim Financial Report (continued)

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18. FAIR VALUE AND FAIR VALUE HIERARCHY (continued)

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Kingwell Group Limited

Management has assessed that the fair values of trade and bills receivables, financial assets included in prepayments, deposits and other receivables, pledged deposits, cash and cash equivalents, trade and bills payables, financial liabilities included in other payables and accruals, current portion of amounts due to directors and interest-bearing bank and other borrowings approximate to their carrying amounts largely due to the short term maturities of these instruments.

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

The fair values of non-current portion of amounts due to directors and interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for amounts due to directors and interest-bearing bank and other borrowings as at 31 December 2013 was assessed to be insignificant. The fair values of the liability portion of the convertible note and the non-redeemable convertible preferred shares are estimated by discounting the expected future cash flows using an equivalent market interest rate for similar convertible debts with consideration of the Group's own non-performance risk.

The fair values of equity investments are based on quoted market prices.

Notes to the unaudited Interim Financial Report (continued)

For the six months ended 31 December 2013

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18. FAIR VALUE AND FAIR VALUE HIERARCHY (continued)

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

At 31 December 2013 (Unaudited)

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Equity investments at fair value through profit or loss	543	—	—	543

At 30 June 2013 (Audited)

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Equity investments at fair value through profit or loss	543	—	—	543

Notes to the unaudited Interim Financial Report (continued)

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18. FAIR VALUE AND FAIR VALUE HIERARCHY (continued)

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Fair value hierarchy (Continued)

Assets measured at fair value: (Continued)

The Group did not have any financial liabilities measured at fair value as at 31 December and 30 June 2013.

During the Period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (During the year ended 30 June 2013: Nil).

Liabilities for which fair value are disclosed:

At 31 December 2013 (Unaudited)

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Due to directors	—	18,976	—	18,976
Interest-bearing bank and other borrowings	—	185,790	—	185,790
Non-redeemable convertible preferred shares	—	2,010	—	2,010
	—	206,776	—	206,776

Notes to the unaudited Interim Financial Report (continued)

For the six months ended 31 December 2013

(Express in Renminbi)

18. FAIR VALUE AND FAIR VALUE HIERARCHY (continued)

Fair value hierarchy (Continued)

Liabilities for which fair value are disclosed: (Continued)

At 30 June 2013 (Audited)

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Due to directors	—	41,670	—	41,670
Interest-bearing bank and other borrowings	—	230,602	—	230,602
Convertible note	—	10,005	—	10,005
Non-redeemable convertible preferred shares	—	2,462	—	2,462
	—	284,739	—	284,739

Notes to the unaudited Interim Financial Report (continued)

For the six months ended 31 December 2013

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19. EVENTS AFTER THE END OF THE REPORTING PERIOD

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On 8 January 2014, the Company granted to eligible participants (the “Grantees”) a total of 91,500,000 share options (the “Share Options”) to subscribe for ordinary shares of nominal value of HK\$0.10 each in the share capital of the Company (the “Share(s)”) under the Share Option Scheme adopted by the Company on 11 February 2010 and amended on 24 May 2010.

MANAGEMENT DISCUSSION AND ANALYSIS

Review of Operation

For the six months ended 31 December 2013 (the "Period"), revenue of the Group amounted to RMB50,745,000 (2012: RMB101,839,000), representing a decrease of approximately 50% as compared to the corresponding period in last year. The decrease in revenue was mainly due to the decrease in sales in property development business.

During the Period, the Group recorded a gross profit of approximately RMB1,032,000 (2012: RMB17,876,000) and loss before tax of RMB34,375,000 (2012: RMB15,327,000) respectively. The decrease in gross profit and the increase in loss before tax were mainly due to the much smaller profit contribution from the property development business.

The loss attributable to owners of the Company for the Period was RMB34,542,000 (2012: RMB13,729,000). Basic loss per share during the Period was RMB1.8 cents (2012: RMB0.9 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. Customers were still cautious in placing orders which added to the downward pressure of average selling prices. Due to the Fujian environmental production requirements, the Group will employ an environmental protection company to review the existing situations of the Fujian plant and to provide recommendations for capital investment to fulfill the environmental protection requirements in Fujian. Furthermore, the growing inflation in the People's Republic of China (the "PRC") led to rising raw material and labour costs, the shortage of labour force and environmental production requirements increased production costs and undermined the profitability of the Group.

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 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 35 tonnes. The gold mining company is in the process of devising its production and exploitation plan.

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 provides support in achieving the strategy of business diversification and generating income in order to improve the Group’s results during the Period. However, the decrease in revenue during the Period was due to the low stock level for sales and no new project for the property development business.

Business Prospects

Looking forward, the intense competition in the electronic industry and unfavourable operating environment will continue to pose challenges to the electronic industry as well as the Group. The demand for electronic products recovered at a slow pace. Customers were still cautious in placing orders which added to the downward pressure of average selling prices. Due to the Fujian environmental production requirements, the Group will employ an environmental protection company to review the existing situations of the Fujian plant and to provide recommendations for capital investment to fulfill the environmental protection requirements in Fujian. Furthermore, the growing inflation in China led to rising raw material and labour costs, the shortage of labour force and the environmental production requirements increased production costs and undermined the profitability of the Group.

The Group had its property development business 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 positive contribution to the Group during the Period.

Looking ahead, the Group will continue to implement its diversified development strategy and proactively search for potential investment opportunities, particularly in the gold mining projects. On 15 August 2012, the Group had completed the acquisition of 51% equity interest in a gold mine 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 mining business for its long-term development.

Liquidity and Financial Resources

At 31 December 2013, the Group had cash and cash equivalents, net current assets and total assets less current liabilities of approximately RMB232,588,000 (30 June 2013: approximately RMB193,197,000) , RMB91,649,000 (30 June 2013: approximately RMB35,029,000) and RMB282,659,000 (30 June 2013: approximately RMB227,120,000) respectively.

At 31 December 2013, the Group had total interest-bearing bank and other borrowings of RMB185,790,000 (30 June 2013: approximately RMB230,602,000), included in these borrowings, RMB178,290,000 were short-term and RMB7,500,000 were long-term. All of the interest-bearing bank borrowings were either unsecured or secured by interest in leasehold land and buildings of the Group.

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 Group as at 31 December 2013 increased by RMB102,646,000 to RMB240,384,000 (30 June 2013: RMB137,738,000). The gearing ratio (calculated as the ratio of net debt: adjusted capital and net debt) of the Group as at 31 December 2013 was 41% (30 June 2013: 75%).

Significant Investments

The Group had no significant investment held during the six months ended 31 December 2013.

Acquisition and Disposal of Subsidiaries and Associated Companies

The Group had no acquisition and disposals of subsidiaries and affiliated companies, during the six months ended 31 December 2013.

Employment Information

At 31 December 2013, the Group employed a total of 564 (2012: 549) 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 2013, the employment cost (including directors' remuneration) amounted to approximately RMB8,626,000. 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 85,864,000 share options outstanding under the 2010 Scheme at 31 December 2013.

Charges on Group Assets

As at 31 December 2013, certain interests in leasehold land and buildings with a net carrying amount of RMB30,842,000 (30 June 2013: RMB34,269,000) 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 announcements made on 11 October 2012, 6 January 2013, 11 January 2013, 28 March 2013, 30 August 2013, 30 September 2013, 28 November 2013 and 31 December 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 2013.

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 2013, in respect of capital expenditures, the Group had capital commitments that were contracted, but not provided for the acquisition of equity investment and exploration and evaluation amounting to approximately RMB385,450,000.

Contingent Liabilities

At 31 December 2013, the banking facilities granted to the buyers of certain properties developed by the Group were RMB2,746,000 (2012: RMB1,970,000).

DIVIDENDS

The Board did not recommend the payment of any interim dividend for the six months ended 31 December 2013 (2012: Nil).

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

As at 31 December 2013, 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 and CPS	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	15.89
Hui Lung Hing	Beneficial owner	263,000,000	250,000,000	13,000,000	12.02
Xu Yue Yue	Beneficial owner	10,000,000	—	10,000,000	0.46

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 2013, 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:

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Name or category of participant	Date of grant	Outstanding as at	Granted during the	Exercised during the	Cancelled/ Lapsed during the	Outstanding as at		Exercise price HK\$	Market value per share at date of grant of options HK\$
		1 July 2013	Period	Period	Period	31 December 2013	Exercisable Period		
(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	8,468,000	—	6,404,000	—	2,064,000	11 May 2011 to 10 May 2016	0.306	0.305
(c) Eligible consultants									
	26 May 2010	38,500,000	—	15,900,000	—	22,600,000	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	5,800,000	—	800,000	—	5,000,000	11 May 2011 to 10 May 2016	0.306	0.305
		127,468,000	—	41,604,000	—	85,864,000			

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, who are independent non-executive Directors, have re-entered into appointment letters with the Company for a term of one year commencing from 1 December 2013, 1 January 2014 and 1 January 2014, respectively.

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

As at 31 December 2013, 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	Total Approximate % of the issued share capital
Union Day Group Limited	Beneficial Owner	345,778,539	345,778,539 (Note 1)	15.80
Yin Jia Tang	Beneficial Owner	246,666,667 (Note 2)	220,000,000	11.27

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: 8,000,000 non-redeemable convertible preferred shares are held by Mr. Yin Jia Tang which is convertible into 26,666,667 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 2013.

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 Period, the Company has issued and allotted 34,400,000 and 7,204,000 new ordinary shares at the subscription price of HK\$0.287 and HK\$0.306 each, respectively, as a result of the exercise of share options to the share option holders of the Company. The Company has issued and allotted 20,000,000 new ordinary shares by means of conversion of convertible preferred shares at a price of HK\$0.30 per share; 55,000,000 new ordinary shares by means of conversion of warrants at the subscription price of HK\$0.29 per new share; and 302,746,064 placing share at a price of approximately HK\$0.48 per share pursuant to the placing agreements entered into between the Company and the placees.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 31 December 2013.

CORPORATE GOVERNANCE

The Company has complied with the code provisions in the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Listing Rules throughout the Period, except the code provision of E.1.2.

Code Provision E.1.2

Under the code provision E.1.2 in respect of the communication with shareholders of the Company as absence of the chairman of the Board at the Company's annual general meeting (the "the AGM"), on 20 December 2013 because the respective chairman has commitments on other business occasions on the same day. An executive director had chaired the 2013 AGM and answered questions from the shareholders.

MODEL CODE

The Company has adopted the Model Code of securities transaction 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 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 2013 are unaudited, but have been reviewed by the Audit Committee.

On behalf of the Board

Hui Lung Hing

Chairman

Hong Kong, 28 February 2014