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## **ABC COMMUNICATIONS (HOLDINGS) LIMITED**

*(Incorporated in Bermuda with limited liability)*

**(Stock code: 30)**

### **RESTATEMENT OF THE PREVIOUSLY ISSUED INTERIM CONDENSED FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2011**

Reference is made to the interim results announcement dated 29 November 2011 (the “**2011 Interim Results Announcement**”) in relation to the results of ABC Communications (Holdings) Limited (the “**Company**”) and its subsidiaries (collectively the “**Group**”) for the six months ended 30 September 2011. Unless defined otherwise, terms used herein shall have the same meanings as those defined in the 2011 Interim Results Announcement.

On 9 May 2011, the Company completed the acquisition of the 60% equity interest and shareholder’s loan of Jun Qiao Limited (“**Jun Qiao**”) and its subsidiaries (the “**Acquisition**”). The impact of the Acquisition was disclosed in Note 14 (Business Combination) of the 2011 Interim Results Announcement, which was reliant upon (i) a valuation report dated 5 May 2011 in respect of the value of intangible assets relating to the mining license acquired; (ii) valuation reports dated 21 November 2011 in respect of the fair value of the consideration for the Acquisition; and (iii) the unaudited consolidated management accounts of Jun Qiao and its subsidiaries in computing the gain on bargain purchase. On that basis, the 2011 Interim Results Announcement stated that the Group recognized a gain on bargain purchase in the amount of HK\$7,206,925 and a fair value gain on promissory notes in the amount of HK\$1,127,000.

In the preparation of the annual results and the financial statements of the Company for the year ended 31 March 2012, the directors of the Company discovered certain errors concerning the valuation of the consideration for the Acquisition, the valuation of identifiable assets and liabilities acquired, and the unaudited consolidated financial information of Jun Qiao and its subsidiaries as at the date of the Acquisition. By performing separate valuations and adjusting the consolidated financial information of Jun Qiao and its

subsidiaries as at date of the Acquisition, a gain on bargain purchase of HK\$28,283,083 (instead of HK\$7,206,925 as originally stated in the 2011 Interim Results Announcement) and a loss on redemption of promissory notes of HK\$266,000 (instead of a fair value gain on promissory notes of HK\$1,127,000 as originally stated in the 2011 Interim Results Announcement) should have been recognized in the condensed consolidated statement of comprehensive income of the Group for the six months ended 30 September 2011.

As a result of the discrepancies described above and certain other adjustments, the Board wishes to re-state that the Group's interim results for the six months ended 30 September 2011 and the Group's financial position as at 30 September 2011 as reported in the 2011 Interim Results Announcement. The adjustments made to the financial information are detailed in the table below:

Condensed consolidated statement of comprehensive income for the six months ended 30 September 2011

	As previously reported	Adjustments		As restated
		Changes in fair value of consolidated net identifiable assets of Jun Qiao Limited acquired	Reduction in fair value of promissory notes issued on acquisition of Jun Qiao Limited	
	HK\$	HK\$	HK\$	HK\$
Turnover	43,324,843			43,324,843
Cost of sales	(35,107,882)			(35,107,882)
Gross profit	8,216,961			8,216,961
Other income	13,162			13,162
Gain on bargain purchase	7,206,925	21,076,158	–	28,283,083
Fair value gain on (loss on redemption of) promissory notes	1,127,000	–	(1,393,000)	(266,000)
Fair value losses on financial assets at fair value through profit or loss	(8,853,180)	–	–	(8,853,180)
Fair value losses on derivative financial assets	(109,000)	–	–	(109,000)
Operating expenses	(15,883,633)	–	–	(15,883,633)
Finance costs	(933,628)	–	–	(933,628)
Profit/(loss) before tax	(9,215,393)			10,467,765
Income tax expense	–	–	–	–
Profit/(loss) for the period	(9,215,393)			10,467,765
<b>Other comprehensive income</b>				
Exchange differences arising on translation of foreign operations and other comprehensive income for the period	7,929,425	(140,238)	–	7,789,187
Total comprehensive expense for the period	(1,285,968)			18,256,952
<b>Profit (loss) for the period attributable to:</b>				
Owners of the Company	(9,339,316)	21,076,158	(1,393,000)	10,343,842
Non-controlling interests	123,923			123,923
	(9,215,393)			10,467,765
<b>Total comprehensive (expense) income for the period attributable to:</b>				
Owners of the Company	(3,955,572)	20,992,018	(1,393,000)	15,643,446
Non-controlling interests	2,669,604	(56,098)	–	2,613,506
	(1,285,968)			18,256,952

Condensed consolidated statement of financial position as at 30 September 2011

	As previously reported		Adjustments (decrease)	As restated
	HK\$	Increase HK\$	HK\$	HK\$
<b>Non-current assets</b>				
Property, plant and equipment	35,820,079	11,738,454 <sup>4</sup>	(1,648,343) <sup>1</sup>	45,910,190
Prepaid lease payments	–	1,648,343 <sup>1</sup>	–	1,648,343
Intangible assets	235,769,269	75,885,791 <sup>1</sup>	–	311,655,060
	<u>271,589,348</u>			<u>359,213,593</u>
<b>Current assets</b>				
Inventories	1,665,197	–	(1,665,197) <sup>1</sup>	–
Trade receivables	5,742,718	–	–	5,742,718
Other receivables, deposits and prepayments	11,777,590	–	(7,305,704) <sup>1</sup>	4,471,886
Derivative financial assets	–	162,000 <sup>2</sup>	–	162,000
Financial assets at fair value through profit or loss	3,144,120	–	–	3,144,120
Bank balances and cash	122,366,920	–	(1,557,798) <sup>1</sup>	120,809,122
	<u>144,696,545</u>			<u>134,329,846</u>
<b>Current liabilities</b>				
Trade and other payables	43,655,019	(3,256,851) <sup>1</sup>	11,738,454 <sup>4</sup>	52,136,622
Advance subscriptions and license fees	3,226,368	–	–	3,226,368
Amount due to a substantial shareholder	26,780,993	(6,598,608) <sup>1</sup>	–	20,182,385
Amount due to non-controlling interest of a subsidiary	–	–	5,710,201 <sup>1</sup>	5,710,201
Amounts due to directors	6,999,622	(5,733,622) <sup>1</sup>	–	1,266,000
Convertible bonds	36,966,269	(559,000) <sup>2</sup>	–	36,407,269
	<u>117,628,271</u>			<u>118,928,845</u>
<b>Net current assets</b>	<u>27,068,274</u>			<u>15,401,001</u>
<b>Total assets less current liabilities</b>	298,657,622			374,614,594
<b>Non-current liabilities</b>				
Provision for reinstatement costs	–	–	794,615 <sup>1</sup>	794,615
Deferred tax liabilities	–	–	74,624,496 <sup>1</sup>	74,624,496
	<u>–</u>			<u>75,419,111</u>
	<u>298,657,622</u>			<u>299,195,483</u>
<b>Capital and reserves</b>				
Share capital	6,406,432	–	–	6,406,432
Reserves	158,174,294	–	16,865,018 <sup>3</sup>	175,039,312
Equity attributable to owners of the Company	164,580,726			181,445,744
Non-controlling interests	134,076,896	(16,327,157) <sup>1</sup>	–	117,749,739
<b>Total equity</b>	<u>298,657,622</u>			<u>299,195,483</u>

*Notes:*

- 1 Adjustments arising from changes in fair value of identifiable assets and liabilities of Jun Qiao on Acquisition and the related exchange realignments. A detailed reconciliation between adjustments made on the date of Acquisition and as at 30 September 2011 was as follows:

Debit/(Credit)	Adjustments on Acquisition <sup>(i)</sup>	Exchange realignment	Reclassification <sup>(ii)</sup>	Transferred Assets and Liabilities <sup>(iii)</sup>	Adjustments as at 30 September 2011
Property, plant and equipment	(21,565,236)	(487,748)		20,404,641	(1,648,343)
Prepaid lease payments	1,614,373	33,970			1,648,343
Intangible assets	74,321,903	1,563,888			75,885,791
Inventories	(1,630,886)	(34,311)			(1,665,197)
Other receivables, deposits and prepayments	(11,944,742)	(251,342)		4,890,380	(7,305,704)
Bank balances and cash	(1,525,694)	(32,104)			(1,557,798)
Other payables	27,930,193	621,679		(25,295,021)	3,256,851
Amount due to a substantial shareholder			6,598,608		6,598,608
Amount due to non-controlling interest of a subsidiary	6,563,477		(12,273,678)		(5,710,201)
Amounts due to directors	58,552		5,675,070		5,733,622
Provision for reinstatement costs	(778,239)	(16,376)			(794,615)
Deferred tax liabilities	(73,086,602)	(1,537,894)			(74,624,496)
Non-controlling interests	16,271,059	56,098			16,327,157

- (i) Please refer to the adjustments on the restated note on business combination in page 8 for further details.
- (ii) The amount represented loan advanced by the equity holder of Jun Qiao, who was also a director of Jun Qiao, for operating purposes prior to the Acquisition. The balance was unsecured, interest-free and repayable on demand. Prior to the Acquisition, the amount due to the equity owner was partly included as amount due to director and partly as amount due to a substantial shareholder in the books of Jun Qiao. However, as this equity owner was not a director or a substantial shareholder of the Company, a reclassification adjustment is made to amount due to non-controlling interest of a subsidiary.

(iii) Prior to the Acquisition of Jun Qiao by the Group in May 2011, Jun Qiao indirectly acquired 90% equity interest in Tong Bai County Yin Di Mining Company Limited (“Yin Di Company”) from its former equity owner (the ‘Former Owner’) in March 2011. On acquisition of Yin Di Company by Jun Qiao, Yin Di Company became an indirect subsidiary of Jun Qiao which in turn became an indirect subsidiary of the Company after the Acquisition, certain assets of Yin Di Company was transferred to the Former Owner and the Former Owner also assumed certain liabilities (the “Transferred Assets and Liabilities”) of Yin Di Company in accordance with the sale and purchase agreement entered into between Jun Qiao and the Former Owner. The Transferred Assets and Liabilities have already been removed in the unaudited management accounts of Jun Qiao as at 30 September 2011 but not at the date of Acquisition. Therefore, the related adjustments found necessary at the date of acquisition is no longer required as at 30 September 2011. Accordingly, the Transferred Assets and Liabilities were not included in the Group’s audited consolidated statement of financial position as at 31 March 2012. During the course of the audit of the Group’s consolidated financial statements for the year ended 31 March 2012, the auditor of the Group had reviewed the financial information of Yin Di Company for the period from the date of Acquisition to 31 March 2012.

- 2 Adjustment arising from changes in debt component and call option feature (derivative component) of convertible bonds issued on acquisition of Jun Qiao.
- 3 Adjustments incorporating changes in the gain on bargain purchases, gain (loss) on redemption of promissory notes and exchange realignment.
- 4 Balance represented adjustments found during the annual audit of the Group that should be reflected as at 30 September 2011 relating to certain property, plant and equipment whose construction was completed as at 30 September 2011 but the relevant payments was made after 30 September 2011. As local accounting staff of Yin Di Company recorded the amount subsequent to 30 September 2011 when payment was made, such property, plant and equipment were omitted in the unaudited management account as at 30 September 2011.

Note 14 – Business Combinations

**Consideration transferred**

	<b>As previously reported HK\$</b>		<b>Adjustments HK\$</b>	<b>As restated HK\$</b>
Cash	39,000,000			39,000,000
Issue of convertible bonds	24,087,000	<i>Note</i>	(3,455,000)	20,632,000
Issue of promissory notes	41,127,000	<i>Note</i>	(1,393,000)	39,734,000
	<u>104,214,000</u>		<u>(4,848,000)</u>	<u>99,366,000</u>

*Note:* the details of adjustments were summarized below:

	<i>Notes</i>	<b>Issue of convertible notes HK\$</b>	<b>Issue of promissory notes HK\$</b>
Call option features	<i>a</i>	(162,000)	(309,000)
Change in equity portion	<i>b</i>	(2,734,000)	–
Change in liability component	<i>c</i>	<u>(559,000)</u>	<u>(1,084,000)</u>
		<u>(3,455,000)</u>	<u>(1,393,000)</u>

*Notes:*

- The fair value ascribed to the call option features was omitted when the Group prepared the 2011 Interim Result Announcement. The call option referred to the right to redeem the relevant financial instruments before their respective maturity dates.
- During the preparation of the 2011 Interim Result Announcement, the equity portion, being the conversion option of the convertible bonds, were separately valued as a single instrument. However, in accordance with the relevant accounting standard, equity portion should be a residual amount. As such, management instructed the valuer to appraise the value of convertible bonds as a single instrument and resulted in decrease in the amount of the equity portion.
- Due to the fact that the call option features of the convertible bonds and promissory note were omitted when the Group prepared the 2011 Interim Result Announcement, the Company instructed the valuer to reassess and evaluate the risks associated with the convertible bonds and promissory note for annual result announcement. Taking into account of the nature and risks concerning the call option features have resulted in the increase in discount rates and decrease in the amounts of liability components of the convertible bonds and promissory note.

In the preparation of the Group's 2011 Interim Result Announcement, call option features of the convertible bonds and promissory notes were omitted, and therefore the valuer did not take into account of these features in estimating the fair values of the convertible bonds and promissory notes. However, in the preparation of the Group's annual result announcement as at 31 March 2012, the management of the Company confirmed with the valuer that the call option features of the convertible bonds and promissory notes in fact existed and should be considered in the valuation. Hence, the valuer reassessed and evaluated the overall risks of the convertible bonds and promissory note.

The call option features (i.e. early redemption option) denote that the Company, at any time between the issue date and maturity date of the convertible bonds and promissory notes, has the right to early redeem whole or part of the outstanding convertible bonds and promissory note at an amount equal to 100% of the principal amount of the instruments.

With the call option features, the uncertainty on the cashflows regarding the convertible bonds and promissory note as well as the overall risks of the convertible bonds and promissory note would be higher, compared to convertible bonds and promissory note without such call option features. Therefore, higher discount rates were adopted and resulted in decreases in the amounts of liability components of the convertible bonds and promissory notes.

#### Assets and liabilities recognised at the date of acquisition:

	Per interim report HK\$	Notes	Adjustments HK\$	As restated HK\$
<b>Net assets acquired</b>				
Property, plant and equipment	32,702,959	<i>a</i>	(19,950,863)	11,137,723
		<i>b</i>	(1,614,373)	
Prepaid lease payments	–	<i>b</i>	1,614,373	1,614,373
Intangible assets	230,825,397	<i>c</i>	74,321,903	305,147,300
Inventories	1,630,886	<i>d</i>	(1,630,886)	–
Other receivables, deposits and prepayments	14,339,952	<i>a</i>	(11,944,742)	2,395,210
Bank balances and cash	2,685,686	<i>e</i>	(1,525,694)	1,159,992
Other payables	(39,348,218)	<i>a</i>	27,930,193	(11,418,025)
Amounts due to a director	(10,997,680)	<i>f</i>	58,552	(10,939,128)
Provision for reinstatement costs	–	<i>g</i>	(778,239)	(778,239)
Deferred tax liabilities	–	<i>h</i>	(73,086,602)	(73,086,602)
Fair value of net identifiable assets acquired	231,838,982			225,232,604
Amount due to a shareholder of Jun Qiao				
Limited	–	<i>f</i>	6,563,477	6,563,477
Non-controlling interests	(120,418,057)	<i>i</i>	16,271,059	(104,146,998)
	<u>111,420,925</u>			<u>127,649,083</u>



*Notes:*

- a. Represented the Transferred Assets and Liabilities that were not yet removed from the unaudited consolidated management accounts at the date of Acquisition when the Group prepared the Interim Results Announcement.
- b. Represented reclassification adjustment.
- c. In the 2011 Interim Result Announcement, Market-Based Approach was adopted in valuing the business of Yin Di Company assuming that the mining license was the only asset of Yin Di Company. However as advised by the auditor of the Company and pursuant to the Hong Kong Financial Reporting Standard No.3 – Business Combination, each of the assets and liabilities arising from the Acquisition should be stated at its fair value. A separate valuation was required in ascertaining the fair value of the mine independently from the business of Yin Di Company as a whole. In the later valuation, the mining right held by of Yin Di Company was valued with Income-Based Approach, while Market-Based Approach was adopted for the valuation of 2 exploration rights, and came up with a value of HK\$305 million for the intangible assets at date of the Acquisition.

In the 2011 Interim Results Announcement, the value of intangible assets was stated at approximately HK\$231 million. According to the sales and purchase agreement between vendors and the Company, the Acquisition was conditional upon the obtaining of a valuation report from valuer appointed by the Company and showing the fair value of the mining right held by Yin Di Company to be not less than HK\$200 million. The Company thus appointed valuer to perform the required valuation. Based on the valuation report issued by the valuer on 5 May 2011, the value of the 100% equity interest in Yin Di Company was reasonably stated at RMB 195 million (equivalent to approximately HK\$233.5 million). The valuation was prepared under market-based approach by comparing prices at which other business entities in a similar nature changed hands in arm's length transactions. In preparing the 2011 Interim Results Announcement, the management took the valuation report issued on 5 May 2011 as basis to refer the value of intangible assets. During the course of annual audit, after reviewing relevant information and documents, the management was advised by the auditor of the Company that valuation on each of the identifiable assets, including intangible assets, instead of the equity interests of Yin Di Company is required under Hong Kong Financial Reporting Standard 3 – Business Combination. Then the Company appointed the valuer to re-perform the valuation of intangible assets, including the mining right and 2 exploration rights, at the date of Acquisition.

In determining the fair value of an intangible asset, market-based approach will be adopted if observable prices for market transactions for identical or similar assets are available. If no observable price is available, other valuation methodologies will need to be adopted.

For the Group's mining right, as there are no observable prices for identical or similar assets due to the differences in the quality of mines and the landscapes of the mining area, income-based valuation approach is being adopted in determining the fair value.

For the exploration rights, as there are observable market prices for similar assets, the market-based approach is adopted.

Giving the basis and valuation approach were different, the fair value of intangible assets as stated in the 2011 Interim Results Announcement and the audited financial statements of the Group for the year ended 31 March 2012 were different. Thus adjustment was made to consistent with the audited annual financial report.

- d. The cost of inventories in the 2011 Interim Results Announcement represented depreciation charges capitalized. During the course of the audit, the auditor of the Company advised that as the Group had not yet commenced any extraction activities as at 9 May 2011, no depreciation should be capitalized and thus such inventories were removed when preparing the annual financial statements of the Group.
- e. Balance represented short-term advances wrongly recorded as bank balances and cash. Such difference was amended during the course of the preparation of the annual financial statements of the Group. It is a common practice in the PRC to record cash advanced to and kept by staff for business purposes as part of cash on hand. However, in accordance with the Group's accounting classification, such kind of advances should be recorded as advances to staff under other receivables. During the preparation of the 2011 Interim Results Announcement, the Group was not aware that the local accounting team had overlooked such requirement and thus such error was only rectified during the preparation of the annual financial statements of the Group.
- f. Balance represented 60% of amount due from the shareholder of Jun Qiao acquired by the Group which was missed out mistakenly during the preparation of interim report.
- g. Balance represented provision for reinstatement costs recognized in accordance with HKAS 37 – Provisions, Contingent Liabilities and Contingent Assets. Such provision was not originally included in the unaudited management accounts.
- h. Balance represented deferred tax liabilities recognized on the fair value adjustments, mainly from the intangible assets, in accordance with HKAS 12 – Income Taxes.
- i. Balance represented adjustment to the non-controlling interest in respond to the adjustments made to the fair value of the net identifiable assets and liabilities acquired. A reconciliation is presented below:

*HK\$*

Fair value of net identifiable assets acquired	a	225,232,604
Non-controlling interest attributable to subsidiaries of Jun Qiao	b	23,421,916
Fair value of net identifiable assets attributable to shareholders of Jun Qiao	c	201,810,688
40% attributable to non-controlling interest of Jun Qiao	d=c*40%	80,725,082
Non-controlling interest	b+d	104,146,998

**Gain on bargain purchase arising on acquisition**

	As previously reported <i>HK\$</i>	Adjustments <i>HK\$</i>	As restated <i>HK\$</i>
Consideration transferred	104,214,000	(4,848,000)	99,366,000
Plus: Non-controlling interest	120,418,057	(16,271,059)	104,146,998
Less: Fair value of net identifiable assets acquired	(231,838,982)	6,606,378	(225,232,604)
Less: Amount due to a shareholder of Jun Qiao Limited acquired	<u>–</u>	<u>(6,563,477)</u>	<u>(6,563,477)</u>
Gain on bargain purchase	<u>(7,206,925)</u>	<u>(21,076,158)</u>	<u>(28,283,083)</u>

**Analysis of net outflow of cash and cash equivalents arising on acquisition:**

	As previously reported <i>HK\$</i>	Adjustments <i>HK\$</i>	As restated <i>HK\$</i>
Cash consideration paid	39,000,000	–	39,000,000
Less: cash and cash equivalent balances acquired	<u>(2,685,686)</u>	<u>1,525,694</u>	<u>(1,159,992)</u>
	<u>36,314,314</u>	<u>1,525,694</u>	<u>37,840,008</u>

The Company has engaged the auditor of the Company, SHINEWING (HK) CPA Limited, to perform agreed-upon procedures regarding the adjustments presented in this announcement. The auditor of the Company had (a) agreed the restated notes on business combination presented above to the notes to the audited results of the Group for the year ended 31 March 2012; and (b) verified the arithmetical accuracy of the retranslation of the adjustments and the restated interim financial information.

The Audit Committee, comprising of three independent non-executive directors, namely Mr. Lee Ho Yiu, Thomas, Mr. Lee Kwong Yiu and Mr. Zhang Guang Hui, has reviewed the content of this announcement and agreed with the adjustments and restated interim financial information of the Group for the six months ended 30 September 2011 presented herein.

This announcement is supplemental to and should be read in conjunction with the 2011 Interim Results Announcement and the annual result announcement of the Group for the year ended 31 March 2012. Except as stated above, the Board confirms that the above adjustments do not affect other information contained in the 2011 Interim Results Announcement.

At the request of the Company, trading in the shares of the Company on the Stock Exchange was suspended from 9:00 a.m. on 3 July 2012, pending the release of the interim results for the six months ended 30 September 2012. Trading in the shares of the Company will remain suspended until further notice.

By Order of the Board  
**ABC Communications (Holdings) Limited**  
**Chen Jiasong**  
*Chairman*

Hong Kong, 9 January 2013

*As at the date of this announcement, the Board of the Company comprises:*

*Executive Directors:*

Mr. Chen Jiasong (*Chairman*)  
Mr. Cheung Wai Shing  
Mr. Choy Kai Chung, Andy  
Mr. Lau Kevin  
Mr. Song Gaofeng  
Ms. Ma Sai

*Non-executive Director:*

Mr. Qiu Hai Jian

*Independent Non-executive Directors:*

Mr. Chen Haoyun, Jordy  
Mr. Lee Kwong Yiu  
Mr. Lee Ho Yiu, Thomas  
Mr. Zhang Guang Hui