KINGWELL GROUP LIMITED
京維集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1195)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 30 JUNE 2012

RESULTS

The Board of directors (the "Board") of Kingwell Group Limited (the "Company" or "Kingwell") announces the preliminary consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 30 June 2012 (the "Year") together with the comparative figures for the corresponding year ended 30 June 2011. The annual results have been reviewed by the audit committee of the Company.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 30 June 2012

(Expressed in Renminbi)

	Notes	2012 RMB'000	2011 RMB'000
REVENUE	5	**279,987**	354,577
Cost of sales		**(267,591)**	(323,730)
Gross profit		**12,396**	30,847
Other income and gains	5	**6,934**	4,716
Selling and distribution costs		**(28,746)**	(24,479)
Administrative expenses		**(43,723)**	(59,757)
Other expenses		**(95,541)**	(98,744)
Finance costs	7	**(19,387)**	(19,118)
LOSS BEFORE TAX	6	**(168,067)**	(166,535)
Income tax expense	8	**(36,524)**	(63,824)
LOSS FOR THE YEAR		**(204,591)**	(230,359)
OTHER COMPREHENSIVE INCOME			
Exchange differences on translation of foreign operations		**616**	4,128
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**616**	4,128
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(203,975)**	(226,231)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	10		
Basic			
— For loss for the year		**(14) cents**	(15) cents
Diluted			
— For loss for the year		**(14) cents**	(15) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2012

(Expressed in Renminbi)

	Notes	2012 RMB'000	2011 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**64,611**	161,799
Investment properties		**1,800**	—
Prepaid land lease payments		**1,770**	16,646
Intangible assets		**479**	626
Deferred tax assets		**963**	29,602
Total non-current assets		**69,623**	208,673
CURRENT ASSETS			
Inventories		**225,402**	237,836
Trade and bills receivables	*11*	**34,485**	72,804
Prepayments, deposits and other receivables		**23,872**	22,801
Equity investments at fair value through profit or loss		**494**	570
Pledged deposits		**10,735**	9,786
Cash and cash equivalents		**147,332**	400,298
Total current assets		**442,320**	744,095
CURRENT LIABILITIES			
Trade and bills payables	*12*	**79,686**	102,114
Other payables and accruals		**80,512**	139,116
Due to a director		**582**	2,267
Interest-bearing bank and other borrowings	*13*	**103,597**	290,000
Tax payable		**7,117**	6,052
Total current liabilities		**271,494**	539,549
NET CURRENT ASSETS		**170,826**	204,546
TOTAL ASSETS LESS CURRENT LIABILITIES		**240,449**	413,219

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
30 June 2012

	Notes	**2012** **RMB'000**	2011 *RMB'000*
NON-CURRENT LIABILITIES			
Non-redeemable convertible preferred shares	*14*	**9,236**	8,183
Interest-bearing bank and other borrowings	*13*	**62,800**	33,000
Deferred tax liabilities		**14,281**	14,995
Total non-current liabilities		**86,317**	56,178
Net assets		**154,132**	357,041
EQUITY			
Equity attributable to owners of the Company			
Issued capital		**142,239**	142,152
Non-redeemable convertible preferred shares		**69,801**	69,801
Reserves		**(57,908)**	145,088
Total equity		**154,132**	357,041

Notes:

1. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The annual results set out in this announcement do not constitute the Group's consolidated financial statements for the year ended 30 June 2012 but are extracted from those financial statements.

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

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

HKFRS 1 Amendment	Amendment to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards — Limited Exemptions from Comparative HKFRS 7 Disclosures for First-time Adopters*
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards — Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures — Transfers of Financial Assets*
HKAS 24 (Revised)	*Related Party Disclosures*
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement*
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments*
Improvements to HKFRSs 2010	Amendments to a number of HKFRSs issued in May 2010

Other than as further explained below regarding the impact of HKAS 24 (Revised), the adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

The principal effect of adopting HKAS 24 (Revised) *Related Party Disclosures* is as follows:

HKAS 24 (Revised) clarifies and simplifies the definitions of related parties. The new definitions emphasise a symmetrical view of related party relationships and clarify the circumstances in which persons and key management personnel affect related party relationships of an entity. The revised standard also introduces an exemption from the general related party disclosure requirements for transactions with a government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The accounting policy for related parties has been revised to reflect the changes in the definitions of related parties under the revised standard. The adoption of the revised standard did not have any impact on the financial position or performance of the Group.

3. OPERATING SEGMENT INFORMATION

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

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

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

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

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

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

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

3. OPERATING SEGMENT INFORMATION (continued)

Year ended 30 June 2012

	Electronic products *RMB'000*	SMT processing services *RMB'000*	Property development *RMB'000*	Total *RMB'000*
Segment revenue:				
Sales to external customers	178,843	2,309	98,835	279,987
Other revenue	3,249	1,862	340	5,451
	182,092	4,171	99,175	285,438
Segment results	(150,181)	(550)	22,506	(128,225)
Reconciliation:				
Interest income				1,483
Corporate and other unallocated expenses				(21,938)
Finance costs				(19,387)
Loss before tax				(168,067)
Segment assets	304,073	—	203,876	507,949
Reconciliation:				
Corporate and other unallocated assets				3,994
				511,943
Segment liabilities	218,541	—	102,974	321,515
Reconciliation:				
Corporate and other unallocated liabilities				36,296
				357,811
Other segment information:				
Impairment of property, plant and equipment	9,060	—	—	9,060
Depreciation and amortisation	10,797	998	429	12,224
Provision against inventories	11,111	—	—	11,111
Provision for impairment of trade and other receivables	959	169	—	1,128
Capital expenditure	26,921	—	40	26,961

3. **OPERATING SEGMENT INFORMATION (continued)**

Year ended 30 June 2011

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

3. OPERATING SEGMENT INFORMATION (continued)

Geographical information

(a) Revenue from external customers

	2012	2011
	RMB'000	*RMB'000*
Mainland China	**246,859**	294,786
Overseas	**33,128**	59,791
	279,987	354,577

The revenue information above is based on the location of the customers.

(b) Non-current assets

	2012	2011
	RMB'000	*RMB'000*
Mainland China	**68,110**	177,830
Hong Kong	**550**	1,241
	68,660	179,071

The non-current assets information above is based on the location of the assets and excludes deferred tax assets.

Information about a major customer

Revenue of approximately RMB23,200,000 (2011: RMB42,313,000) was derived from sales by the electronic products segment to a single customer.

4. REVENUE RECOGNITION

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

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

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

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

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

5. REVENUE, OTHER INCOME AND GAINS

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

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

	2012	2011
	RMB'000	*RMB'000*
Revenue		
Sales of goods	**178,843**	244,808
Sales of properties	**98,835**	104,443
SMT processing service income	**2,309**	5,326
	279,987	354,577
Other income		
Bank interest income	**1,483**	1,899
Rental income	**398**	601
Written-back of payables	**4,699**	1,768
Others	**114**	416
	6,694	4,684
Gains		
Fair value gains on investment properties	**240**	—
Fair value gains on equity investments	**—**	32
	6,934	4,716

6. LOSS BEFORE TAX

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

	Note	2012 RMB'000	2011 RMB'000
Cost of inventories sold		**195,168**	234,399
Cost of properties sold		**69,553**	85,195
Cost of services provided		**2,870**	4,136
Depreciation		**11,750**	12,958
Amortisation of intangible assets		**138**	70
Amortisation of prepaid land lease payments		**336**	498
Minimum lease payments under operating leases:			
Land and buildings		**1,379**	1,520
Auditors' remuneration		**1,573**	1,461
Staff costs (excluding directors' remuneration):			
Salaries and wages		**57,373**	67,801
Pension scheme contributions		**11,360**	5,036
Equity-settled share option expense		**—**	6,350
		68,733	79,187
Repair and maintenance costs		**68,164**	34,022
Impairment of property, plant and equipment		**9,060**	30,010
Provision for impairment of trade and other receivables		**1,128**	3,704
Provision against inventories		**11,111**	31
Loss on disposal of items of property, plant and equipment		**24**	10,759
Foreign exchange differences, net		**2,793**	4,929
Changes in fair value of investment properties		**(240)**	—
Changes in fair value of equity financial instruments		**76**	(32)
Loss on disposal of subsidiaries	*15*	**12,057**	—

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2012	2011
	RMB'000	*RMB'000*
Interest on:		
Bank and other borrowings	**19,762**	19,281
Non-redeemable convertible preferred shares	**1,260**	167
	21,022	19,448
Less: Interest capitalised	**(1,635)**	(330)
	19,387	19,118

8. INCOME TAX

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

No provision for Hong Kong profits tax has been made (2011: Nil) as the Group did not generate any assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	2012	2011
	RMB'000	*RMB'000*
Group:		
Current — Mainland China		
Provision for enterprise income tax	**8,599**	7,351
Deferred	**27,925**	56,473
Total tax charge for the year	**36,524**	63,824

8. INCOME TAX (continued)

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

	Group	
	2012	2011
	RMB'000	*RMB'000*
Loss before tax	**(168,067)**	(166,535)
Tax at the statutory tax rate of 25%	**(42,017)**	(41,634)
Income not subject to tax	**(551)**	(1,651)
Expenses not deductible for tax	**14,261**	12,004
Effect of withholding tax at 10% on the distributable profits of the Group's PRC Subsidiaries	**1,931**	(6,111)
Tax losses not recognised	**34,474**	31,981
Temporary differences not recognised	**28,426**	69,235
Tax charge at the Group's effective rate	**36,524**	63,824
The Group's effective income tax rate	**(21.7%)**	(38.3%)

9. DIVIDENDS

No final dividends were proposed for the years ended 30 June 2012 and 2011.

10. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic loss per share is based on the loss for the year attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 1,513,797,000 (2011: 1,495,877,000) in issue during the year.

No adjustments has been made to the basic loss per share amounts presented for the years ended 30 June 2012 and 2011 in respect of a dilution as the impact of the warrants, share options and non-redeemable convertible preferred shares outstanding had an anti-dilutive effect on the basic loss per share amounts presented.

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

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

	2012	2011
	RMB'000	*RMB'000*
Loss		
Loss attributable to ordinary equity holders of the Company, used in the basic loss per share calculation	**204,591**	229,653

	Number of shares	
	2012	2011
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic loss per share calculation	**1,513,797,000**	1,495,877,000
Effect of dilution — weighted average number of ordinary shares:		
Warrants	**97,085,000**	153,363,000
Share options	**149,436,000**	100,483,000
Non-redeemable convertible preferred shares	**310,000,000**	49,260,000
	556,521,000	303,106,000
	2,070,318,000	1,798,983,000

For the years ended 30 June 2012 and 2011, because the diluted loss per share amounts decreased when taking the warrants, share options and non-redeemable convertible preferred shares into account, the warrants, share options and non-redeemable convertible preferred shares had an anti-dilutive effect on the basic loss per share for the years and were ignored in the calculation of diluted loss per share. Therefore, diluted loss per share amounts were based on the loss for the years of RMB204,591,000 and RMB229,653,000, respectively, and the weighted average number of ordinary shares of 1,513,797,000 and 1,495,877,000, respectively, in issue during the years.

11. TRADE AND BILLS RECEIVABLES

	Group	
	2012	2011
	RMB'000	*RMB'000*
Trade and bills receivables	**94,178**	139,752
Impairment	**(59,693)**	(66,948)
	34,485	72,804

11. TRADE AND BILLS RECEIVABLES (continued)

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:

	Group	
	2012	2011
	RMB'000	*RMB'000*
Within 1 month	**9,486**	34,058
1 to 3 months	**22,602**	30,399
3 months to 1 year	**2,397**	8,347
	34,485	72,804

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

	Group	
	2012	2011
	RMB'000	*RMB'000*
At 1 July	**66,948**	65,605
Impairment losses recognised	**1,096**	1,343
Disposal of subsidiaries	**(8,351)**	—
	59,693	66,948

Included in the above provision for impairment of trade and bills receivables is a provision for individually impaired trade and bills receivables of RMB59,693,000 (2011: RMB66,948,000) with a carrying amount before provision of RMB59,693,000 (2011: RMB66,948,000).

The individually impaired trade and bills receivables relate to customers that were in financial difficulties or were in default in both interest and/or principal payments and the balances were not expected to be recoverable.

11. TRADE AND BILLS RECEIVABLES (continued)

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

	Group	
	2012	2011
	RMB'000	*RMB'000*
Neither past due nor impaired	**31,000**	37,502
Within 1 month past due	**1,527**	16,420
1 to 3 months past due	**869**	16,288
3 months to 1 year past due	**1,089**	2,594
	34,485	72,804

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

12. TRADE AND BILLS PAYABLES

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

	Group	
	2012	2011
	RMB'000	*RMB'000*
Within 1 month	**32,978**	52,412
1 to 3 months	**30,355**	33,727
3 months to 1 year	**15,065**	13,774
Over 1 year	**1,288**	2,201
	79,686	102,114

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

As at 30 June 2012, the Group's bills payable were secured by the deposit of RMB8,765,000 (2011: RMB3,450,000).

13. INTEREST-BEARING BANK AND OTHER BORROWINGS

Group

	2012			2011		
	Effective interest rate (%)	**Maturity**	**RMB'000**	Effective interest rate (%)	Maturity	RMB'000
Current						
Bank loans — secured	**6.4–8.2**	**2012.12**	**99,358**	4.8–7.6	2012.03	220,000
Current portion of long term bank loans — secured	**—**	**—**	**—**	6.0–7.9	2012.06	4,000
Other loans — unsecured	**8.0**	**2012.10**	**4,239**	5.3–9.0	2011.12	66,000
Sub-total			**103,597**			290,000
Non-current						
Bank loans — secured	**6.4**	**2014.01**	**15,000**	5.9–7.9	2012.12–2014.01	33,000
Other loans — unsecured	**8.65**	**2013.12**	**47,800**	—	—	—
Sub-total			**62,800**			33,000
Total			**166,397**			323,000
Analysed into:						
Bank loans repayable:						
Within one year or on demand			**99,358**			224,000
In the second year			**15,000**			18,000
In the third to fifth years			**—**			15,000
			114,358			257,000
Other borrowings repayable:						
Within one year or on demand			**4,239**			66,000
In the second year			**47,800**			—
			52,039			66,000
			166,397			323,000

14. NON-REDEEMABLE CONVERTIBLE PREFERRED SHARES

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

	RMB'000
Fair value of non-redeemable CPS	77,820
Equity component of the CPS	(69,801)
Liability component of the CPS at the issuance date	8,019
Interest expenses	164
Liability component of the CPS as at 30 June 2011	8,183
Interest expenses	1,053
Liability component of the CPS as at 30 June 2012	9,236

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

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

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

15. DISPOSAL OF SUBSIDIARIES

	2012
	RMB'000
Net assets disposed of:	
Property, plant and equipment	103,121
Prepaid land lease payment	14,991
Intangible assets	9
Inventories	4,172
Pledged deposit	5,000
Cash and bank balances	86,960
Trade and bills receivables	24,690
Prepayments and other receivables	699
Equity investments at fair value through profit or loss	300
Trade payables	(18,645)
Accruals and other payables	(69,501)
Interest-bearing bank and other borrowings	(138,000)
Due to a director	(513)
	13,283
Loss on disposal of subsidiaries	(12,057)
	1,226
Satisfied by:	
Cash	1,226

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	2012
	RMB'000
Cash consideration	1,226
Cash and bank balances disposed of	(86,960)
Net outflow of cash and cash equivalents in respect of the disposal of subsidiaries	(85,734)

DIVIDENDS

The Board does not recommend the payment of a final dividend for the year ended 30 June 2012 (2011: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Results

For the Year, revenue of the Group decreased by 21.0% to RMB279,987,000 (2011: RMB354,577,000). The decrease in revenue was mainly due to the decrease in the revenue from the electronic business.

During the Year, the Group recorded a gross profit of RMB12,396,000 (2011: gross profit of RMB30,847,000) and loss before tax of RMB168,067,000 (2011: loss before tax of RMB166,535,000) respectively. The decrease in gross profit and increase in loss was mainly due to the slow recovery in sales and rise in production costs in electronic business.

The loss attributable to equity shareholders of the Company for the Year was RMB204,591,000 (2011: loss of RMB229,653,000). Basic loss per share was RMB14 cents (2011: basic loss per share was RMB15 cents).

Business Review

Electronic Business

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

During the Year, 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 amid intense market competition.

Rigid printed circuit boards ("RPCBs") continued to remain as the Group's core business. Being one of the largest producers in Fujian and leveraging on its strong client base, the Group continued to receive stable orders from existing clients and maintained its market share in the region. However, owing to the uncertain market conditions, average selling prices have not yet rebounded to previous levels.

During the Year, revenue attributable from electronic business was RMB181,152,000 (2011: RMB250,134,000) representing 64.7% of the Group's total revenue. The electronic business recorded a loss of RMB150,731,000, as compared to a loss of RMB108,685,000 in last year.

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 People's Republic of China (the "PRC") is wholly owned by the Group and is having positive contribution to the Group. The project comprises three phases, with a total gross floor area of approximately 272,568 square meters. The project marked the successful entry by the Group into the property development business and provided strong support in achieving the strategy of business diversification and generated new sources of income in order to improve the Group results during the Year.

During the Year, revenue attributable from property development business was approximately RMB98,835,000 (2011: RMB104,443,000), representing 35.3% of the Group's total revenue. The property development business recorded a profit of RMB22,506,000, as compared to a profit of RMB15,581,000 in last year.

Geographic Information

Geographically, sales within the PRC (excluding Hong Kong and Taiwan) remained the largest segment, generating 88.2% (2011: 83.1%) of the Group's revenue. The balance of approximately 11.8% of the Group's revenue (2011: 16.9%) was taken up by the overseas customers.

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 electronic products recovered at a slow pace. Customers were still cautious in placing orders which added to the downward pressure of average selling prices. Furthermore, the growing inflation in China led to rising raw material and labour costs, which increased production costs and undermined the profitability of the Group.

In order to 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, residential buildings and commercial buildings, had made significant contribution to the Group during the Year.

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, as reference to the Company's announcements made on 22 May 2012, 4 July 2012, 5 July 2012 and 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 mining business for its long-term development.

Liquidity and Financial Resources and Capital Structure

For the year ended 30 June 2012, the Group's working capital requirement was principally financed by its internal resources, banking facilities and other financial instruments.

As at 30 June 2012, the Group had cash and cash equivalents, net current assets and total assets less current liabilities of RMB147,332,000 (2011: RMB400,298,000), RMB170,826,000 (2011: RMB204,546,000) and RMB240,449,000 (2011: RMB413,219,000) respectively.

As at 30 June 2012, the Group had total bank borrowings of RMB114,358,000 (2011: RMB257,000,000). Included in these utilised bank loans, RMB99,358,000 was short term and RMB15,000,000 was long term. All of the utilised bank loans were secured by interest in leasehold land and buildings of subsidiaries.

As at 30 June 2012, the Group had other interest-bearing borrowings of RMB52,039,000 (2011: RMB66,000,000), which were unsecured and repayable within two years.

The total bank borrowings of the Group were mainly for business expansion, capital expenditure and working capital purposes and were mainly denominated in Renminbi.

Total equity attributable to equity shareholders of the Company as at 30 June 2012 decreased by RMB202,909,000 to RMB154,132,000 (2011: RMB357,041,000). The gearing ratio (calculated as the ratio of net debt: capital and net debt) of the Group as at 30 June 2012 was 52% (2011: 31%).

On 10 February 2012, the Company completed the issue of 100,000,000 warrants to three independent investors. The issue price is HK$0.01 per warrant and the subscription price is HK$0.29 per new share. The net proceeds were for general working capital.

Significant Investments

Save as disclosed elsewhere under the section headed "Management Discussion and Analysis", the Group held no other significant investment during the Year.

Acquisition and Disposal of Subsidiaries and Associated Companies

On 28 December 2011, the Company disposed its equity interest in Winrise International Limited and its subsidiary (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 and was not subject to the notification, publication and shareholders' approval requirements according to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

On 18 January 2012, the Company disposed its equity interest in Herowin Limited and its subsidiary (collectively, the "Herowin Group") to an independent third party. The Herowin Group is not yet commenced operation. The disposal of the Herowin Group was completed on 31 January 2012. The above transaction was less than 5% size tests and was not subject to the notification, publication and shareholders' approval requirements according to the Listing Rules.

On 28 June 2012, the Company disposed its equity interest in Tempest Trading Limited and its subsidiary (collectively, the "Tempest Group") to an independent third party. The Tempest Group is engaged in manufacture of flexible printed circuit boards. The disposal of the Tempest Group was completed on 30 June 2012. Since the above transaction was more than 5% but less than 25% size tests, the disposal transaction constituted a discloseable transaction under Chapter 14 of the Listing Rules and was subject to the reporting and announcement requirements under the Listing Rules. Details of the disposal transaction has been published on the Company's announcement dated 28 June 2012.

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

Employee Information

As at 30 June 2012, the Group employed a total of 549 (2011: 1,286) employees. It is a policy of the Group to review its employees' pay levels and performance bonus system regularly to ensure that the remuneration policy is competitive within the relevant industry. During the Year, the employment cost (including directors' emoluments) amounted to approximately RMB71,274,000. In order to align the interests of staff, directors and consultants with the Group, share options may be granted to staff, directors and consultants under the Company's 2010 share options scheme. There were 149,436,000 share options outstanding under the 2010 Scheme as at 30 June 2012.

Charges on Group Assets

As at 30 June 2012, certain interests in leasehold land and buildings with a net carrying amount of RMB32,483,000 (2011: RMB134,604,000) 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, as reference to the Company's announcements made on 22 May 2012, 4 July 2012, 5 July 2012 and 15 August 2012, the Group had completed the acquisition of 51% equity interest in a gold mining company in the Russian Federation. The Group will be financed by internal cash resources, bank loan and the issue of the convertible note.

Save as disclosed above, the Group had no future plans for material investments as at 30 June 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 Commitments

As at 30 June 2012, in respect of capital expenditure, the Group had capital commitments that were authorised, but not contracted for the acquisition of equity investment amounting to RMB82,000,000.

Contingent Liabilities

As at 30 June 2012, the banking facilities granted to disposed subsidiaries subject to guarantees given to banks by the Group were utilised to the extent of RMB36,000,000 (2011: Nil).

CORPORATE GOVERNANCE

The Group is committed to statutory and regulatory corporate governance standards and adherence to the principles of corporate governance emphasising accountability, transparency, independence, fairness and responsibility.

The Group has complied with the code provisions in the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules throughout the Year.

Nomination Committee

According to code provision A.5.1 of the CG Code, the listed issuers should set up a nomination committee with a majority of the members thereof being independent non-executive directors. The Company has established a nomination committee (the "Nomination Committee") on 26 March 2012 with written terms of reference no less exacting terms than the CG Code. The Nomination Committee is responsible for electing and recommending candidates for directorship, based on assessment of their professional qualifications and experience and is also responsible for assessing the independence of each independent non-executive director. During the Year, the Nomination Committee has assessed the independence of the independent non-executive directors.

Remuneration Committee

The Company established a remuneration committee (the "Remuneration Committee") in November 2005 with written terms of reference no less exacting terms than the CG Code. The Remuneration Committee is responsible for advising the Board on the remuneration policy and framework of the directors and senior management, as well as reviewing and having delegated responsibility to determine the remuneration packages of individual executive directors and senior management, including benefits in kinds, pension rights and compensation payments, with reference to the Company's objectives from time to time.

Audit Committee

The Company established an audit committee (the "Audit Committee") in May 2001 with written terms of reference revised to be substantially the same as the provisions as set out in the CG Code. The Audit Committee acts as an important link between the Board and the Company's auditors in matters within the scope of the Group's audit. The duties of the Audit Committee are to review and discuss on the effectiveness of the external audit and risk evaluation of the Company, as well as the Company's annual report and accounts, interim reports and to provide advice and comments to the Board. The Audit Committee is also responsible for reviewing and supervising the Group's financial reporting and internal control. The Audit Committee has reviewed the annual results of the Group for the year ended 30 June 2012.

Corporate Governance Committee

According to code provision D.3.2 of the CG Code, the Board should be responsible for performing the corporate governance duties or it may delegate the responsibility to a committee or committees. The Company has established a corporate governance committee (the "CG Committee") on 26 March 2012 with written terms of reference no less exacting terms than the CG Code. The CG Committee is responsible for developing and reviewing the Company's policies and practices on corporate governance. The CG Committee had reviewed the corporate governance matters of the Company that the Company had complied with the principles and applicable code provisions of the CG Code and was not aware of any non-compliance to relevant applicable legal and regulatory requirements.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 30 June 2012.

PUBLICATION ON ANNUAL RESULTS AND ANNUAL REPORT

The results announcement of the Group for the year ended 30 June 2012 is available for viewing on the website of the Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and on the website of the Company at http://kingwell.todayir.com. The annual report will be despatched to the shareholders of the Company and will also be available for viewing at the aforesaid websites in due course.

On behalf of the Board
KINGWELL GROUP LIMITED
Hui Lung Hing
Chairman

Hong Kong, 21 September 2012

As at the date of this announcement, the Board comprises Mr. Hui Lung Hing, Mr. Xiang Song, Mr. Sze Ming Yee, Mr. Lin Wan Xin, Ms. Xu Yue Yue and Mr. Yang Xue Jun as executive directors, and Mr. Huang Jian Zi, Mr. Cheung Chuen and Ms. Wong Lai Wing as independent non-executive directors.