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KINGWELL GROUP LIMITED

京維集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1195)

MAJOR TRANSACTION DISPOSAL OF THE ENTIRE ISSUED SHARE CAPITAL OF SUPERFORD HOLDING LIMITED

Financial Adviser



禹銘投資管理有限公司
YU MING INVESTMENT MANAGEMENT LIMITED

THE DISPOSAL

On 27 August 2014 (after trading hours), the Vendor and the Purchaser entered into the Sale and Purchase Agreement, pursuant to which the Vendor conditionally agreed to sell and the Purchaser conditionally agreed to purchase the Sale Shares at the Consideration in cash. The Sale Shares represent the entire issued share capital of the Sale Entity.

As the relevant percentage ratios of the Disposal are more than 25% but less than 75%, the Disposal constitutes a major transaction for the Company under the Listing Rules and is therefore subject to reporting, announcement and Shareholders' approval requirements under the Listing Rules.

A circular containing, amongst other things, (i) further information regarding the Disposal; (ii) a notice of EGM; and (iii) other information as required under the Listing Rules will be despatched to the Shareholders on or before 18 September 2014.

The Disposal is subject to the satisfaction of the condition precedent to the Sale and Purchase Agreement, which may or may not complete. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

THE DISPOSAL

On 27 August 2014 (after trading hours), the Vendor and the Purchaser entered into the Sale and Purchase Agreement, pursuant to which the Vendor conditionally agreed to sell and the Purchaser conditionally agreed to purchase the Sale Shares free from Encumbrances at the Consideration in cash. Major terms of the Sale and Purchase Agreement are set out below.

The Sale and Purchase Agreement

Date: 27 August 2014 (after trading hours)

Parties: (i) The Company as the Vendor; and
(ii) Splendid Vantage Limited as the Purchaser.

The Purchaser is a company incorporated in Samoa with limited liability. The principal business activity of the Purchaser is investment holding. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Purchaser and its ultimate beneficial owners are Independent Third Parties.

Assets to be disposed

The Sale Shares represent the entire issued share capital of the Sale Entity.

Consideration

The Consideration shall be payable by the Purchaser to the Vendor in cash upon Completion.

The Consideration was determined after arm's length negotiations between the Purchaser and the Vendor with the reference to (i) the net liabilities of the Sale Group as at 30 June 2014; (ii) the historical performance of the Sale Group; (iii) the future prospects and earnings outlook of the business of the Sale Group; and (iv) the reasons for the Disposal as discussed in the section headed "Reasons for the Disposal" below.

Condition precedent

Completion is conditional upon the passing by the Shareholders at the EGM an ordinary resolution to approve the Disposal and the transactions contemplated under the Sale and Purchase Agreement in accordance with the Listing Rules and the applicable laws and regulations.

If the condition precedent has not been fulfilled on or before 31 December 2014 (or such later date as the parties may agree), the rights and obligations of the parties of the Sale and Purchase Agreement shall lapse and be of no further effect except for any antecedent breaches of the terms thereof.

Completion

Completion shall take place on the fifth Business Day after the above condition has been satisfied (or such other time and/or date as the Vendor and the Purchaser may agree in writing).

The Vendor shall on Completion (i) cause persons nominated by the Purchaser to be appointed as directors and/or company secretary of the Sale Entity; and (ii) cause the existing directors of the Sale Entity as requested by the Purchaser to resign.

The Purchaser shall not be obliged for Completion unless the Vendor complies fully with the requirements under the Sale and Purchase Agreement. If any provision under the Sale and Purchase Agreement is not complied with by the Vendor on the Completion Date, the Purchaser may (i) defer Completion for not more than 28 days; or (ii) proceed to Completion so far as practicable.

INFORMATION OF THE SALE GROUP

The Sale Entity is incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company.

The Sale Group is principally engaged in manufacturing and selling of rigid printed circuit boards and flexible printed circuit boards.

The unaudited consolidated financial information of the Sale Group for the years ended 30 June 2012 and 2013 are set out as follows:

	For the year ended 30 June	
	2012	2013
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	111,777	77,064
Net loss before tax and extraordinary items	(306,855)	(87,920)
Net loss after tax and extraordinary items	(335,279)	(87,920)

The unaudited net liabilities of the Sale Group as at 30 June 2014 amounted to approximately RMB55.35 million, while the audited net asset value of the Sale Group as at 30 June 2013 amounted to approximately RMB68.11 million.

FINANCIAL EFFECT OF THE DISPOSAL

Upon Completion, the Company will cease to be engaged in the electronic business, the Sale Entity would cease to be subsidiary of the Company and the financial information of the Sale Group would no longer be consolidated in the accounts of the Company.

It is expected that the Company will record a profit on disposal (before deducting the related transaction costs) of approximately RMB55.91 million which is calculated based on the Consideration less unaudited consolidated net liabilities of the Sale Group of approximately RMB55.35 million as at 30 June 2014. The proceeds from the Disposal would be used for general working capital of the Group.

REASONS FOR THE DISPOSAL

The Group is principally engaged in (i) the electronic business; (ii) property development; and (iii) gold mining business.

The Sale Group is capital and labour intensive. As set out in the annual report for the year ended 30 June 2013, the unfavourable market condition in the global economy continued to pose various challenges to the electronic business, both the Group's orders and average selling prices were under pressure amid intense market competition. The demand for electronic products recovered at a slow pace and customers were still cautious in placing orders which added to the downward pressure of average selling prices.

The growing inflation rate in the PRC led to rising raw material and labour costs, while the Sale Group also experienced a shortage of labour force. In addition, due to new environmental protection requirements in the Fujian Province, the Group has employed an environmental protection company to review the existing situation of the Fujian plant and capital investment is expected to be incurred to fulfill the environmental protection requirements.

The rise of raw material and labour costs, shortage of labour force and new environmental protection requirements increased production costs and undermined the profitability of the Sale Group.

In another hand, the Group will continue to implement its diversified development strategy and proactively search for potential investment opportunities, particularly in gold mining projects.

Having considered all of the above factors, and Sale Group has been in a loss making position for the past 5 years, the Board is of the view that the terms of the Sale and Purchase Agreement are fair and reasonable and the entering into of the Sale and Purchase Agreement is in the interest of the Company and Shareholders as a whole.

GENERAL

As the relevant percentage ratios of the Disposal are more than 25% but less than 75%, the Disposal constitutes a major transaction for the Company under the Listing Rules and is therefore subject to reporting, announcement and Shareholders' approval requirements under the Listing Rules.

To the best knowledge, information and belief of the Directors having made all reasonable enquires, no Shareholders is required to abstain from voting for the resolution to be proposed at the EGM to approve the Disposal.

A circular containing, amongst other things, (i) further information regarding the Disposal; (ii) a notice of EGM; and (iii) other information as required under the Listing Rules will be despatched to the Shareholders on or before 18 September 2014.

The Disposal is subject to the satisfaction of the condition precedent to the Sale and Purchase Agreement, which may or may not complete. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following respective meanings:

“Board”	the board of Directors of the Company
“Business Day(s)”	a day (other than a Saturday, a Sunday, a public holiday and a day on which a tropical cyclone warning signal no. 8 or above or a “black rainstorm warning signal” is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which banks are open for banking business in Hong Kong
“Company”	Kingwell Group Limited, a company incorporated in Cayman Islands with limited liability whose issued Shares are listed on the Main Board of the Stock Exchange (stock code: 1195)
“Completion”	completion of the Sale and Purchase Agreement

“Completion Date”	31 October 2014, or such other date as may be agreed by the Purchaser and the Vendor in writing
“Consideration”	the total consideration of HK\$700,000 (equivalent to approximately RMB557,000) payable by the Purchaser for acquiring the Sale Shares
“Director(s)”	director(s) of the Company from time to time
“Disposal”	disposal of the Sale Shares pursuant to the terms and conditions of the Sale and Purchase Agreement
“Encumbrances”	any claim, charge, mortgage, security, lien, option, equity, power of sale, hypothecation or other third party rights, retention of title, right of pre-emption, right of first refusal or security interest of any kind
“EGM”	the extraordinary general meeting of the Company to be held for the Shareholders to consider and, if thought fit, approve the Disposal
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Independent Third Party(ies)”	persons(s) or company(ies) together with its/their beneficial owner(s) who or which is/are, to the best of the Directors’ knowledge, information and belief, having made all reasonable enquiry, are not connected person(s) (as defined in the Listing Rules) to the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China but excluding, for the purpose of this announcement, Hong Kong, Macau Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC

“Sale and Purchase Agreement”	the conditional sale and purchase agreement dated 27 August 2014 entered into between the Vendor and the Purchaser in relation to the sale and purchase of the Sale Shares
“Sale Entity”	Superford Holding Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company as at the date of this announcement
“Sale Group”	the Sale Entity and its subsidiaries
“Sale Shares”	being the entire issued share capital of the Sale Entity
“Share(s)”	ordinary share(s) of HK\$0.10 each in the issued share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent.

(The exchange rate used for the purpose of this announcement is at RMB1 = HK\$1.2576)

By Order of the Board
KINGWELL GROUP LIMITED
Hui Lung Hing
Executive Director

Hong Kong, 27 August 2014

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.