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 2010

RESULTS

The Board of directors (the "Board" or the "Director(s)") of Kingwell Group Limited (the "Company" or "Kingwell") herein presents the consolidated results of the Company and its subsidiaries (collectively, the Group) for the year ended 30 June 2010 (the "Year") together with the comparative figures for the corresponding year ended 30 June 2009. The annual results have been reviewed by the Audit Committee of the Company.

Consolidated Income Statement
For the year ended 30 June 2010
(Expressed in Renminbi)

	Note	**2010** **RMB'000**	2009 RMB'000
Turnover	4	**264,213**	316,940
Cost of sales		**(268,369)**	(270,693)
Gross (loss)/profit		**(4,156)**	46,247
Other revenue	5	**2,703**	5,002
Other net income/(loss)	5	**41,127**	(95,248)
Distribution costs		**(11,556)**	(16,278)
Administrative expenses		**(40,563)**	(30,500)
Repair and maintenance costs	6(d)	**(14,426)**	(9,720)
Other operating expenses		**(1,203)**	(820)
Impairment of non-current assets	14	**(204,204)**	(282,338)
Impairment of goodwill	15	**(59,311)**	—
Loss from operations		**(291,589)**	(383,655)
Finance costs	6(a)	**(10,376)**	(19,866)
Loss before taxation	6	**(301,965)**	(403,521)
Income tax	7	**32,903**	43,319
Loss for the year		**(269,062)**	(360,202)
Attributable to:			
Equity shareholders of the Company		**(268,698)**	(360,202)
Non-controlling interests		**(364)**	—
Loss for the year		**(269,062)**	(360,202)
Loss per share	9		
Basic		**(34) cents**	(64) cents
Diluted		**(34) cents**	(64) cents

Consolidated Statement of Comprehensive Income
For the year ended 30 June 2010
(Expressed in Renminbi)

	2010	2009
	RMB'000	*RMB'000*
Loss for the year	**(269,062)**	(360,202)
Other comprehensive income for the year (after tax)		
Exchange differences on translation of financial statements of operations outside the People's Republic of China (the "PRC")	**(833)**	(689)
Impairment of buildings held for own use, net of deferred tax	**—**	(10,536)
	(833)	(11,225)
Total comprehensive income for the year	**(269,895)**	(371,427)
Attributable to:		
Equity shareholders of the Company	**(269,530)**	(371,427)
Non-controlling interests	**(365)**	—
Total comprehensive income for the year	**(269,895)**	(371,427)

Consolidated Balance Sheet
As at 30 June 2010
(Expressed in Renminbi)

	Note	**2010** **RMB'000**	2009 RMB'000
Non-current assets			
Property, plant and equipment		**124,682**	290,472
Interests in leasehold land held for own use under operating leases		**17,642**	18,143
Deposits for the purchase of property, plant and equipment		**335**	9,580
Deferred tax assets		**90,231**	57,750
		232,890	375,945
Current assets			
Trading securities		**1,081**	1,570
Inventories		**314,615**	25,997
Trade and other receivables	11	**133,734**	94,068
Derivative financial instruments	17	**1,758**	—
Amount due from the controlling shareholder (the "CS")		**—**	61,975
Pledged deposits		**10,731**	8,662
Cash and cash equivalents		**476,972**	648,450
		938,891	840,722
Current liabilities			
Trade and other payables	12	**265,545**	143,926
Bank loans	13	**144,000**	250,972
Convertible bonds		**473**	—
Other interest-bearing borrowings		**134,000**	—
Taxation		**2,792**	—
Other financial liabilities		**—**	164,443
		546,810	559,341
Net current assets		**392,081**	281,381

	Note	2010 RMB'000	2009 RMB'000
Total assets less current liabilities		**624,971**	657,326
Non-current liabilities			
Bank loans	13	**26,000**	16,000
Convertible bonds		**38,822**	—
Deferred tax liabilities		**19,151**	6,861
		83,973	22,861
NET ASSETS		**540,998**	634,465
CAPITAL AND RESERVES			
Share capital		**123,651**	58,661
Reserves		**395,859**	575,804
Total equity attributable to equity shareholders of the Company		**519,510**	634,465
Non-controlling interests		**21,488**	—
TOTAL EQUITY		**540,998**	634,465

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 2010 but are extracted from those financial statements.

The Group's consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. Those financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules").

2. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued one new HKFRS, two revised HKFRSs, a number of amendments to HKFRSs and one new Interpretation that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

— HKFRS 3 (revised 2008), *Business combinations*

— HKFRS 8, *Operating segments*

— HKAS 1 (revised 2007), *Presentation of financial statements*

— Amendments to HKFRS 7, *Financial instruments: Disclosures—improving disclosures about financial instruments*

— Improvements to HKFRSs (2008)

— Amendments to HKAS 27, *Consolidated and separate financial statements*

— HKAS 23 (revised 2007), *Borrowing costs*

— Amendments to HKFRS 2, *Share-based payment—vesting conditions and cancellations*

— HK(IFRIC) 15, *Agreements for the construction of real estate*

The Group has not applied any new standard or Interpretation that is not yet effective for the current accounting period.

The Improvements to HKFRSs (2008), amendments to HKAS 23 and HKFRS 2 and Interpretation HK(IFRIC) 15 have had no material impact on the Group's financial statements as the amendments were consistent with policies already adopted by the Group.

The impact of the remainder of these developments is as follows:

— HKFRS 8 requires segment disclosure to be based on the way that the Group's chief operating decision maker regards and manages the Group, with the amounts reported for each reportable segment being the measures reported to the Group's chief operating decision maker for the purposes of assessing segment performance and making decisions about operating matters. This contrasts with the presentation of segment information in prior years which was based on a disaggregation of the Group's financial statements into segments based on related products and services and on geographical areas. The adoption of HKFRS 8 has resulted in the presentation of segment information in a manner that is more consistent with internal reporting provided to the Group's most senior executive management and has resulted in additional reportable segments being identified and presented. Corresponding amounts have been provided on a basis consistent with the revised segment information.

— As a result of the adoption of HKAS 1 (revised 2007), details of changes in equity during the period arising from transactions with equity shareholders in their capacity as such have been presented separately from all other income and expenses in a revised consolidated statement of changes in equity. All other items of income and expense are presented in the consolidated income statement, if they are recognised as part of profit or loss for the period, or otherwise in a new primary statement, the consolidated statement of comprehensive income. Corresponding amounts have been restated to conform to the new presentation. This change in presentation has no effect on reported profit or loss, total income and expense or net assets for any period presented.

— As a result of the adoption of the amendments to HKFRS 7, the financial statements include expanded disclosures about the fair value measurement of the Group's financial instruments, categorising these fair value measurements into a three-level fair value hierarchy according to the extent to which they are based on observable market data. The Group has taken advantage of the transitional provisions set out in the amendments to HKFRS 7, under which comparative information for the newly required disclosures about the fair value measurements of financial instruments has not been provided.

— The amendments to HKAS 27 have removed the requirement that dividends out of pre-acquisition profits should be recognised as a reduction in the carrying amount of the investment in the investee, rather than as income. As a result, as from 1 July 2009, all dividends receivable from subsidiaries, whether out of pre- or post-acquisition profits, will be recognised in the Company's profit or loss and the carrying amount of the investment in the investee will not be reduced unless that carrying amount is assessed to be impaired as a result of the investee declaring the dividend. In such cases, in addition to recognising dividend income in profit or loss, the Company would recognise an impairment loss. In accordance with the transitional provisions in the amendment, this new policy will be applied prospectively to any dividends receivable in the current or future periods and previous periods have not been restated.

— As a result of the adoption of HKFRS 3 (revised 2008), any business combination on or after 1 July 2009 will be recognised in accordance with the new requirements and detailed guidance contained in HKFRS 3 (revised 2008). These include the following changes in accounting policies:

  — Transaction costs that the Group incurs in connection with a business combination, such as finder's fees, legal fees, due diligence fees and other professional and consulting fees, will be expensed as incurred, whereas previously they were accounted for as part of the cost of the business combination and therefore impacted the amount of goodwill recognised.

  — If the Group holds interests in the acquiree immediately prior to obtaining control, these interests will be treated as if disposed of and re-acquired at fair value on the date of obtaining control. Previously, the step-up approach would have been applied, whereby goodwill was computed as if accumulated at each stage of the acquisition.

  — Contingent consideration will be measured at fair value at the acquisition date. Any subsequent changes in the measurement of that contingent consideration will be recognised in profit or loss, unless they arise from obtaining additional information about facts and circumstances that existed at the acquisition date within 12 months from the date of acquisition (in which case they will be recognised as an adjustment to the cost of the business combination). Previously, contingent consideration was recognised at the acquisition date only if payment of the contingent consideration was probable and it could be measured reliably. All subsequent changes in the measurement of contingent consideration and from its settlement were previously recognised as an adjustment to the cost of the business combination and therefore impacted the amount of goodwill recognised.

- If the acquiree has accumulated tax losses or other temporary deductible differences and these fail to meet the recognition criteria for deferred tax assets at the date of acquisition, then any subsequent recognition of these assets will be recognised in profit or loss, rather than as an adjustment to goodwill as was previously the policy.

- In addition to the Group's existing policy of measuring the non-controlling interests (previously known as the "minority interests") in the acquiree at the non-controlling interest's proportionate share of the acquiree's net identifiable assets, in future the Group may elect, on a transaction by transaction basis, to measure the non-controlling interest at fair value.

- In accordance with the transitional provisions in HKFRS 3 (revised 2008), these new accounting policies will be applied prospectively to any business combinations in the current or future periods. The new policy in respect of recognition in the movement of deferred tax assets will also be applied prospectively to accumulated tax losses and other temporary deductible differences acquired in previous business combinations. No adjustments have been made to the carrying values of assets and liabilities that arose from business combinations whose acquisition dates preceded the application of this revised standard.

— As a result of the adoption of HKAS 27 (amended 2008), the following changes in policies will be applied as from 1 July 2009:

- If the Group acquires an additional interest in a non-wholly owned subsidiary, the transaction will be accounted for as a transaction with equity shareholders (the non-controlling interests) in their capacity as owners and therefore no goodwill will be recognised as a result of such transactions. Similarly, if the Group disposes of part of its interest in a subsidiary but still retains control, this transaction will also be accounted for as a transaction with equity shareholders (the non-controlling interests) in their capacity as owners and therefore no profit or loss will be recognised as a result of such transactions.

  Previously the Group treated such transactions as step-up transactions and partial disposals, respectively.

- If the Group loses control of a subsidiary, the transaction will be accounted for as a disposal of the entire interest in that subsidiary, with any remaining interest retained by the Group being recognised at fair value as if reacquired. In addition, as a result of the adoption of the amendment to HKFRS 5, if at the balance sheet date the Group has the intention to dispose of a controlling interest in a subsidiary, the entire interest in that subsidiary will be classified as held for sale (assuming that the held for sale criteria in HKFRS 5 are met) irrespective of the extent to which the Group will retain an interest. Previously such transactions were treated as partial disposals.

- In accordance with the transitional provisions in HKAS 27, these new accounting policies will be applied prospectively to transactions in current or future periods and therefore previous periods have not been restated.

Other changes in accounting policies which are relevant to the Group's financial statements are as follows:

- As a result of the amendments to HKAS 27, as from 1 January 2010 any losses incurred by a non-wholly owned subsidiary will be allocated between the controlling and non-controlling interests in proportion to their interests in that entity, even if this results in a deficit balance within consolidated equity being attributed to the non-controlling interests. Previously, if the allocation of losses to the non-controlling interests would have resulted in a deficit balance, the losses were only allocated to the non-controlling interests if the non-controlling interests were under a binding obligation to make good the losses. In accordance with the transitional provisions in HKAS 27, this new accounting policy is being applied prospectively and therefore previous periods have not been restated.

3. REVENUE RECOGNITION

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sale of goods

Revenue arising from the sale of goods is recognised when the customer has accepted the goods and the related risks and rewards of ownership, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably and there is no continuing management involvement with the goods. Revenue excludes value-added tax or other sales taxes and is stated after deduction of any trade discounts.

(ii) Sale of properties

Revenue arising from the sale of properties held for sale is recognised when the risks and rewards of ownership of the properties have passed to the buyer. The Group considers the significant risks and rewards of ownership are transferred when the properties are completed and delivered to the buyers and the collectability of the related receivables is probable. Revenue from sale of properties excludes business tax and other sales related taxes and is stated after deduction of any trade discounts. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the consolidated balance sheet under receipts in advance.

(iii) Processing service income

Processing service income is recognised when services are rendered.

(iv) Interest income

Interest income is recognised as it accrues using the effective interest method.

(v) Dividends

Dividend income is recognised when the shareholder's right to receive payment is established.

4. TURNOVER

The Group is principally engaged in the manufacture and sale of printed circuit boards ("PCBs") and PCBs assembling products, the provision for surface mount technology ("SMT") processing services and property development.

Turnover comprises: (i) the sales value of goods supplied to customers and service income from SMT processing services, which excludes value-added tax and business tax and is stated after deduction of all goods returns and trade discounts; and (ii) revenue from sales of properties, which excludes business tax and other sales related taxes and is after deduction of any trade discounts. The amount of each significant category of revenue recognised in turnover during the year is as follows:

	2010	2009
	RMB'000	*RMB'000*
Sales of PCBs	**251,370**	303,113
Sales of PCBs assembling products	**—**	4,953
Sales of properties	**4,556**	—
SMT processing service income	**8,287**	8,874
	264,213	316,940

The Group's customer base is diversified and includes only one customer with whom transactions have exceed 10% of the Group's revenue. During the year ended 30 June 2010, revenue from this customer, including sales to entities which are known to the Group to be under common control with this customer, amounted to approximately RMB73,158,000 (2009: RMB55,566,000) and arose in the manufacture and sale of PCBs in the Fujian Fuqiang Delicate Circuit Plate Co., Ltd. ("Fuqiang") and Shuangxiang (Fujian) Electronics Limited ("Shuangxiang") segments.

5. OTHER REVENUE AND OTHER NET INCOME/(LOSS)

	2010	2009
	RMB'000	*RMB'000*
Other revenue		
Interest income	**2,280**	4,782
Rentals receivable from operating leases	**301**	—
Sundry income	**122**	220
	2,703	5,002
Other net income/(loss)		
Reversal of impairment of trade and other receivables	**5,105**	5,258
Impairment of trade and other receivables	**(815)**	(68,162)
Loss on disposal of property, plant and equipment	**(178)**	(31,940)
Exchange gain/(loss)	**561**	(465)
Net realised and unrealised gains on trading securities	**82**	70
Derecognition of the other financial liabilities *(note 5(a))*	**36,221**	—
Others	**151**	(9)
	41,127	(95,248)

Note:

(a) *Derecognition of other financial liabilities*

Derecognition of other financial liabilities arose from the actual settlement of a claim against the Company during the year ended 30 June 2010 for an amount less than the termination amount originally demanded by a commercial bank for the early termination of two structured interest rate swaps on 12 November 2008 (notes 17(b) and 18(a)).

6. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging/(crediting):

		2010	2009
		RMB'000	*RMB'000*
(a)	**Finance costs:**		
	Interest on bank loans and other borrowings wholly repayable within five years	**12,550**	17,580
	Finance charges on obligations under finance leases	**—**	86
	Interest on other financial liabilities	**(1,349)**	1,351
	Interest on amount due to the CS	**—**	288
	Interest on convertible bonds	**675**	—
	Loss on termination of derivative financial instruments	**—**	1,087
	Other borrowing costs	**14**	152
	Total borrowing costs	**11,890**	20,544
	Less: Borrowing costs capitalised into construction-in-progress and properties under development*	**(1,514)**	(678)
		10,376	19,866
(b)	**Staff costs:#**		
	Salaries, wages and other benefits	**37,281**	31,307
	Contributions to defined contribution retirement plans	**13,316**	11,452
	Equity-settled share-based payment expenses	**2,831**	—
		53,428	42,759
(c)	**Other items:**		
	Cost of inventories#	**268,369**	270,693
	Amortisation of interests in leasehold land held for own use under operating leases#	**501**	500
	Depreciation#		
	— owned fixed assets	**27,423**	35,696
	— assets held for use under finance leases	**—**	735
	Operating lease rentals for premises#	**1,263**	1,462
	Auditors' remuneration	**2,670**	2,639

* The borrowing costs have been capitalised at rates of 5.58%–7.27% (2009: 6.05%–7.65%) per annum.

\# Cost of inventories includes RMB75,034,000 (2009: RMB67,231,000) relating to staff costs, depreciation expenses, operating lease charges and amortisation of interests in leasehold land held for own use under operating leases, which amount is also included in the respective total amounts disclosed separately above or in notes 6(b) and 6(c) for each of these types of expenses.

(d) Repair and maintenance costs

During the year ended 30 June 2009, the building and underground infrastructure of one of the company's subsidiaries, Shuangxiang, located in the coastal area of Mawei, Fuzhou City of Fujian Province in the PRC were damaged by land subsidence and repair and maintenance costs totalling RMB9,720,000 were incurred during that year to restore the building and underground infrastructure to their original condition.

During the year ended 30 June 2010, the building and underground infrastructure of Shuangxiang was damaged again by land subsidence. Additional repair and maintenance costs of RMB14,426,000 were incurred as a result of further damage caused by land subsidence during the Year.

7. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

	2010	2009
	RMB'000	*RMB'000*
Current tax		
Provision for PRC enterprise income tax	**277**	8,786
Provision for PRC land appreciation tax	**229**	—
	506	8,786
Deferred tax		
Origination and reversal of temporary differences	**(33,409)**	(52,105)
	(32,903)	(43,319)

Notes:

(i) Overseas income tax

The Company is incorporated in the Cayman Islands and is exempted from taxation in the Cayman Islands until 2019. The Company's subsidiaries in the British Virgin Islands ("BVI") are incorporated under the International Business Companies Acts of the British Virgin Islands and, accordingly, are exempt from British Virgin Islands income taxes.

(ii) Hong Kong profits tax

No provision for Hong Kong profits tax has been made as the Group did not generate any income subject to Hong Kong profits tax during the years presented.

(iii) PRC enterprise income tax

The Company's subsidiaries in the PRC are subject to PRC enterprise income tax. Pursuant to the income tax rules and regulations of the PRC, the provision for PRC enterprise income tax of the Group is calculated based on the following rates:

	Note	**2010**	2009
Fuqiang	(1)	**22%**	20%
Gemini Electronics (Huizhou) Co., Ltd ("Gemini")	(2)	**11%**	10%
Shuangxiang	(2)	**11%**	10%
Fuqing Haichuang Electron Technology Co., Ltd. ("Haichuang")	(3)	**N/A**	N/A
Anlu Taihe Real Estate Development Company ("Anlu")	(4)	**25%**	N/A

Notes:

(1) As Fuqiang is located in an economic and technological development zone, it is entitled to enjoy a reduced tax rate of 22% in 2010 (2009: 20%). The details are explained below.

(2) Gemini and Shuangxiang are subject to PRC enterprise income tax at a reduced rate of 11% in 2010 (2009: 10%). The details are explained below.

(3) Pursuant to the income tax rules and regulations in the PRC, Haichuang is not subject to PRC enterprise income tax as it did not commence business during the years presented.

(4) Anlu is subject to the standard PRC enterprise income tax rate of 25%.

On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress promulgated the Corporate Income Tax Law of the PRC (the "New Tax Law"), which became effective on 1 January 2008. Further, the State Council released the Implementation Rules to the Corporate Income Tax Law (the "Implementation Rules") on 6 December 2007 and Notice on the Implementation Rules of the Grandfathering Relief under the Corporate Income Tax Law (Guo Fa 2007 No. 39) ("Notice 39") on 26 December 2007.

According to the New Tax Law, effective on 1 January 2008, the standard income tax rate for PRC enterprises has been reduced from 33% to 25%. Further, according to the Notice 39, for enterprises located in economic and technological development zones which had previously enjoyed a reduced tax rate of 15%, the tax rate will gradually increase to 25% during a 5-year transition period according to the following schedule: 18% in 2008, 20% in 2009, 22% in 2010, 24% in 2011 and 25% in 2012 (the "five-year transition rate").

Furthermore, as production-oriented foreign investment enterprises ("FIEs"), Gemini and Shuangxiang had kick started their Tax Holiday ("Tax Holiday") under the old PRC Foreign Enterprise Income Tax ("FEIT") regime in 2006. As such, the companies were exempted from FEIT in 2006 and 2007. According to Notice 39, the unexpired Tax Holiday enjoyed by FIEs established before 16 March 2007 is allowed to continue after implementation of New Tax Law on 1 January 2008 until expiry of the Tax Holiday. As such, the applicable enterprise income tax rate of Gemini and Shuangxiang is 9% (50% of 18%) in year 2008; 10% (50% of 20%) in year 2009; 11% (50% of 22%) in year 2010; 24% (Tax Holiday will expire) in year 2011 and 25% thereafter.

The deferred tax assets/liabilities of subsidiaries in the PRC are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

Under the New Tax Law and Implementation Rules starting from 1 January 2008, dividends distributed by the PRC subsidiaries to their foreign holding investors are subject to withholding income tax at 10%, subject to reduction under double-taxation arrangements ("DTA"). Since the holding companies of the PRC subsidiaries are incorporated in the BVI, which currently has not entered into a DTA with the PRC, dividends distributed by the PRC subsidiaries would be subject to withholding tax at 10%. Dividends receivable by the Group from subsidiaries in the PRC in respect of their undistributed profits accumulated up to 31 December 2007 are exempted from withholding tax.

(iv) PRC land appreciation tax ("LAT")

According to the requirements of the Provisional Regulations of the PRC on LAT effective from 1 January 1994 and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT effective from 27 January 1995, all income from the sale or transfer of state-owned land use rights, buildings and their attached facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value.

8. DIVIDENDS

No final dividends were proposed after the balance sheet date of 2009 and 2010.

9. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to equity shareholders of the Company of RMB268,698,000 (2009: RMB360,202,000) and the weighted average number of 785,407,000 (2009: 558,965,000) ordinary shares in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2010	2009
	'000	*'000*
Issued ordinary shares at 1 July 2009/2008	**558,965**	558,965
Effect of open offer and placing	**224,505**	—
Effect of conversion of convertible bonds	**1,937**	—
Weighted average number of ordinary shares at 30 June 2010/2009	**785,407**	558,965

(b) Diluted loss per share

The diluted loss per share for the years ended 30 June 2009 and 2010 is the same as the basic loss per share as the potential ordinary shares are anti-dilutive.

(c) Placing of warrants after the balance sheet date

On 30 August 2010, the Company completed the placing of warrants under which the holders thereof may subscribe for 105,000,000 new ordinary shares of the Company. Had the placing of warrants occurred before 30 June 2010, the number of potential ordinary shares outstanding as at 30 June 2010 would have been increased by 105,000,000 shares.

10. SEGMENT REPORTING

The Group manages its businesses by the operating subsidiaries in the PRC. On the first-time adoption of HKFRS 8, *Operating segments* and in a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has identified the following five reportable segments.

— Fuqiang: this segment manufactures and sells rigid PCBs.

— Gemini: this segment manufactures and sells flexible PCBs.

— Shuangxiang: this segment provides SMT processing services.

— Haichuang: this segment is currently in a development phase and its principal activity will be the manufacture and sale of PCBs.

— Anlu: this segment develops and sells commercial and residential properties.

No operating segments have been aggregated to form the above reportable segments.

(a) Segment results and assets

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results attributable to each reporting segment on the following bases:

Segment assets include all tangible, intangible assets and current assets with the exception of tax recoverable, deferred tax assets and other corporate assets.

Revenue and expenses represent revenue generated and the expenses incurred by the respective segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

The measure used for reporting segment profit or loss is "profit or loss before taxation".

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 30 June 2010 and 2009 is set out below.

	Fuqiang		Gemini		Shuangxiang		Haichuang		Anlu		Total	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Reportable segment revenue	**172,065**	235,865	**79,305**	67,248	**8,287**	13,827	**—**	—	**4,556**	—	**264,213**	316,940
Cost of sales	**(176,227)**	(186,088)	**(81,125)**	(67,183)	**(6,786)**	(17,422)	**—**	—	**(4,231)**	—	**(268,369)**	(270,693)
Reportable segment gross (loss)/profit	**(4,162)**	49,777	**(1,820)**	65	**1,501**	(3,595)	**—**	—	**325**	—	**(4,156)**	46,247
Reportable segment (loss)/profit	**(96,449)**	(106,898)	**(72,033)**	(51,817)	**(64,906)**	(131,833)	**(25,979)**	(95,442)	**(60,195)**	—	**(319,562)**	(385,990)
Depreciation and amortisation for the year	**16,920**	17,569	**9,827**	9,452	**1,050**	9,661	**51**	238	**45**	—	**27,893**	36,920
Impairment of												
— non-current assets other than goodwill	**73,048**	51,698	**61,083**	43,247	**44,491**	105,922	**25,582**	95,211	**—**	—	**204,204**	296,078
— goodwill	**—**	—	**—**	—	**—**	—	**—**	—	**59,311**	—	**59,311**	—
Reportable segment assets	**812,819**	1,018,223	**136,934**	202,356	**24,165**	169,393	**11,662**	27,585	**286,977**	—	**1,272,557**	1,417,557

(b) Reconciliation of reportable segment revenue, profit or loss and assets

	2010	2009
	RMB'000	*RMB'000*
Revenue		
Reportable segment revenue	**264,213**	316,940
Consolidated revenue	**264,213**	316,940
Loss		
Reportable segment loss	**(319,562)**	(385,990)
Unallocated head office and corporate income/(expenses)	**17,597**	(17,531)
Consolidated loss before taxation	**(301,965)**	(403,521)
Assets		
Reportable segment assets	**1,272,557**	1,417,557
Elimination of inter-segment receivables	**(76,302)**	(260,447)
	1,196,255	1,157,110
Elimination of head office and corporate receivables	**(137,390)**	(63,570)
Deferred tax assets	**90,231**	57,750
Unallocated head office and corporate assets	**22,685**	65,377
Consolidated total assets	**1,171,781**	1,216,667

(c) **Geographic information**

The following table sets out information about the geographical locations of (i) the Group's revenue from external customers and (ii) the Group's property, plant and equipment, interests in leasehold land held for own use under operating leases and deposits for the purchase of property, plant and equipment ("specified non-current assets"). The geographical location of customers is based on the location at which the services were provided or goods delivered. The geographical location of the specified non-current assets is based on the physical location of the asset.

	Revenue from external customers		**Specified non-current assets**	
	2010	2009	**2010**	2009
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
PRC, excluding Hong Kong and Taiwan (place of domicile)	**188,764**	225,210	**141,893**	318,084
Hong Kong	**30,611**	40,457	**766**	111
Australia	**27,202**	29,048	**—**	—
Malaysia	**3,277**	2,308	**—**	—
USA	**70**	1,013	**—**	—
Germany	**—**	5,619	**—**	—
Others	**14,289**	13,285	**—**	—
	75,449	91,730	**766**	111
	264,213	316,940	**142,659**	318,195

11. TRADE AND OTHER RECEIVABLES

	The Group	
	2010	2009
	RMB'000	*RMB'000*
Bills receivable	**23,074**	13,810
Trade receivables	**165,173**	143,508
Less: allowance for doubtful debts	**(65,605)**	(69,895)
	122,642	87,423
Rental and other deposits	**452**	436
Advances to directors	**—**	381
Advances to employees	**1,787**	808
Prepayments	**3,824**	2,478
Others	**5,029**	2,542
	133,734	94,068

All of the trade and other receivables, apart from rental and other deposits, are expected to be recovered within one year.

Normally, these receivables are due within 90 days to 180 days from the date of billing.

(a) Ageing analysis

Included in trade and other receivables are trade receivables and bills receivable (net of allowance for doubtful debts) with the following ageing analysis as of the balance sheet date:

	The Group	
	2010	2009
	RMB'000	*RMB'000*
Current	**96,825**	76,229
Less than 1 month past due	**12,429**	2,543
1 to 3 months past due	**3,926**	1,583
More than 3 months but less than 12 months past due	**4,642**	6,948
More than 12 months but less than 2 years past due	**4,820**	120
Amount past due	**25,817**	11,194
	122,642	87,423

(b) Impairment of trade receivables and bills receivable

Impairment losses in respect of trade receivables and bills receivable are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables and bills receivable directly.

The movement in the allowance for doubtful debts during the year is as follows:

	The Group	
	2010	2009
	RMB'000	*RMB'000*
At 1 July 2009/2008	**69,895**	11,206
Impairment loss recognised	**815**	68,021
Write-back of impairment losses	**(5,105)**	(5,258)
Uncollectible amounts written off	**—**	(4,074)
At 30 June 2010/2009	**65,605**	69,895

12. TRADE AND OTHER PAYABLES

	The Group	
	2010	2009
	RMB'000	*RMB'000*
Trade payables	**101,225**	58,875
Bills payable	**25,463**	17,323
Other payables and accruals	**28,675**	14,591
Other tax payable	**7,281**	3,692
Payables for the purchase of property, plant and equipment	**3,820**	5,739
Staff welfare payable	**51,688**	38,482
Utilities and rentals payable	**3,119**	2,802
Amount due to a director	**197**	2,422
Receipts in advance	**44,077**	—
	265,545	143,926

Amount due to a director is unsecured, non-interest bearing and has no fixed terms of repayment.

Included in trade and other payables are trade payables and bills payable with the following ageing analysis as of the balance sheet date:

	The Group	
	2010	2009
	RMB'000	*RMB'000*
Due within 6 months or on demand	**126,688**	76,198

13. BANK LOANS

At 30 June 2010, the bank loans were repayable as follows:

	The Group	
	2010	2009
	RMB'000	*RMB'000*
Within 1 year or on demand	**144,000**	250,972
After 1 year but within 2 years	**8,000**	4,000
After 2 years but within 5 years	**18,000**	12,000
	26,000	16,000
	170,000	266,972

At 30 June 2010, the bank loans were secured as follows:

	The Group	
	2010	2009
	RMB'000	*RMB'000*
Secured by leasehold land and buildings held for own use *(note (i))*	**87,500**	78,000
Secured by shares *(note (ii))*	**—**	26,388
Secured by bills receivable *(note (iii))*	**—**	10,785
Secured by land and buildings of a third party *(note (iv))*	**—**	54,000
Unsecured	**82,500**	97,799
	170,000	266,972

Notes:

(i) At 30 June 2010, certain interests in leasehold land held for own use under operating leases and buildings held for own use with a carrying value of RMB83,444,000 (2009: RMB135,528,000) were pledged to banks for bank loans totalling RMB87,500,000 (2009: RMB78,000,000) granted to the Group.

(ii) As at 30 June 2009, a bank loan with outstanding principal amount of US$4,000,000 (equivalent to approximately RMB27,509,000) granted to the Company was secured by the entire equity interest in Superford Holding Limited, Tempest Trading Limited, Winrise International Limited and Herowin Limited (the "BVI subsidiaries"). The BVI subsidiaries are the immediate holding companies of Fuqiang, Gemini, Shuangxiang and Haichuang, respectively (the "PRC subsidiaries"). The PRC subsidiaries are the operating subsidiaries of the Group. The bank loan was fully repaid on 16 December 2009 and the release of the share charges was subsequently completed on 30 July 2010. Total net asset value of the BVI and PRC subsidiaries as at 30 June 2010 was approximately RMB253,741,000 (2009: RMB474,166,000).

(iii) The Group's discounted bills with recourse have been accounted for as collateralised bank advances. The discounted bills receivable and the related proceeds received from discounting banks are included in the Group's "Bills receivable" and "Bank loans" as at the balance sheet date. There were no discounted bills with recourse as at 30 June 2010 (2009: RMB10,785,000).

(iv) As at 30 June 2009, bank loans totalling RMB54,000,000 granted to the Group were secured by land and buildings of an unrelated individual, Zhou Hong Mei. The directors have confirmed that this individual is not related to the Group. The bank loans were fully repaid during the year ended 30 June 2010.

(v) At 30 June 2010, the Group did not have any undrawn committed borrowing facilities (2009: RMB Nil).

(vi) The Company signed a Waiver Agreement with the bank in December 2008 (the "Waiver Agreement"), allowing the Company to repay the loan under a revised schedule and settle the outstanding amount in terms of instalments from January 2009 to October 2009. However, at 30 June 2009, the Company breached one of the conditions imposed under the Waiver Agreement that restricted the Group's capital expenditure at a ceiling of US$1,000,000 (equivalent to approximately RMB6,877,000). At 30 June 2009, the outstanding principal amount of the bank loan was US$4,000,000 (equivalent to approximately RMB27,509,000). Subsequent to the balance sheet date, the Company defaulted on payment of the monthly instalment of US$1,000,000 (equivalent to approximately RMB6,877,000) due in August 2009. The Company negotiated with the bank for a revised repayment schedule and fully settled all outstanding balances on 31 December 2009.

Other than the above, none of the covenants relating to drawn down facilities had been breached as at 30 June 2010 (2009: RMB Nil).

(vii) As at 30 June 2009, corporate guarantees had been issued by the Company in respect of bank loans of RMB83,800,000 granted to subsidiaries. The directors did not consider it probable that a claim would be made against the Company under the guarantees. The maximum liability of the Company at 30 June 2009 under the guarantees issued amounted to RMB83,800,000. The Company had not recognised any deferred income in respect of the guarantees as the fair value of such guarantees would not be reliably measured and the transaction price was nil. There were no outstanding corporate guarantees issued by the Company in respect of bank loans granted to subsidiaries as at 30 June 2010.

14. IMPAIRMENT OF NON-CURRENT ASSETS

During the year ended 30 June 2009, the Group experienced a significant drop in demand for its PCBs and related products under the prevailing market environment and consequently recorded operating losses. The directors considered that the existence of the above conditions indicated that non-current assets of the Fuqiang, Gemini, Shuangxiang and Haichuang may be impaired. In view of this, the directors prepared a cash flow projection to estimate the recoverable amount of these assets and recognised an impairment loss of RMB296,078,000 against these non-current assets for that year.

During the year ended 30 June 2010, the market conditions surrounding the Group's PCBs and related products were far more difficult than expected and the Group continued to record operating losses. As a result, the directors revised the cash flow projection based on the prevailing market information to reassess the recoverable amount of the non-current assets and recognised an additional impairment loss of RMB204,204,000 for the Year.

The estimates of recoverable amount were determined based on a value-in-use calculation using cash flow projections based on the five-year financial forecast approved by the directors, and a pre-tax discount rate.

Cash flows beyond the five-year period were extrapolated using a zero growth rate to cover the remaining useful lives of related non-current assets.

Key assumptions used for the value in use calculation:

Sales volume growth rate	1%–40%
Gross contribution rate	14%–74%
Pre-tax discount rate	11.66%–14.27%

The directors determined the growth rate and gross contribution rate based on the expectation for market development.

The directors concluded that it is appropriate to recognise impairment losses of RMB204,204,000 (2009: RMB296,078,000) against these non-current assets, details of which are as follows:

	The Group	
	2010	2009
	RMB'000	*RMB'000*
Property, plant and equipment	**203,801**	258,780
Deposits for the purchase of property, plant and equipment	**403**	37,298
	204,204	296,078
Charged to profit or loss	**204,204**	282,338
Charged to building valuation reserve	**—**	13,740
	204,204	296,078

15. IMPAIRMENT OF GOODWILL

	The Group
	RMB'000
Cost:	
At 1 July 2008 and 30 June 2009	—
Acquisition of subsidiaries	59,311
At 30 June 2010	59,311
Accumulated impairment losses:	
At 1 July 2008 and 30 June 2009	—
Impairment loss	(59,311)
At 30 June 2010	(59,311)
Carrying amount:	
At 30 June 2010	—
At 30 June 2009	—

Impairment tests for cash-generating unit containing goodwill

Goodwill is allocated to the Group's cash-generating unit ("CGU"), Anlu, an identifiable reportable segment.

The recoverable amount of the CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using an estimated weighted average growth rate of 0%. The growth rates used do not exceed the long-term average growth rates for the business in which the CGU operates. The cash flows are discounted using a discount rate of 15.5%. The discount rate used is pre-tax and reflects specific risks relating to the relevant segment.

The impairment loss recognised during the Year solely relates to the Group's property development activities in the PRC.

16. ACQUISITION OF SUBSIDIARIES

On 4 June 2010, the Company obtained control of Stephigh and its subsidiaries, a group which develops and sells real estate in the PRC, by acquiring 70% of the shares and voting interests in Stephigh. The acquisition-date fair value of the total consideration transferred was HK$126,000,000 (equivalent to approximately RMB110,300,000), which comprised HK$80,000,000 (equivalent to approximately RMB70,032,000) convertible bonds, which are convertible to 285,714,000 ordinary shares of the Company, issued to the vendor and cash of HK$46,000,000 (equivalent to approximately RMB40,268,000). The acquisition is expected to improve the prospects of the Group by diversification into the property development business in the PRC.

Identifiable assets acquired and liabilities assumed:

	Recognised values on acquisition *RMB'000*
Property, plant and equipment	3,203
Inventories	284,873
Trade and other receivables	2,146
Pledged deposits	1,369
Cash and cash equivalents	2,124
Trade and other payables	(74,023)
Taxation	(2,632)
Other interest-bearing borrowings	(131,000)
Deferred tax liabilities	(13,218)
Total identifiable net assets	72,842
Less: Non-controlling interests	(21,853)
Add: Goodwill	59,311
Consideration	110,300
— settled by cash	*40,268*
— settled by convertible bonds issued to the vendor	*70,032*
Cash consideration	40,268
Cash and cash equivalents acquired	(2,124)
Net cash outflow for the Year	38,144

The trade and other receivables represent the gross contractual amounts receivable. None of the receivables was expected to be uncollectible at the acquisition date.

The non-controlling interests are measured at the non-controlling interests' proportionate share of the recognised amounts of Stephigh's identifiable net assets.

From 4 June 2010 to 30 June 2010 Stephigh contributed revenue of RMB4,556,000 and a loss of RMB864,000 to the Group's results. If the acquisition had occurred on 1 July 2009, management estimates that consolidated revenue would have been RMB295,717,000 and the consolidated loss for the year would have been RMB265,305,000. In determining these amounts, management has assumed that the fair value adjustments, that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 July 2009.

Goodwill arose from the decision to acquire the business for more than the aggregate of the fair value of its identifiable net assets. None of the goodwill recognised is expected to be deductible for income tax purposes.

The Group incurred acquisition-related costs of RMB571,000 related to external legal fees and due diligence costs. The legal fee and due diligence costs have been included in administrative expenses in the Group's consolidated income statement.

17. DERIVATIVE FINANCIAL INSTRUMENTS

	The Group	
	2010	2009
	RMB'000	RMB'000
The Company's early redemption option embedded in convertible bonds *(note 17(a))*	**1,758**	—

(a) The Company's early redemption option embedded in convertible bonds

	The Group
	RMB'000
At 1 July 2009	—
Issue of convertible bonds	3,493
Derecognised upon conversion	(1,864)
Changes in fair value recognised in profit or loss during the year	131
Exchange adjustments	(2)
At 30 June 2010	1,758
Total gains or losses for the year included in profit or loss for assets held at the balance sheet date	25

The derivative financial instruments at 30 June 2010 represent the fair value of the Company's early redemption option embedded in the convertible bonds issued on 4 June 2010.

(b) Structured interest rate swaps

	The Group	
	2010	2009
	RMB'000	*RMB'000*
As at 1 July 2009/2008	—	165,067
Payments made during the year	—	(3,434)
Change in fair value	—	—
Loss on termination	—	1,087
Exchange adjustments	—	372
Derecognition upon termination	—	(163,092)
Structured interest rate swaps as at 30 June 2010/2009	—	—

During the year ended 30 June 2007, the Company entered into two structured interest rate swaps (the "Swaps") with maturity in 2012 with a commercial bank (the "Bank"), under which total upfront payments (the "Upfront Payments") of approximately RMB113,490,000 were received at the inception of the Swaps and were initially recognised as derivative financial liabilities in the balance sheet. The Swaps were remeasured at fair value as provided and estimated by the Bank using a valuation technique based on certain assumptions at each balance sheet date.

The Swaps were structured and packaged utilising a combination of different financial instruments. These included but were not limited to cash instruments, futures and forward instruments, options instruments and other types of derivatives. The fair value of the Swaps at each balance sheet date, besides taking into account the expected cashflows of the Swaps, also took into consideration the aggregate market value of the different underlying financial instruments on that particular valuation date. In addition, factors such as the forward interest rates, interest rate volatility, the yield curve, the shape of the yield curve, the level of an index published on Bloomberg and other market data which the Bank believed to be appropriate at the time of calculating the fair value, affected the final valuation of the Swaps.

Key terms of the interest rate swaps are summarised as follows:

	Swap 1	**Swap 2**
Notional amounts:	HK$390,000,000	US$100,000,000
Upfront Payments:	HK$39,000,000	US$10,000,000
Effective date:	14 February 2007	19 April 2007
Maturity date:	14 February 2012	19 April 2012
Bank pays:		8% (semi-annually)
— First six months	7% (semi-annually)	
— Thereafter	7%* N/D (semi-annually) *(Note (i))*	
The Company pays:	9% (semi-annually)	First six months: 10% (semi-annually) Thereafter: 10% – 5* (Index YoY Return – 1%) Coupon capped at 13% and floored at 0% (semi-annually) *(Note (ii))*

Notes:

(i) N equals the number of business days in the Observation Period* (each such date a "Reference Date") for which Reference Rate 1** minus Reference Rate 2*** is greater than or equal to 0%.

D equals the actual number of business days in such Observation Period.

For purpose of calculating "N" for each Observation Period, the Reference Rate 1 and Reference Rate 2 shall be observed on each Reference Date during such Observation Period (each such date an "Observation Date").

* Observation Period means each period beginning from and including the day which is five business days prior to the previous payment date (or the effective date in the case of the first six months), to but excluding the day that is six business days prior to the next following payment date.

** Reference Rate 1 means the HKD-Swap Rate published by the International Swaps and Derivatives Association, Inc. with a designated maturity of ten years.

*** Reference Rate 2 means the HKD-Swap Rate published by the International Swaps and Derivatives Association, Inc. with a designated maturity of two years.

(ii) Index means the Deutsche Bank Pan-Asian Forward Rate Bias Index (the "Index") as published on Bloomberg.

Index YoY Return is the closing level of the Index five business days prior to the end of the relevant coupon payment period/closing level of the Index five business days prior to the coupon payment date which is two coupon payment periods prior to the relevant coupon payment (or effective date in cash of the second coupon payment period)–1.

In accordance with the terms and conditions of the Swaps, the Group was required to settle with the Bank semi-annually on a net basis. During the year ended 30 June 2009, the Group made payments of approximately RMB3,434,000 to the Bank, which were financed by the controlling shareholder of the Company.

On 12 November 2008, the Swaps were early terminated by the Bank as a result of the Company not paying the interest payment under the Swap 2 on the due date in October 2008 and the Company received a statement of demand dated 13 November 2008 for an early termination amount (the "Termination Amount") of US$23,714,693 (equivalent to approximately RMB163,092,000) and a loss of RMB1,087,000 was recognised upon termination of the Swaps on the same date. Subsequently, the Bank filed a claim at the High Court of Hong Kong against the Company, details of which are set out in note 18(a). The Termination Amount remained unsettled with the Bank as at 30 June 2009 and was included under "Other financial liabilities" in the balance sheet as at that date.

18. CONTINGENT LIABILITIES

(a) Litigation

On 10 November 2008, the Bank served a notice to the Company to early terminate the Swaps effective on 12 November 2008 as a result of the Company not paying the interest payment under the Swap 2 on the due date in October 2008. In addition, the Company received a statement dated 13 November 2008 from the Bank requesting a payment of US$23,714,693 (equivalent to approximately RMB163,092,000) in total as a result of the early termination of the Swaps. The Bank was also entitled to claim under the indemnity reasonable out-of-pocket expenses including legal fees, execution fees and stamp duty, incurred by reason of the enforcement and protection of their rights under the master agreement of the Swaps or by reason of the early termination entered thereunder, including but not limited to costs of collection.

In March 2009, the Company received a Writ of Summons ("the Writ") issued by the Bank as plaintiff, with the Company named as defendant, in a claim arising from the Swaps.

In the Writ, the plaintiff claims against the Company for:

(a) Damages in the liquidated sum of US$23,714,693;

(b) Interest on the said sum of US$23,714,693 at the contractual rate;

(c) Further or alternatively, interest at such rate and for such period as the Court thinks fit under sections 48 and 49 of the High Court Ordinance (Cap 4);

(d) Further or other relief; and

(e) Costs.

After consultation with external legal counsel in June 2009, the Company filed a defence and counterclaim against the Bank and an employee of the Bank to rescind the Swaps transactions for the reason that it had been misrepresented in the true risks associated with the Swaps. The directors were advised by their external legal counsel that the case would not be concluded in a short period of time and that the outcome was uncertain. Based on the available information at 30 June 2009, the directors were of the opinion that no provision for legal or other related costs was required as at that date.

In addition, under the Deed, the CS undertook to perform the interest payment obligation of the Company under the Swaps and was obligated to indemnify the Company against all liabilities, claims, damages, costs and expenses which the Company may suffer by reason of the CS's failure in performance of the said obligations. On 16 November 2009, the Company entered in a settlement agreement with the Bank and the employee of the Bank (the "Settlement Agreement") and agreed to a full and final settlement of the claim against the Company and the counterclaim against the Bank and the employee of the Bank (the "Action") for an amount less than US$23,714,693 to be paid by the Company. The Company has settled the payment in accordance with the terms set out in the Settlement Agreement. On 27 April 2010, the Action was discontinued by the consent order that:

(a) The Action be and do stand discontinued;

(b) All costs orders therein, insofar as not previously satisfied, be set aside; and

(c) There be no order as to the costs of the Action or the application of the consent order.

The Company and the Group had no further liabilities in respect of the litigation as at 30 June 2010.

(b) Guarantees

The Group provided guarantees in respect of mortgage facilities granted by certain banks in connection with the mortgage loans entered into by purchasers of the Group's properties. Pursuant to the terms of the guarantees, if there is any default in the mortgage payments by these purchasers, the Group is responsible for paying the outstanding mortgage loans together with any accrued interest and penalty owed by the defaulting purchasers to these banks. The Group's guarantee period commences from the dates of draw-down of the relevant mortgage loans and ends after the purchasers have obtained the individual property ownership certificates of the properties purchased. As at 30 June 2010, the maximum amounts of guarantees given to banks for mortgage facilities granted to the purchasers of the Group's properties was RMB5,085,000 (2009: RMB Nil).

The directors consider that it is not probable that the Group will sustain a loss under these guarantees as during the periods under guarantee, the Group can take back the ownership of the related properties and resell the properties to recover any amounts payable by the Group to the banks. The Group has not recognised any deferred income in respect of these guarantees as their fair value is considered to be minimal by the directors. The directors also consider that the fair market value of the underlying properties is able to cover the outstanding mortgage loans guaranteed by the Group in the event the purchasers default on their payments to the banks.

DIVIDEND

The Board does not recommend the payment of a final dividend (2009: Nil) for the year ended 30 June 2010.

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from 2 December 2010 to 6 December 2010, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for attending the forthcoming annual general meeting, all transfers accompanied by the relevant share certificates and transfer forms must be lodged with the Company's Hong Kong branch share registrar, Hong Kong Registrars Limited of 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 1 December 2010.

MANAGEMENT DISCUSSION AND ANALYSIS

Results

For the Year, turnover of the Group decreased by 16.6% to RMB264,213,000 (2009: RMB316,940,000). The decrease in turnover was mainly due to the slow recovery in sales orders and decreasing unit selling prices of the printed circuit boards ("PCBs") and related products as a consequence of lowered demand and intense competition in the electronics industry.

During the Year, the Group recorded a gross loss of approximately RMB4,156,000 (2009: gross profit of RMB46,247,000) and operating loss of RMB291,589,000 (2009: operating loss of RMB383,655,000) respectively. The gross and operating losses were mainly attributable to the slow recovery in sales and rise in production costs brought about by surging raw material and labour costs, as well as the impairment of non-current assets of RMB204,204,000 recorded during the Year.

The loss attributable to equity shareholders of the Company for the Year was RMB268,698,000 (2009: loss of RMB360,202,000). Basic loss per share was RMB34 cents (2009: basic loss per share was RMB64 cents).

Business Review

Electronic Business

The Group is principally engaged in the manufacture and sale of rigid PCBs and flexible printed circuit boards ("FPCBs"), as well as providing surface mounting technology ("SMT") processing services. 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, the economic turmoil had prolonged consequences and continued to bring challenges to the electronics industry. Both the Group's orders and average selling prices continued to be under pressure due to fierce market competition. As such, the overall turnover of the Group decreased as compared to last year. Rigid PCBs, the Group's core business segment, recorded a decrease of 27.0% in turnover. Meanwhile, turnover attributable to the FPCBs increased by 17.9%, and turnover from the SMT segment decreased by 6.6% as compared to last year. The operation of the printed circuit board assembly ("PCBA") segment was still strategically suspended during the Year.

Rigid PCBs continued to remain as the Group's core business. Being one of the largest producers in Fujian for rigid PCBs, the Group was able to receive stable orders from existing clients. However, owing to the uncertain market conditions, average selling prices have yet to rebound to previous levels.

The FPCB segment recorded an increase in revenue as compared to last year, however, due to the increase in cost of sales and downward pressure in average selling prices, the FPCB segment continued to record a loss.

As for the SMT processing service segment, the Group continued to selectively provide this service to current customers with the aim to provide a one-stop service and to enhance its relationship with long-term customers.

Since PCBA generates a relatively lower margin, the management has temporarily suspended the operation and reallocated capital resources to other segments.

Property Business

During the Year, the Group completed the acquisition of 70% interest in a residential development project "Anlu Taihe Paradise" at Liang Ji Bei Road, Anlu Economic Development District in Anlu city, Hubei province in the PRC. The project which comprises three Phases is a residential complex including villas, houses, apartments, residential buildings, commercial buildings and undeveloped land, with total gross floor area of approximately 251,746 square meters. Phase I and Phase II of the project were completed in 2007 and 2009 respectively. The construction for Phase III has been commenced in June 2010 and is expected to be completed in June 2011. Through the acquisition, the Group has successfully entered into the property development business, achieving the strategy of business diversification and gaining new sources of income in order to improve the prospects of the Group.

Segmental Information

The Group manages its businesses by the operating subsidiaries in the PRC. On the first-time adoption of HKFRS 8, Operating segments and in a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has identified the following five reportable segments.

Fujian Fuqiang Delicate Circuit Plate Co., Ltd. ("Fuqiang")

The primary business of Fuqiang is the manufacture of rigid PCBs. During the Year, sales attributable to this reporting segment were RMB172,065,000 (2009: RMB235,865,000), representing approximately 65.1% of the Group's total turnover. This reporting segment recorded a segment loss of RMB96,449,000, as compared to a segment loss of RMB106,898,000 last year.

Gemini Electronics (Huizhou) Co., Ltd ("Gemini")

The primary business of Gemini is the manufacture of FPCBs. During the Year, sales attributable to this reporting segment were approximately RMB79,305,000 (2009: RMB67,248,000), which accounts for approximately 30.0% of the Group's total turnover during the Year. This reporting segment recorded a segment loss of approximately RMB72,033,000, as compared to a segment loss of RMB51,817,000 last year.

Shuangxiang (Fujian) Electronics Limited ("Shuangxiang")

The primary business of Shuangxiang is the provision of SMT processing services. Turnover attributable to this reporting segment was approximately RMB8,287,000 (2009: RMB13,827,000), accounting for approximately 3.1% of the Group's total turnover. This reporting segment recorded a segment loss of approximately RMB64,906,000, as compared to a segment loss of RMB131,833,000 last year.

Fuqing Haichuang Electron Technology Co. Ltd ("Haichuang")

The primary business of Haichuang will be the manufacture of PCBs. During the Year, Haichuang has not commenced business.

Anlu Taihe Real Estate Development Company ("Anlu")

The primary business of Anlu is development and sale of real estate. During the period from 4 June 2010 (date of acquisition) to 30 June 2010, the turnover of the Anlu project segment was approximately RMB4,556,000, accounting for approximately 1.7% of the Group's total turnover. This reporting segment recorded a segment loss of approximately RMB60,195,000, which included a full impairment of goodwill of RMB59,311,000 arising on acquisition of 70% of Stephigh Group Limited following an impairment testing.

Geographic Information

Geographically, sales within the PRC (excluding Hong Kong and Taiwan) remained the largest segment, generating 71.4% (2009: 71.1%) of the Group's turnover. About 11.6% and 10.3% (2009: 12.8% and 9.2%) was attributed to sales to Hong Kong and Australia respectively for the Year. The balance of approximately 6.7% of the Group' turnover (2009: 6.9%) was taken up by the U.S., Malaysia and other countries or regions.

Manufacturing Facilities

Fuqing Plants, Fujian Province

The manufacturing facility in Fuqing city, Fujian province focuses on the production of rigid PCBs, including double-sided and multilayer PCBs. It covers an area of 55 Chinese acres, or about 36,669 square meters. Despite the challenging market conditions, by leveraging on its solid foundation and reputation for producing high quality products, the Group continued to receive orders from existing customers. Hence, the utilisation rate of the Fuqing plant was maintained at a relatively high level.

The construction of the Group's new plant, Fuqing Haichuang Electron Technology Co. Ltd., has been completed but has yet to commence operations during the Year. It will focus on the production of multilayer PCBs and covers an area of 13 Chinese acres, or about 8,592 square meters. Once demand is resumed, the Group is well positioned to capture opportunities and realise economies of scale and enhanced operational efficiency through the production capacity expansion.

Shuangxiang, Fujian Province

The production plant located in Mawei, Fuzhou city, Fujian province, is engaged in SMT processing services. During the Year, the Group suspended the operation of PCBA and reallocated more resources towards higher margin business segments. As for SMT processing services, since demand was still low as a result of uncertain market conditions, plans to expand the production line were put on hold. The management has implemented measures to cope with the market challenges, mainly emphasising on cost-control and streamlining the production process.

Gemini ("Huizhou Plant"), Guangdong Province

The manufacturing facility in Huizhou city, Guangdong Province focuses on the production of FPCBs. The site covers 70 Chinese acres, or approximately 46,669 square meters. Utilisation of the plant was increased due to the slight rebound in orders.

Prospects

The uncertain global economic outlook continues to pose many challenges to the Group. The intense competition in the industry together with rising production expenses due to the surge in labour and raw material costs contribute to additional difficulties in operations. Furthermore, acquisition of new sales orders was limited as clients continued to be cautious. The management expects that it will take some time before demand returns to levels attained prior to the financial crisis in 2008. In view of the above, the Group will continue to implement various cost control measures to further improve the Group's overall business competitiveness, so as to be better positioned for capturing business opportunities arising from the resumption of overall demand.

To achieve long-term development, the Group has adopted a strategy to seek opportunities through business diversification. During the Year, the Group entered into the property development business through the acquisition of a major stake in a residential development project in Hubei Province, PRC. The property project possesses development potential and as it is anticipated that the demand for residential property in the PRC still has room for growth in the coming years, it will contribute to the sustainable development of the Group's business. In the future, the Group will cautiously monitor the property market while developing the project.

Looking ahead, leveraging on its solid foundation, high-quality products and cutting-edge technology, the Group will endeavour to maintain business stability and be fully prepared to capture business opportunities arising from the economic recovery. The Group will also proactively seek to realise its strategy of business diversification in order to broaden its income sources and enhance future development prospects, striving to maximise returns for its shareholders.

Liquidity and Financial Resources and Capital Structure

For the year ended 30 June 2010, the Group's working capital requirement was principally financed by its internal resources, banking facilities and other financial instruments.

As at 30 June 2010, the Group had cash and cash equivalents, net current assets and total assets less current liabilities of RMB476,972,000 (2009: RMB648,450,000), RMB392,081,000 (2009: RMB281,381,000) and RMB624,971,000 (2009: RMB657,326,000) respectively.

As at 30 June 2010, the Group had total bank borrowings (excluding obligations under finance leases) of RMB170,000,000 (2009: RMB266,972,000). Included in these utilised bank loans, RMB144,000,000 was short term and RMB26,000,000 was long term. All of the utilised bank loans were secured by equity interests in operating subsidiaries and interests in leasehold land for own use under operating leases and buildings held for own use.

As at 30 June 2010, the Group had other interest-bearing borrowings of RMB134,000,000 (2009: Nil), which were unsecured and repayable within one year.

On 10 November 2008, Deutsche Bank AG served a notice to the Company to early terminate the Swap Agreements effective on 12 November 2008 as a result of the Company not paying the interest payment under one of the Swap Agreements on the due date in October 2008. In addition, the Company received a statement dated 13 November 2008 from Deutsche Bank AG requesting a payment of US$23,714,693 (equivalent to approximately RMB163,092,000) in total as a result of the early termination of the Swap Agreements.

In March 2009, the Company received the Writ issued by Deutsche Bank AG as plaintiff with the Company named as defendant, in a claim arising from the Swap Agreements. In June 2009, the Company filed a defence and counterclaim against Deutsche Bank AG and an employee of Deutsche Bank AG to rescind the Swap Agreements transactions for the reason that it had been misrepresented in the true risks associated with the Swap Agreements.

As disclosed in the Company's announcement dated 17 November 2009, the Company entered into the Settlement Agreement on 16 November 2009 with Deutsche Bank AG for the settlement of the Action. Under the Settlement Agreement, the Company is obliged to pay Deutsche Bank AG less than the early termination amount of US$23,714,693, of which Mr. Lin Wan Qaing, the former controlling shareholder, is obliged to pay HK$28.7 million to the Company for settlement of his obligation under the Deed of Indemnity. The Company had settled all of the obligation amount at 30 June 2010 in accordance with the Settlement Agreement. At 30 June 2010, Mr. Lin Wan Qaing had discharged his obligation in full to the Company under the Deed of Indemnity.

On 29 December 2009, the Company completed an open offer of 279,482,500 new ordinary shares on the basis of one share for every two existing shares held on the record date at HK$0.18 per ordinary share. The net proceeds have been used for settlement of liabilities under the Settlement Agreement with Deutsche Bank AG.

On 13 January 2010, the Company completed the placing of 111,793,000 new ordinary shares at a consideration of HK$0.38 per ordinary share. The net proceeds have been used for general working capital and for settlement of liabilities under the Settlement Agreement with Deutsche Bank AG. The following table summarises the number of placing shares to each of the subscribers:

Name of Subscriber	**Number of Placing Shares**
Mr. Zhang Shaofen	14,000,000
Ms. Chen Li Hua	25,000,000
Ms. Yu Wai Fong	13,000,000
Ms. Tsang Siu Lan	23,000,000
Ms. Zheng Qing Hong	36,793,000
Total	111,793,000

On 19 March 2010, the Company completed the placing of 111,792,000 new ordinary shares to not less than six placees at a consideration of HK$0.369 per ordinary share. The net proceeds are for general working capital.

On 4 June 2010, the Company issued convertible bonds with face value of HK$126,000,000 (equivalent to approximately RMB110,300,000) in order to satisfy the consideration of HK$126,000,000 (equivalent to approximately RMB110,300,000) for acquisition of 70% equity interest in Stephigh Group Limited as stated under "Acquisition and Disposal of Subsidiaries and Associated Companies". The convertible bonds entitle the holders of the convertible bonds the right to convert the convertible bonds into 450,000,000 shares of the Company in total upon full conversion at conversion price of HK$0.28 per conversion share. The convertible bonds with face value of HK$80,000,000 were issued to Mr. Hui Lung Hing and those with face value of HK$23,000,000 were issued to each of Mr. Zhang Jian and Mr Du Hua Wei. At 30 June 2010, convertible bonds with face value of HK$66,000,000 had been converted into 235,714,000 new ordinary shares of the Company and the convertible bonds with face value of HK$60,000,000 were outstanding.

The total bank borrowings and structured financial instruments of the Group were mainly for business expansion, capital expenditure and working capital purposes and were mainly denominated in Renminbi, Hong Kong dollars and United States dollars.

Total equity attributable to equity shareholders of the Company as at 30 June 2010 decreased by RMB114,955,000 to RMB519,510,000 (2009: RMB634,465,000). The gearing ratio (calculated as the ratio of current liabilities plus non-current liabilities: equity) of the Group as at 30 June 2010 was approximately 1.17 (2009: 0.92).

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 25 March 2010, the Company entered into an agreement with Mr. Hui Lung Hing in respect of the acquisition of 70% of the equity interest in Stephigh Group Limited (“Stephigh”). The principal asset of Stephigh is its 100% indirect equity interest in Anlu, which owns the properties located in Anlu City of Hubei province of the PRC and is a residential complex including villas, houses, apartments, residential buildings, commercial buildings and undeveloped land. The acquisition was completed on 4 June 2010.

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

Employee Information

As at 30 June 2010, the Group employed a total of 1,503 (2009: 1,452) 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 RMB53,428,000. 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 (“2010 Scheme”). During the Year, a total of 75,000,000 share options were granted to the Directors, employees and consultants under the 2010 Scheme and there were 75,000,000 share options outstanding under the 2010 Scheme as at 30 June 2010.

Charges on Group Assets

As at 30 June 2010, a bank loan with principal amount of US$4,000,000 (equivalent to RMB27,509,000) granted to the Company had been fully settled. This bank loan was secured by its entire equity interest in Superford Holding Limited, Tempest Trading Limited, Winrise International Limited and Herowin Limited (the "BVI subsidiaries"). The BVI subsidiaries are the immediate holding companies of Fujian Fuqiang Delicate Circuit Plate Co., Ltd, Gemini Electronics (Huizhou) Co., Ltd, Shuangxiang (Fujian) Electronics Limited and Fuqing Haichuang Electron Technology Co., Ltd, respectively (the "PRC subsidiaries"). The PRC subsidiaries are the operating subsidiaries of the Group. Total net asset value of the BVI and PRC subsidiaries as at 30 June 2010 was approximately RMB253,741,000. The Company had received the deed of release of share pledge from the bank on 30 July 2010.

As at 30 June 2010, certain interests in leasehold land held for own use under operating leases and buildings held for own use of RMB83,444,000 (2009: RMB135,528,000) were pledged to banks for bank loans totalling RMB87,500,000 (2009: RMB78,000,000) granted to the Group.

Future Plans for Material Investments and Expected Sources of Funding

The Group had no future plans for material investments as at 30 June 2010.

However, the management will continue to monitor the industry and review its business expansion plans regularly, so as to take necessary measures in the Group's best interests. The management, if considered beneficial to the future of the Group, may invest in new business projects. In view of the current difficult market situation, the management may consider raising capital for funding new projects while reserving internal financial resources to support its core business.

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 2010, in respect of capital expenditure, the Group had capital commitments that were contracted for amounting to approximately RMB100,817,000 and that were authorised but not contracted for amounting to approximately RMB69,840,000.

Contingent Liabilities

Save as discussed elsewhere under the section headed "Liquidity and Financial Resources and Capital Structure" and disclosed in note 35 to the financial statements, the Group did not have any material contingent liabilities as at 30 June 2010.

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 on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the Year.

Nomination of Directors

According to recommended best practices A.4.4 of the CG Code, the listed issuers are recommended to set up a nomination committee with a majority of the members thereof being independent non-executive directors. As the Board considers that may be taken up by the Board members, the Company has not established a nomination committee. The Board is responsible for selecting and recommending candidates for directorship, based on assessment of their professional qualifications and experience and is also responsible for determining the independence of each independent non-executive Director. During the Year, the Board has assessed the independence of the independent non-executive Directors.

Remuneration Committee

The Company established a 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 determining the remuneration of 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 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 2010.

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 2010.

PUBLICATION ON ANNUAL RESULTS AND ANNUAL REPORT

The results announcement of the Group for the year ended 30 June 2010 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
Xu Yue Yue
Executive Director

Hong Kong, 26 October 2010

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