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 2011

RESULTS

The Board of directors (the "Board" or the "Director(s)") of Kingwell Group Limited (the "Company" or "Kingwell") announces that the preliminary consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 30 June 2011 (the "Year") together with the comparative figures for the corresponding year ended 30 June 2010. The annual results have been reviewed by the Audit Committee of the Company.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 30 June 2011

(Expressed in Renminbi)

	Notes	2011 RMB'000	2010 RMB'000
REVENUE	5	**354,577**	264,213
Cost of sales		**(323,730)**	(268,369)
Gross profit/(loss)		**30,847**	(4,156)
Other income and gains	5	**4,716**	39,650
Selling and distribution costs		**(24,479)**	(11,556)
Administrative expenses		**(59,757)**	(40,563)
Other expenses		**(98,744)**	(274,964)
Finance costs	7	**(19,118)**	(10,376)
LOSS BEFORE TAX	6	**(166,535)**	(301,965)
Income tax expense	8	**(63,824)**	32,903
LOSS FOR THE YEAR		**(230,359)**	(269,062)
OTHER COMPREHENSIVE INCOME			
Exchange differences on translation of foreign operations		**4,128**	(833)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**4,128**	(833)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(226,231)**	(269,895)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	10		
Basic			
— For loss for the year		**(15) cents**	(34) cents
Diluted			
— For loss for the year		**(15) cents**	(34) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2011

(Expressed in Renminbi)

	Notes	2011 RMB'000	2010 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**161,799**	124,682
Prepaid land lease payments		**16,646**	17,642
Intangible assets		**626**	—
Deferred tax assets		**29,602**	90,231
Prepayments, deposits and other receivables		**—**	335
Total non-current assets		**208,673**	232,890
CURRENT ASSETS			
Inventories		**237,836**	314,615
Trade and bills receivables	*11*	**72,804**	122,642
Prepayments, deposits and other receivables		**22,801**	11,092
Equity investments at fair value through profit or loss		**570**	1,081
Derivative financial instruments		**—**	1,758
Pledged deposits		**9,786**	10,731
Cash and cash equivalents		**400,298**	476,972
Total current assets		**744,095**	938,891
CURRENT LIABILITIES			
Trade and bills payables	*12*	**102,114**	126,689
Other payables and accruals		**139,116**	138,659
Due to a director		**2,267**	197
Interest-bearing bank and other borrowings	*13*	**290,000**	278,000
Convertible bonds		**—**	473
Tax payable		**6,052**	2,792
Total current liabilities		**539,549**	546,810

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

30 June 2011

	Notes	2011 RMB'000	2010 RMB'000
NET CURRENT ASSETS		**204,546**	392,081
TOTAL ASSETS LESS CURRENT LIABILITIES		**413,219**	624,971
NON-CURRENT LIABILITIES			
Convertible bonds		**—**	38,822
Non-redeemable convertible preferred shares	*14*	**8,183**	—
Interest-bearing bank and other borrowings	*13*	**33,000**	26,000
Deferred tax liabilities		**14,995**	19,151
Total non-current liabilities		**56,178**	83,973
Net assets		**357,041**	540,998
EQUITY			
Equity attributable to owners of the Company			
Issued capital		**142,152**	123,651
Equity component of convertible bonds		**—**	15,016
Non-redeemable convertible preferred shares		**69,801**	—
Reserves		**145,088**	380,843
		357,041	519,510
Non-controlling interests		**—**	21,488
Total equity		**357,041**	540,998

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 2011 but are extracted from those financial statements.

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

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards — Additional Exemptions for First-time Adopters*
HKFRS 1 Amendment	Amendment to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards — Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters*
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment — Group Cash-settled Share-based Payment Transactions*
HKAS 32 Amendments	*Classification of Rights Issues*
Improvements to HKFRSs 2009	Amendments to a number of HKFRSs issued in May 2009
HK Interpretation 4 Amendment	Amendments to HK Interpretation 4 *Leases — Determination of the Length of Lease Term in respect of Hong Kong Land Leases*
HK Interpretation 5	*Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause*
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments*

Other than as further explained below regarding the impact of amendments to HKAS 7 and HKAS 17 included in *Improvements to HKFRSs 2009* and HK Interpretation 4 (Revised in December 2009), the adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

The principal effects of adopting these new and revised HKFRSs are as follows:

Improvements to HKFRSs 2009 issued in May 2009 sets out amendments to a number of HKFRSs. There are separate transitional provisions for each standard. While the adoption of some of the amendments results in changes in accounting policies, none of these amendments has had a significant financial impact on the Group. Details of the key amendments most applicable to the Group are as follows:

- HKAS 7 *Statement of Cash Flows:* Requires that only expenditures that result in a recognised asset in the statement of financial position can be classified as a cash flow from investing activities.

- HKAS 17 *Leases:* Removes the specific guidance on classifying land as a lease. As a result, leases of land should be classified as either operating or finance leases in accordance with the general guidance in HKAS 17.

Amendment to HK Interpretation 4 *Leases — Determination of the Length of Lease Term in respect of Hong Kong Land Leases* is revised as a consequence of the amendment to HKAS 17 *Leases* included in *Improvements to HKFRSs 2009*. Following this amendment, the scope of HK Interpretation 4 has been expanded to cover all land leases, including those classified as finance leases. As a result, this interpretation is applicable to all leases of property accounted for in accordance with HKAS 16, HKAS 17 and HKAS 40.

3. OPERATING SEGMENT INFORMATION

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

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

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

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

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

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

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

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

Year ended 30 June 2011

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

3. OPERATING SEGMENT INFORMATION (continued)

Year ended 30 June 2010

	Electronic products *RMB'000*	SMT processing services *RMB'000*	Property development *RMB'000*	Total *RMB'000*
Segment revenue:				
Sales to external customers	251,370	8,287	4,556	264,213
Other revenue	37,069	301	—	37,370
	288,439	8,588	4,556	301,583
Segment results	(51,761)	(61,887)	(59,410)	(173,058)
Reconciliation:				
Interest income				2,280
Corporate and other unallocated expenses				(120,811)
Finance costs				(10,376)
Loss before tax				(301,965)
Segment assets	758,772	95,338	286,977	1,141,087
Reconciliation:				
Elimination of intersegment receivables				(76,302)
Corporate and other unallocated assets				106,996
				1,171,781
Segment liabilities	332,447	101,167	208,899	642,513
Reconciliation:				
Elimination of intersegment payables				(76,302)
Corporate and other unallocated liabilities				64,572
				630,783
Other segment information:				
Impairment of property, plant and equipment	159,310	44,491	—	203,801
Impairment of goodwill	—	—	59,311	59,311
Depreciation and amortisation	26,824	1,052	45	27,921
Provision against inventories	1,370	—	—	1,370
Reversal of impairment trade and other receivables	(4,279)	(11)	—	(4,290)
Capital expenditure	55,952	34,325	—	90,277

3. OPERATING SEGMENT INFORMATION (continued)

Geographical information

(a) Revenue from external customers

	2011	2010
	RMB'000	*RMB'000*
Mainland China	**294,786**	188,764
Overseas	**59,791**	75,449
	354,577	264,213

(b) Non-current assets

	2011	2010
	RMB'000	*RMB'000*
Mainland China	**177,830**	141,989
Hong Kong	**1,241**	670
	179,071	142,659

4. REVENUE RECOGNITION

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

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

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

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

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

5. REVENUE, OTHER INCOME AND GAINS

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

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

	2011	2010
	RMB'000	*RMB'000*
Revenue		
Sales of goods	**244,808**	251,370
Sales of properties	**104,443**	4,556
SMT processing service income	**5,326**	8,287
	354,577	264,213
Other income		
Bank interest income	**1,899**	2,280
Rental income	**601**	301
Derecognition of other financial liabilities	**—**	36,221
Others	**2,184**	635
	4,684	39,437
Gains		
Fair value gains on equity investments	**32**	82
Fair value gains on derivative instruments	**—**	131
	4,716	39,650

6. LOSS BEFORE TAX

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

	2011	2010
	RMB'000	*RMB'000*
Cost of inventories sold	**234,399**	257,352
Cost of properties sold	**85,195**	4,231
Cost of services provided	**4,136**	6,786
Depreciation	**12,958**	27,423
Amortisation of intangible assets	**70**	—
Amortisation of prepaid land lease payments	**498**	498
Operating lease rental	**1,520**	1,263
Auditors' remuneration	**1,461**	2,670
Staff costs (excluding directors' remuneration):		
Salaries and wages	**67,801**	37,281
Pension scheme contributions	**5,036**	13,316
Equity-settled share option expense	**6,350**	2,831
	79,187	53,428
Repair and maintenance costs	**34,022**	14,426
Impairment of goodwill*	**—**	59,311
Impairment of property, plant and equipment	**30,010**	203,801
Provision for/(reversal of) impairment of trade and other receivables	**3,704**	(4,290)
Provision against inventories	**31**	1,370
Loss on disposal of items of property, plant and equipment	**10,759**	178
Foreign exchange differences, net	**4,929**	6,065
Changes in fair value of derivative financial instruments	**(32)**	(82)

* *The impairment of goodwill has been included in "Other expenses" in the consolidated statement of comprehensive income.*

7. FINANCE COSTS

	2011	2010
	RMB'000	*RMB'000*
Interest on:		
Bank and other borrowings	**19,281**	12,564
Non-redeemable convertible preferred shares	**167**	—
Convertible bonds	**—**	675
Other financial liabilities	**—**	(1,349)
	19,448	11,890
Less: Interest capitalised	**(330)**	(1,514)
	19,118	10,376

8. INCOME TAX EXPENSE

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

No provision for Hong Kong profits tax has been made (2010: Nil) as the Group did not generate any assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	2011	2010
	RMB'000	*RMB'000*
Group:		
Current — Mainland China		
provision for enterprise income tax	**7,351**	277
provision for land appreciation tax	**—**	229
	7,351	506
Deferred	**56,473**	(33,409)
Total tax charge for the year	**63,824**	(32,903)

8. INCOME TAX EXPENSE (continued)

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

	Group	
	2011	2010
	RMB'000	*RMB'000*
Loss before tax	**(166,535)**	(301,965)
Tax at the statutory tax rate of 25%	**(41,634)**	(75,491)
Lower tax rates for specific provinces or enacted by local authorities	**—**	9,903
Income not subject to tax	**(1,651)**	(7,236)
Expenses not deductible for tax	**12,004**	18,210
Effect of withholding tax at 10% on the distributable profits of the Group's PRC Subsidiaries	**(6,111)**	—
Tax effect of deferential tax rates	**—**	(6,992)
Land appreciation tax ("LAT") deductible for PRC enterprise income tax	**—**	(57)
Tax losses not recognised	**31,981**	28,531
Temporary differences not recognised	**69,235**	—
LAT expense	**—**	229
Tax charge/(credit) at the Group's effective rate	**63,824**	(32,903)
The Group's effective income tax rate	**(38.3%)**	10.9%

9. DIVIDENDS

No final dividends were proposed after the balance sheet date of 2010 and 2011.

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

The calculation of basic loss per share is based on the loss for the year attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 1,495,877,000 (2010: 785,407,000) in issue during the year.

No adjustment has been made to the basic loss per share amounts presented for the years ended 30 June 2011 and 2010 in respect of a dilution as the impact of the warrants, share options, convertible bonds and non-redeemable preferred shares outstanding had an anti-dilutive effect on the basic loss per share amounts presented.

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

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

	2011	2010
	RMB'000	*RMB'000*
Loss		
Loss attributable to ordinary equity holders of the Company, used in the basic loss per share calculation:	**229,653**	268,698

	Number of shares	
	2011	2010
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic loss per share calculation	**1,495,877,000**	785,407,000
Effect of dilution — weighted average number of ordinary shares:		
Warrants	**153,363,000**	—
Share options	**100,483,000**	7,192,000
Convertible bonds	**—**	15,264,000
Non-redeemable convertible preferred shares	**49,260,000**	—
	303,106,000	22,456,000
	1,798,983,000	807,863,000

For the years ended 30 June 2011 and 2010, because the diluted loss per share amounts decreased when taking the warrants, share options, convertible bonds and non-redeemable convertible preferred shares into account, the warrants, share options, convertible bonds and non-redeemable convertible preferred shares had an anti-dilutive effect on the basic loss per share for the years and were ignored in the calculation of diluted loss per share. Therefore, diluted loss per share amounts were based on the loss for the years of RMB229,653,000 and RMB268,698,000, respectively, and the weighted average number of ordinary shares of 1,495,877,000 and 785,407,000, respectively, in issue during the years.

11. TRADE AND BILLS RECEIVABLES

	Group	
	2011	2010
	RMB'000	*RMB'000*
Trade and bills receivables	**139,752**	188,247
Impairment	**(66,948)**	(65,605)
	72,804	122,642

11. TRADE AND BILLS RECEIVABLES (continued)

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally three months, extending up to six months for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade and bills receivables are non-interest-bearing.

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

	Group	
	2011	2010
	RMB'000	*RMB'000*
Within 1 month	**34,058**	96,825
1 to 3 months	**30,399**	16,355
3 months to 1 year	**8,347**	4,642
Over 1 year	**—**	4,820
	72,804	122,642

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

	Group	
	2011	2010
	RMB'000	*RMB'000*
At 1 July	**65,605**	69,895
Impairment losses recognised/(reversed)	**1,343**	(4,290)
	66,948	65,605

Included in the above provision for impairment of trade and bills receivables is a provision for individually impaired trade and bills receivables of RMB66,948,000 (2010: RMB65,605,000) with a carrying amount before provision of RMB66,948,000 (2010: RMB66,596,000).

The individually impaired trade and bills receivables relate to customers that were in financial difficulties or were in default in both interest and/or principal payments. The Group does not hold any collateral or other credit enhancements over these balances.

11. TRADE AND BILLS RECEIVABLES (continued)

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

	Group	
	2011	2010
	RMB'000	*RMB'000*
Neither past due nor impaired	**37,502**	96,219
Within 1 month past due	**16,420**	12,311
1 to 3 months past due	**16,288**	3,926
3 months to 1 year past due	**2,594**	4,617
Over 1 year past due	**—**	4,578
	72,804	121,651

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

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

12. TRADE AND BILLS PAYABLES

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

	Group	
	2011	2010
	RMB'000	*RMB'000*
Within 1 month	**52,412**	65,026
1 to 3 months	**33,727**	41,843
3 months to 1 year	**13,774**	17,089
Over 1 year	**2,201**	2,731
	102,114	126,689

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

As at 30 June 2011, the Group's bills payable were secured by the deposit of RMB3,450,000 (2010: RMB10,731,000).

13. INTEREST-BEARING BANK AND OTHER BORROWINGS

Group

	2011			2010		
	Effective interest rate (%)	**Maturity**	**RMB'000**	Effective interest rate (%)	Maturity	RMB'000
Current						
Bank loans — unsecured	**—**	**—**	**—**	4.8–6.4	2010.12–2011.03	82,500
Bank loans — secured	**4.8–7.6**	**2012.03**	**220,000**	4.8–5.8	2010.07–2011.03	57,500
Current portion of long term bank loans — secured	**6.0–7.9**	**2012.06**	**4,000**	6.0–7.9	2011.06	4,000
Other loans — unsecured	**5.3–9.0**	**2011.12**	**66,000**	5.3–9.0	2010.12	134,000
			290,000			278,000
Convertible bonds			**—**			473
Non-current						
Bank loans — secured	**5.9–7.9**	**2012.12–2014.01**	**33,000**	6.0–7.9	2012.12	26,000
Convertible bonds			**—**			38,822
			323,000			343,295
Analysed into:						
Bank loans repayable:						
Within one year or on demand			**224,000**			144,000
In the second year			**18,000**			4,000
In the third to fifth years			**15,000**			22,000
			257,000			170,000
Other borrowings repayable:						
Within one year or on demand			**66,000**			134,000
			323,000			304,000

14. NON-REDEEMABLE CONVERTIBLE PREFERRED SHARES

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

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

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

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

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

DIVIDEND

The Board does not recommend the payment of a final dividend (2010: Nil) for the year ended 30 June 2011.

MANAGEMENT DISCUSSION AND ANALYSIS

Results

For the Year, turnover of the Group increased by 34.2% to RMB354,577,000 (2010: RMB264,213,000). The increase in turnover was mainly due to the contribution from the property development business.

During the Year, the Group recorded a gross profit of approximately RMB30,847,000 (2010: gross loss of RMB4,156,000) and operating loss of RMB147,417,000 (2010: operating loss of RMB291,589,000) respectively. The increase in gross profit was mainly due to the contribution from the property development business. The operating losses were mainly attributable to the slow recovery in sales and rise in production costs brought about by surging raw materials and labour costs, as well as the impairment of non-current assets of RMB30,010,000 recorded during the Year.

The loss attributable to ordinary equity holders of the Company for the Year was RMB229,653,000 (2010: loss of RMB268,698,000). Basic loss per share was RMB15 cents (2010: basic loss per share was RMB34 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 uncertainties in the global economic and the unfavourable operating environment continued to pose various challenges to the electronics industry. Both the Group's orders and average selling prices were under pressure and amid intense market competition.

Rigid PCBs and FPCB continued to remain as the Group's core business. By leveraging on its strong client base, the Group continued to receive stable orders from existing clients and maintained its market share in the region. However, owing to the uncertain market conditions, average selling prices and sales orders have yet to rebound to previous levels.

As for the SMT processing service, 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.

Property Development Business

The residential development project "Anlu Taihe Paradise" at Liang Ji Bei Road, Anlu Economic Development District in Anlu city, Hubei province in the PRC is currently wholly owned by the Group subsequent to the acquisition of 70 % and 30% interest of the project in 2010 and 2011 respectively. The project comprises three phases, with a total gross floor area of approximately 272,568 square meters. The construction for Phase III commenced in June 2010, while Phase I and Phase II of the project were completed. The project was under stable development and the construction work progressed smoothly during the Year. Construction of Phase III is expected to be completed in November 2011. The project marks the successful entry by the Group into the property development business and provides strong support in achieving the strategy of business diversification and generating new sources of income in order to improve the Group results during the Year.

Segmental Information

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

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

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

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

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment.

Electronic Products

During the Year, revenue attributable to this segment was approximately RMB244,808,000 (2010: RMB251,370,000), representing approximately 69.0% of the Group's total turnover. This segment recorded a loss of RMB92,843,000, as compared to a loss of RMB51,761,000 in last year.

SMT Processing Services

During the Year, revenue attributable to this segment was approximately RMB5,326,000 (2010: RMB8,287,000), representing approximately 1.5% of the Group's total turnover. This segment recorded a loss of RMB15,842,000, as compared to a loss of RMB61,887,000 in last year.

Property Development

During the Year, revenue attributable to this segment was approximately RMB104,443,000 (2010: RMB4,556,000), representing approximately 29.5% of the Group's total turnover. This segment recorded a profit of RMB15,581,000, as compared to a loss of approximately RMB59,410,000 in last year, which included a full impairment of goodwill of RMB59,311,000 arising on acquisition of 70% of Stephigh Group Limited following an impairment testing in last year.

Geographic Information

Geographically, sales with the Mainland China remained the largest segment, generating 83.1% (2010: 71.4%) of the Group's turnover. The balance of approximately 16.9% of the Group's turnover (2010: 28.6%) was taken up by the overseas customers.

Rising Costs and Cost Controls

With growing raw material costs, wages and overheads due to the appreciation of RMB, inflation, shortage of labour in southern China and government measures to set the minimum wage limits, increase in cost of production was accelerating. Yet the Group has implemented various cost controls, internal controls and budgetary controls to lower the operating costs.

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 stable sales 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.

Property Development Project

Anlu Project, Hubei Province

The residential development project "Anlu Taihe Paradise" is located at Liang Ji Bei Road, Anlu Economic Development District in Anlu city, Hubei province in the PRC. The project comprises three phases, with a total gross floor area of approximately 272,568 square meters. The construction for Phase III commenced in June 2010, while Phase I and Phase II of the project were completed. The project was under stable development and the construction work progressed smoothly during the Year.

Prospects

Looking forward, the uncertainties in global economy, the unfavourable market conditions and the slowdown in the electronics industry caused by the earthquake in Japan will continue to pose challenges to the industry as well as the Group. The growing inflation in China will drive surging manufacture cost due to the rapid rise in labour and raw material costs, leading to an unfavourable industry operating environment. In the future, the competition among the industry will become increasing intensive. The appreciation of the Renminbi will constant add pressure to the recovery of sales orders and selling prices of products of the Group. Furthermore, it is anticipated that acquisition of new sales orders will be limited as clients continue to be cautious and the demand is yet to return to levels attained prior to the financial crisis in 2008. In view of the above, the Group will continue to strictly implement various cost control measures to further enhance the Group's overall business competitiveness, so as to be better positioned for capturing business opportunities arising from the gradual resumption of overall demand.

The Group has successfully entered into the property development business and is currently developing a high quality residential development project in Hubei province, PRC. The project comprises three phases, with a gloss floor area of approximately 272,568 square meters. The construction for Phase III commenced in June 2010, while Phase I and Phase II of the project were completed. The Phase III construction work is progressing as planned. The project is anticipated to meet the growing demand for residential property in the third and fourth-tier markets in the PRC and contribute to the Group's income. It will drive sustainable development of the Group's business. In the future, the Group will continue to monitor the property market cautiously while developing the project.

In order to promote long-term business development and achieve higher profit, the Group has determined to adopt a diversification strategy, including allocation of resources to investigate and identify investment opportunities in natural resources and mining projects.

Looking ahead, leverage 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 be devoted to realising 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 2011, the Group's working capital requirement was principally financed by its internal resources, banking facilities and other financial instruments.

As at 30 June 2011, the Group had cash and cash equivalents, net current assets and total assets less current liabilities of RMB400,298,000 (2010: RMB476,972,000), RMB204,546,000 (2010: RMB392,081,000) and RMB413,219,000 (2010: RMB624,971,000) respectively.

As at 30 June 2011, the Group had total bank borrowings of RMB257,000,000 (2010: RMB170,000,000). Included in these utilised bank loans, RMB224,000,000 was short term and RMB33,000,000 was long term. All of the utilised bank loans were either unsecured or secured by interest in leasehold land and buildings given subsidiary companies.

As at 30 June 2011, the Group had other interest-bearing borrowings of RMB66,000,000 (2010: RMB134,000,000), which were unsecured and repayable within one year.

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

Total equity attributable to equity holders of the Company as at 30 June 2011 decreased by RMB162,469,000 to RMB357,041,000 (2010: RMB519,510,000). The gearing ratio (calculated as the ratio of net debt: capital and net debt) of the Group as at 30 June 2011 was 31% (2010: 14%).

HK$126,000,000 convertible bonds were issued by the Company on 4 June 2010 at conversion price of HK$0.28 per share, with the conversion dates as follows:

On 28 June 2010, HK$66,000,000 convertible bonds were converted at HK$0.28 per shares.

On 19 July 2010, HK$10,000,000 convertible bonds were converted at HK$0.28 per share.

On 30 July 2010, HK$50,000,000 convertible bonds were converted at HK$ 0.28 per share.

On 30 August 2010 and 18 November 2010, the Company completed the placing of 105,000,000 and 107,400,000 warrants to six placees and one placee respectively at the issue price of HK$0.01 per warrant. The net proceeds were for general working capital.

Pursuant to an ordinary resolution passed on 26 April 2011, the authorized share capital was increased from HK$500,000,000 to HK$600,000,000 (divided into 5,000,000,000 Shares of HK$0.10 each and 100,000,000 convertible preferred shares of HK$1.00 each).

On 3 May 2011, 93,000,000 non-redeemable convertible preferred shares of HK$1.00 were issued, which are convertible into 310,000,000 ordinary shares upon full conversion thereof at the conversion price of HK$0.3 per conversion share.

Significant Investments

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

Acquisition and Disposal of Subsidiaries and Associated Companies

On 28 January 2011, the Company and Mr. Yin Jia Tang (the Vendor"), a connected person of the Company by virtue only of his 30% shareholding in Stephigh Group Limited, which is incorporated in the British Virgin Islands with limited liability, owned as to 30% by the Vendor and 70% beneficially by the Company, entered into the acquisition agreement in respect of the acquisition of 30% of the equity interest in Stephigh (the "Acquisition Agreement"), pursuant to which the Vendor conditionally agreed to sell, and the Company conditionally agreed to purchase 30% equity interest in Stephigh at the consideration of HK$93 million payable to the Vendor by the Company which will be satisfied by the issue of 93 million non-redeemable convertible preferred shares of HK$1.00 each in the capital of the Company, convertible at HK$0.30 per conversion share. The acquisition was completed which approved by independent shareholders of the Company on 26 April 2011.

Details of the acquisition has been published on the Company's announcement dated 31 January 2011, 2 February 2011, 17 February 2011, 3 March 2011, 18 March 2011, 1 April 2011 and 26 April 2011.

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

Employee Information

As at 30 June 2011, the Group employed a total of 1,286 (2010: 1,503) 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 RMB83,872,000. 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 76,200,000 share options were granted to the directors, employees and consultants under the 2010 Scheme and there were 150,516,000 share options outstanding under the 2010 Scheme as at 30 June 2011.

Charges on Group Assets

As at 30 June 2011, certain interests in leasehold land and buildings with a net carrying amount of approximately RMB134,604,000 (2010: RMB84,267,000) were pledged to banks for bank loans totaling RMB257,000,000 (2010: RMB87,500,000) 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 2011.

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 2011, in respect of capital expenditure, the Group had capital commitments that were contracted for amounting to approximately RMB1,621,000.

Contingent Liabilities

The Group did not have any material contingent liabilities as at 30 June 2011.

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, except for the following deviation.

CG Code provision A.4.2, all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment. The Board considers that such deviation is not material as in accordance with the article of association of the Company, any director appointed to fill casual vacancy shall hold office only until the next following annual general meeting and shall then be eligible for re-election.

CG Code provision E.1.2, in respect of the communication with shareholders of the Company as absence of the chairman of the Board and chairman or another member of the remuneration committee of the Company's annual general meeting (the "AGM") on 7 December 2010 because of the respective chairman have commitments on other business occasions on the same day. An executive director had chaired the 2010 AGM and answered questions from the shareholders.

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 2011.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 30 June 2011.

PUBLICATION ON ANNUAL RESULTS AND ANNUAL REPORT

The results announcement of the Group for the year ended 30 June 2011 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, 23 September 2011

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. Huang Jian Zi, Mr. Cheung Chuen and Ms. Wong Lai Wing as independent non-executive Directors.