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## **KINGWELL GROUP LIMITED**

**京維集團有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1195)**

### **SUBSCRIPTION OF WARRANTS**

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On 31 January 2012 (after trading hours), the Company and three Subscribers entered into the Warrant Subscription Agreements pursuant to which the Subscribers conditionally agreed with the Company to subscribe up to 100,000,000 Warrants.

The Issue Price per Warrant is HK\$0.01 and the Subscription Price is HK\$0.29 per New Share (subject to adjustment).

Upon the exercise of the subscription rights attaching to the Warrants in full, a maximum of 100,000,000 New Shares will be issued and allotted, representing approximately 6.61% of the existing issued share capital of the Company and approximately 6.20% of the issued share capital of the Company as enlarged by the issue and allotment of the New Shares.

**As the Warrant Subscription Agreements may or may not complete, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.**

#### **THE WARRANT SUBSCRIPTION AGREEMENTS**

**Date**

31 January 2012

**Issuer**

The Company

<b>Subscribers</b>	<b>General Description</b>	<b>No. of Warrants</b>
Sun Kin Chung	Investor	40,000,000
Fan Kun	Investor	30,000,000
Lei Jie	Investor	30,000,000

Pursuant to the Warrant Subscription Agreements, the Subscribers conditionally agreed with the Company to subscribe up to 100,000,000 Warrants at the Issue Price of HK\$0.01 per Warrant.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Subscribers are the third parties independent of the Company and connected person of the Company.

### **Conditions**

The Subscription is conditional upon (i) the Stock Exchange granting the listing of, and permission to deal in, the New Shares, and (ii) any other approval as may be required for the Subscription.

### **Completion**

Completion of the Subscription shall take place within three business days after fulfillment of the conditions set out above or any other date as the Subscriber and the Company may agree.

The Warrant Subscription Agreement shall automatically become null and void and of no effect if the conditions of the Subscription remains unfulfilled on 29 February 2012 or such a date both parties mutually agree and in such event either party shall have no claim against each other and holds each other harmless save for those expressly reserved and agreed.

### **Termination and Force Majeure**

The Warrant Subscription Agreements may be terminated by the Subscribers if at any time at or before 10:00 a.m. on the completion date of the Subscription, there occurs:

- (a) the introduction of any new law or regulation or any change in existing laws or regulations (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may, in the reasonable opinion of the Subscribers, materially and adversely affect the business or the financial or trading position or prospects of the Company;
- (b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before and/or after the date of the Warrant Subscription Agreements) of a political, military, financial, economic, currency (including a change in the system under which the value of the Hong Kong currency is linked to the currency of the United States of America) or other nature (whether or not sui generis with any of the foregoing), or in the nature of any local, national, international outbreak or escalation of hostilities or armed conflict, or affecting local securities market or the occurrence of any combination of

circumstances which may, in the reasonable opinion of the Subscribers, materially and adversely affect the business or the financial or trading position or prospects of the Company or otherwise makes it inexpedient or inadvisable for the Company or the Subscribers to proceed with the Subscription;

- (c) any change in market conditions or combination of circumstances in Hong Kong (including without limitation suspension or material restriction on trading in securities) occurs which affect the success of the Subscription or otherwise in the sole and absolute opinion of the Subscribers make it inexpedient or inadvisable or inappropriate for the Company or the Subscribers to proceed with the Subscription;
- (d) the Company commits any material breach of or omits to observe any of the obligations or undertakings expressed or assumed under the Warrant Subscription Agreements;
- (e) any adverse change in the business, financial or trading position of any member of the Company and its subsidiaries which is material to the Subscription;
- (f) any suspension in the trading of securities generally or the Company's securities on the Stock Exchange for a period of more than 30 consecutive trading days; or
- (g) the Subscribers shall become aware of the fact that any of the representations or warranties contained in the Warrant Subscription Agreements were, when given, untrue or inaccurate in any respect or would in any respect be untrue or inaccurate, or if repeated the Subscribers shall determine in its reasonable opinion that any such untrue representation or warranty represents or is likely to represent a material adverse change in the financial or trading position or prospects of the Company or will otherwise likely to have a material prejudicial effect on the Subscription.

In the event that the Subscribers terminates the Warrant Subscription Agreements pursuant to the above mentioned clauses, all obligations of each of the parties under the Warrant Subscription Agreement shall cease and terminate and neither party to the Warrant Subscription Agreements shall have any claim against the other party in respect of any arising out of or in connection with the Warrant Subscription Agreements except for any breach arising prior to such termination.

**As the Warrant Subscription Agreements may or may not complete, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.**

## **PRINCIPAL TERMS OF THE WARRANTS**

### **Number of New Shares to be subscribed under the Warrants**

Upon the exercise of the subscription rights attaching to the Warrants in full, a maximum of 100,000,000 New Shares (with an aggregate nominal value of HK\$10,000,000 of the New Shares), will be issued and allotted, representing approximately 6.61% of the existing issued share capital of the Company and approximately 6.20% of the issued share capital of the Company as enlarged by the issue and allotment of the New Shares.

## **Subscription period**

The Warrants are exercisable in whole or in part at any business day after the date of issue of the Warrants and shall continue for a period of three years from such issue date.

## **Subscription price**

The Subscription Price per New Share will be HK\$0.29 (subject to adjustment).

The aggregate of the Subscription Price per New Share and the Issue Price per Warrant (being HK\$0.30) represents:

- (a) a premium of approximately 5.3% over the closing price of HK\$0.285 per Share as quoted on the Stock Exchange on 31 January 2012, being the date of the Warrant Subscription Agreements and this announcement;
- (b) a premium of approximately 4.9% over the average of the closing prices of approximately HK\$0.286 per Share for the five trading days of the Shares up to and including 31 January 2012; and
- (c) a premium of approximately 6.0% over the average of the closing prices of approximately HK\$0.283 per Share for the ten trading days of the Shares up to and including 31 January 2012.

The Subscription Price is subject to adjustment for, among others, subdivision or consolidation of Shares. The Company will publish an announcement upon any adjustment to the Subscription Price.

The Subscription Price and the Issue Price were determined after arm's length negotiations between the Company and the Subscribers, after considering the Group's existing financial position, liquidity of the Shares in the market and the number of New Shares.

## **Transferability**

The Warrants are freely transferable in amounts equivalent to the aggregate Subscription Price in respect of 4,000 New Shares for the time being in force (or an integral multiple thereof).

## **Ranking of the New Shares**

The New Shares, when issued and allotted, will rank pari passu with the fully paid Shares in issue on the date of allotment and issue of such New Shares.

## **Voting**

The Warranholders will not be entitled to attend or vote at any general meetings of the Company by reason only of it being a Warranholder.

## **Listing**

No application will be made for a listing of the Warrants on the Stock Exchange or any other stock exchange.

## **GENERAL MANDATE**

The New Shares will be allotted and issued under the General Mandate which was granted to the Directors pursuant to an ordinary resolution of the Company passed at its annual general meeting on 21 December 2011 to allot and issue up to 302,543,300 Shares, representing 20% of the aggregate nominal amount of the share capital of the Company in issue on that date. The General Mandate has not been previously utilised prior to the entering into of the Subscription Agreements. As the New Shares are to be issued under the aforesaid General Mandate, the Subscription is not subject to Shareholders' approval.

## **APPLICATION FOR LISTING**

Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the New Shares.

## **REASONS FOR ENTERING INTO THE WARRANT SUBSCRIPTION AGREEMENTS AND USE OF PROCEEDS**

The Group is principally engaged in manufacturing and sales of printed circuit boards and printed circuit board assembling products, provision for surface mount technology processing services and property development.

The Directors consider that, in the event the subscription rights attaching to the Warrants are exercised, the Subscription represents a good opportunity to raise capital for the Company while broadening the shareholder base and capital base of the Company.

The Directors consider the terms of the Warrant Subscription Agreements (including the Issue Price and the Subscription Price) are fair and reasonable and the Subscription is in the interest of the Company and the Shareholders as a whole.

The gross proceeds from the Subscription will be HK\$1,000,000 (i.e. the Issue Price without taking into account of the exercise of the subscription rights attaching to the Warrants). After taking into account the estimated expenses of approximately HK\$100,000 in relation to the Subscription, the net proceeds of approximately HK\$900,000 from the Subscription (without taking into account of the exercise of the subscription rights attaching to the Warrants) are intended to be used as general working capital and for future development of the Group. If the subscription rights attaching to the Warrants are exercised in full, an additional amount of approximately HK\$29,000,000 will be raised. The additional net proceeds of approximately HK\$29,000,000 (with minimal administrative expenses) are intended to be used as general working capital and for future development of the Group.

The net fund raised per Warrant (the Issue Price together with the Subscription Price) is expected to be approximately HK\$0.299 per Share.

## EFFECT ON SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below is the shareholding structure of the Company (i) as at the date of this announcement and (ii) upon full exercise of subscription rights attaching to the Warrants.

	As at the date of this announcement		Upon full exercise of subscription rights attaching to the Warrants	
	Number of Shares	%	Number of Shares	%
Union Day Group Limited ( <i>Note 1</i> )	345,778,539	22.86	345,778,539	21.44
Mr. Hui Lung Hing ( <i>Note 2</i> )	250,000,000	16.52	250,000,000	15.50
Sun Kin Chung ( <i>Note 3</i> )	0	0	40,000,000	2.48
Fan Kun ( <i>Note 3</i> )	0	0	30,000,000	1.86
Lei Jie ( <i>Note 3</i> )	0	0	30,000,000	1.86
Other public Shareholders	<u>916,937,961</u>	<u>60.62</u>	<u>916,937,961</u>	<u>56.86</u>
Total	<u>1,512,716,500</u>	<u>100.00</u>	<u>1,612,716,500</u>	<u>100.00</u>

### Notes:

1. Mr. Sze Ming Yee, a Director, is a director and the controlling shareholder holding 72% equity interest in Union Day Group Limited, which is the substantial Shareholder. By virtue of the Securities and Futures Ordinance, Mr. Sze is deemed to have interest in the 345,778,539 Shares.
2. Mr. Hui Lung Hing is a Director.
3. To the best of the Directors' knowledge, the Subscribers are the third parties independent of the Company and connected person of the Company. Therefore, the Subscribers are treated as public Shareholders.

## EQUITY FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS IMMEDIATELY PRECEDING THIS ANNOUNCEMENT

Date of announcement	Capital raising activity	Net proceeds raised (approximately)	Proposed use of the net proceeds	Actual use of the net proceeds
31 January 2011	Issue of HK\$93,000,000 In principal amount of convertible preferred shares	HK\$93.0 million	To be used for settling payment of the consideration for the acquisition of 30% interest in Stephigh Group Limited	Used as intended

Saved as disclosed above, the Company had not carried out any equity fund raising exercise in the 12-month period immediately preceding the date of this announcement.

## DEFINITIONS

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

“Board”	the board of Directors
“Company”	Kingwell Group Limited, a company incorporated under the laws of the Cayman Islands with limited liability and the Shares of which are listed on the Main Board of the Hong Kong Stock Exchange
“connected person(s)”	has the meaning ascribed to it in the Listing Rules
“Directors”	directors of the Company
“General Mandate”	the general mandate which was granted to the Directors pursuant to an ordinary resolution passed at the Company’s annual general meeting on 21 December 2011 to issue and allot up to 302,543,300 new Shares, representing 20% of the aggregate nominal amount of the share capital of the Company in issue on the date of the meeting
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Issue Price”	the issue price of HK\$0.01 per Warrant
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New Shares”	the new Shares to be issued by the Company upon the exercise of the subscription rights attaching to the Warrants by the Subscribers
“Share(s)”	the ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Subscribers”	Sun Kin Chung, Fan Kun and Lei Jie
“Subscription”	the subscription of 100,000,000 Warrants by the Subscribers at the Issue Price

“Subscription Price”	the sum payable in respect of each Share to which the registered holder of each Warrant will be entitled upon exercise of the subscription rights represented thereby, being HK\$0.29 or such adjusted price as may for the time being applicable in accordance with the terms of the Warrants
“Warrant(s)”	unlisted warrants of the Company in registered form conferring rights entitling the Warrantholder(s) thereof to subscribe for up to HK\$29,000,000 in aggregate in cash for 100,000,000 New Shares at the Subscription Price (subject to adjustment) to be issued by the Company pursuant to the Warrant Subscription Agreements
“Warrant Subscription Agreements”	the agreements entered into between the Company and the Subscribers dated 31 January 2012 in respect of the Subscription
“Warrantholder(s)”	holder(s) of the Warrant(s)
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent

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

Hong Kong, 31 January 2012

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