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 2013

RESULTS

The Board of directors (the "Board") 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 2013 (the "Year") together with the comparative figures for the corresponding year ended 30 June 2012. The annual results have been reviewed by the audit committee of the Company.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 30 June 2013

(Expressed in Renminbi)

	Notes	2013 RMB'000	2012 RMB'000
REVENUE	5	**160,232**	279,987
Cost of sales		**(138,676)**	(267,591)
Gross profit		**21,556**	12,396
Other income and gains	5	**6,922**	6,934
Selling and distribution expenses		**(8,990)**	(28,746)
Administrative expenses		**(38,346)**	(43,723)
Other expenses		**(61,473)**	(95,541)
Finance costs	7	**(17,910)**	(19,387)
LOSS BEFORE TAX	6	**(98,241)**	(168,067)
Income tax expense	8	**(8,431)**	(36,524)
LOSS FOR THE YEAR		**(106,672)**	(204,591)
OTHER COMPREHENSIVE (LOSS)/INCOME			
Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**(2,038)**	616
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR		**(2,038)**	616
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(108,710)**	(203,975)
Loss for the year attributable to:			
Owners of the Company		**(105,684)**	(204,591)
Non-controlling interests		**(988)**	—
		(106,672)	(204,591)
Total comprehensive loss for the year attributable to:			
Owners of the Company		**(103,689)**	(203,975)
Non-controlling interests		**(5,021)**	—
		(108,710)	(203,975)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	10		
Basic			
— For loss for the year		**(7) cents**	(14) cents
Diluted			
— For loss for the year		**(7) cents**	(14) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2013

(Expressed in Renminbi)

	Notes	2013 RMB'000	2012 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**45,880**	64,611
Investment properties		**14,660**	1,800
Prepaid land lease payments		**1,723**	1,770
Intangible assets		**122,535**	479
Prepayments		**6,527**	—
Deferred tax assets		**766**	963
Total non-current assets		**192,091**	69,623
CURRENT ASSETS			
Inventories		**155,052**	225,402
Trade and bills receivables	*11*	**31,053**	34,485
Prepayments, deposits and other receivables		**7,043**	23,872
Equity investments at fair value through profit or loss		**543**	494
Pledged deposits		**8,391**	10,735
Cash and cash equivalents		**193,197**	147,332
Total current assets		**395,279**	442,320
CURRENT LIABILITIES			
Trade and bills payables	*12*	**37,257**	79,686
Other payables and accruals		**105,583**	80,512
Due to a director		**249**	582
Interest-bearing bank and other borrowings	*13*	**198,998**	103,597
Tax payable		**8,158**	7,117
Convertible note	*14*	**10,005**	—
Total current liabilities		**360,250**	271,494
NET CURRENT ASSETS		**35,029**	170,826
TOTAL ASSETS LESS CURRENT LIABILITIES		**227,120**	240,449

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

30 June 2013

(Expressed in Renminbi)

	Notes	2013 RMB'000	2012 RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**227,120**	240,449
NON-CURRENT LIABILITIES			
Due to directors		**41,421**	—
Non-redeemable convertible preferred shares	*15*	**2,462**	9,236
Interest-bearing bank and other borrowings	*13*	**31,604**	62,800
Deferred tax liabilities		**13,895**	14,281
Total non-current liabilities		**89,382**	86,317
Net assets		**137,738**	154,132
EQUITY			
Equity attributable to owners of the Company			
Issued capital		**163,540**	142,239
Non-redeemable convertible preferred shares		**17,263**	69,801
Equity component of the convertible note	*14*	**305**	—
Reserves		**(117,674)**	(57,908)
		63,434	154,132
Non-controlling interests		**74,304**	—
Total equity		**137,738**	154,132

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 2013 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 ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties and equity investments, 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 revised HKFRSs for the first time for the current year's financial statements.

HKAS 1 Amendments	Amendments to HKAS 1 *Presentation of Financial Statements — Presentation of Items of Other Comprehensive Income*
HKAS 12 Amendments	Amendments to HKAS 12 *Income Taxes — Deferred Tax: Recovery of Underlying Assets*

The financial effect on these financial statements upon adoption of the revised HKFRSs is as follows:

The HKAS 1 Amendments change the grouping of items presented in other comprehensive income. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, net gain on hedge of a net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) would be presented separately from items which will never be reclassified (for example, actuarial gain and loss on defined benefit plans and revaluation of land and buildings). The amendments have been applied retrospectively, with the presentation of items of other comprehensive income modified to reflect the changes. Other than the said presentation changes, the amendments did not have any impact on the Group's financial position or performance.

The HKAS 12 Amendments clarify the determination of deferred tax for investment property measured at fair value and introduce a rebuttable presumption that deferred tax on investment property measured at fair value should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, the amendments incorporate the requirement previously in HK(SIC)-Int 21 *Income Taxes — Recovery of Revalued Non-Depreciable Assets* that deferred tax on non-depreciable assets, measured using the revaluation model in HKAS 16, should always be measured on a sale basis. The presumption that deferred tax on investment property measured at fair value should be determined on the basis that its carrying amount will be recovered through sale has been rebutted by the Group as the Group's investment properties are held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Accordingly, deferred tax has been determined on the basis of recovery through use. The adoption of the amendments did not have any impact on the financial position or performance of the Group.

3. OPERATING SEGMENT INFORMATION

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

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

(b) the gold mining segment engages in the production and sale of sand gold;

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

In last year, the Group has disposed of the electronic processing services segment which engaged in the provision of surface mounting technology ("SMT") processing services.

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

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

Segment liabilities exclude amounts due to directors, tax payable, convertible note, non-redeemable convertible preferred shares, deferred tax liabilities 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 2013

	Electronic products *RMB'000*	Gold mining *RMB'000*	SMT processing services *RMB'000*	Property development *RMB'000*	Total *RMB'000*
Segment revenue:					
Sales to external customers	77,064	—	—	83,168	160,232
Other revenue	762	—	—	5,412	6,174
	77,826	—	—	88,580	166,406
Segment results	(78,975)	(1,977)	—	17,163	(63,789)
Reconciliation:					
Interest income					748
Corporate and other unallocated expenses					(17,290)
Finance costs					(17,910)
Loss before tax					(98,241)
Segment assets	264,990	151,562	—	168,374	584,926
Reconciliation:					
Corporate and other unallocated assets					2,444
					587,370
Segment liabilities	267,359	4	—	55,912	323,275
Reconciliation:					
Corporate and other unallocated liabilities					126,357
					449,632
Other segment information:					
Impairment of property, plant and equipment	15,144	—	—	—	15,144
Depreciation and amortisation	5,395	—	—	247	5,642
Write-back of inventories to net realisable value	(6,767)	—	—	—	(6,767)
Provision for impairment of trade and other receivables	6,668	—	—	—	6,668
Capital expenditure	2,785	129,335	—	145	132,265

3. OPERATING SEGMENT INFORMATION (continued)

Year ended 30 June 2012

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

3. OPERATING SEGMENT INFORMATION (continued)

Geographical information

(a) *Revenue from external customers*

	2013	2012
	RMB'000	*RMB'000*
Mainland China	**142,910**	246,859
Overseas	**17,322**	33,128
	160,232	279,987

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

(b) *Non-current assets*

	2013	2012
	RMB'000	*RMB'000*
Mainland China	**68,767**	68,110
Hong Kong	**312**	550
Russia	**122,246**	—
	191,325	68,660

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

Information about major customers

During the years ended 30 June 2013 and 2012, no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue.

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 over the expected life of the financial instrument to the net carrying amount of the financial asset; and

(e) dividend income, when the shareholders' right to receive payment has been established.

5. REVENUE, OTHER INCOME AND GAINS

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

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

	2013	2012
	RMB'000	*RMB'000*
Revenue		
Sales of goods	**77,064**	178,843
Sales of properties	**83,168**	98,835
SMT processing service income	**—**	2,309
	160,232	279,987
Other income		
Bank interest income	**748**	1,483
Rental income	**253**	398
Written-back of payables	**761**	4,699
Gain on disposal of items of property, plant and equipment	**1,597**	—
Others	**5**	114
	3,364	6,694
Gains		
Fair value gains on investment properties	**3,558**	240
	6,922	6,934

6. LOSS BEFORE TAX

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

	Note	2013 RMB'000	2012 RMB'000
Cost of inventories sold		**72,783**	195,168
Cost of properties sold		**65,893**	69,553
Cost of services provided		**—**	2,870
Depreciation		**5,458**	11,750
Amortisation of intangible assets		**137**	138
Amortisation of prepaid land lease payments		**47**	336
Minimum lease payments under operating leases:			
Land and buildings		**2,004**	1,379
Auditors' remuneration		**3,172**	1,573
Staff costs (excluding directors' remuneration):			
Salaries and wages		**31,132**	57,373
Pension scheme contributions		**8,458**	11,360
		39,590	68,733
Repair and maintenance costs*		**9,314**	68,164
Impairment of property, plant and equipment*		**15,144**	9,060
Provision for impairment of trade and other receivables*		**6,668**	1,128
(Write-back)/write-down of inventories to net realisable value		**(6,767)**	11,111
Loss on disposal of inventories*		**22,541**	—
Loss on disposal of items of property, plant and equipment*		**—**	24
Foreign exchange differences, net*		**4,890**	2,793
Changes in fair value of investment properties		**(3,558)**	(240)
Changes in fair value of equity financial instruments		**1**	76
Loss on disposal of subsidiaries*	*17*	**—**	12,057

* *These amounts were included in "other expenses" in the consolidated statement of comprehensive income.*

7. FINANCE COSTS

An analysis of finance costs is as follows:

	Group	
	2013 RMB'000	2012 RMB'000
Interest on:		
Bank and other borrowings	**16,315**	19,762
Non-redeemable convertible preferred shares	**882**	1,260
Convertible note	**713**	—
	17,910	21,022
Less: Interest capitalised	**—**	(1,635)
	17,910	19,387

8. INCOME TAX

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

No provision for Hong Kong profits tax has been made (2012: Nil) as the Group did not generate any assessable profits 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.

	2013	2012
	RMB'000	*RMB'000*
Group:		
Current — Mainland China		
Provision for enterprise income tax	**5,130**	8,599
Provision for land appreciation tax ("LAT")	**3,490**	—
Deferred	**(189)**	27,925
Total tax charge for the year	**8,431**	36,524

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

	2013	2012
	RMB'000	*RMB'000*
Loss before tax	**(98,241)**	(168,067)
Tax at the statutory tax rate of 25%	**(24,560)**	(42,017)
Income not subject to tax	**(173)**	(551)
Expenses not deductible for tax	**9,162**	14,261
Effect of withholding tax at 10% on the distributable profits of the Group's PRC Subsidiaries	**1,099**	1,931
Tax losses not recognised	**15,430**	34,474
Temporary differences not recognised	**3,983**	28,426
Provision for LAT	**3,490**	—
Tax charge at the Group's effective rate	**8,431**	36,524
The Group's effective income tax rate	**(8.6%)**	(21.7%)

9. DIVIDENDS

No final dividends were proposed for the years ended 30 June 2013 and 2012.

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 1,601,660,000 (2012: 1,513,797,000) in issue during the year.

No adjustment has been made to the basic loss per share amounts presented for the years ended 30 June 2013 and 2012 in respect of a dilution as the impact of the warrants, share options, non-redeemable convertible preferred shares and convertible note outstanding had an anti-dilutive effect on the basic loss per share amounts presented.

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

	2013	2012
	RMB'000	*RMB'000*
Loss		
Loss attributable to ordinary equity holders of the Company, used in the basic loss per share calculation	**105,684**	204,591

	Number of shares	
	2013	2012
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic loss per share calculation	**1,601,660,000**	1,513,797,000
Effect of dilution — weighted average number of ordinary shares:		
Warrants	**100,000,000**	97,085,000
Share options	**139,259,000**	149,436,000
Non-redeemable convertible preferred shares	**232,313,000**	310,000,000
Convertible note	**14,449,000**	—
	486,021,000	556,521,000
	2,087,681,000	2,070,318,000

No adjustment has been made to the basic loss per share amounts presented for the years ended 30 June 2013 and 2012 in respect of a dilution as the impact of the warrants, share options, non-redeemable convertible preferred shares and convertible note had anti-dilutive effect on the basic loss per share amounts presented. Therefore, the calculation of the diluted loss per share amounts was based on the loss for the years of RMB105,684,000 and RMB204,591,000, respectively, and the weighted average number of ordinary shares of 1,601,660,000 and 1,513,797,000, respectively, in issue during the years.

11. TRADE AND BILLS RECEIVABLES

	Group 2013 RMB'000	Group 2012 RMB'000
Trade and bills receivables	**91,622**	94,178
Impairment	**(60,569)**	(59,693)
	31,053	34,485

The Group's trading terms with its customers of the electronic products segment are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally two months, extending up to six months for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over these balances. Trade and bills receivables are non-interest-bearing.

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

	Group 2013 RMB'000	Group 2012 RMB'000
Within 1 month	**9,929**	9,486
1 to 3 months	**20,518**	22,602
3 months to 1 year	**606**	2,397
	31,053	34,485

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

	Group 2013 RMB'000	Group 2012 RMB'000
At beginning of the year	**59,693**	66,948
Impairment losses recognised	**876**	1,096
Disposal of subsidiaries	**—**	(8,351)
At end of the year	**60,569**	59,693

Included in the above provision for impairment of trade and bills receivables is a provision for individually impaired trade and bills receivables of RMB60,569,000 (2012: RMB59,693,000) with a carrying amount before provision of RMB60,569,000 (2012: RMB59,693,000).

11. TRADE AND BILLS RECEIVABLES (continued)

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

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

	Group	
	2013	2012
	RMB'000	*RMB'000*
Neither past due nor impaired	**29,896**	31,000
Within 1 month past due	**583**	1,527
1 to 3 months past due	**534**	869
3 months to 1 year past due	**40**	1,089
	31,053	34,485

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

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

12. TRADE AND BILLS PAYABLES

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

	Group	
	2013	2012
	RMB'000	*RMB'000*
Within 1 month	**15,009**	32,978
1 to 3 months	**8,956**	30,355
3 months to 1 year	**7,714**	15,065
Over 1 year	**5,578**	1,288
	37,257	79,686

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

As at 30 June 2013, the Group's bills payable were secured by a deposit of RMB5,645,000 (2012: RMB8,765,000).

13. INTEREST-BEARING BANK AND OTHER BORROWINGS

Group

	2013			2012		
	Effective interest rate (%)	**Maturity**	***RMB'000***	Effective interest rate (%)	Maturity	*RMB'000*
Current						
Bank loans — secured	**6.6–7.8**	**2014.03**	**149,900**	6.4–8.2	2012.12	99,358
Current portion of long term bank loans — secured	**6.15**	**2014.01**	**15,000**	—	—	—
Other loans — unsecured	**8.0–8.65**	**2014.03**	**34,098**	8.0	2012.10	4,239
Sub-total			**198,998**			103,597
Non-current						
Bank loans — secured	**—**	**—**	**—**	6.4	2014.01	15,000
Other loans — unsecured	**9.0–12.0**	**2016.02**	**31,604**	8.65	2013.12	47,800
Sub-total			**31,604**			62,800
Total			**230,602**			166,397
Analysed into:						
Bank loans repayable:						
Within one year or on demand			**164,900**			99,358
In the second year			**—**			15,000
			164,900			114,358
Other borrowings repayable:						
Within one year or on demand			**34,098**			4,239
In the second year			**9,266**			47,800
In the third to fifth years			**22,338**			—
			65,702			52,039
			230,602			166,397

14. CONVERTIBLE NOTE

On 31 July 2012, the Company issued a convertible note with a principal amount of US$1,625,000 (equivalent to RMB10,320,000) and a maturity date of 31 July 2013. The convertible note carries interest at a rate of 5% per annum, which is payable yearly in arrears on 31 July 2013.

The note is convertible at the option of the holder into ordinary shares on any business day or any other day at a price of HK$0.8 per share during the period after 31 July 2012 but before five business days ending on 31 July 2013. There was no movement in the number of the convertible note during the year. Any convertible note not converted will be redeemed on 31 July 2013 at an amount equal to 100% of the outstanding principal amounts.

The fair value of the liability component was estimated at the issuance date using an equivalent market interest rate for a similar note without a conversion option. The residual amount is assigned as the equity component and is included in shareholders' equity.

The convertible note issued during the year has been split into the liability and equity components as follows:

	2013
	RMB'000
Nominal value of the convertible note issued during the year	**10,320**
Equity component	**(305)**
Liability component at the issuance date	**10,015**
Interest expense	**713**
Interest payable	**(445)**
Exchange realignment	**(278)**
Liability component at 30 June	**10,005**

For the fair value of the liability component of the convertible note at initial recognition, the effective rate method is adopted in the valuation. The effective interest rate used in the valuation is 8.132%.

15. 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 holder of the CPS has the right to convert the CPS into a total of 310,000,000 ordinary shares at a price of HK$0.3 per share on any business day after the issue date. A non-cumulative dividend of 2% per annum on the face value is payable by the Company annually in arrears on each anniversary date of the issue date, subject to sufficient reserves permissible by laws from time to time.

The CPS recognised in the statement of financial position at the issuance date 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	**8,019**

15. NON-REDEEMABLE CONVERTIBLE PREFERRED SHARES (continued)

The carrying amounts of the liability component of the CPS during the years are calculated as follows:

	Group and Company	
	2013	2012
	RMB'000	*RMB'000*
Beginning of the year	**9,236**	8,183
Interest expense	**882**	1,260
Conversion	**(7,316)**	—
Exchange realignment	**(340)**	(207)
End of the year	**2,462**	9,236

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

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

The liability component represents the Company's contractual obligation of interest payment to the holders of the CPS. For the 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%.

On 7 March 2013, 70,000,000 CPS were converted into ordinary shares at a price of HK$0.3 per share, resulting in the issue of 233,333,333 shares of HK$0.10 each. Upon the conversion of the CPS, the related portion of the equity component of RMB52,538,000 recognised upon initial recognition and the carrying amount of the liability component of RMB7,316,000 were transferred to share capital of RMB19,525,000 and share premium of RMB40,329,000.

16. ACQUISITION OF A SUBSIDIARY

On 4 July 2012, the Company entered into a Share Purchase and Subscription Agreement (the "Agreement") with Mr. Arail Khachatran, an independent third party. The Company acquired 17,115 shares, representing 34.2% of the then total number of shares in issue, of Commerce Prosper Limited ("CPL"), at a consideration of US$6,500,000 (equivalent to RMB40,868,000), of which US$4,875,000 (equivalent to RMB30,548,000) was settled in cash and the remaining US$1,625,000 (equivalent to RMB10,320,000) was settled by the issue of a convertible note.

In addition, CPL allotted and issued 17,115 new shares to the Company at a cash consideration of US$6,500,000 (approximately RMB41,696,000) which shall be payable by the Company within one month after the completion date. Following the completion, the Company held a total of 34,230 shares, representing 51% of the total number of shares in issue, as enlarged by the allotment and issue of the new shares to the Company. The acquisition was completed on 15 August 2012.

16. ACQUISITION OF A SUBSIDIARY (continued)

CPL is a limited liability company incorporated in the BVI. CPL has no business transaction but holds 100% equity interests in Zolotoy Standart Limited ("ZSL"), a company incorporated in Russia. ZSL was established on 8 June 2012 as a limited liability company with total registered capital of RUB10,000. ZSL holds the mining and exploration rights of a gold mine in Russia. ZSL had not carried out any significant business transactions since its incorporation up to the acquisition date. Since the net assets acquired through the acquisition do not constitute a business, the acquisition was not disclosed as a business combination in accordance with HKFRS 3.

The net assets acquired in the acquisition are as follows:

	2013
	RMB'000
Intangible assets	**120,193**
Total identifiable net assets	**120,193**
Non-controlling interests	**(79,325)**
	40,868
Satisfied by:	
Cash	**30,548**
Convertible note	**10,320**

An analysis of the net outflow of cash and cash equivalents in respect of the acquisition of a subsidiary is as follows:

	2013
	RMB'000
Cash consideration paid	**(30,548)**
Cash and cash equivalents acquired	**—**
Net outflow of cash and cash equivalents in respect of the acquisition	**(30,548)**

17. DISPOSAL OF SUBSIDIARIES

	2013	2012
	RMB'000	*RMB'000*
Net assets disposed of:		
Property, plant and equipment	—	103,121
Prepaid land lease payments	—	14,991
Intangible assets	—	9
Inventories	—	4,172
Pledged deposit	—	5,000
Cash and bank balances	—	86,960
Trade and bills receivables	—	24,690
Prepayments and other receivables	—	699
Equity investments at fair value through profit or loss	—	300
Trade payables	—	(18,645)
Accruals and other payables	—	(69,501)
Interest-bearing bank and other borrowings	—	(138,000)
Due to a director	—	(513)
	—	13,283
Loss on disposal of subsidiaries	—	(12,057)
	—	1,226
Satisfied by:		
Cash	—	1,226

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

	2013	2012
	RMB'000	*RMB'000*
Cash consideration	—	1,226
Cash and bank balances disposed of	—	(86,960)
Net outflow of cash and cash equivalents in respect of the disposal of subsidiaries	—	(85,734)

18. EVENT AFTER THE REPORTING PERIOD

As the option of the convertible note remained unexercised on 31 July 2013, the Company redeemed the convertible note in the principal amount of US$1,625,000 (equivalent to RMB10,320,000).

DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 30 June 2013 (2012: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Results

For the Year, revenue of the Group decreased by 42.8% to RMB160,232,000 (2012: RMB279,987,000). The decrease in revenue was mainly due to the decrease in the revenue from the electronic business.

During the Year, the Group recorded a gross profit of approximately RMB21,556,000 (2012: gross profit of RMB12,396,000) and loss before tax of RMB98,241,000 (2012: loss before tax of RMB168,067,000), respectively. The increase in gross profit and decrease in loss before tax were mainly due to the decrease in loss from the electronic business.

The loss attributable to owners of the Company for the Year was RMB105,684,000 (2012: loss of RMB204,591,000). Basic loss per share was RMB7 cents (2012: basic loss per share was RMB14 cents).

Business Review

Electronic Business

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

During the Year, unfavourable market condition in the global economy continued to pose various challenges to the electronic industry. Both the Group's orders and average selling prices were under pressure and amid intense market competition.

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

During the Year, revenue attributable from electronic business was approximately RMB77,064,000 (2012: RMB178,843,000) representing approximately 48.1% of the Group's total revenue. The electronic business recorded a loss of RMB78,975,000 as compared to a loss of RMB150,181,000 in last year.

Property Development Business

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

During the Year, revenue attributable from property development business was approximately RMB83,168,000 (2012: RMB98,835,000), representing approximately 51.9% of the Group's total revenue. The property development business recorded a profit of RMB17,163,000 as compared to a profit of approximately RMB22,506,000 in last year.

Gold Mining Business

The Company acquired 51% equity interest in a gold mining company in Russian Federation and completed the acquisition on 15 August 2012. The gold mining company is a company established under the laws of Russian Federation with limited liability and currently operates and owns the legal and beneficial interest in a mining project related to the gold mine. With an aggregate mining area of about 309.3 square kilometers, the mine is operated by the gold mining company and located in Molchan river, Zeyskiy region, Amur area, the Russian Federation. The mine is estimated to have sand gold reserve of (C1 category) 35 tonnes. The gold mining company is in the process of devising its production and exploitation plan.

Geographic Information

Geographically, sales within the PRC (excluding Hong Kong and Taiwan) remained the largest segment, generating 89.2% (2012: 88.2%) of the Group's revenue. The balance of approximately 10.8% of the Group' revenue (2012: 11.8%) was taken up by the overseas customers.

Business Prospects

Looking forward, the intense competition in the electronic industry and unfavourable operating environment will continue to pose challenges to the electronic industry as well as the Group. The demand for electronic products recovered at a slow pace. Customers were still cautious in placing orders which added to the downward pressure of average selling prices. Due to the Fujian environmental production requirements, the Group will employ an environmental protection company to review the existing situations of the Fujian plant and to provide recommendations for capital investment to fulfill the environmental protection requirements in Fujian. Furthermore, the growing inflation in China led to rising raw material and labour costs, the shortage of labour force and the environmental production requirements increased production costs and undermined the profitability of the Group.

In order to sustain the continuous growth of the Group and meet the coming challenges, the Group had successfully entered into the property development business through its property development project in Anlu City, Hubei province in the PRC. The real estate project, comprising various types of properties including villas, houses, apartments and commercial buildings, had made significant contribution to the Group during the Year.

Looking ahead, the Group will continue to implement its diversified development strategy and proactively search for potential investment opportunities, particularly in the gold mining projects. On 15 August 2012, the Group had completion the acquisition of 51% equity interest in a gold mine company in the Russian Federation. The acquisition provided the Group with a unique opportunity to purchase the gold mine and enabled the Group to enter into the gold mining industry. Also, the Group will continue to explore gold mining business for its long-term development.

Liquidity and Financial Resources and Capital Structure

For the year ended 30 June 2013, the Group's working capital requirement was principally financed by its internal resources, banking facilities and other financial instruments.

As at 30 June 2013, the Group had cash and cash equivalents, net current assets and total assets less current liabilities of RMB193,197,000 (2012: RMB147,332,000), RMB35,029,000 (2012: RMB170,826,000) and RMB227,120,000 (2012: RMB240,449,000), respectively.

As at 30 June 2013, the Group had total bank borrowings of RMB164,900,000 (2012: RMB114,358,000). All of the bank borrowings of RMB164,900,000 were short term. All of the utilised bank loans were secured by interest in leasehold land and buildings of the Group.

As at 30 June 2013, the Group had other interest-bearing borrowings of RMB65,702,000 (2012: RMB52,039,000), which were unsecured. In which, RMB34,098,000 was short term and RMB31,604,000 was long term.

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 owners of the Company as at 30 June 2013 decreased by RMB90,698,000 to RMB63,434,000 (2012: RMB154,132,000). The gearing ratio (calculated as the ratio of net debt: capital and net debt) of the Group as at 30 June 2013 was approximately 75% (2012: 52%).

Significant Investments

Save as disclosed elsewhere under the section headed "Acquisition and Disposal of Subsidiaries and Associated Companies", the Group held no other significant investment during the Year.

Acquisition and Disposal of Subsidiaries and Associated Companies

On 15 August 2012, the Group had completed the acquisition of 51% equity interest in a gold mining company in the Russian Federation. The acquisition provided the Group with a unique opportunity to purchase the gold mine and enabled the Group to enter into the gold mining industry.

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

Employee Information

As at 30 June 2013, the Group employed a total of 564 (2012: 549) 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 RMB41,976,000. 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"). There were 127,468,000 share options outstanding under the 2010 Scheme as at 30 June 2013.

Charges on Group Assets

As at 30 June 2013, certain of the Group's bank loans are secured by the pledge of certain of the Group's buildings situated in Mainland China, which had an aggregate carrying value at the end of the reporting period of approximately RMB32,499,000 (2012: RMB30,666,000) and the pledge of the Group's leasehold land which had an aggregate carrying value at the end of the reporting period of approximately RMB1,770,000 (2012: RMB1,817,000).

Future Plans for Material Investments and Expected Sources of Funding

In the future, the Group will continue to implement its diversified development strategy and proactively search for potential investment opportunities, particularly in the gold mining projects, as reference to the announcement made on 11 October 2012, 6 January 2013, 11 January 2013 and 28 March 2013, the Group entered into the Share Purchase Agreement and had conditionally agreed to purchase 100% equity interest of the Port First Limited. In which, the company owned 70% equity interest of gold mines in Shandong province, PRC. The Group will be financed by the issuing of Convertible Note and Promissory Note.

Save as disclosed above, the Group had no future plans for material investments as at 30 June 2013.

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, Hong Kong dollars and Russian Ruble. 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 2013, in respect of capital expenditure, the Group had capital commitments that were contracted, but not provided for the acquisition of equity investment and exploration and evaluation amounting to approximately RMB385,450,000.

Contingent Liabilities

As at 30 June 2013, the banking facilities granted to the buyers of certain properties developed by the Group were RMB2,746,000 (2012: RMB1,970,000).

As at 30 June 2012, the banking facilities granted to disposed subsidiaries subject to guarantees given to banks by the Group were RMB36,000,000.

CORPORATE GOVERNANCE

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

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

Nomination Committee

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

Remuneration Committee

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

Audit Committee

The Company established an audit committee (the "Audit Committee") in May 2001 with written terms of reference revised to be substantially the same as the provisions as set out in the CG Code. The Audit Committee acts as an important link between the Board and the Company's auditors in matters within the scope of the Group's audit. The duties of the Audit Committee are to review and discuss on the effectiveness of the external audit and risk evaluation of the Company, as well as the Company's annual report and accounts, interim reports and to provide advice and comments to the Board. The Audit Committee is also responsible for reviewing and supervising the Group's financial reporting and internal control. The Audit Committee has reviewed the annual results of the Group for the year ended 30 June 2013.

Corporate Governance Committee

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year, the Company has issued and allotted 4,236,000 and 17,732,000 new shares at par value of HK$0.287 and HK$0.306 each, respectively, as a result of the exercise of share options to the share option holders of the Company, and the Company has issued 233,333,333 new ordinary shares by means of conversion of convertible preferred shares.

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 2013.

PUBLICATION ON ANNUAL RESULTS AND ANNUAL REPORT

The results announcement of the Group for the year ended 30 June 2013 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
Hui Lung Hing
Chairman

Hong Kong, 27 September 2013

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.