*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*

**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 2014

## 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 2014 (the "Year") together with the comparative figures for the corresponding year ended 30 June 2013. The annual results have been reviewed by the audit committee of the Company.

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*Year ended 30 June 2014*
*(Expressed in Renminbi)*

| | Notes | 2014 RMB'000 | 2013 RMB'000 |
|---|---|---|---|
| **REVENUE** | 5 | **99,273** | 160,232 |
| Cost of sales | | **(101,532)** | (138,676) |
| **Gross (loss)/profit** | | **(2,259)** | 21,556 |
| Other income and gains | 5 | **2,686** | 6,922 |
| Selling and distribution expenses | | **(9,144)** | (8,990) |
| Administrative expenses | | **(72,759)** | (38,346) |
| Other expenses | | **(4,053)** | (61,473) |
| Finance costs | 7 | **(15,343)** | (17,910) |
| **LOSS BEFORE TAX** | 6 | **(100,872)** | (98,241) |
| Income tax expense | 8 | **(1,392)** | (8,431) |
| **LOSS FOR THE YEAR** | | **(102,264)** | (106,672) |
| **OTHER COMPREHENSIVE LOSS** | | | |
| *Other comprehensive loss to be reclassified to profit or loss in subsequent periods:* | | | |
| Exchange differences on translation of foreign operations | | **(973)** | (2,038) |
| **OTHER COMPREHENSIVE LOSS FOR THE YEAR** | | **(973)** | (2,038) |
| **TOTAL COMPREHENSIVE LOSS FOR THE YEAR** | | **(103,237)** | (108,710) |
| Loss attributable to: | | | |
| Owners of the Company | | **(101,101)** | (105,684) |
| Non-controlling interests | | **(1,163)** | (988) |
| | | **(102,264)** | (106,672) |
| Total comprehensive loss attributable to: | | | |
| Owners of the Company | | **(100,872)** | (103,689) |
| Non-controlling interests | | **(2,365)** | (5,021) |
| | | **(103,237)** | (108,710) |
| **LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY** | 10 | | |
| Basic | | | |
| — For loss for the year | | **RMB(5) cents** | RMB(7) cents |
| Diluted | | | |
| — For loss for the year | | **RMB(5) cents** | RMB(7) cents |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*30 June 2014*

*(Expressed in Renminbi)*

| | Notes | 2014 RMB'000 | 2013 RMB'000 |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | | **39,792** | 45,880 |
| Investment properties | | **14,890** | 14,660 |
| Prepaid land lease payments | | **1,676** | 1,723 |
| Intangible assets | | **121,904** | 122,535 |
| Prepayments | | **6,527** | 6,527 |
| Deferred tax assets | | **1,608** | 766 |
| Total non-current assets | | **186,397** | 192,091 |
| **CURRENT ASSETS** | | | |
| Inventories | | **133,700** | 155,052 |
| Trade and bills receivables | *11* | **21,738** | 31,053 |
| Prepayments, deposits and other receivables | | **6,773** | 7,043 |
| Equity investments at fair value through profit or loss | | **141** | 543 |
| Pledged deposits | | **2,058** | 8,391 |
| Cash and cash equivalents | | **184,579** | 193,197 |
| Total current assets | | **348,989** | 395,279 |
| **CURRENT LIABILITIES** | | | |
| Trade and bills payables | *12* | **26,664** | 37,257 |
| Other payables and accruals | | **112,511** | 105,583 |
| Due to a director | | **1,441** | 249 |
| Interest-bearing bank and other borrowings | *13* | **134,530** | 198,998 |
| Tax payable | | **6,909** | 8,158 |
| Convertible note | *14* | **—** | 10,005 |
| Total current liabilities | | **282,055** | 360,250 |
| **NET CURRENT ASSETS** | | **66,934** | 35,029 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | **253,331** | 227,120 |

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)**

*30 June 2014*

*(Expressed in Renminbi)*

| | Notes | 2014 RMB'000 | 2013 RMB'000 |
|---|---|---|---|
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | **253,331** | 227,120 |
| **NON-CURRENT LIABILITIES** | | | |
| Due to directors | | **—** | 41,421 |
| Non-redeemable convertible preferred shares | *15* | **967** | 2,462 |
| Interest-bearing other borrowings | *13* | **22,100** | 31,604 |
| Deferred tax liabilities | | **11,467** | 13,895 |
| Total non-current liabilities | | **34,534** | 89,382 |
| Net assets | | **218,797** | 137,738 |
| **EQUITY** | | | |
| **Equity attributable to owners of the Company** | | | |
| Issued capital | | **204,451** | 163,540 |
| Non-redeemable convertible preferred shares | | **6,004** | 17,263 |
| Equity component of convertible note | *14* | **—** | 305 |
| Reserves | | **(63,597)** | (117,674) |
| | | **146,858** | 63,434 |
| **Non-controlling interests** | | **71,939** | 74,304 |
| **Total equity** | | **218,797** | 137,738 |

*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 2014 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 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 - Government Loans* |
| HKFRS 7 Amendments | Amendments to HKFRS 7 *Financial Instruments: Disclosures — Offsetting Financial Assets and Financial Liabilities* |
| HKFRS 10 | *Consolidated Financial Statements* |
| HKFRS 11 | *Joint Arrangements* |
| HKFRS 12 | *Disclosure of Interests in Other Entities* |
| HKFRS 10, HKFRS 11 and HKFRS 12 Amendments | Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 — *Transition Guidance* |
| HKFRS 13 | *Fair Value Measurement* |
| HKAS 19 (2011) | *Employee Benefits* |
| HKAS 27 (2011) | *Separate Financial Statements* |
| HKAS 28 (2011) | *Investments in Associates and Joint Ventures* |
| HKAS 36 Amendments | Amendments to HKAS 36 *Impairment of Assets — Recoverable Amount Disclosures for Non-Financial Assets (early adopted)* |
| HK(IFRIC)-Int 20 | *Stripping Costs in the Production Phase of a Surface Mine* |
| *Annual Improvements 2009–2011 Cycle* | Amendments to a number of HKFRSs issued in June 2012 |

Other than as further explained below regarding the impact of HKFRS 10, HKFRS 12, HKFRS 13, amendments to HKAS 36, and certain amendments included in *Annual Improvements 2009–2011 Cycle*, 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:

(a) HKFRS 10 replaces the portion of HKAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements and addresses the issues in HK(SIC)-Int 12 *Consolidation — Special Purpose Entities*. It establishes a single control model used for determining which entities are consolidated. To meet the definition of control in HKFRS 10, an investor must have (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. The changes introduced by HKFRS 10 require management of the Group to exercise significant judgement to determine which entities are controlled. The application of HKFRS 10 does not change any of the consolidation conclusions of the Group in respect of its involvement with investees as at 1 July 2013.

(b) HKFRS 12 sets out the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities previously included in HKAS 27 *Consolidated and Separate Financial Statements*, HKAS 31 *Interests in Joint Ventures* and HKAS 28 *Investments in Associates*. It also introduces a number of new disclosure requirements for these entities.

(c) HKFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The standard does not change the circumstances in which the Group is required to use fair value, but rather provides guidance on how fair value should be applied where its use is already required or permitted under other HKFRSs. HKFRS 13 is applied prospectively and the adoption has had no material impact on the Group's fair value measurements. As a result of the guidance in HKFRS 13, the policies for measuring fair value have been amended.

(d) The HKAS 36 Amendments remove the unintended disclosure requirement made by HKFRS 13 on the recoverable amount of a cash-generating unit which is not impaired. In addition, the amendments require the disclosure of the recoverable amounts for the assets or cash-generating units for which an impairment loss has been recognised or reversed during the reporting period, and expand the disclosure requirements regarding the fair value measurement for these assets or units if their recoverable amounts are based on fair value less costs of disposal. The amendments are effective retrospectively for annual periods beginning on or after 1 January 2014 with earlier application permitted, provided HKFRS 13 is also applied. The Group has early adopted the amendments in these financial statements. The amendments have had no impact on the financial position or performance of the Group.

## 2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(e) *Annual Improvements 2009–2011 Cycle* issued in June 2012 sets out amendments to a number of standards. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments have had a significant financial impact on the Group. Details of the key amendments most applicable to the Group are as follows:

- HKAS 1 *Presentation of Financial Statements*: Clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative period is the previous period. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the previous period. The additional comparative information does not need to contain a complete set of financial statements.

  In addition, the amendment clarifies that the opening statement of financial position as at the beginning of the preceding period must be presented when an entity changes its accounting policies; makes retrospective restatements or makes reclassifications, and that change has a material effect on the statement of financial position. However, the related notes to the opening statement of financial position as at the beginning of the preceding period are not required to be presented.

- HKAS 32 *Financial Instruments*: *Presentation*: Clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with HKAS 12 *Income Taxes*. The amendment removes existing income tax requirements from HKAS 32 and requires entities to apply the requirements in HKAS 12 to any income tax arising from distributions to equity holders.

## 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 sales of sand gold;

(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 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, a 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 2014**

| | Electronic products *RMB'000* | Gold mining *RMB'000* | Property development *RMB'000* | Total *RMB'000* |
|---|---|---|---|---|
| **Segment revenue:** | | | | |
| Sales to external customers | 72,187 | — | 27,086 | 99,273 |
| Other revenue | 869 | — | 1,027 | 1,896 |
| | 73,056 | — | 28,113 | 101,169 |
| **Segment results** | (40,637) | (1,721) | 617 | (41,741) |
| *Reconciliation:* | | | | |
| Interest income | | | | 790 |
| Corporate and other unallocated expenses | | | | (44,578) |
| Finance costs | | | | (15,343) |
| Loss before tax | | | | (100,872) |
| **Segment assets** | 184,986 | 147,048 | 147,398 | 479,432 |
| *Reconciliation:* | | | | |
| Corporate and other unallocated assets | | | | 55,954 |
| | | | | 535,386 |
| **Segment liabilities** | 217,388 | 182 | 72,155 | 289,725 |
| *Reconciliation:* | | | | |
| Corporate and other unallocated liabilities | | | | 26,864 |
| | | | | 316,589 |
| **Other segment information:** | | | | |
| Depreciation and amortisation | 6,654 | — | 415 | 7,069 |
| Write-down of inventories to net realisable value | 949 | — | — | 949 |
| Provision for impairment of trade and other receivables | 88 | — | — | 88 |
| Capital expenditure | 1,113 | 1,985 | — | 3,098 |

## 3. OPERATING SEGMENT INFORMATION (continued)

**Year ended 30 June 2013**

| | Electronic products *RMB'000* | Gold mining *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)

**Geographical information**

(a) Revenue from external customers

| | **2014** | 2013 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Mainland China | **80,885** | 142,910 |
| Overseas | **18,388** | 17,322 |
| | **99,273** | 160,232 |

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

(b) Non-current assets

| | **2014** | 2013 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Mainland China | **62,829** | 68,767 |
| Hong Kong | **210** | 312 |
| Russia | **121,750** | 122,246 |
| | **184,789** | 191,325 |

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 year ended 30 June 2014, revenue of approximately RMB16,011,000 was derived from sales by the electronic products segment to a single customer. During the year ended 30 June 2013, 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) rental income, on a time proportion basis over the lease terms;

(c) 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

(d) 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 invoiced value of goods sold, 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:

| | **2014** | 2013 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| **Revenue** | | |
| Sales of goods | **72,187** | 77,064 |
| Sales of properties | **27,086** | 83,168 |
| | **99,273** | 160,232 |
| **Other income** | | |
| Bank interest income | **790** | 748 |
| Rental income | **565** | 253 |
| Written-back of payables | **—** | 761 |
| Gain on disposal of items of property, plant and equipment | **174** | 1,597 |
| Other tax refund | **718** | — |
| Others | **209** | 5 |
| | **2,456** | 3,364 |
| **Gains** | | |
| Fair value gains on investment properties | **230** | 3,558 |
| | **2,686** | 6,922 |

## 6. LOSS BEFORE TAX

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

| | **2014** | 2013 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Cost of inventories sold | **80,982** | 72,783 |
| Cost of properties sold | **20,550** | 65,893 |
| Depreciation | **6,885** | 5,458 |
| Amortisation of prepaid land lease payments | **47** | 47 |
| Amortisation of intangible assets | **137** | 137 |
| Minimum lease payments under operating leases: | | |
| Land and buildings | **2,055** | 2,004 |
| Auditor's remuneration | **3,328** | 3,172 |
| Staff costs (excluding directors' remuneration): | | |
| Salaries and wages | **32,013** | 31,132 |
| Pension scheme contributions | **8,919** | 8,458 |
| Equity-settled share option expense | **22,353** | — |
| | **63,285** | 39,590 |
| Repair and maintenance costs* | **3,135** | 9,314 |
| Impairment of property, plant and equipment* | **—** | 15,144 |
| Provision for impairment of trade and other receivables* | **88** | 6,668 |
| Write-down/(write-back) of inventories to net realisable value | **949** | (6,767) |
| Loss on disposal of inventories* | **—** | 22,541 |
| Foreign exchange differences, net* | **797** | 4,890 |
| Changes in fair value of investment properties | **(230)** | (3,558) |
| Fair value losses on equity investments at fair value through profit or loss* | **9** | 1 |

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

## 7. FINANCE COSTS

An analysis of finance costs is as follows:

| | **2014** | 2013 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Interest on: | | |
| Bank and other borrowings | **15,035** | 16,315 |
| Non-redeemable convertible preferred shares | **209** | 882 |
| Convertible note | **99** | 713 |
| | **15,343** | 17,910 |

## 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 (2013: 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.

| | **2014** | 2013 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Group: | | |
| Current — Mainland China | | |
| Provision for corporate income tax | **520** | 5,130 |
| Provision for land appreciation tax ("LAT") | **4,142** | 3,490 |
| Deferred | **(3,270)** | (189) |
| Total tax charge for the year | **1,392** | 8,431 |

## 8. INCOME TAX (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**

| | **2014** | 2013 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Loss before tax | **(100,872)** | (98,241) |
| Tax at the statutory tax rate of 25% | **(25,218)** | (24,560) |
| Lower tax rates for specific provinces or enacted by local authorities | **4,535** | 2,242 |
| Income not subject to tax | **(106)** | (173) |
| Expenses not deductible for tax | **3,991** | 9,162 |
| Effect of withholding tax at 5% (2013:10%) on the distributable profits of the Group's PRC Subsidiaries | **—** | 1,099 |
| Effect on opening withholding tax of decrease in tax rate | **(2,015)** | — |
| Tax losses not recognised | **14,037** | 13,188 |
| Temporary differences not recognised | **2,026** | 3,983 |
| Provision for LAT | **4,142** | 3,490 |
| Tax charge at the Group's effective rate | **1,392** | 8,431 |
| The Group's effective income tax rate | **(1.4%)** | (8.6%) |

## 9. DIVIDENDS

No final dividends were proposed for the years ended 30 June 2014 and 2013.

## 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 of RMB101,101,000 (2013: RMB105,684,000) and the weighted average number of ordinary shares of 2,058,061,000 (2013: 1,601,660,000) in issue during the year.

No adjustment has been made to the basic loss per share amounts presented for the years ended 30 June 2014 and 2013 in respect of a dilution as the impact of the warrants, share options, non-redeemable convertible preferred shares and a convertible note outstanding had an anti-dilutive effect on the basic loss per share amounts presented.

## 11. TRADE AND BILLS RECEIVABLES

| | Group | |
|---|---|---|
| | **2014** | 2013 |
| | ***RMB'000*** | *RMB'000* |
| Trade and bills receivables | **78,147** | 91,622 |
| Impairment | **(56,409)** | (60,569) |
| | **21,738** | 31,053 |

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 | |
|---|---|---|
| | **2014** | 2013 |
| | ***RMB'000*** | *RMB'000* |
| Within 1 month | **7,097** | 9,929 |
| 1 to 3 months | **13,233** | 20,518 |
| 3 months to 1 year | **1,408** | 606 |
| | **21,738** | 31,053 |

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

| | Group | |
|---|---|---|
| | **2014** | 2013 |
| | ***RMB'000*** | *RMB'000* |
| At beginning of the year | **60,569** | 59,693 |
| Impairment losses recognised | **—** | 876 |
| Amount written off as uncollectible | **(3,921)** | — |
| Impairment losses reversed | **(239)** | — |
| At end of the year | **56,409** | 60,569 |

Included in the above provision for impairment of trade and bills receivables is a provision for individually impaired trade and bills receivables of RMB56,409,000 (2013: RMB60,569,000) with a carrying amount before provision of RMB56,409,000 (2013: RMB60,569,000).

## 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 | |
|---|---|---|
| | **2014** | 2013 |
| | ***RMB'000*** | *RMB'000* |
| Neither past due nor impaired | **19,711** | 29,896 |
| Within 1 month past due | **1,233** | 583 |
| 1 to 3 months past due | **220** | 534 |
| 3 months to 1 year past due | **574** | 40 |
| | **21,738** | 31,053 |

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 | |
|---|---|---|
| | **2014** | 2013 |
| | ***RMB'000*** | *RMB'000* |
| Within 1 month | **7,531** | 15,009 |
| 1 to 3 months | **8,772** | 8,956 |
| 3 months to 1 year | **5,919** | 7,714 |
| Over 1 year | **4,442** | 5,578 |
| | **26,664** | 37,257 |

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.

## 13. INTEREST-BEARING BANK AND OTHER BORROWINGS

### Group

| | 2014 | | | 2013 | | |
|---|---|---|---|---|---|---|
| | **Effective interest rate (%)** | **Maturity** | ***RMB'000*** | Effective interest rate (%) | Maturity | *RMB'000* |
| **Current** | | | | | | |
| Bank loans — secured | **6.9–7.8** | **2014.12** | **134,530** | 6.6–7.8 | 2014.03 | 149,900 |
| 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 |
| | | | **134,530** | | | 198,998 |
| **Non-current** | | | | | | |
| Other loans — unsecured | **8.65–9.22** | **2016.02** | **22,100** | 9.0–12.0 | 2016.02 | 31,604 |
| | | | **156,630** | | | 230,602 |
| Analysed into: | | | | | | |
| Bank loans repayable: | | | | | | |
| Within one year or on demand | | | **134,530** | | | 164,900 |
| Other borrowings repayable: | | | | | | |
| Within one year or on demand | | | **—** | | | 34,098 |
| In the second year | | | **22,100** | | | 9,266 |
| In the third to fifth years | | | **—** | | | 22,338 |
| | | | **22,100** | | | 65,702 |
| | | | **156,630** | | | 230,602 |

## 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 was payable yearly in arrears on 31 July 2013. The note was convertible at the option of the holder into ordinary shares on any business day or any other day at a price of HK$0.80 per share during the period after 31 July 2012 but before five business days ended on 31 July 2013.

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 was assigned as the equity component and was included in shareholders' equity.

## 14. CONVERTIBLE NOTE (continued)

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

The option of the convertible note was not exercised by the holder up till 31 July 2013, and accordingly, the Company fully redeemed the outstanding principal amount of convertible note.

The convertible note issued in the prior year was 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 |

The movements in the liability component of the convertible note during the years were as follows:

| | **Group** | |
|---|---|---|
| | **2014** | 2013 |
| | ***RMB'000*** | *RMB'000* |
| At beginning of the year | **10,005** | — |
| At the issuance date | **—** | 10,015 |
| Interest expense | **99** | 713 |
| Interest payable | **(55)** | (445) |
| Redemption of the convertible note | **(10,002)** | — |
| Exchange realignment | **(47)** | (278) |
| At end of the year | **—** | 10,005 |

## 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$0.30 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.

## 15. NON-REDEEMABLE CONVERTIBLE PREFERRED SHARES (continued)

Initial recognition of the CPS recognised at the issuance date is calculated as follows:

| | *RMB'000* |
|---|---|
| Fair value of the CPS | 77,820 |
| Equity component of the CPS | (69,801) |
| Liabilities component of the CPS | 8,019 |

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%.

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

| | **Group** | |
|---|---|---|
| | **2014** | 2013 |
| | ***RMB'000*** | *RMB'000* |
| Beginning of the year | **2,462** | 9,236 |
| Interest expense | **209** | 882 |
| Conversion | **(1,685)** | (7,316) |
| Exchange realignment | **(19)** | (340) |
| End of the year | **967** | 2,462 |

On 7 March 2013, 70,000,000 CPS were converted into ordinary shares at a price of HK$0.30 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 HK$62,787,000 (equivalent to RMB52,538,000) recognised upon initial recognition and the carrying amount of the liability component of HK$9,037,000 (equivalent to RMB7,316,000) were transferred to share capital of HK$23,333,000 (equivalent to RMB19,525,000) and share premium of HK$48,491,000 (equivalent to RMB40,329,000), respectively.

On 7 November 2013 and 7 January 2014, 6,000,000 and 9,000,000 CPS were converted into ordinary shares at a price of HK$0.30 per share, respectively, resulting in the issue of an aggregate 50,000,000 shares of HK$0.10 each. Upon the conversion of the CPS, the related portion of the equity component of HK$13,454,000 (equivalent to RMB11,259,000) recognised upon initial recognition and the carrying amount of the liability component of HK$2,135,000 (equivalent to RMB1,685,000) were transferred to share capital of HK$5,000,000 (equivalent to RMB4,184,000) and share premium of HK$10,589,000 (equivalent to RMB8,760,000), respectively.

### 16. EVENTS AFTER THE REPORTING PERIOD

On 26 August 2014, the Company entered into a letter of intent with Shanghai Gongxie Jingmao Development Limited ("Shanghai Gongxie") and Shanghai Xinbo Investment Limited ("Shanghai Xinbo"), independent third parties, for the proposed acquisition of 100% equity interest in Shanghai Xingdi Inter Satellite Navigation Limited ("Shanghai Xindi") from Shanghai Gongxie and Shanghai Xinbo. The consideration of the proposed acquisition will be satisfied by the issue and allotment of 375,000,000 shares of the Company at the issue price of HK$1.00 per share. Shanghai Xindi holds 45% equity interest in Shanghai Beidou Satellite Navigation Platform Limited which is principally engaged in providing navigation, precise timing, message communication and other application based on the Beidou satellite navigation platform. Further details are set out in the announcement of the Company dated 26 August 2014.

On 27 August 2014, the Company entered into a sale and purchase agreement with Splendid Vantage Limited, an independent third party, for the disposal of the Company's 100% equity interest in Superford Holding Limited to Splendid Vantage Limited at a cash consideration of HK$700,000 (equivalent to RMB557,000). Superford Holding Limited holds 100% equity interest in Fujian Fuqiang Delicate Circuit Plate Co., Ltd. which is engaged in the manufacture and trading of RPCBs. Upon completion of the disposal, the Group will cease to be engaged in the electronic product business. Further details are set out in the announcement and circular of the Company dated 27 August 2014 and 26 September 2014, respectively.

## DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 30 June 2014 (2013: Nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

### Results

For the Year, revenue of the Group decreased by 38.04% to approximately RMB99,273,000 (2013: RMB160,232,000). The decrease in revenue was mainly due to the decrease in the revenue from the property development business.

During the Year, the Group recorded a gross loss of approximately RMB2,259,000 (2013: gross profit of RMB21,556,000) and loss before tax of approximately RMB100,872,000 (2013: loss before tax of RMB98,241,000) respectively. The gross loss for the Year was mainly due to the decrease in the contribution from the property development business. The decrease in loss for the Year was mainly due to the decrease in loss from the electronics business.

The loss attributable to owners of the Company for the Year was approximately RMB101,101,000 (2013: loss of RMB105,684,000). Basic loss per share was RMB 5 cents (2013: basic loss per share was RMB 7 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, unfavorable market condition in the global economy 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. The rise of raw material and labour costs, shortage of labour force and environmental protection requirements increased the production costs and undermined the profitability of the electronic business.

During the Year, revenue attributable from electronic products segment was approximately RMB72,187,000 (2013:RMB77,064,000) representing approximately 72.72% of the Group's total revenue. The electronic products segment results recorded a loss of RMB40,637,000 as compared to a loss of RMB78,975,000 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 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. During the Year, the PRC property market condition had made challenges to the property development business. The property sales situations and average selling prices were under great pressure and undermined the profitability of the property development business.

During the Year, revenue attributable from property development segment was approximately RMB27,086,000 (2013:RMB83,168,000), representing approximately 27.28% of the Group's total revenue. The property development segment results recorded a profit of RMB617,000 as compared to a profit of approximately RMB17,163,000 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. During the Year, the gold mining segment record a loss of RMB1,721,000 as compared to a loss of RMB1,977,000 in last year.

***Geographic Information***

Geographically, sales within the PRC (excluding Hong Kong and Taiwan) remained the largest segment, generating 81.5% (2013: 89.2%) of the Group's revenue. The balance of approximately 18.5% of the Group' revenue (2013: 10.8%) was taken up by the overseas customers.

**Business Prospects**

Looking forward, the intense competition in the electronics industry and unfavourable operating environment will continue to pose challenges to the electronics 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. Furthermore, the growing inflation in China led to rising raw material and labour costs, which increased production costs and undermined the profitability of the Group.

Having considered the above factors, the electronic business has been in a loss-making position for the past 5 years, the Board is of the view to sale the electronic business and cease to be engaged in the electronic business in the future. Therefore, the Group had entered into the sale and purchase agreement on 27 August 2014, pursuant to which the Group conditionally agreed to sell and the Purchaser conditionally agreed to purchase the electronic business. Completion is conditional upon the passing by the Shareholders at the extraordinary general meeting of the Company an ordinary resolution to approve the disposal and the transactions contemplated under the sale and purchase agreement in accordance with the Listing Rules and the applicable laws and regulations.

In order to sustain the continuous growth of the Group and meet the coming challenges, the Group had successfully entered into the property 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 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. 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 2014, the Group's working capital requirement was principally financed by its internal resources, banking facilities and other financial instruments.

As at 30 June 2014, the Group had cash and cash equivalents, net current assets and total assets less current liabilities of approximately RMB184,579,000 (2013: RMB193,197,000), RMB66,934,000 (2013: RMB35,029,000) and RMB253,331,000 (2013: RMB227,120,000), respectively.

As at 30 June 2014, the Group had total bank borrowings of approximately RMB134,530,000 (2013: RMB164,900,000). All these bank loans were short term. The bank loans were secured by certain buildings and leasehold land of the Group and supported by guarantees provided by third parties.

As at 30 June 2014, the Group had other interest-bearing borrowings of approximately RMB22,100,000 (2013: RMB65,702,000), which were unsecured and 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 equity shareholders of the Company as at 30 June 2014 increased by RMB83,424,000 to RMB146,858,000 (2013: RMB63,434,000). The gearing ratio (calculated as the ratio of net debt: capital and net debt) of the Group as at 30 June 2014 was approximately 43% (2013: 75%).

**Significant Investments**

The Group held no significant investment during the Year.

**Acquisition and Disposal of Subsidiaries and Associated Companies**

The Group had no acquisition and disposal of subsidiaries and associated companies during the Year.

**Employee Information**

As at 30 June 2014, the Group employed a total of 567 (2013: 564) 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 RMB68,539,000. 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 143,440,000 share options outstanding under the 2010 Scheme as at 30 June 2014.

**Charges on Group Assets**

As at 30 June 2014, certain of the Group's buildings and leasehold land with a net carrying amount of approximately RMB30,053,000 (2013: RMB32,499,000) and approximately RMB1,723,000 (2013: RMB1,770,000) were pledged to secure the bank loans of the Group.

**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 announcements made on 11 October 2012, 6 January 2013, 11 January 2013, 28 March 2013, 30 August 2013, 30 September 2013, 28 November 2013, 31 December 2013, 31 March 2014 and 30 June 2014 the Company and an independent third party entered into a sale and purchase agreement in relation to the acquisition of 100% equity interest of the Port First Limited, which in turn holds 70% equity interest of gold mines in Shandong Province of the PRC, at a consideration of HK$460 million (equivalent to RMB370 million), where completion is subject to the fulfillment of certain conditions. 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 2014.

### 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 2014, in respect of capital expenditure, the Group had capital commitments that were authorised, but not contracted for the acquisition of equity investment and exploration and evaluation amounting to approximately RMB370,000,000.

### Contingent Liabilities

As at 30 June 2014, banking facilities of RMB2,058,000 were granted to the buyers of certain properties developed by the Group (2013: RMB2,746,000).

## 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, except for the code provision of E.1.2.

Under the code provision E.1.2 in respect of the communication with shareholders of the Company as absence of the chairman of the Board at the Company annual general meeting (the "AGM") on 20 December 2013 because the respective chairman had commitments on other business occasions on the same day. An executive director had chaired the 2013 AGM and answered questions from the shareholders.

### 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 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 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 2014.

### 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 41,000,000, 21,884,000 and 12,644,000 new ordinary shares at par value of HK$0.287, HK$0.306 and HK$0.610 per share, respectively, as a result of the exercise of share options to the share option holders of the Company. The Company had issued 50,000,000 new ordinary shares by means of conversion of convertible preferred shares, and the Company had issued 302,746,064 new ordinary shares at a placing price of HK$0.48 per share to 12 placees. The Company also issued 85,000,000 new ordinary shares by means of conversion of warrants at subscription price of HK$0.29 per share. 370,000,000 warrants have been issued by the Company at the issue price of HK$0.01 per warrant.

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 2014.

## PUBLICATION ON ANNUAL RESULTS AND ANNUAL REPORT

The results announcement of the Group for the year ended 30 June 2014 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, 26 September 2014

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