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 2016

RESULTS

The Board (the "Board") of directors (the "Directors") of Kingwell Group Limited (the "Company" or "Kingwell") herein announces the preliminary consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 30 June 2016 (the "Year") together with the comparative figures for the corresponding year ended 30 June 2015.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 30 June 2016

	Notes	**2016** **RMB'000**	2015 RMB'000
CONTINUING OPERATIONS			
REVENUE	5	**8,670**	9,412
Cost of sales		**(7,111)**	(6,866)
Gross profit		**1,559**	2,546
Other income and gains	5	**1,752**	14,134
Selling and distribution expenses		**(278)**	(220)
Administrative expenses		**(28,512)**	(53,900)
Other expenses		**(13,261)**	(6,891)
Finance costs	7	**(4,617)**	(8,451)
Share of loss of an associate	12	**(5,663)**	(2,391)
LOSS BEFORE TAX FROM CONTINUING OPERATIONS	6	**(49,020)**	(55,173)
Income tax credit/(expense)	8	**2,380**	(2,906)
LOSS FOR THE YEAR FROM CONTINUING OPERATIONS		**(46,640)**	(58,079)
DISCONTINUED OPERATION	9		
Profit for the year from a discontinued operation		**–**	73,842
(LOSS)/PROFIT FOR THE YEAR		**(46,640)**	15,763
OTHER COMPREHENSIVE LOSS			
Other comprehensive loss to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**(541)**	(43,370)
Reclassification of exchange fluctuation reserve to profit or loss upon disposal of subsidiaries	19	**–**	(20,487)
OTHER COMPREHENSIVE LOSS FOR THE YEAR		**(541)**	(63,857)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(47,181)**	(48,094)
(Loss)/profit attributable to:			
Owners of the Company		**(44,401)**	20,922
Non-controlling interests		**(2,239)**	(5,159)
		(46,640)	15,763
Total comprehensive loss attributable to:			
Owners of the Company		**(44,431)**	(21,805)
Non-controlling interests		**(2,750)**	(26,289)
		(47,181)	(48,094)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (continued)
Year ended 30 June 2016

	Note	**2016**	2015
		RMB cents	*RMB cents*
			(Restated)
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	*11*		
Basic			
– For (loss)/profit for the year		**(1.80)**	0.90
– For loss from continuing operations		**(1.80)**	(2.28)
Diluted			
– For (loss)/profit for the year		**(1.80)**	0.86
– For loss from continuing operations		**(1.80)**	(2.28)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2016

	Notes	2016 RMB'000	2015 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**1,778**	2,384
Investment properties		**3,950**	45,817
Intangible assets		**69,478**	75,052
Investment in an associate	*12*	**132,139**	137,789
Deferred tax assets		**4,187**	2,191
Total non-current assets		**211,532**	263,233
CURRENT ASSETS			
Inventories		**79,650**	95,643
Trade receivables	*13*	**234**	–
Prepayments, deposits and other receivables		**4,006**	2,968
Pledged deposits		**735**	1,262
Cash and cash equivalents		**38,779**	37,063
		123,404	136,936
Non-current assets classified as held for sale	*14*	**39,270**	–
Total current assets		**162,674**	136,936
CURRENT LIABILITIES			
Trade payables	*15*	**2,599**	6,404
Other payables and accruals		**48,740**	32,147
Interest-bearing other borrowings	*16*	**–**	17,600
Tax payable		**6,906**	6,909
Total current liabilities		**58,245**	63,060
NET CURRENT ASSETS		**104,429**	73,876
TOTAL ASSETS LESS CURRENT LIABILITIES		**315,961**	337,109

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

30 June 2016

	Notes	2016 RMB'000	2015 RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**315,961**	337,109
NON-CURRENT LIABILITIES			
Non-redeemable convertible preferred shares	*17*	**499**	408
Deferred tax liabilities		**12,161**	13,442
Promissory note	*18*	**–**	22,621
Total non-current liabilities		**12,660**	36,471
Net assets		**303,301**	300,638
EQUITY			
Equity attributable to owners of the Company			
Issued capital		**252,856**	229,285
Non-redeemable convertible preferred shares		**2,252**	2,252
Other reserves		**5,293**	23,451
		260,401	254,988
Non-controlling interests		**42,900**	45,650
Total equity		**303,301**	300,638

Notes:

1. BASIS OF PREPARATION

The annual results set out in this announcement do not constitute the Group's consolidated financial statements for the year ended 30 June 2016 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 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.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 30 June 2016. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

1. BASIS OF PREPARATION (continued)

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the amendments to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") issued by the Hong Kong Stock Exchange relating to the disclosure of financial information with reference to the Hong Kong Companies Ordinance (Cap. 622) during the current financial year. The main impact to the financial statements is on the presentation and disclosure of certain information in the financial statements.

3. OPERATING SEGMENT INFORMATION

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

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

(b) the property development and property leasing segment engages in the development of villas, apartments and commercial buildings and property leasing of self-owned properties.

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 from continuing operations. The adjusted profit/(loss) before tax is measured consistently with the Group's loss before tax from continuing operations 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 and other unallocated head office and corporate assets, as these assets are managed on a group basis.

Segment liabilities exclude tax payable, non-redeemable convertible preferred shares, deferred tax liabilities, a promissory note 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 2016

	Gold mining *RMB'000*	Property development and property leasing *RMB'000*	Total *RMB'000*
Segment revenue:			
Sales to external customers	–	8,670	8,670
Other revenue	–	1,740	1,740
Revenue from continuing operations	–	10,410	10,410
Segment results	(8,445)	873	(7,572)
Reconciliation:			
Interest income			12
Corporate and other unallocated expenses			(27,608)
Finance costs			(4,617)
Write-down of inventories to net realisable value			(9,235)*
Loss before tax from continuing operations			(49,020)
Segment assets	219,776	146,703	366,479
Reconciliation:			
Corporate and other unallocated assets			7,727
			374,206
Segment liabilities	88	46,133	46,221
Reconciliation:			
Corporate and other unallocated liabilities			24,684
			70,905
Other segment information:			
Share of loss of an associate	(5,663)	–	(5,663)
Depreciation	–	375	375
Investment in an associate	132,139	–	132,139

* Related to the property development and property leasing segment

3. OPERATING SEGMENT INFORMATION (continued)

Year ended 30 June 2015

	Gold mining *RMB'000*	Property development and property leasing *RMB'000*	Total *RMB'000*
Segment revenue:			
Sales to external customers	–	9,412	9,412
Other revenue	–	13,437	13,437
Revenue from continuing operations	–	22,849	22,849
Segment results	(9,567)	14,933	5,366
Reconciliation:			
Interest income			697
Corporate and other unallocated expenses			(52,785)
Finance costs			(8,451)
Loss before tax from continuing operations			(55,173)
Segment assets	231,145	158,861	390,006
Reconciliation:			
Corporate and other unallocated assets			10,163
			400,169
Segment liabilities	101	49,717	49,818
Reconciliation:			
Corporate and other unallocated liabilities			49,713
			99,531
Other segment information:			
Share of loss of an associate	(2,391)	–	(2,391)
Depreciation	–	464	464
Investment in an associate	137,789	–	137,789
Capital expenditure	2,149	212	2,361

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

Geographical information

(a) Revenue from continuing operations of RMB8,670,000 (2015: RMB9,412,000) was derived from sales to external customers located in Mainland China.

(b) Non-current assets

	2016	2015
	RMB'000	*RMB'000*
Mainland China	**137,695**	185,538
Hong Kong	**139**	179
Russia	**69,511**	75,325
	207,345	261,042

The non-current assets information from continuing operations above is based on the locations of the assets, which excludes deferred tax assets.

Information about major customers

During the year, no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue generated from continuing operations (2015: Nil).

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 represents revenue from sales of properties, net of sales related taxes.

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

	Note	**2016** ***RMB'000***	2015 *RMB'000*
Revenue			
Sales of properties		**8,670**	9,412
Other income			
Bank interest income		**12**	697
Rental income		**1,740**	1,666
		1,752	2,363
Gains			
Fair value gains on investment properties		**–**	7,141
Gain on disposal of a subsidiary	*19*	**–**	4,630
		–	11,771
		1,752	14,134

6. LOSS BEFORE TAX

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

	2016	2015
	RMB'000	*RMB'000*
Cost of properties sold	**7,111**	6,866
Depreciation	**375**	464
Minimum lease payments under operating leases	**752**	2,700
Auditors' remuneration	**1,828**	1,814
Staff costs (excluding directors' remuneration):		
Salaries and wages	**6,292**	7,190
Pension scheme contributions	**156**	314
Equity-settled share option expense	**12,129**	22,659
	18,577	30,163
Foreign exchange differences, net*	**1,719**	6,738
Changes in fair value of investment properties	**2,305**	(7,141)
Write down of inventories to net realisable value*	**9,235**	–
Direct operating expenses (including repairs and maintenance) arising from rental-earning investment properties	**305**	52

* *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:

	2016	2015
	RMB'000	*RMB'000*
Interest on:		
Other borrowings	**1,241**	1,759
Non-redeemable convertible preferred shares	**55**	78
Promissory note	**3,321**	6,614
	4,617	8,451

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 (2015: 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.

	2016	2015
	RMB'000	*RMB'000*
Group:		
Current – Mainland China		
Provision for corporate income tax	**–**	–
Provision for land appreciation taxes (''LAT'')	**897**	1,514
Deferred	**(3,277)**	1,392
Total tax (credit)/charge for the year	**(2,380)**	2,906

A reconciliation of the tax expense applicable to loss before tax from continuing operations at the statutory tax rate for the country in which a major subsidiary of the Company is domiciled to the tax expense at the effective tax rate is as follows:

	2016	2015
	RMB'000	*RMB'000*
Loss before tax from continuing operations	**(49,020)**	(55,173)
Tax at the statutory tax rate of 25%	**(12,255)**	(13,793)
Lower tax rates for specific provinces or enacted by local authorities	**3,458**	5,290
Expenses not deductible for tax	**57**	213
Effect of withholding tax at 5% on the distributable profits of the Group's PRC subsidiary	**(404)**	41
Loss attributable to an associate	**1,416**	395
Tax losses not recognised	**4,675**	9,625
Provision for LAT	**897**	1,514
Tax effect of LAT	**(224)**	(379)
Tax (credit)/charge at the Group's effective rate	**(2,380)**	2,906
The Group's effective income tax rate	**4.9%**	(5.3%)

9. DISCONTINUED OPERATION

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 and its subsidiary (collectively the "Superford Group") to Splendid Vantage Limited at a cash consideration of HK$700,000 (equivalent to RMB557,000). Superford Holding Limited holds a 100% equity interest in Fujian Fuqiang Delicate Circuit Plate Co., Ltd., which is engaged in the manufacture and trading of rigid printed circuit boards. The shareholders approved the transaction by poll at the extraordinary general meeting held on 23 October 2014. The disposal of the Superford Group was completed on 31 October 2014. With the Superford Group being disposed of and classified as a discontinued operation, the electronic products business is no longer included in the note for operating segment information. Further details are set out in note 19 to this announcement.

The results of the Superford Group for the period from 1 July 2014 to the disposal date were presented below:

	RMB'000
Revenue	20,561
Other income	73
Expenses	(32,633)
Finance costs	(3,321)
Loss before tax from the discontinued operation	(15,320)
Gain on disposal *(note 19)*	89,162
Profit for the year from the discontinued operation	73,842

The net cash flows incurred by the Superford Group for the period from 1 July 2014 to the disposal date were as follows:

	RMB'000
Operating activities	1,171
Investment activities	(81)
Financing activities	(3,321)
Net cash outflow	(2,231)

	RMB cents (Restated)
Earnings per share:	
Basic, from the discontinued operation	3.18
Diluted, from the discontinued operation	3.02

9. DISCONTINUED OPERATION (continued)

The calculations of basic and diluted earnings per share from the discontinued operation were based on:

	2015 (Restated)
Profit attributable to ordinary equity holders of the Company from the discontinued operation	RMB73,842,000
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation *(note 11)*	2,324,792,000
Weighted average number of ordinary shares used in the diluted earnings per share calculation *(note 11)*	2,441,745,000

10. DIVIDENDS

No final dividends were proposed for the years ended 30 June 2016 and 2015.

11. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic loss per share amounts is based on the loss for the year attributable to ordinary equity holders of the Company of RMB44,401,000 (2015: a profit of RMB20,922,000), and the weighted average number of ordinary shares of 2,469,315,000 (2015: 2,324,792,000 (restated)) in issue during the year.

The calculation of the basis loss per share amounts for the loss from continuing operations is based on the loss for the year from continuing operations attributable to ordinary equity holders of the Company of RMB44,401,000 (2015: RMB52,920,000), and the weighted average number of ordinary shares of 2,469,315,000 (2015: 2,324,792,000 (restated)) in issue during the year.

The calculation of the diluted loss per share amount is based on the loss for the year attributable to ordinary equity holders of the Company of RMB44,401,000. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic loss per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

No adjustment has been made to the basic loss per share amount presented for the year ended 30 June 2016 and the basic loss per share amount for loss from continuing operations presented for the years ended 30 June 2016 and 2015 in respect of a dilution as the impact of the warrants, share options and non-redeemable convertible preferred shares outstanding had an anti-dilutive effect on the basic loss per share amounts presented.

11. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY (continued)

The calculations of basic and diluted earnings per share for the year ended 30 June 2015 were based on:

	RMB'000
Earnings	
Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation	20,922

	Number of shares (Restated)*
Shares	
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	2,324,792,000
Effective of dilution – weighted average number of ordinary shares:	
Warrants	3,077,000
Share options	103,876,000
Non-redeemable convertible preferred shares	10,000,000
	2,441,745,000

* The weighted average number of ordinary shares for the purpose of basic and diluted earnings/(loss) per share for the year ended 30 June 2015 has been restated to reflect the impact of the open offer of the Company in November 2015.

12. INVESTMENT IN AN ASSOCIATE

	2016	2015
	RMB'000	*RMB'000*
Share of net assets	**85,493**	91,143
Goodwill on acquisition	**46,646**	46,646
	132,139	137,789

On 30 January 2015, the Company acquired a 35% equity interest in Port First Limited ("Port First") at a consideration of HK$187,500,000, of which (i) HK$100,000,000 (equivalent to RMB79,191,000) was paid in cash and (ii) the remaining HK$87,500,000 (equivalent to RMB69,250,000) was settled by the Company by the issue of a promissory note (note 18), which was a three-year note with an interest rate of 6% per annum from the acquisition date. Port First is an investment holding company and its subsidiaries, Longkou Jinxin Gold Co., Ltd. ("Jinxin Company") and Longkou Jinhui Gold Co., Ltd. ("Jinhui Company"), are engaged in mining, processing, refining and sales of gold bars in Mainland China.

Particulars of the associate are as follows:

Name	**Particulars of issued shares held**	**Place of incorporation/ registration and business**	**Percentage of ownership interest attributable to the Group**	**Principal activities**
Port First	Ordinary shares of US$1.00 each	British Virgin Islands ("BVI")	35	Investment holding

Port First which is considered a material associate of the Group, is a strategic partner of the Group engaged in the gold mining business and is accounted for using the equity method.

12. INVESTMENT IN AN ASSOCIATE (continued)

The following table illustrates the summarised financial information of Port First and its subsidiaries adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

	2016	2015
	RMB'000	*RMB'000*
Current assets	**13,373**	11,885
Non-current assets	**512,106**	536,505
Current liabilities	**(64,453)**	(64,514)
Non-current liabilities	**(112,468)**	(112,405)
Net assets	**348,558**	371,471
Non-controlling interests	**(104,293)**	(111,062)
	244,265	260,409
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	**35%**	35%
Group's share of net assets of the associate, excluding goodwill	**85,493**	91,143
Goodwill on acquisition	**46,646**	46,646
Carrying amount of the investment	**132,139**	137,789

	2016	The period from the acquisition date to 30 June 2015
	RMB'000	*RMB'000*
Revenue	**58,313**	29,840
Loss for the year attributable to:		
Owners of Port First	**(16,180)**	(6,830)
Non-controlling interests of Port First	**(6,896)**	(2,232)
Total comprehensive income attributable to:		
Owners of Port First	**(16,142)**	(6,509)
Non-controlling interests of Port First	**(6,896)**	(2,232)

13. TRADE RECEIVABLES

	2016	2015
	RMB'000	*RMB'000*
Trade receivables	**234**	–
Impairment	**–**	–
	234	–

The Group's trade receivables arise from the sale of properties. Considerations in respect of the properties sold are payable by the buyers in accordance with the terms of the related sale and purchase agreements. Trade receivables are non-interest-bearing.

The balances of the trade receivables as at 30 June 2016 aged within 1 month based on the invoice date, which were neither past due nor impaired. 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 they are still considered fully recoverable.

14. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

On 7 August and 28 August 2015, the Group entered into letters of intent to dispose of certain investment properties to an independent thirty party (the "Buyer"). On 26 September 2016, the Group entered into a sale and purchase agreement with the Buyer to dispose of the investment properties for a consideration of RMB39,394,000. Details of the transaction are set out in the announcement of the Company dated 26 September 2016.

On 8 April 2016, the Group entered into an agreement with an individual to dispose of an investment property for a consideration of RMB270,000. The disposal of an investment is not yet completed as at 30 June 2016.

During the year, the above investment properties were classified as held for sale and the fair value measurement is RMB39,270,000 as at 30 June 2016.

15. TRADE PAYABLES

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

	2016	2015
	RMB'000	*RMB'000*
Within 1 month	**–**	3,398
3 months to 1 year	**1**	–
Over 1 year	**2,598**	3,006
	2,599	6,404

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

16. INTEREST-BEARING OTHER BORROWINGS

	2016			2015		
	Effective interest rate (%)	**Maturity**	***RMB'000***	Effective interest rate (%)	Maturity	*RMB'000*
Other loans – unsecured	**–**	**–**	**–**	8.65-9.22	2016.02	17,600

Analysed into:

	2016	2015
	RMB'000	*RMB'000*
Other borrowings repayable:		
Within one year or on demand	**–**	17,600

17. 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.

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

	RMB'000
Fair value of the CPS	77,820
Equity component of the CPS	(69,801)
Liability component of the CPS	8,019

17. NON-REDEEMABLE CONVERTIBLE PREFERRED SHARES (continued)

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

	2016	2015
	RMB'000	*RMB'000*
Beginning of the year	**408**	967
Interest expense	**55**	78
Conversion	**–**	(636)
Exchange realignment	**36**	(1)
End of the year	**499**	408

On 7 November 2014 and 6 December 2014, 3,000,000 and 2,000,000 CPS were converted into ordinary shares at a price of HK$0.30 per share, respectively, resulting in the issue of an aggregate of 16,666,667 shares of HK$0.10 each. Upon the conversion of the CPS, the related portion of the equity component of HK$4,486,000 (equivalent to RMB3,752,000) recognised upon initial recognition and the carrying amount of the liability component of HK$799,000 (equivalent to RMB636,000) were transferred to share capital of HK$1,667,000 (equivalent to RMB1,395,000) and share premium of HK$3,618,000 (equivalent to RMB2,993,000), respectively.

18. PROMISSORY NOTE

As part of the consideration for the acquisition of a 35% equity interest in Port First, the Company issued a promissory note with a principal amount of HK$87,500,000 (equivalent to RMB69,250,000) and a maturity date of 30 January 2018. The promissory note carried interest at a rate of 6% per annum. The fair value of the promissory note at initial recognition was HK$76,920,000 (equivalent to RMB60,877,000) which was determined by independent professionally qualified valuers. The effective interest rate of the promissory note was 10.3% per annum.

The Company is allowed to redeem the outstanding promissory note in any amount so long as giving written notice at least 7 days in advance. The Company has early redeemed the promissory note with the whole principal amount as at 30 June 2016.

18. PROMISSORY NOTE (continued)

The movements of the promissory note during the year were as follows:

	2016	2015
	RMB'000	*RMB'000*
At beginning of the year	**22,621**	–
At the issuance date, at fair value	**–**	60,877
Interest expense	**3,321**	6,614
Interest payable	**(150)**	(1,261)
Early redemption	**(27,011)**	(43,528)
Exchange realignment	**1,219**	(81)
At end of the year	**–**	22,621

19. DISPOSAL OF SUBSIDIARIES

As detailed in note 9 to this announcement, the Company disposed of its 100% equity interest in the Superford Group to an independent third party at a cash consideration of HK$700,000 (equivalent to RMB554,000) on 31 October 2014. In addition, on 12 June 2015, the Company disposed of its 100% equity interest in Artic Hong Kong Limited ("Artic") to an independent third party at a cash consideration of HK$2. Artic was an investment holding company and dormant during the year ended 30 June 2015.

	Superford Group	Artic	Total
	RMB'000	*RMB'000*	*RMB'000*
Net liabilities disposed of:			
Property, plant and equipment	35,918	26	35,944
Prepaid land lease payments	1,711	–	1,711
Intangible assets	159	–	159
Prepayments and other receivables	7,587	303	7,890
Inventories	7,739	–	7,739
Trade receivables	18,359	–	18,359
Equity investment at fair value through profit or loss	151	–	151
Cash and cash equivalents	104,301	275	104,576
Trade payables	(20,893)	–	(20,893)
Other payables and accruals	(91,176)	(2,681)	(93,857)
Interest-bearing bank and other borrowings	(134,530)	–	(134,530)
	(70,674)	(2,077)	(72,751)
Reclassification of exchange fluctuation reserve to profit or loss upon disposal of subsidiaries	(17,934)	(2,553)	(20,487)
Gain on disposal	89,162	4,630	93,792
	554	–	554
Satisfied by:			
Cash	554	–	554

19. DISPOSAL OF SUBSIDIARIES (continued)

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

	Superford Group *RMB'000*	Artic *RMB'000*	Total *RMB'000*
Cash consideration	554	–	554
Cash and cash equivalents disposed of	(104,301)	(275)	(104,576)
Net outflow of cash and cash equivalents in respect of the disposal of subsidiaries	(103,747)	(275)	(104,022)

20. COMMITMENTS

In addition to the operating lease commitments, the Group had the following capital commitments at the end of the reporting period:

	2016 ***RMB'000***	2015 *RMB'000*
Contracted, but not provided for:		
Acquisition of a subsidiary	**176,000**	–

On 29 June 2016, the Company and Quick Nimble Group Limited ("Quick Nimble"), a company incorporated in the BVI, entered into the sale and purchase agreement, pursuant to which the Company conditionally agreed to purchase the entire issued share capital of Quick Nimble at the consideration of RMB176,000,000. The consideration will be fully satisfied by the allotment and issue of not more than 692,182,017 shares at the initial issue price of HK$0.301 per share. Upon completion the reorganisation of Shenzhen Zhongke Blue Sky Investment Limited ("Zhongke"), a company established in the PRC, Quick Nimble will hold a 51% equity interest in Zhongke. Zhongke and its subsidiaries are principally engaged in investment, development, construction and operation of renewable energy power plants in the PRC. Details of the transaction are set in the announcement of the Company dated 29 June 2016.

21. EVENTS AFTER THE REPORTING PERIOD

On 26 September 2016, the Group entered into a sale and purchase agreement with the Buyer to dispose of certain investment properties for a consideration of RMB39,394,000. Details of the transaction are set out in the announcement of the Company dated 26 September 2016.

DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 30 June 2016 (2015: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Results

For the Year, revenue of the Group from continuing operations amounted to approximately RMB8,670,000 (2015: RMB9,412,000), representing a decrease of approximately 7.9% as compared with last year. The decrease in revenue was mainly due to the decrease in sales in property development business.

During the Year, the Group recorded a gross profit from continuing operations of approximately RMB1,559,000 (2015: gross profit of RMB2,546,000) and loss before tax from continuing operations of approximately RMB49,020,000 (2015: loss before tax of RMB55,173,000) respectively. The decrease in gross profit was mainly due to the smaller revenue contribution from the property development business. The decrease in loss before tax was mainly due to the decrease in administrative expenses and finance costs during the Year.

The loss attributable to owners of the Company for the Year was approximately RMB44,401,000 (2015: profit of approximately RMB20,922,000). Last year, the profit attributable to owners of the Company was contributed from the disposal of a discontinued operation. Basic loss per share during the Year was RMB1.8 cents (2015: basic earnings per share was RMB0.90 cent (restated)).

Business Review

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 mine. With an aggregate mining area of about 309.3 square kilometres, the mine is operated by the gold mining company and located in Molchan river, Zeyskiy region, Amur area, the Russian Federation. The gold mining company is still in process of devising its production and exploitation plan.

On 30 January 2015, the Company acquired a 35% equity interest of Port First Limited (''Port First''). Major assets of Port First are its 70% equity interest in each of Longkou Jinxin Gold Co., Ltd. (''Jinxin Company'') and Longkou Jinhui Gold Co., Ltd. (''Jinhui Company''). Jinxin Company (i) holds the mine exploitation license and mine exploration license of the Shanchakou Mine; (ii) holds the mine exploitation license of Jinjiling Area; and (iii) owns a gold processing plant and a gold refinery plant. Jinhui Company holds the mine exploitation license and mine exploration license of the Yaojia Mine. During the Year, the average selling price of gold was under great downward pressure which undermined the profitability of the gold mining business.

The gold mining business has valid licenses, environmental protection policies and permits for conducting its business operations and has complied with relevant local requirements and applicable laws and regulations for its business operations.

The principal risk and uncertainties of the gold mining business are (i) fluctuation of gold prices, which will directly affect the sale performance; and (ii) social and environmental issues, complaints or protests by the local community, and change of the environmental regulation or requirement will directly affect the efficiency and the cost of the operation.

During the Year, the gold mining segment recorded a loss of approximately RMB8,445,000 as compared to a loss of approximately RMB9,567,000 in the same period in 2015. As at 30 June 2016, the gold mining business had segment assets of approximately RMB219,776,000 (2015: RMB231,145,000) and segment liabilities of approximately RMB88,000 (2015: RMB101,000).

Property Development Business

The property 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 and are approved for residential and commercial composite uses. The land use rights of the properties have been granted for a term expiring on 22 August 2065. Some of the properties are held by the Group as investment purposes (such as shops and kindergarten) to generate rental income, and some of the properties are held for sale. The properties held for sales comprise various types of properties including villas, apartments, shops and a hotel. 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 still under great pressure and undermined the profitability of the property development business.

The property development business has valid licenses and permits for conducting its business operation, and has complied with relevant local requirements and applicable laws and regulations for its business.

The principal risk and uncertainties of the property development business are (i) economic conditions, both domestic and global issues will directly affect the sale performance; and (ii) government policy change, any change of the PRC government policies over the property industry in China will directly affect the sale performance and the cost of operation.

During the Year, the property development segment recorded a profit of approximately RMB873,000 as compared to a profit of approximately RMB14,933,000 in the same period in 2015. As at 30 June 2016, the property development business had segment assets of approximately RMB146,703,000 (2015: RMB158,861,000) and segment liabilities of approximately RMB46,133,000 (2015: RMB49,717,000).

On 26 September 2016, the property development segment entered into a sale and purchase agreement with an independent third party to dispose of certain properties for a consideration of RMB39,394,000. Details of the transaction are set out in the announcement of the Company dated 26 September 2016.

Geographic Information

Revenue from continuing operations of RMB8,670,000 (2015: RMB9,412,000) was derived from sales to external customers located in Mainland China.

Business Prospects

In order to sustain the continuous growth of the Group and meet the coming challenges, the Group successfully developed its property development business in Anlu City, Hubei province in the PRC. The real estate project, comprising various types of properties including villas, apartments and commercial buildings, had made positive contribution to the Group in the past. Although the property market is still under great pressure, we expect that the property development business will continue to provide positive contribution in the future.

In August 2012, the Group acquired a gold mining business in Russian Federation. On 30 January 2015, the Company acquired a 35% equity interest of Port First. Major assets of Port First are its 70% equity interest in each of Jinxin Company and Jinhui Company. Jinxin Company (i) holds the mine exploitation license and mine exploration license of the Shanchakou Mine; (ii) holds the mine exploitation license of Jinjiling Area; and (iii) owns a gold processing plant and a gold refinery plant. Jinhui Company holds the mine exploitation license and mine exploration license of the Yaojia Mine. Considering China's strong demand and sustainable growth in the gold market, the Directors expect the future business and prospect of Port First and its subsidiaries will contribute to generate profit stream of the Group. The Directors consider that the acquisition represents an opportunity for the Group to further develop its current gold mining business and increase the Group's gold resources.

Looking ahead, the Group will continue to implement its diversified development strategy and proactively search for potential investment opportunities.

Liquidity and Financial Resources and Capital Structure

For the year ended 30 June 2016, the Group's working capital requirement was principally financed by its internal resources and the issue of new ordinary shares.

On 4 November 2015, 288,409,173 offer shares were issued at the subscription price of HK$0.16 per offer share on the basis of one offer share for every nine existing ordinary shares of the Company held under the open offer (the "Open Offer"), resulting in an increase of share capital and share premium of HK$28,841,000 (equivalent to RMB23,571,000) and HK$17,305,000 (equivalent to RMB14,144,000), respectively. All the consideration for the Open Offer was received in cash.

As at 30 June 2016, the Group had cash and cash equivalents, net current assets and total assets less current liabilities of approximately RMB38,779,000 (2015: RMB37,063,000), RMB104,429,000 (2015: RMB73,876,000) and RMB315,961,000 (2015: RMB337,109,000), respectively.

As at 30 June 2016, the Group had no other interest-bearing borrowings (2015: RMB17,600,000, which were unsecured).

The total borrowings in 2015 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 2016 increased by approximately RMB5,413,000 to approximately RMB260,401,000 (2015: RMB254,988,000). The gearing ratio (calculated as the ratio of net debt: capital and net debt) of the Group as at 30 June 2016 was approximately 5% (2015: 14%).

Significant Investments

The Group held no significant investment during the Year.

Acquisition and Disposal of Subsidiaries and Associated Companies

During the Year, the Group had no acquisitions and disposals of subsidiaries and associated companies.

Employee Information

As at 30 June 2016, the Group employed a total of 36 (2015: 36) 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 RMB20,316,000 (2015: RMB32,533,000). 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 option scheme (the "2010 Scheme"). There were 245,179,840 share options outstanding under the 2010 Scheme as at 30 June 2016.

Charges on Group Assets

As at 30 June 2016, no Group's assets were pledged to secure general banking facilities to the Group (2015: Nil).

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.

Save as disclosed in the section "Capital Commitments", the Group had no future plans for material investments and expected sources of funding as at 30 June 2016.

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 Hong Kong dollars and Russian ruble. The Group does not expect any appreciation or depreciation of the Renminbi against foreign currency which might materially affect the Group's result of operations. The Group did not employ any financial instruments for hedging purposes.

Capital Commitments

As at 30 June 2016, the Group had capital commitments for the amount of RMB176,000,000 (2015: Nil).

On 29 June 2016, the Company and Quick Nimble Group Limited ("Quick Nimble"), a company incorporated in the BVI, entered into the sale and purchase agreement, pursuant to which the Company conditionally agreed to purchase the entire issued share capital of Quick Nimble at the consideration of RMB176,000,000. The consideration will be fully satisfied by the allotment and issue of not more than 692,182,017 shares at the initial issue price of HK$0.301 per share. Upon completion the reorganisation of Shenzhen Zhongke Blue Sky Investment Limited ("Zhongke"), a company established in the PRC, Quick Nimble will hold a 51% equity interest in Zhongke. Zhongke and its subsidiaries are principally engaged in investment, development, construction and operation of renewable energy power plants in the PRC. Details of the transaction are set in the announcement of the Company dated 29 June 2016.

Contingent Liabilities

As at 30 June 2016, the banking facilities of RMB735,000 were granted to buyers of certain properties developed by the Group (2015: RMB1,262,000).

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 the following deviations:

Code Provision A.2.1

According to the code provision A.2.1 of the CG Code, the roles of the chairman and the chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing.

During the Year, Mr. Yang Xue Jun acted as the chief executive officer of the Company and Mr. Hui Lung Hing was the chairman of the Board until his retirement in the annual general meeting of the Company held on 18 December 2015. The Board had reviewed the structure of the Board from time to time and suitable candidate with relevant knowledge, skill and experience be identified to fill the post as appropriate. Mr. Mu Dongsheng has been the new chairman of the Board with effect from 15 January 2016.

Code Provision 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 18 December 2015 because the respective chairman had commitments on other business occasions on the same day. An executive director had chaired the 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 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 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 interim report and to provide advice and comments to the Board. The Audit Committee is also responsible for reviewing and supervising the Group's financial reporting, risk management and internal control. The Audit Committee has reviewed these annual results with management and agreed these annual results with external auditors of the Company.

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 issued and allotted 288,409,173 new ordinary shares by means of Open Offer at HK$0.16 per offer share.

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.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

The results announcement of the Group for the year ended 30 June 2016 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.

By Order of the Board
KINGWELL GROUP LIMITED
Mu Dongsheng
Chairman

Hong Kong, 28 September 2016

As at the date of this announcement, the Board comprises Mr. Mu Dongsheng, Mr. Yang Xue Jun and Mr. Sze Ming Yee as Executive Directors, and Mr. Ling Aiwen, Mr. Han Hongwei and Mr. Cheung Chuen as Independent Non-executive Directors.