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KINGWELL GROUP LIMITED
京維集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1195)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 30 JUNE 2017

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 2017 (the "Year") together with the comparative figures for the corresponding year ended 30 June 2016.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
Year ended 30 June 2017

	Notes	2017 RMB'000	2016 RMB'000
REVENUE	5	**10,542**	8,670
Cost of sales		**(8,828)**	(7,111)
Gross profit		**1,714**	1,559
Other income and gains	5	**5,310**	1,752
Selling and distribution expenses		**(460)**	(278)
Administrative expenses		**(15,307)**	(28,512)
Other expenses		**(3,318)**	(13,261)
Provision for impairment of an associate	11	**(73,058)**	–
Finance costs	7	**(66)**	(4,617)
Share of loss of an associate	11	**(6,312)**	(5,663)
LOSS BEFORE TAX	6	**(91,497)**	(49,020)
Income tax credit	8	**473**	2,380
LOSS FOR THE YEAR		**(91,024)**	(46,640)
OTHER COMPREHENSIVE INCOME/(LOSS)			
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**6,094**	(541)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		**6,094**	(541)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(84,930)**	(47,181)
Loss attributable to:			
Owners of the Company		**(90,724)**	(44,401)
Non-controlling interests		**(300)**	(2,239)
		(91,024)	(46,640)
Total comprehensive loss attributable to:			
Owners of the Company		**(87,419)**	(44,431)
Non-controlling interests		**2,489**	(2,750)
		(84,930)	(47,181)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (continued)

Year ended 30 June 2017

	Note	2017	2016
		RMB cents	RMB cents
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	10		
Basic		**(3.15)**	(1.80)
Diluted		**(3.15)**	(1.80)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2017

	Notes	2017 RMB'000	2016 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**1,482**	1,778
Investment properties		**5,964**	3,950
Intangible assets		**76,238**	69,478
Investment in an associate	*11*	**52,769**	132,139
Deferred tax assets		**5,190**	4,187
Total non-current assets		**141,643**	211,532
CURRENT ASSETS			
Inventories		**69,779**	79,650
Trade receivables	*12*	**70**	234
Deposits and other receivables		**405**	4,006
Pledged deposits		**503**	735
Cash and cash equivalents		**44,139**	38,779
		114,896	123,404
Non-current assets classified as held for sale	*13*	**–**	39,270
Total current assets		**114,896**	162,674
CURRENT LIABILITIES			
Trade payables	*14*	**1,840**	2,599
Other payables and accruals		**20,664**	48,740
Tax payable		**6,247**	6,906
Total current liabilities		**28,751**	58,245
NET CURRENT ASSETS		**86,145**	104,429
TOTAL ASSETS LESS CURRENT LIABILITIES		**227,788**	315,961

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
30 June 2017

	Notes	2017 RMB'000	2016 RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**227,788**	315,961
NON-CURRENT LIABILITIES			
Non-redeemable convertible preferred shares	15	**572**	499
Deferred tax liabilities		**8,845**	12,161
Total non-current liabilities		**9,417**	12,660
Net assets		**218,371**	303,301
EQUITY			
Equity attributable to owners of the Company			
Issued capital		**252,856**	252,856
Non-redeemable convertible preferred shares	15	**2,252**	2,252
Other reserves		**(82,126)**	5,293
		172,982	260,401
Non-controlling interests		**45,389**	42,900
Total equity		**218,371**	303,301

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 2017 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 2017. 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 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 following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*
Amendments to HKAS 1	*Disclosure Initiative*

Other than as explained below regarding the impact of amendments to HKAS 1, the adoption of the above revised standards has had no significant financial effect on these financial statements.

(a) Amendments to HKAS 1 include narrow-focus improvements in respect of the presentation and disclosure in financial statements. The amendments clarify:

(i) the materiality requirements in HKAS 1;

(ii) that specific line items in the statement of profit or loss and the statement of financial position may be disaggregated;

(iii) that entities have flexibility as to the order in which they present the notes to financial statements; and

(iv) that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of profit or loss. The amendments have had no significant impact on the Group's 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 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. 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 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 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 2017

	Gold mining *RMB'000*	Property development and property leasing *RMB'000*	Total *RMB'000*
Segment revenue:			
Sales to external customers	–	10,542	10,542
Other revenue	–	5,286	5,286
	–	15,828	15,828
Segment results	(5,738)	(135)	(5,873)
Reconciliation:			
Interest income			24
Corporate and other unallocated expenses			(12,524)
Provision for impairment of an associate			(73,058)*
Finance costs			(66)
Loss before tax			(91,497)
Segment assets	145,416	96,245	241,661
Reconciliation:			
Corporate and other unallocated assets			14,878
			256,539
Segment liabilities	12	19,660	19,672
Reconciliation:			
Corporate and other unallocated liabilities			18,496
			38,168
Other segment information:			
Share of loss of an associate	(6,312)	–	(6,312)
Depreciation	–	300	300
Investment in an associate	52,769	–	52,769

* Related to the gold mining segment

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
	–	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			(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)**

Geographical information

(a) Revenue of RMB10,542,000 (2016: RMB8,670,000) was derived from sales to external customers located in Mainland China.

(b) Non-current assets

	2017	2016
	RMB'000	*RMB'000*
Mainland China	**60,062**	137,695
Hong Kong	**124**	139
Russia	**76,267**	69,511
	136,453	207,345

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

Information about major customers

During the year, revenue of RMB6,219,000 was derived from sales to five customers of the property development and property leasing segment. Revenue from each of these five customers amounted to 10% or more of the Group's total revenue for the year. During the year ended 30 June 2016, 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 represents revenue from the sale of properties, net of sales related taxes.

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

	2017	2016
	RMB'000	*RMB'000*
Revenue		
Sale of properties	**10,542**	8,670
Other income		
Bank interest income	**24**	12
Rental income	**537**	1,740
Exchange gains, net	**912**	–
Compensation income	**2,299**	–
	3,772	1,752
Gains		
Fair value gains on investment properties	**1,538**	–
	5,310	1,752

6. LOSS BEFORE TAX

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

	2017	2016
	RMB'000	*RMB'000*
Cost of properties sold	**8,828**	7,111
Depreciation	**300**	375
Minimum lease payments under operating leases	**546**	752
Auditor's remuneration	**1,933**	1,828
Staff costs (excluding directors' remuneration):		
Salaries and wages	**6,650**	6,292
Pension scheme contributions	**259**	156
Equity-settled share option expense	**–**	12,129
	6,909	18,577
Exchange losses, net*	**–**	1,719
Changes in fair value of investment properties#	**(1,538)**	2,305
Write-down of inventories to net realisable value*	**–**	9,235
Provision for impairment of an associate	**73,058**	–
Loss on disposal of investment properties*	**1,676**	–
Write-off of rental receivables*	**1,482**	–
Direct operating expenses (including repairs and maintenance) arising from rental-earning investment properties	**32**	305

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

\# These amounts were included in "other income and gains" or "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:

	2017	2016
	RMB'000	*RMB'000*
Interest on:		
Other borrowings	**–**	1,241
Non-redeemable convertible preferred shares	**66**	55
Promissory note	**–**	3,321
	66	4,617

8. INCOME TAX CREDIT

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 (2016: Nil) as the Group did not generate any assessable profits in Hong Kong during the year. Taxes on profits assessable in Mainland China have been calculated at the rate of 25% (2016: 25%).

	2017	2016
	RMB'000	*RMB'000*
Current – Hong Kong	**–**	–
Current – Mainland China		
Provision for corporate income tax	**504**	–
Provision for land appreciation taxes (''LAT'')	**3,342**	897
Deferred	**(4,319)**	(3,277)
Total tax credit for the year	**(473)**	(2,380)

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

	2017	2016
	RMB'000	*RMB'000*
Loss before tax	**(91,497)**	(49,020)
Tax at the Mainland China statutory tax rate of 25%	**(22,874)**	(12,255)
Lower tax rates on profits arising elsewhere	**18,676**	3,458
Expenses not deductible for tax	**34**	57
Effect of withholding tax on the distributable profits of the Group's PRC subsidiary	**(280)**	(404)
Loss attributable to an associate	**1,579**	1,416
Tax losses not recognised	**–**	4,675
Tax losses utilised from previous years	**(115)**	–
Provision for LAT	**3,342**	897
Tax effect of LAT	**(835)**	(224)
Tax credit at the Group's effective rate	**(473)**	(2,380)

9. DIVIDENDS

No final dividends were proposed for the years ended 30 June 2017 and 2016.

10. LOSS 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 RMB90,724,000 (2016: RMB44,401,000), and the weighted average number of ordinary shares of 2,884,091,737 (2016: 2,469,315,000) 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. 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 years ended 30 June 2017 and 2016 in respect of a dilution as the impact of the share options and non-redeemable convertible preferred shares outstanding had an anti-dilutive effect on the basic loss per share amounts presented.

11. INVESTMENT IN AN ASSOCIATE

	2017	2016
	RMB'000	*RMB'000*
Share of net assets	**79,181**	85,493
Goodwill on acquisition	**46,646**	46,646
	125,827	132,139
Provision for impairment	**(73,058)**	–
	52,769	132,139

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 Limited ("Port First") is an investment holding company and its subsidiaries, Longkou Jinxin Gold Co., Ltd. (龍口市金鑫黃金有限公司) and Longkou Jinhui Gold Co., Ltd. (龍口市金匯黃金有限責任公司), are engaged in the mining, processing, refining and sale of gold bars in Mainland China.

As a result of the negative effect of the decrease of production volume and volatile gold prices, the estimated recoverable amount of the Group's investment in Port First, determined with reference to the cash flows expected to be generated by Port First, dropped significantly. The directors, based on the cash flow projections of Port First, considered that the Group's investment in Port First should be impaired and therefore an impairment loss of RMB73,058,000 was charged to the consolidated statement of profit or loss and other comprehensive income for the year. The pre-tax discount rate applied to the cash flow projections was 18.54%.

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.

11. 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:

	2017	2016
	RMB'000	*RMB'000*
Current assets	**6,053**	13,373
Non-current assets	**388,290**	512,106
Current liabilities	**(59,784)**	(64,453)
Non-current liabilities	**(87,350)**	(112,468)
Net assets	**247,209**	348,558
Non-controlling interests	**(96,440)**	(104,293)
	150,769	244,265
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	**52,769**	85,493
Goodwill on acquisition	**–**	46,646
Carrying amount of the investment	**52,769**	132,139

	2017	2016
	RMB'000	*RMB'000*
Revenue	**49,867**	58,313
Loss for the year attributable to:		
Owners of Port First	**(18,035)**	(16,180)
Non-controlling interests of Port First	**(7,772)**	(6,896)
Total comprehensive income attributable to:		
Owners of Port First	**(18,033)**	(16,142)
Non-controlling interests of Port First	**(7,772)**	(6,896)

12. TRADE RECEIVABLES

	2017	2016
	RMB'000	*RMB'000*
Trade receivables	**70**	234
Impairment	**–**	–
	70	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 2017 and 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.

13. 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 was not yet completed as at 30 June 2016.

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

14. 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:

	2017	2016
	RMB'000	*RMB'000*
Within 1 month	**–**	–
3 months to 1 year	**46**	1
Over 1 year	**1,794**	2,598
	1,840	2,599

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

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.

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

The Black-Scholes model was 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%.

15. NON-REDEEMABLE CONVERTIBLE PREFERRED SHARES (continued)

The carrying amounts of the liability component of the CPS during the year were calculated as follows:

	2017	2016
	RMB'000	*RMB'000*
Beginning of the year	**499**	408
Interest expense	**66**	55
Exchange realignment	**7**	36
End of the year	**572**	499

16. COMMITMENTS

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

	2017	2016
	RMB'000	*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 ("S&P"), 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 would 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 would hold a 51% equity interest in Zhongke. Zhongke and its subsidiaries are principally engaged in the investment, development, construction and operation of renewable energy power plants in the PRC. Details of the transaction were set in the announcement of the Company dated 29 June 2016.

On 12 October 2016, due to differences on interpretation and no mutual consensus on the conditions precedent set out in the S&P, the Company and Quick Nimble entered into a termination letter whereby the parties had mutually agreed to terminate the S&P with immediate effect. Details of the transaction were set in the announcement of the Company dated 12 October 2016.

DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 30 June 2017 (2016: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Results

For the Year, revenue of the Group amounted to approximately RMB10,542,000 (2016: RMB8,670,000), representing an increase of approximately 21.6% as compared with last year. The increase in revenue was mainly due to the increase in sales in property development and property leasing business.

Reclassification adjustments for the six months period ended 31 December 2016

According to the HKFRSs, a net loss on disposal of investment properties (net of sales tax) of approximately RMB1,400,000 should be recorded in other expenses for the six months period ended 31 December 2016. However, the consideration for the disposal of investment properties of approximately RMB37,600,000 and the carrying amount of the investment properties of approximately RMB39,000,000 were wrongly recorded as revenue and cost of sales, respectively, for the six months period ended 31 December 2016. To adjust these classification errors, the revenue and cost of sales should be changed to approximately RMB2,356,000 (previously reported: RMB39,956,000) and RMB1,659,000 (previously reported: RMB40,659,000), respectively, for the six months period ended 31 December 2016. As a result, the gross loss should be changed from approximately RMB703,000 to a gross profit of approximately RMB697,000 and other expenses should be increased to RMB3,045,000 (previously reported: RMB1,645,000). There was no impact on the net loss for the six months period ended 31 December 2016.

During the Year, the Group recorded a gross profit of approximately RMB1,714,000 (2016: RMB1,559,000) and loss before tax of approximately RMB91,497,000 (2016: RMB49,020,000) respectively. The increase in gross profit was mainly due to the larger revenue contribution from the property development business. The increase in loss before tax was mainly due to the provision for impairment of an associate (the "Port First Limited" or "Port First"). The estimated recoverable amount of the Group's investment in Port First Limited, determined with reference to the cash flows expected to be generated by Port First Limited, dropped significantly. Therefore, Port First Limited should be impaired and the impairment loss was charged to the consolidated statement of profit or loss and other comprehensive income for the year ended 30 June 2017. Port First Limited is an investment holding company and its subsidiaries, Longkou Jinxin Gold Co., Ltd.（龍口市金鑫黃金有限公司）("Jinxin Company") and Longkou Jinhui Gold Co., Ltd.（龍口市金匯黃金有限責任公司）("Jinhui Company"), are engaged in the mining, processing, refining and sale of gold bars in Mainland China. Due to the increasingly strict environmental requirements, both plant and equipment were in upgrading process, which led to the decrease in production volume and the increase in unit production cost. Therefore, the expected cash flows dropped significantly.

The loss attributable to owners of the Company for the Year was approximately RMB90,724,000 (2016: RMB44,401,000). Basic loss per share during the Year was RMB3.15 cents (2016: RMB1.8 cents).

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. Due to the large land size of the mine, the gold mining company is still in the process of making a trial production plan.

On 30 January 2015, the Company acquired a 35% equity interest of Port First Limited. 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. During the Year, both companies were upgrading their plant and equipment to fulfill the increasingly strict environmental requirement. Therefore, both companies were in small scale operation 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) the fluctuation of gold prices, which will directly affect the sales performance; and (ii) the change of the social and environmental requirement, complaints or protests by the local community, which will directly affect the efficiency and the cost of the operation.

During the Year, the gold mining segment recorded a loss of approximately RMB5,738,000 as compared to a loss of approximately RMB8,445,000 in 2016. As at 30 June 2017, the gold mining business had segment assets of approximately RMB145,416,000 (2016: RMB219,776,000) and segment liabilities of approximately RMB12,000 (2016: RMB88,000).

Property Development and Property Leasing 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 (Postal code 432600), 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.

The property development and property leasing 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 and property leasing business are (i) economic conditions, both domestic and global issues will directly affect the sales performance; and (ii) government policies, any change of the PRC government policies over the property industry will directly affect the sales performance and the cost of operation.

Some of the properties are held by the Group as investment purpose (as shops and kindergarten) to generate rental income. During the Year, the PRC property market condition had made challenges to the property development and property leasing business. The property sales situations and average selling prices were still under great pressure and undermined the profitability of the property development and property leasing business.

During the Year, the property development and property leasing segment recorded a loss of approximately RMB135,000 as compared to a profit of approximately RMB873,000 in 2016. As at 30 June 2017, the property development and property leasing business had segment assets of approximately RMB96,245,000 (2016: RMB146,703,000) and segment liabilities of approximately RMB19,660,000 (2016: RMB46,133,000).

Geographic Information

Revenue from operations of RMB10,542,000 (2016: RMB8,670,000) 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 developed its property development and property leasing business in Anlu City, Hubei province in the PRC. The real estate project, comprising various types of properties including villas, apartments and commercial buildings. Although the property market is still under great pressure, the Directors expect that the property development and property leasing business will continue to provide positive contribution in the future. Also, the Group will search for new investment opportunities in the PRC property market.

As for the gold mining business, the Russia gold mining company is in the process of making a trial production plan. Regarding Port First, considering Mainland government's strict control over the mining operators, both Jinxin Company and Jinhui Company were upgrading their plant and equipment to fulfill the increasingly strict environmental requirement. Therefore, the Directors expect the future business of gold mining will be still under great pressure and undermine the profitability of the Group.

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 2017, the Group's working capital requirement was principally financed by its internal resources.

As at 30 June 2017, the Group had cash and cash equivalents, net current assets and total assets less current liabilities of approximately RMB44,139,000 (2016: RMB38,779,000), RMB86,145,000 (2016: RMB104,429,000) and RMB227,788,000 (2016: RMB315,961,000), respectively.

As at 30 June 2017, the Group had no interest-bearing borrowings (2016: Nil).

Total equity attributable to owners of the Company as at 30 June 2017 decreased by approximately RMB87,419,000 to approximately RMB172,982,000 (2016: RMB260,401,000). The gearing ratio (calculated as the ratio of net debt: capital and net debt) of the Group as at 30 June 2017 was in net cash position (2016: 5%).

Significant Investments

The Group held no significant investment during the Year.

Material Acquisitions and Disposals of Subsidiaries and Associated Companies

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

Employee Information

As at 30 June 2017, the Group employed a total of 32 (2016: 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 RMB8,766,000 (2016: RMB20,316,000). 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 2017.

Charges on Group Assets

As at 30 June 2017, no Group's assets were pledged to secure general banking facilities to the Group (2016: 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.

The Group had no future plans for material investments and expected sources of funding as at 30 June 2017.

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 2017, the Group had no capital commitments (2016: RMB176,000,000).

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 would 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 would hold a 51% equity interest in Zhongke. Zhongke and its subsidiaries are principally engaged in the investment, development, construction and operation of renewable energy power plants in the PRC.

On 12 October 2016, the Company and Quick Nimble entered into a termination letter whereby the parties had mutually agreed to terminate the sale and purchase agreement with immediate effect and to release and discharge each other from its respective obligations under the sale and purchase agreement.

Details of the transaction were set in the announcements of the Company dated 29 June 2016 and 12 October 2016.

Contingent Liabilities

As at 30 June 2017, the banking facilities of RMB503,000 were granted to buyers of certain properties developed by the Group (2016: RMB735,000).

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 deviation:

Code Provision A.6.7

Under the code provision A.6.7 of the CG Code provides that independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Some non-executive Directors were not able to attend the annual general meeting held on 16 December 2016 due to their respective business engagements. Other Board members who attend the annual general meeting were already of sufficient calibre and number for answering questions raised by the shareholders at that annual general meeting.

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 systems. 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, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

The results announcement of the Group for the year ended 30 June 2017 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, 27 September 2017

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. Cheung Chuen, Mr. Ling Aiwen and Mr. Han Hongwei as independent non-executive Directors.