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 2019

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 2019 (the "Year") together with the comparative figures for the corresponding year ended 30 June 2018.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
Year ended 30 June 2019

	Notes	**2019** **RMB'000**	2018 *RMB'000*
REVENUE	*5*	**43,179**	21,216
Cost of sales		**(28,584)**	(19,527)
Gross profit		**14,595**	1,689
Other income and gains	*5*	**823**	1,504
Selling and distribution expenses		**(406)**	(617)
Administrative expenses		**(16,091)**	(13,769)
Other expenses		**(677)**	(5,410)
Finance costs	*7*	**(83)**	(70)
Share of loss of an associate	*11*	**(2,052)**	(2,509)
LOSS BEFORE TAX	*6*	**(3,891)**	(19,182)
Income tax expense	*8*	**(5,954)**	(1,600)
LOSS FOR THE YEAR		**(9,845)**	(20,782)
OTHER COMPREHENSIVE INCOME/(LOSS)			
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**3,426**	(7,325)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		**3,426**	(7,325)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(6,419)**	(28,107)
Loss attributable to:			
Owners of the Company		**(8,493)**	(19,811)
Non-controlling interests		**(1,352)**	(971)
		(9,845)	(20,782)
Total comprehensive (loss)/income attributable to:			
Owners of the Company		**(6,653)**	(23,728)
Non-controlling interests		**234**	(4,379)
		(6,419)	(28,107)

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

Year ended 30 June 2019

	Note	**2019**	2018
		RMB cent	*RMB cent*
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	*10*		
Basic		**(0.29)**	(0.69)
Diluted		**(0.29)**	(0.69)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2019

	Notes	**2019** **RMB'000**	2018 *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**1,484**	1,197
Investment properties		**6,090**	6,604
Goodwill	*15*	**4,821**	–
Intangible assets		**75,663**	70,377
Investment in an associate	*11*	**–**	50,260
Deferred tax assets		**5,898**	6,368
Total non-current assets		**93,956**	134,806
CURRENT ASSETS			
Inventories		**53,896**	45,422
Trade receivables	*12*	**10,434**	10
Deposits and other receivables		**830**	574
Pledged deposits		**504**	503
Cash and cash equivalents		**61,540**	52,666
		127,204	99,175
Non-current asset classified as held for sale	*11*	**48,208**	–
Total current assets		**175,412**	99,175
CURRENT LIABILITIES			
Trade payables	*13*	**25,556**	1,672
Other payables and accruals		**34,075**	27,293
Contract liabilities		**9,303**	–
Tax payable		**9,482**	7,559
Total current liabilities		**78,416**	36,524
NET CURRENT ASSETS		**96,996**	62,651
TOTAL ASSETS LESS CURRENT LIABILITIES		**190,952**	197,457

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
30 June 2019

	Notes	2019 RMB'000	2018 RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**190,952**	197,457
NON-CURRENT LIABILITIES			
Non-redeemable convertible preferred shares	*14*	**738**	627
Deferred tax liabilities		**6,369**	6,566
Total non-current liabilities		**7,107**	7,193
Net assets		**183,845**	190,264
EQUITY			
Equity attributable to owners of the Company			
Issued capital		**252,856**	252,856
Non-redeemable convertible preferred shares	*14*	**2,252**	2,252
Other reserves		**(112,507)**	(105,854)
		142,601	149,254
Non-controlling interests		**41,244**	41,010
Total equity		**183,845**	190,264

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 2019 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 2019. 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 new and revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*
HKFRS 9	*Financial Instruments*
HKFRS 15	*Revenue from Contracts with Customers*
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*
Amendments to HKAS 40	*Transfers of Investment Property*
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*
Annual Improvements 2014-2016 Cycle	Amendments to HKFRS 1 and HKAS 28

Other than as explained below regarding the impact of HKFRS 9 and HKFRS 15, the adoption of the above new and revised HKFRSs has had no significant financial effect on these financial statements.

HKFRS 9 *Financial Instruments*

HKFRS 9 *Financial Instruments* replaces HKAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 July 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting.

The Group has applied the transitional provisions set out in HKFRS 9 without restating comparative information. It applied the classification and measurement requirements (including impairment) to financial instruments that were not derecognised as at 1 July 2018. Therefore, the comparative information was not restated and continues to be reported under HKAS 39.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

HKFRS 9 *Financial Instruments* (continued)

(a) Classification and measurement

Under HKFRS 9, financial assets are subsequently measured at amortised cost, fair value through other comprehensive income, or fair value through profit or loss. The classification is based on two criteria: (i) the Group's business model for managing the assets; and (ii) whether the instrument's contractual cash flows represent solely payments of principal and interest on the principal amount outstanding.

The Group's financial assets (including trade receivables, financial assets included in deposits and other receivables, pledged deposits and cash and cash equivalents) which were classified as loans and receivables under HKAS 39 have been reclassified to financial assets at amortised cost after transition to HKFRS 9 as these instruments passed the contractual cash flow characteristics test in HKFRS 9 and were not actively traded. They were held with the intention to collect cash flows and without the intention to sell.

Under HKFRS 9, the Group's financial liabilities are subsequently measured at amortised cost. The accounting for the Group's financial liabilities remains largely the same as it was under HKAS 39.

(b) Impairment

The adoption of HKFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets. The incurred loss approach under HKAS 39 was replaced by a forward-looking expected credit loss ("ECL") approach.

HKFRS 9 requires the Group to record a loss allowance for the ECLs on its financial assets not held at fair value through profit or loss. In this respect, the Group measured the ECLs on (i) its financial assets included in deposits and other receivables, pledged deposits and cash and cash equivalents on a 12-month basis as permitted by the general approach, unless there has been a significant increase in credit risk since initial recognition, in which case the allowance is based on the lifetime ECLs; and (ii) its trade receivables on a lifetime basis as permitted by the simplified approach.

The adoption of HKFRS 9 has had no material impact on the impairment provisions on the Group's financial assets.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

HKFRS 15 *Revenue from Contracts with Customers*

HKFRS 15 and its amendments replace HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The disclosures are included in notes 4 and 5. As a result of the application of HKFRS 15, the Group has changed the accounting policy with respect to "Revenue recognition from 1 July 2018" as set out in note 4.

The Group has adopted the transitional provisions set out in HKFRS 15 to recognise the cumulative effect of initial application as an adjustment to the opening balance of accumulated losses at 1 July 2018 and elected to retrospectively apply the transitional provisions only to contracts that were not completed at the date of initial application. Accordingly, the comparative information presented was not restated upon the adoption of HKFRS 15.

The Group is required to deliver gold, properties, carpark spaces, property management services and construction services according to the contract terms, which is expected to be the only performance obligation in the contract. The Group has concluded that revenue from the sale of its products should be recognised at the point in time when control of the products is transferred to the customer, generally on delivery of the products. Control of the property management services and construction services is transferred over time. Therefore, the adoption of HKFRS 15 has had no material impact on these financial statements except for the presentation and disclosures.

The presentation and disclosure requirements in HKFRS 15 are more detailed than those under HKAS 18. As required by HKFRS 15, the Group disaggregates revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors and also discloses information about the relationship between the disclosure of disaggregated revenue and revenue information disclosed for each reportable segment. Additional disclosure has been made in note 5 upon the adoption of HKFRS 15.

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, property leasing and property management services segment engages in the development of villas, apartments and commercial buildings, property leasing of self-owned properties, the sale of carpark spaces and the provision of property management services and construction services.

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

Segment assets exclude deferred tax assets, non-current asset classified as held for sale 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 2019

	Gold mining *RMB'000*	Property development, property leasing and property management services *RMB'000*	Total *RMB'000*
Segment revenue:			
Sales to external customers	**–**	**43,179**	**43,179**
Other revenue	**–**	**726**	**726**
	–	**43,905**	**43,905**
Segment results	**(2,501)**	**11,761**	**9,260**
Reconciliation:			
Interest income			**97**
Corporate and other unallocated expenses			**(13,165)**
Finance costs			**(83)**
Loss before tax			**(3,891)**
Segment assets	**84,383**	**129,422**	**213,805**
Reconciliation:			
Corporate and other unallocated assets			**7,355**
Non-current asset classified as held for sale			**48,208**
			269,368
Segment liabilities	**290**	**54,351**	**54,641**
Reconciliation:			
Corporate and other unallocated liabilities			**30,882**
			85,523
Other segment information:			
Share of loss of an associate	**(2,052)**	**–**	**(2,052)**
Depreciation and amortisation	**–**	**492**	**492**
Capital expenditure*	**554**	**3,094**	**3,648**

* *Capital expenditure consists of additions to property, plant and equipment and intangible assets including assets from the acquisition of a business.*

3. OPERATING SEGMENT INFORMATION (continued)

Year ended 30 June 2018

	Gold mining *RMB'000*	Property development, property leasing and property management services *RMB'000*	Total *RMB'000*
Segment revenue:			
Sales to external customers	–	21,216	21,216
Other revenue	–	1,427	1,427
	–	22,643	22,643
Segment results	(3,058)	(6,732)	(9,790)
Reconciliation:			
Interest income			77
Corporate and other unallocated expenses			(9,399)
Finance costs			(70)
Loss before tax			(19,182)
Segment assets	134,076	91,185	225,261
Reconciliation:			
Corporate and other unallocated assets			8,720
			233,981
Segment liabilities	111	25,949	26,060
Reconciliation:			
Corporate and other unallocated liabilities			17,657
			43,717
Other segment information:			
Share of loss of an associate	(2,509)	–	(2,509)
Depreciation	–	263	263
Investment in an associate	50,260	–	50,260
Capital expenditure	29	8	37

3. OPERATING SEGMENT INFORMATION (continued)

Geographical information

(a) Revenue of RMB43,179,000 (2018: RMB21,216,000) was derived from sales to external customers located in Mainland China.

(b) Non-current assets

	2019	2018
	RMB'000	*RMB'000*
Mainland China	**14,259**	57,938
Hong Kong	**186**	103
Russia	**73,613**	70,397
	88,058	128,438

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 RMB18,356,000 was derived from sales to a single customer of the property development, property leasing and property management services segment. During the year ended 30 June 2018, no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue.

4. REVENUE RECOGNITION

Revenue recognition from 1 July 2018

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

(a) *Sale of properties and carpark spaces*

Revenue from the sale of properties and carpark spaces is recognised at the point in time when the purchasers obtained the physical possession or the legal title of the properties and carpark spaces and the Group has a present right to payment and the collection of the consideration is probable.

(b) *Provision of construction services*

Revenue from the provision of construction services is recognised over time, using an input method to measure progress towards complete satisfaction of the services, because the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced. The input method recognises revenue based on the proportion of the actual costs incurred relative to the estimated total costs for satisfaction of the construction services.

(c) *Provision of property management services*

Revenue from the provision of property management services is recognised over the scheduled period on a straight-line basis because the customer simultaneously receives and consumes the benefits provided by the Group.

Revenue from other sources

Rental income is recognised on a time proportion basis over the lease terms.

Other income

Interest income is recognised 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 or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Revenue recognition before 1 July 2018

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; and

(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.

5. REVENUE, OTHER INCOME AND GAINS

	2019	2018
	RMB'000	*RMB'000*
Revenue from contracts with customers		
Sale of properties	**15,710**	21,216
Sale of carpark spaces	**7,525**	–
Rendering of property management services	**6,632**	–
Rendering of construction services	**13,312**	–
	43,179	21,216

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 30 June 2019

	Gold mining	**Property development, property leasing and property management services**	**Total**
	RMB'000	***RMB'000***	***RMB'000***
Segments			
Type of goods or services			
Sale of properties	–	15,710	15,710
Sale of carpark spaces	–	7,525	7,525
Property management services	–	6,632	6,632
Construction services	–	13,312	13,312
Total revenue from contracts with customers	–	43,179	43,179
Geographical market			
Mainland China	–	43,179	43,179
Timing of revenue recognition			
Goods transferred at a point in time	–	23,235	23,235
Services transferred over time	–	19,944	19,944
Total revenue from contracts with customers	–	43,179	43,179

5. REVENUE, OTHER INCOME AND GAINS (continued)

Revenue from contracts with customers (continued)

(i) Disaggregated revenue information (continued)

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period:

	2019
	RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:	
Sale of properties	**6,322**

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

Sale of properties/carpark spaces

For contracts entered into with customers on the sale of properties/carpark spaces, the Group does not have an enforceable right to payment prior to transfer of the relevant properties/carpark spaces to customers. Revenue from sale of properties/carpark spaces is therefore recognised at a point in time when the properties/carpark spaces are transferred to customers, being at the point that the customers obtain the control of the properties/carpark spaces and the Group has a present right to payment and collection of the consideration is probable.

Property management services

The performance obligation is satisfied over time as services are rendered and short-term advances are normally required before rendering the services. Property management service contracts are for periods of one year.

Construction services

The performance obligation is satisfied over time as services are rendered and payment is generally due within 180 days from the date of billing.

The transaction prices totalling RMB12,631,000 allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 30 June 2019 are expected to be recognised within one year.

5. REVENUE, OTHER INCOME AND GAINS (continued)

	2019	2018
	RMB'000	*RMB'000*
Other income		
Bank interest income	**97**	77
Rental income	**395**	371
Exchange gains, net	**115**	20
Others	**105**	–
	712	468
Gains		
Fair value gains on investment properties	**106**	640
Gain on disposal of investment properties	**–**	37
Gain on disposal of items of property, plant and equipment	**5**	359
	111	1,036
	823	1,504

6. LOSS BEFORE TAX

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

	2019	2018
	RMB'000	*RMB'000*
Cost of inventories sold	**14,345**	19,527
Cost of services provided	**14,239**	–
Depreciation	**192**	263
Amortisation	**300**	–
Minimum lease payments under operating leases	**1,122**	583
Auditor's remuneration	**2,359**	2,329
Staff costs (excluding directors' remuneration):		
Salaries and wages	**7,575**	6,290
Pension scheme contributions	**457**	313
	8,032	6,603
Write-down of inventories to net realisable value*	**–**	4,727
Loss/(gain) on disposal of investment properties#	**129**	(37)
Direct operating expenses (including repairs and maintenance) arising from rental-earning investment properties	**68**	64

* 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:

	2019	2018
	RMB'000	*RMB'000*
Interest on:		
Non-redeemable convertible preferred shares *(note 14)*	**83**	70

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 (2018: 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% (2018: 25%).

	2019	2018
	RMB'000	*RMB'000*
Current – Hong Kong	**–**	–
Current – Mainland China		
Provision for corporate income tax	**4,072**	1,887
Provision for land appreciation taxes (''LAT'')	**2,255**	2,830
Underprovision for corporate income tax in prior years	**–**	340
Deferred	**(373)**	(3,457)
Total tax charge for the year	**5,954**	1,600

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

	2019	2018
	RMB'000	*RMB'000*
Loss before tax	**(3,891)**	(19,182)
Tax at the Mainland China statutory income tax rate of 25%	**(973)**	(4,796)
Lower tax rates on profits arising elsewhere	**3,289**	3,407
Expenses not deductible for tax	**29**	69
Underprovision for corporate income tax in prior years	**–**	340
Effect/(reversal) of withholding tax at 10% on the distributable profits of the Group's PRC subsidiaries	**1,316**	(273)
Loss attributable to an associate	**513**	627
Tax losses not recognised	**105**	111
Tax losses utilised from previous years	**(16)**	(8)
Provision for LAT	**2,255**	2,830
Tax effect of LAT	**(564)**	(707)
Tax charge at the Group's effective rate	**5,954**	1,600

9. DIVIDENDS

No final dividends were proposed for the years ended 30 June 2019 and 2018.

10. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic loss per share amount is based on the loss for the year attributable to ordinary equity holders of the Company of RMB8,493,000 (2018: RMB19,811,000), and the weighted average number of ordinary shares of 2,884,091,737 (2018: 2,884,091,737) 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 amounts presented for the years ended 30 June 2019 and 2018 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/NON-CURRENT ASSET CLASSIFIED AS HELD FOR SALE

	2019	2018
	RMB'000	*RMB'000*
Investment in an associate		
Share of net assets	**–**	76,672
Goodwill on acquisition	**–**	46,646
	–	123,318
Provision for impairment	**–**	(73,058)
	–	50,260
Non-current asset classified as held for sale		
Investment in an associate	**48,208**	–

11. INVESTMENT IN AN ASSOCIATE/NON-CURRENT ASSET CLASSIFIED AS HELD FOR SALE (continued)

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", "Longkou Jinxin") and Longkou Jinhui Gold Co., Ltd. ("龍口市金匯黃金有限責任公司", "Longkou Jinhui"), are engaged in the mining, processing, refining and sale of gold bars in Mainland China.

The gold mine of Longkou Jinxin is located near the border but part of it is within the Laishan Natural Protection Area ("萊山生態保護區", the "LNPA") of Longkou City. During 2018, Longkou Jinxin suspended production as requested by the local government for stricter environmental protection purposes. The local government is in the process of applying to the related provincial government for excluding the gold mine of Longkou Jinxin from the LNPA given that the gold mine had been developed and commenced production before the LNPA was set up and part of the gold mine as well as the processing plant and refinery plant of Longkou Jinxin are outside the LNPA. Up to the date of this announcement, no decision has been made by the related provincial government on this application.

Longkou Jinhui has prepared for the expansion of its production capacity as requested by the local government in order to renew the mining right. However, as a railway was built across the gold mine area of Longkou Jinhui, Longkou Jinhui has to obtain the consent from the railway operator for the construction and expansion in the mine site. The railway operator kept silent when considering the safe operation of the railway, as a result, Longkou Jinhui had to suspend production during 2018. Given that the railway was built after Longkou Jinhui commenced production without negotiating with Longkou Jinhui, Longkou Jinhui claimed against the railway operator for the loss incurred due to the suspension of production. In the prior year, the court concluded a favourable decision for Longkou Jinhui and requested the railway operator to compensate the loss. In October 2018, the Intermediate Court judged to cancel the judgement of the first instance and returned the case to the People's Court of Longkou City for a retrial.

On 21 June 2019, the Company and Mr. Wu Fong Shing ("Mr. Wu") entered into the sale and purchase agreement (the "Sale and Purchase Agreement"), pursuant to which the Company conditionally agreed to sell and Mr. Wu conditionally agreed to acquire 35% equity interests in Port First at the cash consideration of RMB53,000,000 (the "Disposal"). The Disposal is subject to fulfilment of the conditions precedent under the Sale and Purchase Agreement and due to be completed by 30 June 2020. On 28 June 2019, the Group received the first instalment of the consideration of RMB10,600,000. The Disposal is in progress and the investment in Port First was reclassified from an investment in an associate to a non-current asset classified as held for sale on 30 June 2019.

Details of the Disposal is set out in the announcements of the Company dated 21 June 2019, 7 August 2019 and 9 September 2019, and in the circular of the Company dated 18 September 2019.

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 prior to the reclassification to a non-current asset classified as held for sale on 30 June 2019.

11. INVESTMENT IN AN ASSOCIATE/NON-CURRENT ASSET CLASSIFIED AS HELD FOR SALE (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:

	2019	2018
	RMB'000	*RMB'000*
Current assets	**1,902**	7,240
Non-current assets	**381,710**	383,319
Current liabilities	**(66,781)**	(65,696)
Non-current liabilities	**(87,720)**	(87,671)
Net assets	**229,111**	237,192
Non-controlling interests	**(91,374)**	(93,592)
	137,737	143,600
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	**48,208**	50,260
Goodwill on acquisition (less cumulative impairment)	**–**	–
Carrying amount of the investment	**48,208**	50,260

	2019	2018
	RMB'000	*RMB'000*
Revenue	**20,613**	4,637
Loss for the year attributable to:		
Owners of Port First	**(5,864)**	(7,168)
Non-controlling interests of Port First	**(2,401)**	(2,894)
Total comprehensive income attributable to:		
Owners of Port First	**(5,674)**	(7,177)
Non-controlling interests of Port First	**(2,401)**	(2,894)

12. TRADE RECEIVABLES

	2019	2018
	RMB'000	*RMB'000*
Trade receivables	**10,434**	10
Impairment	**–**	–
	10,434	10

The Group's trade receivables arise from the sale of properties and the provision of property management services and construction services. Considerations in respect of the properties sold are payable by the buyers in accordance with the terms of the related sale and purchase agreements. A credit period of generally 6 months is granted to the property developer for whom the Group provides property management services and construction services. Advanced payment is normally required for the property owners for whom the Group provides property management services. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables as at 30 June 2019 and 2018, based on the invoice date, is as follows:

	2019	2018
	RMB'000	*RMB'000*
Within one month	**8,554**	10
One to two months	**618**	–
Two to three months	**163**	–
Over three months	**1,099**	–
	10,434	10

Impairment under HKFRS 9 for the year ended 30 June 2019

The Group measures the loss allowance for trade receivables at an amount equal to lifetime ECL. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position. The Group calibrates the matrix to adjust the historical credit loss experience with forward-looking information. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity. As at 30 June 2019, the Group expects the lifetime ECL for trade receivables to be minimal.

Impairment under HKAS 39 for the year ended 30 June 2018

The balances of the trade receivables as at 30 June 2018 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. TRADE PAYABLES

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

	2019	2018
	RMB'000	*RMB'000*
Within 1 month	**4,885**	–
1 to 3 months	**9,524**	–
3 months to 1 year	**9,530**	54
Over 1 year	**1,617**	1,618
	25,556	1,672

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

14. 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. In prior years, 90,000,000 CPS in aggregate have been converted into ordinary shares. At the end of the reporting period, the Company had 3,000,000 (2018: 3,000,000) CPS outstanding.

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

14. NON-REDEEMABLE CONVERTIBLE PREFERRED SHARES (continued)

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%.

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

	2019	2018
	RMB'000	*RMB'000*
Beginning of the year	**627**	572
Interest expense *(note 7)*	**83**	70
Exchange realignment	**28**	(15)
End of the year	**738**	627

15. BUSINESS COMBINATION

On 25 June 2018, Xuzhou Taihua Property Management Co., Ltd.（徐州泰華物業管理有限公司）("Xuzhou Taihua"), an indirectly wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Foshan Tianan Hongji Property Services Co., Ltd.（佛山天安鴻基物業服務有限公司）("Tianan Hongji"), pursuant to which Xuzhou Taihua conditionally agreed to purchase and Tianan Hongji conditionally agreed to sell all the assets, liabilities and businesses of Foshan Tianan Hongji Property Services Co., Ltd. Xuzhou Branch Office（佛山天安鴻基物業服務有限公司徐州分公司）(the "Acquiree") (the "Acquisition") at a cash consideration of RMB9,000,000. The Acquisition was completed on 1 November 2018. The Acquiree is principally engaged in the provision of property management services in Xuzhou City, Jiangsu Province, the PRC. The Acquisition was made as part of the Group's strategy to enhance its expertise in property management services.

Details of the Acquisition are set out in the announcements of the Company dated 25 June 2018, 16 July 2018, 27 July 2018, 10 August 2018, 28 August 2018, 7 September 2018 and 21 September 2018, and the circular of the Company dated 21 September 2018.

15. BUSINESS COMBINATION (continued)

The fair values of the identifiable assets and liabilities of the Acquiree as at the date of acquisition were as follows:

	Fair value recognised on acquisition
	RMB'000
Plant and equipment	3
Intangible assets	2,580
Trade receivables	4,278
Deposits and other receivables	310
Cash and cash equivalents	715
Trade payables	(30)
Other payables and accruals	(1,010)
Contract liabilities	(1,207)
Tax payable	(814)
Deferred tax liabilities	(646)
Total identifiable net assets at fair value	4,179
Goodwill on acquisition	4,821
Satisfied by cash	9,000

The fair values of trade receivables and other receivables as at the date of acquisition amounted to RMB4,278,000 and RMB136,000, respectively. The gross contractual amount of trade receivables and other receivables were RMB4,278,000 and RMB136,000, respectively.

The Group incurred transaction costs of RMB1,442,000 for this Acquisition. The transaction costs of RMB795,000 and RMB647,000 have been expensed and are included in the consolidated statement of profit or loss and other comprehensive income for the years ended 30 June 2019 and 2018, respectively.

None of the goodwill recognised is expected to be deductible for income tax purposes.

15. BUSINESS COMBINATION (continued)

An analysis of the cash flows in respect of the Acquisition is as follows:

	RMB'000
Cash consideration	(9,000)
Cash and cash equivalents acquired	715
Net outflow of cash and cash equivalents included in cash flows from investing activities	(8,285)
Transaction costs of the Acquisition included in cash flows from operating activities	(647)
	(8,932)

Since the Acquisition, the Acquiree contributed revenue of RMB2,492,000 and profit of RMB233,000 to the Group for the year ended 30 June 2019.

Had the combination taken place at the beginning of the year, the revenue of the Group and the loss of the Group for the year would have been RMB45,325,000 and RMB9,055,000, respectively.

16. COMMITMENTS

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

	2019	2018
	RMB'000	*RMB'000*
Contracted, but not provided for:		
Acquisition of a business	–	9,000

On 25 June 2018, Xuzhou Taihua entered into a sale and purchase agreement with Tianan Hongji, pursuant to which Xuzhou Taihua conditionally agreed to purchase and Tianan Hongji conditionally agreed to sell the assets, liabilities and businesses of Foshan Tianan Hongji Property Services Co., Ltd. Xuzhou Branch Office at a cash consideration of RMB9,000,000.

The acquisition of a business was completed on 1 November 2018. Further details are set out in note 15.

MANAGEMENT DISCUSSION AND ANALYSIS

Results

For the Year, revenue of the Group amounted to approximately RMB43,179,000 (2018: RMB21,216,000), representing an increase of approximately 104% as compared with last year. The increase in revenue was mainly due to the sales of carpark spaces, property management services income and construction services income.

During the Year, the Group recorded a gross profit of approximately RMB14,595,000 (2018: RMB1,689,000) and loss before tax of approximately RMB3,891,000 (2018: RMB19,182,000) respectively. The increase in gross profit was mainly due to the increase of gross profit from the sales of carpark spaces, property management services income and construction services income. The decrease in loss before tax was mainly due to the contribution from the sales of carpark spaces, property management services income and construction services income.

The loss attributable to owners of the Company for the Year was approximately RMB8,493,000 (2018: RMB19,811,000). Basic loss per share during the Year was RMB0.29 cent (2018: RMB0.69 cent).

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 Group has exploration and exploitation rights on the same area (BLG02398BR) with an expiry date on 31 December 2027.

Since the mining area is too large and the rock composition in the northern Molchan region is complex, the gold mining company planned to conduct small scale production prior to large scale exploitation, which is common for all the mining exercise. The gold mining company had submitted the plan of exploitation to the local government in October 2017. However, due to the increase in number of wildfire and environmental destruction incidents caused by mining activities during 2017, the Russian authority raised the environmental protection requirements on exploitation applications at the beginning of 2018. As the Company signed an outsourcing contract with a third party which modified the original submitted plan, the Company was required to re-submit a new plan of exploitation which satisfies the tightened regulation. The Company has filed the reschedules in November 2018 and expected to obtain the exploitation approval within the year of 2019. According to the new legal requirements in Russia, it is very difficult to get the working visa for the PRC workers. In this case, the outsourcing contractor had employed the local Russian worker for this project. The Company and the outsourcing contractor had started the foundation work for the exploitation process in May 2019.

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").

The mine exploitation license and exploration license of the Shanchakou Mine held by Jinxin Company had expired on 1 June 2018 and 28 September 2018 respectively, and the mine exploitation license of the Yaojia Mine held by Jinhui Company had expired on 31 December 2017. Although Jinxin Company and Jinhui Company had applied for the renewal of the above licenses, as at the date of the announcement, due to the tightened environmental regulations, no renewal approval was granted by the provincial government. Management of the Jinxin Company and Jinhui Company are of the view that it would be difficult to obtain licenses renewal under the tightened regulations.

In view of (i) the detreating financial performance of the Port First Limited; (ii) the expiration of licenses of the Shanchakou Mine and Yaojia Mine; (iii) the difficulty of renewing the mining licenses; and (iv) the prospect of the gold mining industry, on 21 June 2019, the Company announced the decision of its board of directors to dispose of its entire interest in Port First, at the consideration of RMB53 million ("Proposed Disposal"). Such consideration is payable in 5 instalments within one year. Completion shall be conditional upon the Company having received 100% of the consideration (i.e. RMB53 million). Subject to the Shareholders approval on 10 October 2019, the disposal of Port First will be completed in or before June 2020. As at 30 June 2019, the disposal is in progress and investment in Port First was reclassified as a non-current asset held for sale.

During the Year, the gold mining segment recorded a loss of approximately RMB2,501,000 as compared to a loss of approximately RMB3,058,000 in 2018. As at 30 June 2019, the gold mining business had segment assets of approximately RMB84,383,000 (2018: RMB134,076,000) and segment liabilities of approximately RMB290,000 (2018: RMB111,000).

Property Development, Property Leasing and Property Management Services 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 Anlu Taihe Paradise comprised 3 phases, constructions were completed in 2007, 2009 and 2011 respectively and majority of the units has been sold. In its inventories, there are 28 unsold villas, 14 unsold shops and apartments in Phase I and 3 unsold shops in Phase II as at 30 June 2019.

Some of the properties are held by the Group as investment purpose (as shops and kindergarten) to generate rental income. Properties held by the Group for investment purpose as at 30 June 2019 are listed as below:

Shop Nos. 112-114 and 115-116 of Block 4, Shop Nos. 101-114 and 201 of Block 25, and Shop Nos. 111-112 and 117-118 of Block 53 in Anlu Taihe Paradise.

During the Year, the PRC property market condition was more difficult as compared with last year, which led to the decrease in sales of properties.

On 25 June 2018, Xuzhou Taihua Property Management Co., Ltd.*（徐州泰華物業管理有限公司）(“Xuzhou Taihua”), an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Foshan Tianan Hongji Property Services Co., Ltd.*（佛山天安鴻基物業服務有限公司）(“Tianan Hongji”), pursuant to which Xuzhou Taihua conditionally agreed to purchase and Tianan Hongji conditionally agreed to sell all the assets, liabilities and businesses of Foshan Tianan Hongji Property Services Co., Ltd. Xuzhou Branch Office*（佛山天安鴻基物業服務有限公司徐州分公司）(the “Xuzhou Branch Office”). The consideration payable by Xuzhou Taihua is RMB9,000,000 (equivalent to approximately HK$10,800,000) in cash. The acquisition was completed on 1 November 2018.

Xuzhou Taihua contributed the property management services income and construction services income for the amount of approximately RMB6,632,000 and RMB13,312,000, respectively, for the year ended 30 June 2019.

The Group has completed the acquisition of 700 carpark spaces in Xuzhou City, the PRC. During the Year, the Group had sold 101 carpark spaces and contributed approximately RMB7,525,000 for the year ended 30 June 2019. The Group still holds 599 carpark spaces as inventories as at 30 June 2019.

During the Year, the property development, property leasing and property management services segment recorded a gain of approximately RMB11,761,000 as compared to a loss of approximately RMB6,732,000 in 2018. As at 30 June 2019, the property development, property leasing and property management services business had segment assets of approximately RMB129,422,000 (2018: RMB91,185,000) and segment liabilities of approximately RMB54,351,000 (2018: RMB25,949,000).

Geographic Information

Revenue from operations of RMB43,179,000 (2018: RMB21,216,000) 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 cashflow in the future.

The Group would like to enlarge the existing property development and property leasing business to include the provision of property management services. Therefore, the Group had entered into the conditional sale and purchase agreement with Tianan Hongji to acquire the property management business in Xuzhou City, Jiangsu Province, the PRC. This business not only would provide profits to the Group, it would also enhance the Group's expertise in the daily management of properties in the PRC, enabling the Group to improve the quality of the property management at the Group's property development project for now and in the future. The acquisition was completed on 1 November 2018.

Except that, the Group has completed the acquisition of 700 carpark spaces in Xuzhou City, the PRC. This acquisition is a good opportunity to expand the Group's participation in the PRC property market. Also, the Group will actively search suitable site for property development.

The Group expected the property management services and the sale of carpark spaces in Xuzhou will continue to generate significant income and positive cashflow in the coming year.

As for the gold mining business, since the mining area is too large and the rock composition in the northern Molchan region is complex, the Russia gold mining company planned to conduct small scale production prior to large scale exploitation, which is common for all the mining exercise. The gold mining company submitted the plan of exploitation to the local government in October 2017. However, due to the increase in number of wildfire and environmental destruction incidents caused by mining activities in 2017, the Russian authority raised the environment protection requirements on exploitation applications at the beginning of 2018. As the Company signed an outsourcing contract with a third party which modified the original submitted plan, the Company was required to re-submit a new plan of exploitation which satisfies the tightened regulation. The Company has filed the reschedules in November 2018 and expected to obtain the exploitation approval within the year of 2019. According to the new legal requirements in Russia, it is very difficult to get the working visa for the PRC workers. In this case, the outsourcing contractor had employed the local Russian workers for this project. The Company and the outsourcing contractor had started the foundation work for the exploitation process in May 2019. The outsourcing contractor had set up their mining equipment in the mining area and started the exploitation process. However, due to the heavy raining and flooding in the Molchan region, the outsourcing contractor was in the process to remove the stagnant water in the mining area in August 2019. The exploitation process was restarted in early September 2019. The Group expects the exploitation process has to be suspended from late October 2019 to March 2020 due to the severe winter in the Molchan region and restarted the exploitation process in April 2020.

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 2019, the Group's working capital requirement was principally financed by its internal resources.

As at 30 June 2019, the Group had cash and cash equivalents, net current assets and total assets less current liabilities of approximately RMB61,540,000 (2018: RMB52,666,000), RMB96,996,000 (2018: RMB62,651,000) and RMB190,952,000 (2018: RMB197,457,000), respectively.

As at 30 June 2019, the Group had no interest-bearing borrowings (2018: Nil).

Total equity attributable to owners of the Company as at 30 June 2019 decreased by approximately RMB6,653,000 to approximately RMB142,601,000 (2018: RMB149,254,000). The gearing ratio (calculated as the ratio of net debt: capital and net debt) of the Group as at 30 June 2019 was in net cash position (2018: net cash position).

Significant Investments

Save as disclosed above, the Group held no significant investment during the Year.

Major Transaction in relation to the Disposal of 35% Equity Interests in the Port First Limited

On 21 June 2019, the Company and Mr. Wu Fong Shing ("Mr. Wu") entered into the sale and purchase agreement (the "Sale and Purchase Agreement"), pursuant to which the Company conditionally agreed to sell and Mr. Wu conditionally agreed to acquire the 17,500 shares (the "Disposal"), representing 35% equity interests in Port First Limited (the "Target Company"), at the consideration payable by Mr. Wu of RMB53.0 million (equivalent to approximately HK$60.4 million) (the "Consideration").

The completion of the Disposal (the "Completion") is subject to fulfilment of the conditions precedent under the Sale and Purchase Agreement (the "Conditions"). Upon Completion, the Company will cease to have any interest in the Target Company, and the financial results of the Target Company will no longer be shared into the consolidated financial statements of the Company under the equity method.

On 7 August 2019, the Company and Mr. Wu entered into a supplemental agreement to the Sale and Purchase Agreement (the "Supplemental Agreement").

Pursuant to the Supplemental Agreement, in addition to the Conditions, Completion shall also be conditional upon the Company having received no less than 60% of the Consideration (i.e. RMB31.8 million).

On 9 September 2019, the Company and Mr. Wu entered into the second supplemental agreement to the Sale and Purchase Agreement (as amended by the Supplemental Agreement).

Pursuant to the Second Supplemental Agreement, in addition to the Conditions, the Completion shall only take place after the Consideration of RMB53.0 million (equivalent to approximately HK$60.4 million) had been received by the Company in full.

As one or more of the applicable percentage ratios calculated pursuant to Rule 14.07 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") in respect of the Disposal is more than 25% but less than 75%, the Disposal constitutes a major transaction for the Company under Rule 14.06(3) of the Listing Rules and is subject to reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

Details of the Disposal is set out in the announcements of the Company dated 21 June 2019, 7 August 2019 and 9 September 2019 and in the circular of the Company dated 18 September 2019.

Disclosable Transaction in relation to Acquisition of Carpark Spaces in Xuzhou

On 1 March 2019, Jiangsu Tianan Hongji Property Management Co., Ltd.*（江蘇天安鴻基物業管理有限公司）("Jiangsu Tianan"), an indirect wholly-owned subsidiary of the Company, entered into the sale and purchase agreement with Xuzhou Zhongwei Real Estate Co., Ltd.*（徐州市中維地產有限公司）("Xuzhou Zhongwei"), pursuant to which Jiangsu Tianan conditionally agreed to acquire and Xuzhou Zhongwei conditionally agreed to sell 700 underground carpark spaces in Xincheng district, Xuzhou City, Jiangsu Province, the PRC. The aggregate consideration payable by Jiangsu Tianan is RMB28,000,000 (equivalent to approximately HK$33,600,000) in cash.

As one or more of the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the acquisition is above 5% but less than 25%, the acquisition constitutes a disclosable transaction of the Company and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

Details of the acquisition is set out in the announcement of the Company dated 1 March 2019.

Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

Save as disclosed above, the Group had no material acquisitions or disposals of subsidiaries, associates or joint ventures during the Year.

Employee Information

As at 30 June 2019, the Group employed a total of 77 (2018: 32) 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 RMB9,303,000 (2018: RMB8,290,000). 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 Share Option Scheme"). There were 183,304,000 share options outstanding under the 2010 Share Option Scheme as at 30 June 2019.

Charges on Group Assets

As at 30 June 2019, no Group's assets were pledged to secure general banking facilities to the Group (2018: 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 2019.

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 2019, the Group had no capital commitments (2018: RMB9,000,000).

Contingent Liabilities

As at 30 June 2019, the banking facilities of RMB3,000,000 were granted to buyers of certain properties developed by the Group (2018: RMB3,169,000).

DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 30 June 2019 (2018: Nil).

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.2.1

Under the code provision A.2.1 of the CG Code states that the roles of the chairman and the chief executive should be separate and should not be performed by the same individual. Being aware of the said deviation from code provision A.2.1, but in view of the current rapid development of the Group, the Board believes that with the support of the management, vesting the roles of both chairman and chief executive officer of the Company by Mr. Mu Dongsheng can facilitate execution of the Group's business strategies and boost effectiveness of its operation. In addition, under the supervision by the Board which consists of three independent non-executive Directors, the interests of the shareholders will be adequately and fairly represented. The Company will seek to re-comply with code provision A.2.1 by identifying and appointing a suitable and qualified candidate to the position of the chief executive officer of the Company in future.

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 auditor of the Company.

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.

IMPORTANT EVENTS AFTER THE YEAR

Save as disclosed herein, no important events took place subsequent after the Year.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

The results announcement of the Group for the year ended 30 June 2019 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 2019

As at the date of this announcement, the Board comprises Mr. Mu Dongsheng and Mr. Sze Ming Yee as executive Directors, and Mr. Cheung Chuen, Mr. Ling Aiwen and Mr. Lu Lin as independent non-executive Directors.

* *For identification purpose only*