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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 2022**

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 2022 (the “Year”) together with the comparative figures for the corresponding year ended 30 June 2021.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 30 June 2022

	Notes	2022 RMB'000	2021 RMB'000
REVENUE	4	32,957	34,246
Cost of sales		<u>(21,255)</u>	<u>(25,647)</u>
Gross profit		11,702	8,599
Other income and gains	4	3,607	1,855
Selling and distribution expenses		(748)	(455)
Administrative expenses		(15,973)	(11,403)
Impairment loss on financial assets		(833)	–
Other expenses		(763)	(4,098)
Finance costs		(1)	(36)
		<u>(3,009)</u>	<u>(5,538)</u>
Provision for impairment of intangible assets		<u>(10,119)</u>	–
LOSS BEFORE TAX	5	(13,128)	(5,538)
Income tax expense	6	<u>(3,663)</u>	<u>(1,621)</u>
LOSS FOR THE YEAR		<u>(16,791)</u>	<u>(7,159)</u>
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		16,572	(6,623)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of the Company's financial statements		<u>424</u>	–
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		<u>16,996</u>	<u>(6,623)</u>
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		<u>205</u>	<u>(13,782)</u>
Loss attributable to:			
Owners of the Company		<u>(10,818)</u>	(6,381)
Non-controlling interests		<u>(5,973)</u>	<u>(778)</u>
		<u>(16,791)</u>	<u>(7,159)</u>
Total comprehensive income/(loss) attributable to:			
Owners of the Company		<u>(2,712)</u>	(10,413)
Non-controlling interests		<u>2,917</u>	<u>(3,369)</u>
		<u>205</u>	<u>(13,782)</u>

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

Year ended 30 June 2022

	<i>Note</i>	2022 <i>RMB cents</i>	2021 <i>RMB cents</i>
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	<i>8</i>		
Basic		<u>(0.37)</u>	<u>(0.22)</u>
Diluted		<u>(0.37)</u>	<u>(0.22)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION*30 June 2022*

	<i>Notes</i>	2022 RMB'000	2021 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		871	1,072
Investment properties		1,590	2,700
Right-of-use assets		86	–
Goodwill		19,968	4,821
Other intangible assets		43,412	37,722
Deferred tax assets		8,383	4,761
		<hr/>	<hr/>
Total non-current assets		74,310	51,076
CURRENT ASSETS			
Inventories		104,967	62,668
Trade receivables	<i>9</i>	32,987	16,911
Deposits and other receivables		9,641	1,924
Financial assets at fair value through profit or loss		2,700	–
Pledged deposits		235	235
Cash and cash equivalents		29,643	51,622
		<hr/>	<hr/>
		180,173	133,360
Non-current assets classified as held for sale		–	747
		<hr/>	<hr/>
Total current assets		180,173	134,107
CURRENT LIABILITIES			
Trade payables	<i>10</i>	12,462	9,378
Other payables and accruals		31,065	11,442
Contract liabilities		4,049	2,155
Lease liabilities		92	–
Amount due to related companies		30,157	–
Tax payable		28,276	22,930
		<hr/>	<hr/>
Total current liabilities		106,101	45,905
NET CURRENT ASSETS			
		74,072	88,202
TOTAL ASSETS LESS CURRENT LIABILITIES			
		148,382	139,278

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)*30 June 2022*

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>148,382</u>	<u>139,278</u>
NON-CURRENT LIABILITIES		
Deferred tax liabilities	<u>2,027</u>	<u>1,370</u>
Total non-current liabilities	<u>2,027</u>	<u>1,370</u>
Net assets	<u>146,355</u>	<u>137,908</u>
EQUITY		
Equity attributable to owners of the Company		
Issued capital	253,688	253,688
Other reserves	<u>(139,342)</u>	<u>(136,630)</u>
	114,346	117,058
Non-controlling interests	<u>32,009</u>	<u>20,850</u>
Total equity	<u>146,355</u>	<u>137,908</u>

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 2022 but are extracted from those financial statements.

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties and financial assets at fair value through profit or loss 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 2022. 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 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	<i>Interest Rate Benchmark Reform- Phase 2</i>
Amendment to HKFRS 16	<i>Covid-19-Related Rent Concessions beyond 30 June 2021</i>

The nature and the impact of the revised HKFRSs are described below:

- (a) Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate ("RFR"). The amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. The amendment did not have any impact on the financial position and performance of the Group.
- (b) Amendment to HKFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted. The amendment did not have any impact on the financial position and performance of the Group as the Group did not obtain any rent concessions.

3. OPERATING SEGMENT INFORMATION

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

- (a) 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 parking lots and the provision of property management services and construction services; and
- (b) the gold mining segment engages in the production and sale of gold.

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

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

Segment liabilities exclude tax payable, amount due to related companies, 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 2022

	Property development, property leasing and property management services <i>RMB'000</i>	Gold mining <i>RMB'000</i>	Total <i>RMB'000</i>
Segment revenue:			
Sales to external customers	32,614	343	32,957
Other revenue	3,105	–	3,105
	<u>35,719</u>	<u>343</u>	<u>36,062</u>
Segment results	6,928	(343)	6,585
<u>Reconciliation:</u>			
Interest income			502
Provision for impairment of intangible assets			(10,119)
Corporate and other unallocated expenses			(10,095)
Finance costs			(1)
Loss before tax			<u>(13,128)</u>
Segment assets	161,085	48,102	209,187
<u>Reconciliation:</u>			
Corporate and other unallocated assets			45,296
			<u>254,483</u>
Segment liabilities	44,258	154	44,412
<u>Reconciliation:</u>			
Corporate and other unallocated liabilities			63,716
			<u>108,128</u>
Other segment information:			
Provision for impairment on intangible assets	–	10,119	10,119
Impairment losses on financial assets	833	–	833
Depreciation and amortisation	764	–	764
Capital expenditure	166	–	166*

* Capital expenditure consists of additions to property, plant and equipment including assets arising from the acquisition of subsidiaries.

3. OPERATING SEGMENT INFORMATION (Continued)

Year ended 30 June 2021

	Property development, property leasing and property management services <i>RMB'000</i>	Gold mining <i>RMB'000</i>	Total <i>RMB'000</i>
Segment revenue:			
Sales to external customers	31,298	2,948	34,246
Other revenue	793	–	793
	<u>32,091</u>	<u>2,948</u>	<u>35,039</u>
Segment results	4,813	398	5,211
<u>Reconciliation:</u>			
Interest income			1,062
Corporate and other unallocated expenses			(11,775)
Finance costs			(36)
Loss before tax			<u>(5,538)</u>
Segment assets	133,622	43,109	176,731
<u>Reconciliation:</u>			
Corporate and other unallocated assets			8,452
			<u>185,183</u>
Segment liabilities	34,714	290	35,004
<u>Reconciliation:</u>			
Corporate and other unallocated liabilities			12,271
			<u>47,275</u>
Other segment information:			
Depreciation and amortisation	742	–	742
Capital expenditure*	376	–	376*

* Capital expenditure consists of additions to property, plant and equipment.

3. OPERATING SEGMENT INFORMATION (Continued)

Geographical information

(a) Revenue from external customers

	2022 RMB'000	2021 <i>RMB'000</i>
Mainland China	32,614	31,298
Russia	343	2,948
	<u>32,957</u>	<u>34,246</u>

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

(b) Non-current assets

	2022 RMB'000	2021 <i>RMB'000</i>
Mainland China	23,093	9,628
Hong Kong	100	116
Russia	42,734	36,571
	<u>65,927</u>	<u>46,315</u>

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

Information about major customers

During the year, revenue of RMB14,891,000 (2021: RMB15,047,000) was derived from rendering of property leasing and property management services to a single customer.

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
<u>Revenue from contracts with customers</u>		
Rendering of property management services	19,626	10,758
Rendering of construction services	8,119	7,892
Parking fee	2,755	–
Sale of parking lots	2,114	2,938
Sale of gold	343	2,948
Sale of properties	–	9,195
Rendering of sales agency service	–	515
	<u>32,957</u>	<u>34,246</u>

Revenue from contracts with customers

Disaggregated revenue information

For the year ended 30 June 2022

	Property development, property leasing and property management services <i>RMB'000</i>	Gold mining <i>RMB'000</i>	Total <i>RMB'000</i>
<u>Segments</u>			
Type of goods or services			
Sale of parking lots	2,114	–	2,114
Parking fee	2,755	–	2,755
Property management services	19,626	–	19,626
Construction services	8,119	–	8,119
Sale of gold	–	343	343
	<u>32,614</u>	<u>343</u>	<u>32,957</u>
Total revenue from contracts with customers			
	<u>32,614</u>	<u>343</u>	<u>32,957</u>
Geographical markets			
Mainland China	32,614	–	32,614
Russia	–	343	343
	<u>32,614</u>	<u>343</u>	<u>32,957</u>
Total revenue from contracts with customers			
	<u>32,614</u>	<u>343</u>	<u>32,957</u>
Timing of revenue recognition			
Goods transferred at a point in time	2,114	343	2,457
Services transferred over time	30,500	–	30,500
	<u>32,614</u>	<u>343</u>	<u>32,957</u>
Total revenue from contracts with customers			
	<u>32,614</u>	<u>343</u>	<u>32,957</u>

4. REVENUE, OTHER INCOME AND GAINS (Continued)

Revenue from contracts with customers (Continued)

Disaggregated revenue information (Continued)

For the year ended 30 June 2021

	Property development, property leasing and property management services RMB'000	Gold mining RMB'000	Total RMB'000
<u>Segments</u>			
Type of goods or services			
Sale of properties	9,195	–	9,195
Sale of parking lots	2,938	–	2,938
Property management services	10,758	–	10,758
Construction services	7,892	–	7,892
Sales agency service	515	–	515
Sale of gold	–	2,948	2,948
	<hr/>	<hr/>	<hr/>
Total revenue from contracts with customers	31,298	2,948	34,246
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Geographical markets			
Mainland China	31,298	–	31,298
Russia	–	2,948	2,948
	<hr/>	<hr/>	<hr/>
Total revenue from contracts with customers	31,298	2,948	34,246
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Timing of revenue recognition			
Goods transferred at a point in time	12,648	2,948	15,596
Services transferred over time	18,650	–	18,650
	<hr/>	<hr/>	<hr/>
Total revenue from contracts with customers	31,298	2,948	34,246
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

4. REVENUE, OTHER INCOME AND GAINS (Continued)

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Other income		
Gain on disposal of a subsidiary	1,509	–
Sale of goods	667	–
Rental income from investment property operating leases:		
Fixed payments	566	350
Interest income from financial assets at fair value through profit or loss	442	1,002
Bank interest income	60	60
Others	363	344
	<u>3,607</u>	<u>1,756</u>
Gains		
Gain on disposal of items of property, plant and equipment	–	99
	<u>3,607</u>	<u>1,855</u>

5. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging:

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Cost of inventories sold	1,256	12,123
Cost of services provided	19,999	13,524
Depreciation	269	226
Amortisation	495	516
Minimum lease payments under operating leases	596	672
Auditor's remuneration	1,986	1,678
Staff costs (excluding directors' remuneration):		
Salaries and wages	12,965	10,250
Pension scheme contributions	626	497
	13,591	10,747
Foreign exchange differences, net*	395	74
Write-down of inventories to net realisable value*	–	2,823
Loss on disposal of investment properties*	257	–
Fair value loss on investment properties	110	800
Impairment of assets held for sale*	–	313
Provision for impairment of intangible assets	10,119	–
Impairment of financial assets:		
Impairment of trade receivables	833	–
Direct operating expenses (including repairs and maintenance) arising from rental-earning investment properties	–	61

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

6. 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 and Russia profits tax has been made (2021: Nil) as the Group did not generate any assessable profits in Hong Kong and Russia during the year. Taxes on profits assessable in Mainland China have been calculated at the rate of 25% (2021: 25%).

	2022	2021
	RMB'000	RMB'000
Current – Mainland China		
Provision for corporate income tax	2,991	1,661
Provision for land appreciation taxes (“LAT”)	420	1,304
Deferred	252	(1,344)
	<u> </u>	<u> </u>
Total tax charge for the year	3,663	1,621
	<u> </u>	<u> </u>

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 are domiciled to the tax expense at the effective tax rate is as follows:

	2022	2021
	RMB'000	RMB'000
Loss before tax	(13,128)	(5,538)
	<u> </u>	<u> </u>
Tax at the Mainland China statutory income tax rate of 25%	(3,282)	(1,384)
Lower tax rates on losses arising elsewhere*	2,338	1,775
Expenses not deductible for tax	1,814	14
Effect of withholding tax at 10% on the distributable profits of the Group’s PRC subsidiaries	1,556	332
Tax losses not recognised	922	2
Tax losses utilised from previous years	–	(96)
Provision for LAT	420	1,304
Tax effect of LAT	(105)	(326)
	<u> </u>	<u> </u>
Tax charge at the Group’s effective rate	3,663	1,621
	<u> </u>	<u> </u>

* *Elsewhere mainly represented Cayman Islands and Hong Kong*

7. DIVIDENDS

No final dividends were proposed for the years ended 30 June 2022 and 2021.

8. 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 RMB10,818,000 (2021: RMB6,381,000), and the weighted average number of ordinary shares of 2,894,091,737 (2021: 2,889,925,070) 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 2022 and 2021.

9. TRADE RECEIVABLES

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Trade receivables	33,820	16,911
Impairment	(833)	–
	<u>32,987</u>	<u>16,911</u>

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Within 1 month	11,499	4,245
1 to 2 months	1,750	1,329
2 to 3 months	1,950	4,235
Over 3 months	17,788	7,102
	<u>32,987</u>	<u>16,911</u>

A credit period of generally six months is granted to the property developer for whom the Group provides property management services, construction services and sales agency service.

10. 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:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Within 1 month	6,502	3,388
1 to 3 months	–	500
3 months to 1 year	30	1,036
Over 1 year	5,930	4,454
	<hr/> 12,462 <hr/>	<hr/> 9,378 <hr/>

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

MANAGEMENT DISCUSSION AND ANALYSIS

Results

For the Year, revenue of the Group amounted to approximately RMB32,957,000 (2021: RMB34,246,000), representing a decrease by approximately 3.8% as compared with last year. The decrease in revenue was mainly due to decrease of contribution from sales of properties.

During the Year, the Group recorded a gross profit of approximately RMB11,702,000 (2021: RMB8,599,000) and loss before tax of approximately RMB13,128,000 (2021: RMB5,538,000) respectively. The increase in gross profit was mainly due to increase in gross profit from property management services in relation to the acquired subsidiaries during the Year. The increase in loss before tax was mainly due to the provision for impairment of intangible assets occurred in the current year.

The loss attributable to owners of the Company for the Year was approximately RMB10,818,000 (2021: RMB6,381,000). Basic loss per share during the Year was RMB0.37 cents (2021: RMB0.22 cents).

Business Review

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 developed by the Anlu Taihe Real Estate Development Company# (“Anlu Taihe”) (安陸泰合房地產開發有限公司) and is wholly owned by the Group and is having positive contribution to the Group. The project comprises three phases, constructions were completed in 2007, 2009 and 2011 respectively, 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 Group had its wholly-owned subsidiaries of property management companies to provide the property management services such as Xuzhou Taihua Property Service Co., Ltd.# (“Xuzhou Taihua”) (徐州泰華物業管理有限公司) and Jiangsu Tianan Hongji Property Management Co., Ltd.# (“Jiangsu Tianan Hongji”) (江蘇天安鴻基物業管理有限公司).

During the Year, the Group completed the acquisition of 51% of equity interests in each of Shenzhen Hailian Property Management Co., Ltd.# (深圳市海聯物業有限公司) (“Shenzhen Hailian”) and Huizhou Huiyang Peninsula One Property Management Co., Ltd.# (惠州市惠陽半島壹號物業管理有限公司) (“Huizhou Huiyang”). Shenzhen Hailian and Huizhou Huiyang provide the property management services in Shenzhen and Huizhou, and have 864 units parking lots in Huizhou, in which, the size of the property under management are approximately 3,050,000 square meters in aggregate.

Some of the properties are held by the Group as investment purpose to generate rental income. Properties held by the Group for investment purpose are classified as investment properties and stated at fair value as at 30 June 2022.

English name is for identification only

During the Year, the PRC property market condition was more difficult as compared with that of last year. The Group expected the property management services in Xuzhou, Shenzhen and Huizhou would significantly improve the property leasing and property management services business's scales and the source of revenue of the Group.

During the Year, the property development, property leasing and property management services segment recorded a profit of approximately RMB6,928,000 as compared to a profit of approximately RMB4,813,000 in 2021. As at 30 June 2022, the property development, property leasing and property management services business had segment assets of approximately RMB161,085,000 (2021: RMB133,622,000) and segment liabilities of approximately RMB44,258,000 (2021: RMB34,714,000). The property development, property leasing and property management services shared 63% of the Group's total assets.

Gold Mining Business

The Group owned 34,230 shares ("51% equity interests") of Commerce Prosper Limited and investment costs was US\$13 million (RMB81.7 million). Commerce Prosper Limited owned 100% equity interests of Zolotoy Standart Limited (the "Gold Mining Company"). 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. Due to the war and the Covid-19 pandemic, most of the Russian labours have been infected and refused to go out for mining work. The Group had no choice but to temporarily suspend the mining operation in 2022. The Group expects the Covid-19 vaccines are stable and effective, and the Russia gold mine will resume the normal production in 2023. During the Year, the Group had sold the gold sand from the outsourcing contractor's production.

The Group engaged an independent professional qualified valuer (the "Valuer"), to assess the recoverable amount of the Russia gold mine as at 30 June 2022. The Valuer then compiled a valuation report (the "Valuation Report"), explaining the valuation methodology, assumptions, and key parameters adopted.

In the Valuation Report, the Valuer adopted the excess earning method under the income approach to assess the recoverable amount of the mining and exploration rights and exploration and evaluation assets of the Russia gold mine. The valuation was prepared in consideration of the future profitability projected by the Russia gold mine.

The adopted gold price in the valuation ranged from USD1,865 per oz to USD2,033 per oz for the period from July 2023 to June 2028. These prices were made reference from the commodity price forecast extracted from Bloomberg as well as the expected US inflation rate from Oxford Economics.

The Valuer adopted a pre-tax discount rate of 38.99% to calculate the present value of the future expected excess earnings generated from the mining and exploration rights and exploration and evaluation assets as at the valuation date.

With the above parameters and assumptions, the Valuer estimated in their Valuation Report that the fair value of the mining and exploration rights and exploration and evaluation assets of the Russia gold mine as at 30 June 2022 was RMB41 million.

During the Year, the gold mining segment recorded a loss of approximately RMB343,000 as compared to a profit of approximately RMB398,000 in 2021. As at 30 June 2022, the gold mining business had segment assets of approximately RMB48,102,000 (2021: RMB43,109,000) and segment liabilities of approximately RMB154,000 (2021: RMB290,000). The gold mining segment shared 19% of the Group's total assets. There was no dividend income from the gold mining segment during the Year.

Geographic Information

Revenue from operations derived from sales to external customers located in Mainland China and Russia are RMB32,614,000 (2021: RMB31,298,000) and RMB343,000 (2021: RMB2,948,000) respectively.

Business Prospects

The property management business in Xuzhou City, Jiangsu Province, the PRC, will 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. The property management business in Xuzhou City are implementing the precautionary measures against Covid-19 pandemic to protect our staff and customers. The Group will enhance the management services and provide the tailor-made services to our customers in Xuzhou.

The Group had 519 units parking lots and 3 blocks of 3-storey commercial buildings, which comprises Block 10, Block 11 and Block 12 in the Xuzhou Yueqiao Flower Garden Project# (徐州月橋花院項目). The Directors expect that the Xuzhou property and property management business will continue contributing positive contribution to the Group.

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During the Year, the Group completed the acquisition of 51% of equity interests in each of Shenzhen Hailian and Huizhou Huiyang. Shenzhen Hailian and Huizhou Huiyang provide the property management services in Shenzhen and Huizhou, and have 864 units parking lots in Huizhou, in which, the size of the property under management are approximately 3,050,000 square meters in aggregate. The property management portfolio and geographic layout of property management business of the Group will be expanded from Xuzhou to Huizhou and Shenzhen, which are both located in the Guangdong-Hong Kong-Macao Greater Bay Area (the “Great Bay Area”). According to the Outline Development Plan for the Greater Bay Area# (粵港澳大灣區發展規劃綱要) issued by The State Council of the People’s Republic of China in February 2019, both Huizhou and Shenzhen are the cities that becoming the focus of the future development of the Great Bay Area. Therefore, the Group believes that Huizhou and Shenzhen have growth potential. In addition, the acquisition is expected to significantly improve the property management scale and the source of revenue of the Group.

There are only remaining few inventories for sales in the Anlu Taihe project. The Group does not expect Anlu Taihe will contribute significant income in the future.

As for the gold mining business, the Group will continue to sign the contract with the outsourcing contractor in the coming years. Also, the Group will also invite and negotiate with the other outsourcing contractors in the coming years. The Group would like to obtain the better terms with outsourcing contractors. In this case, the Group does not expect the Russia gold mine will contribute significant income in 2023.

Looking ahead, the Group will search for the potential acquisition projects to expand the management services business in the Greater Bay Area in the PRC.

Liquidity and Financial Resources and Capital Structure

For the year ended 30 June 2022, the Group’s working capital requirement was principally financed by its internal resources.

As at 30 June 2022, the Group had cash and cash equivalents, net current assets and total assets less current liabilities of approximately RMB29,643,000 (2021: RMB51,622,000), RMB74,072,000 (2021: RMB88,202,000) and RMB148,382,000 (2021: RMB139,278,000), respectively.

As at 30 June 2022, the Group had no interest-bearing borrowings (2021: Nil).

Total equity attributable to owners of the Company as at 30 June 2022 decreased by approximately RMB2,712,000 to approximately RMB114,346,000 (2021: RMB117,058,000). The gearing ratio (calculated as the ratio of net debt: capital and net debt) of the Group as at 30 June 2022 was 27.81% (2021: net cash position).

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Significant Investments

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

Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

Disposal of 51% Equity Interests of Guangzhou Integration Chain Life Technology Co., Ltd.

On 30 June 2022, the Group entered into the equity transfer agreement, pursuant to which the Group agreed to sell and the purchaser agreed to acquire 51% equity interests of Guangzhou Integration Chain Life Technology Co., Ltd.[#] (“Guangzhou Integration”) (廣州融匯鏈生活科技有限公司), at the consideration of RMB0.51 million (equivalent to approximately HK\$0.63 million) by cash settlement. The transaction was completed on 30 June 2022. The highest applicable percentage ratio (as defined under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”)) in respect of the transaction was less than 5% under Chapter 14 of the Listing Rules.

Very Substantial Acquisition: Acquisition of 51% Equity Interests of Property Management Companies

On 18 January 2022, 深圳融匯控股集團有限公司 (Shenzhen Integration Holding Group Co. Ltd.[#]) (the “Purchaser”), a wholly-owned subsidiary of the Company, 中建蛇口發展有限公司 (China Construction Shekou Development Co., Ltd.[#]) (the “Vendor”), Shenzhen Hailian and Huizhou Huiyang entered into a conditional equity transfer agreement (the “Agreement”), pursuant to which the Purchaser conditionally agreed to acquire and the Vendor conditionally agreed to sell 51% equity interests in each of Shenzhen Hailian and Huizhou Huiyang, at the consideration of RMB15.50 million (equivalent to approximately HK\$19.07 million), which was satisfied by cash.

An extraordinary general meeting (the “EGM”) was held on 19 April 2022 for the shareholders to consider, and if thought fit, to approve, the Agreement and the transactions contemplated thereunder and the ordinary resolution in relation to the Agreement was duly passed by way of poll at the EGM.

Details of the acquisition are set out in the announcements of the Company dated 18 January 2022, 28 February 2022 and 19 April 2022 and in the circular of the Company dated 25 March 2022. The transaction was completed on 29 April 2022.

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

[#] English name is for identification only

Employees' Information

Emolument Policy and Long-Term Incentive Scheme

As at 30 June 2022, the Group employed a total of 449 (2021: 72) 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. The Group also provides a comprehensive benefit package and career development opportunities, including retirement schemes, medical benefits, and both internal and external training appropriate to individual needs. During the Year, the employment cost (including Directors' emoluments) amounted to approximately RMB14,255,000 (2021: RMB11,291,000). For the purpose of providing appropriate long-term incentive to the Group's employees, share options may be granted to staff, Directors and consultants under the Company's 2019 share option scheme (the "2019 Share Option Scheme") adopted in 2019. As at the date of this announcement, no option has been granted under the 2019 Share Option Scheme.

Basis of Determining Emolument to Directors

Apart from benchmarking against the market, the Company looks at individual competence and contributions in determining the exact level of remuneration for each Director. Appropriate benefits schemes are in place for the Company's Directors, including the share option scheme.

Retirement Benefit Scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those Hong Kong employees who are eligible to participate in the MPF Scheme, which contributions are made based on a percentage of the employees' basic salaries and the employees of the Group's subsidiaries which operates in Mainland China are required to participate in a central pension scheme (the "Central Pension Scheme", together with the MPF Scheme, the "Defined Contribution Schemes") operated by the local municipal government, which these subsidiaries are required to contribute a certain percentage, which was pre-determined by the local municipal government, of the sum of basic salary and allowance of employees to the Central Pension Scheme. The contributions by the Group for the Defined Contribution Schemes are charged to the statement of profit or loss as they become payable in accordance with the relevant rules of the respective schemes.

The Group's contributions to the Defined Contribution Schemes vest fully and immediately with the employees. Accordingly, (i) for each of the two years ended 30 June 2021 and 30 June 2022, there was no forfeiture of contributions under the Defined Contribution Schemes; and (ii) there were no forfeited contributions available for the Group to reduce its existing level of contributions to the Defined Contribution Schemes as at 30 June 2021 and 30 June 2022.

For each of the two years ended 30 June 2021 and 30 June 2022, the Group did not have any defined benefit plan.

Charges on Group Assets

As at 30 June 2022, none of the Group's assets were pledged to secure general banking facilities to the Group (2021: 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 2022.

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 also manages its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposure such as Hong Kong Dollars and Russian ruble. The Group has not used any hedging arrangement to hedge its foreign exchange risk exposure. As the assets and liabilities of each company within the Group are mainly denominated in the respective company's functional currency, the Group's volatility of its profits against changes in exchange rates of foreign currencies would not be significant.

Capital Commitments

As at 30 June 2022, the Group had no capital commitments (2021: Nil).

Contingent Liabilities

As at 30 June 2022, the banking facilities of RMB460,000 were granted to buyers of certain properties developed by the Group (2021: RMB460,000).

DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 30 June 2022 (2021: 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 C.2.1

Under the code provision C.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 C.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 C.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 under the section headed “Business Prospects” above, no important events affecting the Group has occurred since the end of the Year.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

The results announcement of the Group for the year ended 30 June 2022 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, 29 September 2022

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