



# KINGWELL GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1195

ANNUAL REPORT **2021**

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# Corporate Information

## DIRECTORS

Mu Dongsheng (*Chairman and Chief Executive Officer*)  
Du Yun  
Cheung Chuen\*  
Ling Aiwen\*  
Lu Lin\*

\* Independent Non-executive Director

## COMPANY SECRETARY

Poon Yan Wai

## AUTHORISED REPRESENTATIVES

Mu Dongsheng  
Poon Yan Wai

## AUDIT COMMITTEE

Ling Aiwen (*Chairman*)  
Cheung Chuen  
Lu Lin

## REMUNERATION COMMITTEE

Ling Aiwen (*Chairman*)  
Mu Dongsheng  
Cheung Chuen

## NOMINATION COMMITTEE

Mu Dongsheng (*Chairman*)  
Ling Aiwen  
Lu Lin

## CORPORATE GOVERNANCE COMMITTEE

Lu Lin (*Chairman*)  
Ling Aiwen  
Cheung Chuen

## LEGAL ADVISOR FOR CAYMAN ISLANDS LAW

Conyers Dill & Pearman

## AUDITOR

Ernst & Young

## REGISTERED OFFICE

Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman  
KY1-1111  
Cayman Islands

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Units 314-315  
Wing On Plaza  
62 Mody Road  
Tsim Sha Tsui East  
Kowloon, Hong Kong

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Suntera (Cayman) Limited  
Suite 3204, Unit 2A, Block 3  
Building D,  
P.O. Box 1586  
Grand Cayman KY1-1110  
Cayman Islands

## HONG KONG BRANCH REGISTRAR AND TRANSFER OFFICE

Hong Kong Registrars Limited  
Shops 1712-1716, 17th Floor  
Hopewell Centre  
183 Queen's Road East  
Wanchai, Hong Kong

## TRADING CODE ON THE STOCK EXCHANGE OF HONG KONG LIMITED

1195

## WEBSITE

<http://kingwell.todayir.com>

# Financial Results

- Revenue for the Year decreased to approximately RMB34.2 million.
- Gross profit for the Year was approximately RMB8.6 million.
- Loss before tax for the Year decreased to approximately RMB5.5 million.
- Loss for the Year attributable to owners of the Company was approximately RMB6.4 million.
- Total comprehensive loss for the Year attributable to owners of the Company was approximately RMB10.4 million.
- Basic loss per share attributable to ordinary equity holders of the Company was RMB0.22 cents.
- Total equity of the Group decreased to RMB137.9 million.

# Chairman's Statement

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of Kingwell Group Limited ("Kingwell" or the "Company"), I am presenting the financial report of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 30 June 2021 (the "Year").

The property management business in Xuzhou City, Jiangsu Province, the People's Republic of China (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 to protect our staff and customers. The Group will enhance the management services and provide the tailor-made services to our customers in Xuzhou.

In addition, the Group has completed the acquisition of 700 parking lots 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 expanded its property related business segment in PRC. The Group had acquired the 3 blocks of 3-storey commercial buildings, which comprises of 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.

There is only remaining few cargo tails for sales in the Anlu Taihe project. The Group does not expect the Anlu Taihe will continue to 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 year. The Group would like to obtain the better terms with outsourcing contractors. In this case, the Group do not expect the Russia gold mine will provide positive income in 2021.

The Group has established Shenzhen Integration Holding Group Co., Ltd.# ("深圳融匯控股集團有限公司") in Shenzhen, PRC and Guangzhou Integration Environmental Technology Co., Ltd.# ("廣州融匯環境科技有限公司") in Guangzhou, PRC. Looking ahead, the Group will search for light assets and new potential investment opportunities in Shenzhen and Guangzhou to join the Greater Bay Area development in the PRC.

Finally, I would like to express my greatest gratitude to the Board, management and staff of the Group for their strenuous contribution in the past year. Furthermore, I would also like to take this opportunity to sincerely thank our customers, suppliers, business partners and shareholders for their continuous support and trust. I believe all members of the Group will dedicate their best effort to drive business growth and to deliver enhanced returns to shareholders.

**Mu Dongsheng**

*Chairman*

Hong Kong, 29 September 2021

\* English name is for identification only

# Management Discussion and Analysis

## RESULTS

For the Year, revenue of the Group amounted to approximately RMB34,246,000 (2020: RMB44,634,000), representing a decrease of approximately 23.3% as compared with last year. The decrease in revenue was mainly due to decrease of contribution from sales of properties and sales agency service.

During the Year, the Group recorded a gross profit of approximately RMB8,599,000 (2020: RMB13,159,000) and loss before tax of approximately RMB5,538,000 (2020: RMB21,042,000) respectively. The decrease in gross profit was mainly due to decrease in gross profit from the sale of properties and sales agency service. The decrease in loss before tax was mainly due to no provision for impairment of intangible assets occurred in the current year.

The loss attributable to owners of the Company for the Year was approximately RMB6,381,000 (2020: RMB13,235,000). Basic loss per share during the Year was RMB0.22 cents (2020: RMB0.46 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<sup>#</sup> (the “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 enlarged the existing property development and property leasing business to include the provision of management services, in which, the Group wholly owned Xuzhou Taihua Property Service Co., Ltd.<sup>#</sup> (the “Xuzhou Taihua”) (“徐州泰華物業管理有限公司”) and Jiangsu Tianan Hongji Property Management Co., Ltd.<sup>#</sup> (the “Jiangsu Tianan Hongji”) (“江蘇天安鴻基物業管理有限公司”).

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 2021.

During the Year, the PRC property market condition was more difficult as compared with that of the last year, but the sale of properties and rendering of property management service business in PRC, continued to contribute positive contribution to the Group.

During the Year, the property development, property leasing and property management services segment recorded a profit of approximately RMB4,813,000 as compared to a profit of approximately RMB11,195,000 in 2020. As at 30 June 2021, the property development, property leasing and property management services business had segment assets of approximately RMB133,622,000 (2020: RMB140,378,000) and segment liabilities of approximately RMB34,714,000 (2020: RMB32,396,000). The property development, property leasing and property management services shared 72% of the Group’s total assets.

# Management Discussion and Analysis (Continued)

## 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 Covid-19 the Group expects the Russia gold mine will only maintain the minimum operation by the outsourcing contractor in 2021. 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 2021. 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 USD1,713 per oz to USD1,931 per oz for the period from July 2021 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 Gold Mining Company has entered into an arrangement with a subcontractor. The subcontractor will share 70% of the revenue of the Russia gold mine for their portion of work while the Gold Mining Company will share the remaining 30%.

The Valuer adopted a Pre-tax discount rate of 26.88% 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 2021 was RMB42 million.

During the Year, the gold mining segment recorded a profit of approximately RMB398,000 as compared to a loss of approximately RMB628,000 in 2020. As at 30 June 2021, the gold mining business had segment assets of approximately RMB43,109,000 (2020: RMB49,748,000) and segment liabilities of approximately RMB290,000 (2020: RMB164,000). The gold mining segment shared 23% 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 RMB31,298,000 (2020: RMB44,634,000) and RMB2,948,000 (2020: Nil) respectively.

# Management Discussion and Analysis (Continued)

## 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 to protect our staff and customers. The Group will enhance the management services and provide the tailor-made services to our customers in Xuzhou.

In addition, the Group has completed the acquisition of 700 parking lots 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 expanded its property related business segment in PRC. The Group had acquired the 3 blocks of 3-storey commercial buildings, which comprises of 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.

There is only remaining few cargo tails for sales in the Anlu Taihe project. The Group does not expect the Anlu Taihe will continue to 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 year. The Group would like to obtain the better terms with outsourcing contractors. In this case, the Group do not expect the Russia gold mine will provide positive contribution in 2021.

The Group has established Shenzhen Integration Holding Group Co., Ltd.# (“深圳融匯控股集團有限公司”) in Shenzhen, PRC and Guangzhou Integration Environmental Technology Co., Ltd.# (“廣州融匯環境科技有限公司”) in Guangzhou, PRC. Looking ahead, the Group will search for light assets and new potential investment opportunities in Shenzhen and Guangzhou to join the Greater Bay Area development in the PRC.

## LIQUIDITY AND FINANCIAL RESOURCES AND CAPITAL STRUCTURE

For the year ended 30 June 2021, the Group's working capital requirement was principally financed by its internal resources.

As at 30 June 2021, the Group had cash and cash equivalents, net current assets and total assets less current liabilities of approximately RMB51,622,000 (2020: RMB84,596,000), RMB88,202,000 (2020: RMB95,405,000) and RMB139,278,000 (2020: RMB155,122,000), respectively.

As at 30 June 2021, the Group had no interest-bearing borrowings (2020: Nil).

Total equity attributable to owners of the Company as at 30 June 2021 decreased by approximately RMB9,599,000 to approximately RMB117,058,000 (2020: RMB126,657,000). The gearing ratio (calculated as the ratio of net debt: capital and net debt) of the Group as at 30 June 2021 was in a net cash position (2020: net cash position).

## SIGNIFICANT INVESTMENTS

The Group held no significant investment during the Year.

# Management Discussion and Analysis (Continued)

## Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

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

## Major transaction in relation to the acquisition of the commercial buildings

On 14 August 2020, the Group had entered into a sale and purchase agreement (the “Sale and Purchase Agreement”) with Xuzhou City Zhongwei Real Estate Co., Ltd.# (徐州市中維地產有限公司) (the “Vendor”), pursuant to which the Group conditionally agreed to purchase, and the Vendor conditionally agreed to sell, the 3 blocks of 3-storey commercial buildings, which comprises of Block 10, Block 11 and Block 12 in the Xuzhou Yueqiao Flower Garden Project# (徐州月橋花院項目) developed by the Vendor at a consideration of RMB40,000,000 (equivalent to approximately HK\$44,400,000) (the “Acquisition”). The Acquisition was completed in January 2021.

Details of the Acquisition are set out in the announcements of the Company dated 14 August 2020, 27 August 2020, 20 October 2020, 13 November 2020, 27 November 2020, 11 December 2020, 18 December 2020, 31 December 2020, 4 January 2021, 7 January 2021 and 25 January 2021 and in the circular of the Company dated 8 January 2021.

## EMPLOYEES' INFORMATION

As at 30 June 2021, the Group employed a total of 72 (2020: 87) 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 RMB11,291,000 (2020: RMB9,830,000). 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 2019 share option scheme (the “2019 Share Option Scheme”) approved in 2019. As at the date of this report, no option has been granted under the 2019 Share Option Scheme.

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the “MPF Scheme”) under the Mandatory Provident Fund Schemes Ordinance for all of those employees in Hong Kong who are eligible to participate. Contributions are made based on a percentage of the employees' basic salaries. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme. During the year, the Group had no forfeited contributions under the MPF Scheme utilised to reduce the existing levels of contributions.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension scheme.

## CHARGES ON GROUP ASSETS

As at 30 June 2021, none of the Group's assets were pledged to secure general banking facilities to the Group (2020: Nil).

# Management Discussion and Analysis (Continued)

## 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 2021.

## 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 2021, the Group had no capital commitments (2020: Nil).

## CONTINGENT LIABILITIES

As at 30 June 2021, the banking facilities of RMB460,000 were granted to buyers of certain properties developed by the Group (2020: RMB2,480,000).

## DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 30 June 2021 (2020: Nil).

## ISSUE OF ORDINARY SHARES

On 4 November 2020, 3,000,000 non-redeemable convertible preferred shares of the Company with aggregate principal amount of HK\$3,000,000 were converted into 10,000,000 ordinary shares to Union Day Group Limited under the acquisition agreement dated 26 April 2011. The non-redeemable convertible preferred shares were converted into ordinary shares of the Company at a conversion price of HK\$0.30 per share.

As a result of the full conversion of the non-redeemable convertible preferred shares, the total number of issued shares of the Company were 2,894,091,737 shares as at 30 June 2021. Union Day Group Limited continues to be substantial shareholder of the Company who holds in 394,198,376 shares of the Company, representing approximately 13.62% of the total number of issued shares of the Company as enlarged by the allotment and issue of the 10,000,000 ordinary shares.

# English name is for identification only

# Biographical Information of Directors and Senior Management

## DIRECTORS

### Executive Directors

Mr. Mu Dongsheng (穆東升), aged 51, is an executive Director, Chairman, authorised representative and chief executive officer of the Company since January 2016. He has 24 years of working experience in management in both government and private sector in the PRC and abroad. He holds a Master's Degree in Laws from the Beijing Foreign Affairs College. Mr. Mu was appointed as an executive Director on 15 January 2016 and was a consultant of the Company prior to joining the Company. Mr. Mu is also a member of the remuneration committee of the Company and the Chairman of the nomination committee of the Company.

Mr. Du Yun (杜雲), aged 48, is an executive Director of the Company since June 2020. He is the Guangzhou Region Deputy General Manager of the Yango Group Limited<sup>#</sup> (陽光城集團廣州區域副總經理) since January 2018. He was the associate dean of the Guangdong Provincial Academy of Building Research College<sup>#</sup> (廣東省建築設計研究院副院長) from July 2011 to January 2018. He was the director of the Guangzhou City Urban and Rural Construction Committee Highway Department<sup>#</sup> (廣州市城鄉建設委員會公路建設處處長) from October 2010 to July 2011. He was the director of the Guangzhou City Municipal Garden Technology Department<sup>#</sup> (廣州市市政園林局科技處處長) from February 2009 to October 2010. Mr. Du has over 26 years of experience working experience in both government and private sector in PRC. Mr. Du obtained a Doctor of Geotechnical Engineering degree (岩土工程學博士) from the China University of Mining and Technology (中國礦業大學) in 2001. Mr. Du also is a senior engineer. Mr. Du was appointed as an executive Director on 19 June 2020.

### Independent Non-executive Directors

Mr. Cheung Chuen (張全), aged 47, is an independent non-executive Director of the Company since September 2004. He is a certified public accountant practicing in the United States of America and Hong Kong. Mr. Cheung graduated from Hong Kong Shue Yan University in 1999 with majoring in accounting and obtained a master degree in professional accounting from the Hong Kong Polytechnic University in 2004. He is a member of the American Institute of Certified Public Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants. Mr. Cheung has over the years gained extensive experience in accounting and auditing. He has been appointed as an independent non-executive Director of the Company since 30 September 2004. Mr. Cheung currently is an executive director of China High Precision Automation Group Limited (stock code: 591), a listed company in Hong Kong. Mr. Cheung is also a member of each of the audit committee, remuneration committee and corporate governance committee of the Company.

Mr. Ling Aiwen (凌愛文), aged 42, is an independent non-executive Director of the Company since July 2015. He is the executive general manager and A-share sponsor representative of the Jiuzhou Securities Company since March 2015. He was the executive director of the Goldman Sachs (Asia) & Goldman Sachs Gaohua Securities Company from 2011 to 2014. Mr. Ling has working experience in various securities firms in PRC, and has over 19 years of experience in the investment banking field. Mr. Ling graduated from the University of Science and Technology of China with Dual Bachelors' Degree in Management Science & Engineering, and in Computer Science. Mr. Ling also holds a Master's degree in Management Science from the Peking University. Mr. Ling has been appointed as an independent non-executive Director of the Company on 31 July 2015. Mr. Ling is also the Chairman of each of the audit committee and remuneration committee of the Company and a member of each of the nomination committee and corporate governance committee of the Company.

<sup>#</sup> English name is for identification only

# Biographical Information of Directors and Senior Management (Continued)

## Independent Non-executive Directors (Continued)

Mr. Lu Lin (盧霖), aged 46, is an Independent Non-executive Director of the Company since April 2019. He is the senior advisor of the Changan International Trust Co., Ltd. since May 2014. He was the director of the RSM International from May 2011 to April 2014. He was the senior investment analyst of the Triangle Capital from April 2010 to May 2011. He was the manager of the Property Investment Fund, Property Dimensions from January 2008 to April 2010. Mr. Lu has working experience in various investment sector in PRC and United Kingdom, and has over 20 years of experience in the investment and management field. He has been appointed as an Independent Non-executive Director of the Company on 30 April 2019. Mr. Lu is also a member of each of the audit committee and the nomination committee of the Company and the chairman of the corporate governance committee of the Company.

## SENIOR MANAGEMENT

Mr. Poon Yan Wai (潘仁偉), aged 51, is the financial controller, company secretary and authorised representative of the Company since March 2011. Mr. Poon joined the Company in March 2011 and has over 20 years of experience in the auditing and accounting field. Mr. Poon is a Fellow Member of the Hong Kong Institute of Certified Public Accountants. He also holds a Bachelor's degree in Accountancy and Master's degree in Corporate Finance from the Hong Kong Polytechnic University.

# Corporate Governance Report

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.

## A. SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code of Securities Transaction by Directors of Listed Issuers (the “Model Code”) set out in Appendix 10 of the Listing Rules as its own code of conduct regarding securities transactions by the Directors.

Having made specific enquiries of all Directors, the Company confirmed that all Directors have complied with the required standard set out in the Model Code throughout the Year.

## B. BOARD OF DIRECTORS

### 1. Composition of the Board of Directors

As at 30 June 2021, the Board consisted of two executive Directors and three independent non-executive Directors. Each of Directors’ respective biographical details are set out in the section headed “Biographical Information of Directors and Senior Management” of this annual report.

The composition of the Board is well balanced with each Director having sound knowledge, experience and/or expertise relevant to the business of the Group. To the best knowledge of the Company, save as disclosed in the section headed “Biographical Information of Directors and Senior Management” of this annual report, there is no financial, business, family or other material/relevant relationship among members of the Board (including the Chairman and the Chief Executive Officer).

# Corporate Governance Report (Continued)

## 2. Role and Functions of the Board of Directors

The Board is accountable to the shareholders for managing the Company in a responsible and effective manner. Also, the Board decides on overall strategies and monitors the Group's performance.

The Board is responsible for the oversight of the Company's business and affairs with the objective of enhancing shareholder value. The Board also makes decisions on matters such as approving the annual results and interim results, notifiable and connected transactions, appointment and re-appointment of Directors, declaring dividends and adopting accounting policies, etc. Details of the experience and qualifications of Directors are set out in the section headed "Biographical Information of Directors and Senior Management" of this annual report.

The Board delegates the authority and responsibility for implementing day-to-day operations, business strategies and management of the Group's businesses to the Executive Directors and the management. When the Board delegates aspects of its management and administration functions to the management, it has given clear directions as to the powers of the management, in particular, with respect to the circumstances where the management shall report back and obtain prior approval from the Board before making decisions or entering into any commitments on behalf of the Company.

## 3. Board Meetings and Board Practices

During the Year, the Board conducted 6 meetings and the Board will meet on other occasions when a board level decision on a particular matter is required. The attendance records of those meetings held are set out below:

<b>Directors' Attendance at Board Meetings</b>	<b>No. of attendance</b>
<b>Executive Directors</b>	
Mr. Mu Dongsheng	6
Mr. Du Yun	6
<b>Independent Non-executive Directors</b>	
Mr. Cheung Chuen	6
Mr. Ling Aiwen	6
Mr. Lu Lin	6

The Directors will receive details of agenda items for decision and detail documents in advance of each Board meeting. The Company Secretary is responsible for distributing detailed documents to Directors prior to the Board meetings to ensure that the Directors are able to make informed decisions regarding the matters discussed in the meetings. The Company Secretary is also responsible for ensuring the procedures of the Board meetings are observed and providing to the Board opinions on matters in relation to the compliance with the procedures of the Board meetings.

# Corporate Governance Report (Continued)

## 4. General Meetings

During the Year, the Company convened two general meetings. In which, one extraordinary general meeting held on 25 January 2021 and one annual general meeting held on 16 December 2020.

Directors' Attendance at General Meetings	No. of attendance
<b>Executive Directors</b>	
Mr. Mu Dongsheng	1/2
Mr. Du Yun	1/2
<b>Independent Non-executive Directors</b>	
Mr. Cheung Chuen	2/2
Mr. Ling Aiwen	1/2
Mr. Lu Lin	1/2

## 5. Directors' Training

According to the code provision A.6.5 of the CG Code, all Directors should participate in a programme of continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the board remains informed and relevant. The Company should be responsible for arranging and funding training, placing an appropriate emphasis on the roles, functions and duties of the Directors of the Company. The Company continuously updates the Directors on the latest development regarding the Listing Rules and other applicable regulatory requirements, to ensure compliance and enhance their awareness of good corporate governance practices.

During the Year, the Directors participated in the following continuous professional development:

Name of Directors	Training organized by the Company <sup>1</sup>	Reading materials updating on new rules and regulations
<b>Executive Directors</b>		
Mr. Mu Dongsheng	✓	✓
Mr. Du Yun	✓	✓
<b>Independent Non-executive Directors</b>		
Mr. Cheung Chuen	✓	✓
Mr. Ling Aiwen	✓	✓
Mr. Lu Lin	✓	✓

Notes:

1. Professional training was arranged by the Company to update the Directors' knowledge.
2. The Company received from each of the Directors the confirmations on taking continuous professional training.

# Corporate Governance Report (Continued)

## 6. Independent Non-executive Directors

In compliance with Rule 3.10(1) of the Listing Rules, there are three independent non-executive Directors representing more than one third of the Board. Among the three independent non-executive Directors, one of them has appropriate professional qualifications in accounting or relevant financial management expertise as required by Rule 3.10(2) of the Listing Rules.

The independent non-executive Directors bring independent judgment on issues of strategy, performance and risk. The Company has received from each of the independent non-executive Directors written confirmations of their independence pursuant to Rule 3.13 of the Listing Rules. Based upon the said confirmations, the Board considers that all the independent non-executive Directors are independent.

## 7. Chairman and Chief Executive Officer

CG Code provisions A.2.1 stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. The Company does not segregate the roles of chairman and chief executive officer and Mr. Mu Dongsheng currently holds both of the Chairman and chief executive officer positions, as explained in the paragraph headed “Code Provision A.2.1” above in the Corporate Governance Report.

## 8. Appointment, Re-election and Removal of Directors

According to the articles of association of the Company, one-third of the Directors are required to retire from office at each annual general meeting, provided that every Director shall be subject to retirement by rotation at least once in every three years.

According to the code provision A.4.1 of the CG Code, independent non-executive Directors should be appointed for a specific term of service. Mr. Cheung Chuen, Mr. Ling Aiwen and Mr. Lu Lin were appointed as independent non-executive Directors on 30 September 2004, 31 July 2015 and 30 April 2019, their appointment letters have been signed with the Company for a term of one year commencing from 1 January 2021, 31 July 2021 and 30 April 2021, respectively. According to their terms of service, Mr. Cheung Chuen, Mr. Ling Aiwen and Mr. Lu Lin are subject to retirement by rotation and offer themselves for re-election in accordance with the articles of association of the Company.

## 9. Remuneration of Directors and Senior Management

The emoluments of the members of the senior management by band for the year ended 30 June 2021 are set out below:

	Number of members	
	2021	2020
Emolument bands		
Nil to HK\$1,000,000	–	–
HK\$1,000,001 to HK\$1,500,000	1	1

Further particulars regarding Directors' emoluments and the five highest paid individuals as required to be disclosed pursuant to Appendix 16 to the Listing Rules are set out in notes 8 and 9 to the financial statements.

# Corporate Governance Report (Continued)

## C. BOARD COMMITTEES

### 1. Remuneration Committee

The Company established a remuneration committee (the “Remuneration Committee”) in November 2005 with written terms of reference no less exacting terms than the CG Code. The Remuneration Committee is responsible for advising the Board on the remuneration policy and framework of the Directors and senior management, as well as reviewing and having delegated responsibility to determine the remuneration packages of individual executive directors and senior management, including benefits in kinds, pension rights and compensation payments, with reference to the Company’s objectives from time to time.

As at 30 June 2021, the Remuneration Committee consisted of three members, comprising one executive Director, Mr. Mu Dongsheng, and two independent non-executive Directors, Mr. Ling Aiwen and Mr. Cheung Chuen. Mr. Ling Aiwen is the chairman of the Remuneration Committee. During the Year, two meetings were held to review the remuneration packages of the Board and the senior management. The attendance records of the Remuneration Committee meetings held are set out below:

Directors’ Attendance at Remuneration Committee Meetings	No. of attendance
Mr. Ling Aiwen ( <i>Chairman of the Remuneration Committee</i> )	2/2
Mr. Cheung Chuen	2/2
Mr. Mu Dongsheng	2/2

### 2. 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 auditor in matters within the scope of the Group’s audit. The duties of the Audit Committee are to review and discuss on the effectiveness of the external audit and risk evaluation of the Company, as well as the Company’s annual report and accounts, interim reports and to provide advice and comments to the Board. The Audit Committee is also responsible for reviewing and supervising the Group’s financial reporting, risk management and internal control systems. The Audit Committee has reviewed the annual results of the Group for the Year.

As at 30 June 2021, the Audit Committee consisted of three members and they are all the independent non-executive Directors, namely Mr. Cheung Chuen, Mr. Ling Aiwen and Mr. Lu Lin. Mr. Ling Aiwen is the chairman of the Audit Committee. During the Year, two meetings were held to review the consolidated financial statements for the Year and the unaudited condensed consolidated interim financial statements for the six months ended 31 December 2020 with the recommendations to the Board for approval; and to review the accounting principals and policies adopted by the Group and its system of risk management and internal control systems. The attendance records of the Audit Committee meetings held are set out below:

Directors’ Attendance at Audit Committee Meetings	No. of attendance
Mr. Ling Aiwen ( <i>Chairman of the Audit Committee</i> )	2/2
Mr. Cheung Chuen	2/2
Mr. Lu Lin	2/2

# Corporate Governance Report (Continued)

## 3. Nomination Committee

The Company established a nomination committee (the “Nomination Committee”) on 26 March 2012 with written terms of reference no less exacting terms than CG Code. The Nomination Committee is responsible for electing and recommending candidates for directorship, based on assessment of their professional qualifications and experience and is also responsible for assessing the independence of each Independent Non-executive Director.

### Nomination Policy

The Board has adopted the nomination policy (the “Nomination Policy”) on 26 September 2018 which sets out the nomination criteria and procedures for the Company to select candidate(s) for possible inclusion in the Board. The Nomination Policy could assist the Company to achieve board diversity in the Company and enhance the effectiveness of the Board and its corporate governance standard.

When assessing the suitability of a candidate, factors such as the qualifications, skills, integrity and experience will be taken into consideration as a whole. In the case of independent non-executive Directors, they must further satisfy the independence criteria set out within Rule 3.13 of the Listing Rules. Since the selection of candidates should ensure that diversity remains a central feature of the Board, a range of diverse perspectives, including but not limited to gender, age, cultural and educational background, or professional experience would be considered.

The process to identify potential candidates for the Board would be as follows:

- (1) identifying potential candidates, including recommendations from the Board members, professional search firms and the shareholders of the Company;
- (2) evaluating the candidates based on the approved selection criteria through methods such as reviewing the resume and conducting the background checks;
- (3) reviewing the profiles of the shortlisted candidates and interview them; and
- (4) making recommendations to the Board on the selected candidates.

The Nomination Policy also includes the Board succession plan to assess whether vacancies on the Board would be created or expected due to the Directors’ resignation, retirement, death and other circumstances and to identify candidates in advance if necessary. The Nomination Policy will be reviewed on a regular basis.

# Corporate Governance Report (Continued)

## Board Diversity Policy

The Nomination Committee adopted a board diversity policy on 30 August 2013. The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance. The Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background and professional experience. Appointments will be based on merit, measured against objective criteria, and the skills and experience that the selected candidates will bring to the Board.

As at 30 June 2021, the Nomination Committee consisted of three members, comprising one executive Director, Mr. Mu Dongsheng, and two independent non-executive Directors, Mr. Ling Aiwen and Mr. Lu Lin. Mr. Mu Dongsheng is the chairman of the Nomination Committee. During the Year, the Nomination Committee conducted one meeting to assess the Independence of the Independent Non-executive Director. The attendance record of the Nomination Committee meetings held are set out below:

<b>Directors' Attendance at Nomination Committee Meetings</b>	<b>No. of attendance</b>
Mr. Mu Dongsheng ( <i>Chairman of the Nomination Committee</i> )	1/1
Mr. Ling Aiwen	1/1
Mr. Lu Lin	1/1

## 4. Corporate Governance Committee

The Company established a corporate governance committee (the "Corporate Governance Committee") on 26 March 2012 with written terms of reference no less exacting terms than the CG Code. The Corporate Governance Committee is responsible for developing and reviewing the Company's policies and practices on corporate governance.

As at 30 June 2021, the Corporate Governance Committee consisted of three members and they are all the independent non-executive Directors, namely Mr. Cheung Chuen, Mr. Ling Aiwen and Mr. Lu Lin. Mr. Lu Lin is the chairman of the Corporate Governance Committee. During the Year, two meetings were held by the Corporate Governance Committee to review the corporate matters of the Company that the Company had complied with the principles and applicable code provision of the CG Code and was not aware of any non-compliance to relevant legal and regulatory requirements. The attendance records of the Corporate Governance Committee meetings held are set out below:

<b>Directors' Attendance at Corporate Governance Committee Meetings</b>	<b>No. of attendance</b>
Mr. Lu Lin ( <i>Chairman of the Corporate Governance Committee</i> )	2/2
Mr. Cheung Chuen	2/2
Mr. Ling Aiwen	2/2

# Corporate Governance Report (Continued)

## D. ACCOUNTABILITY AND AUDIT

### 1. Directors' and Auditor's Responsibility for the Consolidated Financial Statements

The Directors are responsible for the preparation of the consolidated financial statements. The Group's consolidated financial statements are prepared in accordance with all relevant statutory requirements and applicable accounting standards. The Directors are responsible for ensuring that appropriate accounting policies have been adopted and applied consistently, and that judgments and estimates made are prudent and reasonable.

The Directors acknowledge their responsibility for preparing the consolidated financial statements of the Group. Having made appropriate enquiries, the Board is not aware of any material uncertainties relating to events or conditions which may cast significant doubt over the Group's ability to continue as a going concern. Accordingly, the Board has continued to adopt the going concern basis in preparing the consolidated financial statements.

The reporting responsibilities of external auditor of the Company are disclosed in "Independent Auditor's Report".

### 2. Auditor's Remuneration

During the Year, the remuneration paid/payable to the Company's auditor, Ernst & Young, is set out as follows:

Nature of Services	Fee paid/payable RMB'000
Audit services	1,678
Non-audit services	-

## E. COMPANY SECRETARY

Mr. Poon Yan Wai was appointed as the financial controller, company secretary and authorised representative of the Company. The biographical information of Mr. Poon is set out on page 11 under the section headed "Biographical Information of Directors and Senior Management". According to Rule 3.29 of the Listing Rules, Mr. Poon took no less than 15 hours of relevant professional training.

## F. SHAREHOLDERS' RIGHTS

### Convening an extraordinary general meeting

Pursuant to article 58 of the articles of association of the Company, any one or more members of the Company holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

# Corporate Governance Report (Continued)

## Putting enquiries to the Board

To ensure effective communication between the Board and the Shareholders, the Company has adopted a shareholders' communication policy (the "Policy") on 26 March 2012. Under the Policy, the Company's information shall be communicated to the Shareholders mainly through general meetings, including annual general meetings, the Company's financial reports (interim reports and annual reports), and its corporate communications and other corporate publications on the Company's website and the Stock Exchange's website.

Shareholders may at any time make a request for the Company's information to the extent such information is publicly available. Any such questions shall be first directed to the Company Secretary at the Company's head office and principal place of business in Hong Kong or the Company's Hong Kong branch registrar and transfer office, Hong Kong Registrars Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

## Putting forward proposals at shareholders' meeting

The number of shareholders necessary for a requisition for putting forward a proposal at a shareholders' meeting shall be any number of shareholders representing not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings at the date of the requisition.

A copy or copies of requisition signed by all requisitionists shall be deposited, with a sum reasonably sufficient to meet the Company's expenses in giving notice of the proposed resolution or circulating any necessary statement, at the Company's head office and principal place of business in Hong Kong in the case of:

- (i) a requisition requiring notice of a resolution, not less than six weeks before the meeting; and
- (ii) any other requisition, not less than one week before the meeting.

The Company will verify the requisition and upon confirming that the requisition is proper and in order, the Board will proceed with necessary procedures.

## G. DIVIDEND POLICY

The Board has adopted the dividend policy (the "Dividend Policy") on 26 September 2018 which sets out the appropriate procedure on declaring and recommending the dividend payment of the Company. The Company takes priority to distributing dividends in cash and shares its profits with the shareholders of the Company. The dividend distribution decision of the Company will depend on, among others, the financial results, the current and future operations, liquidity and capital requirements, financial condition and other factors as the Board may deem relevant. The Board may also declare special dividends from time to time. The Dividend Policy will be reviewed on a regular basis.

# Corporate Governance Report (Continued)

## H. INVESTORS AND SHAREHOLDERS RELATIONS

The Company continues to pursue a proactive policy in promoting investor relations and communications with the shareholders of the Company. The Board also recognised that effective communication with investors is the key to establish investor confidence and to attract new investors.

The Company communicates with its shareholders and investors through the publication of annual and interim reports, press announcements and releases, also the Company's website at <http://kingwell.todayir.com>.

The annual general meeting of the Company also provides an important opportunity for constructive communication between the Board and the shareholders of the Company. The Chairman as well as the chairman of the audit and remuneration committees, or in their absence, members of the relevant committees are available to answer any questions raised by the shareholders.

The Group regularly releases corporate information, such as awards received, and the latest news of the Group's developments on the Company's website. The public are welcome to give their comments and make their enquiries through the Company's website, the management will give their prompt response thereto.

## I. RISK MANAGEMENT AND INTERNAL CONTROL

Maintaining a sound risk management and internal control systems is vital to the fulfillment of the Group's business objectives as well as its long-term sustainable growth. The Board acknowledges its overall responsibility in evaluating and determining the nature and extent of the risks it is willing to take in achieving the Group's strategic objectives, and ensures that the Group had established and maintained an appropriate and effective risk management and internal control systems. The Audit Committee will review and control significant risks.

The Company's management encourages increasing the awareness on risk and control throughout the Group, and set up the objectives, performance targets and policies for managing the key risks, including strategic planning, business operations, legal and regulatory compliance, expenditure control, environment, health and safety. The Group has a well-established organizational structure with defined levels of responsibility and authority and reporting procedures. The Group adopts a control and risk self-assessment methodology and continuously assesses and manages its risk profile on a regular basis. The Group identifies, assesses and ranks the risks according to their likelihood, financial consequence and reputational impact on the Group, so as to ascertain relevant risks that need priority control. Staff accountable for risks are required to submit risk alerts with risk mitigation plan promptly and regular risk reports are presented to the management, the Board and the Audit Committee for on-going review and monitoring.

The Executive Directors review operational and financial reports and key operating statistics and hold regular meetings with division managers to review the implementation of the Group's risk management and internal control.

Budgets are prepared annually by the management and are subject to review and approval firstly by chief executive officer and then by the Board. Amendments to the operating results budget of each year are prepared on a quarterly basis, and submit for executive Directors' approval after comparing with its original budgets.

## Corporate Governance Report (Continued)

The Group has established guidelines and procedures for expenditure approval and control. Operating expenditure is subject to overall budget control, with the approval levels being set by reference to the level of authority of each executive and officer. Capital expenditure is also subject to overall control within the approved budget of individual projects with more specific control and approval being required for overspending, non-budgeted expenditure and significant expenditure within the approved budget. Monthly reports of actual versus budgeted and approved expenditure are also reviewed by the management.

The Group has established effective guidelines, procedures and internal control systems for the identification, capture and reporting of operational, financial and compliance-related information to ensure all the employees to carry out their designed responsibilities.

Any material internal issues identified are timely communicated and evaluated for their potential impacts. The corrective measures should obtain proper approval from management before implementation. The implementation steps should be monitored by both management and internal audit department to ensure these issues are properly recorded and resolved.

The Company has also established policies and procedures for the handling and dissemination of inside information. It is the responsibility of all Directors and employees who have access to and in control of the Group's information to provide adequate safeguard to prevent any abuse or misuse of those information. The information to be disclosed should be properly reviewed and approved by proper management to ensure its appropriateness and accuracy, and be closed monitored before and after disclosure. The Group strictly prohibits the use of insider information to secure personal advantage.

The Company's internal audit department plays a major role in risk management and internal control system. The major duties of the internal audit department include assurance on the effectiveness of the Company's governance, risk management and internal controls in daily operations, safeguarding of assets, reporting and compliance, and conducting internal audits of all department and subsidiaries of the Company on a regular basis. The Board keeps on monitoring the Group's risk management and internal control systems through the Audit Committee. The internal audit review report with recommendations is reported to the Audit Committee and the Board. In respect of the Year, the Audit Committee and Board had reviewed the annual internal control report to assess the Company's risk management and the internal control system, which covering the finance, operational, compliance issues, risk management and employees' opinions. Based on the review, the Board considered that the Group's risk management and internal control systems were effective and adequate.

There are inherent limitations in any internal control systems and accordingly the Group's internal control systems is established to provide reasonable (but not absolute) assurance against any material misstatement or losses.

## Corporate Governance Report (Continued)

### J. ENQUIRIES TO THE BOARD

Shareholders may send their enquiries requiring the Board's attention to the company secretary at the Company's principal office address at Units 314-315, Wing On Plaza, 62 Mody Road, Tsim Sha Tsui East, Kowloon, Hong Kong.

### K. CONSTITUTIONAL DOCUMENTS

During the Year, there is no change in the Company's constitutional documents.

# Report of the Directors

The Directors submit herewith this annual report together with the audited consolidated financial statements for the Year.

## PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities and other particulars of the subsidiaries are set out in note 1 to the financial statements.

The analysis of the principal activities and geographical locations of the operations of the Group during the Year are set out in note 4 to the financial statements.

## BUSINESS REVIEW

The business review of the Group for the Year is set out in the sections of Chairman's Statement, Management Discussion and Analysis, Environmental, Social and Governance ("ESG") Report, Five Year Financial Summary and the paragraphs below.

Details of the Group's ESG progress and performance in 2021 are disclosed in the 2021 ESG Report.

The Group complies with the requirements under the Companies Ordinance, the Listing Rules and the Securities and Futures Ordinance (the "SFO") for the disclosure of information and corporate governance. The Group also complies with the requirements of Employment Ordinance and ordinances relating to occupational safety for the interest of employees of the Group. Save as disclosed under the section headed "Management Discussion and Analysis" above, no important event affecting the Group has occurred since the end of the Year.

### Key Risk Factors

The following lists out the key risks and uncertainties facing the Group.

### Impact of Local and International Regulations

The business operation of the Group is also subject to government policy, relevant regulations and guidelines established by the regulatory authorities. Failure to comply with the rules and requirements may lead to penalties, amendments or suspension of the business operation by the authorities. The Group closely monitors changes in government policies, regulations and markets as well as conducting studies to assess the impact of such changes.

### Third-Party Risks

The Group has been relying on third-party service providers in parts of business to improve performance and efficiency of the Group. While gaining the benefits from external service providers, the management realizes that such operational dependency may pose a threat of vulnerability to unexpected poor or lapses in service including reputation damage, business disruption and monetary losses. To address such uncertainties, the Group engages only reputed third-party providers and closely monitors their performance.

### Key Relationships with Employees, Customers and Suppliers

The Group recognizes the accomplishment of the employees by providing comprehensive benefit package, career development opportunities and internal training appropriate to individual needs. The Group provides a healthy and safe workplace for all employees. No strikes and cases of fatality due to workplace accidents are found in the Year.

## Report of the Directors (Continued)

Our largest customer was the property developer of the Yueqiao Flower Garden in Xuzhou, the other major customers were the Russia gold buyer and the Anlu Taihe Paradise's villa buyers. Except the daily property management services, the Group had provided the tailor made services to our largest customer in Xuzhou. All the major customers were the independent third parties of the Group. In which, the largest customer had the business relationship with the Group for over 1 year and the other major customers had no business relationship with the Group before the transactions.

For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific approval of management. Details of the trade receivables of the Group as at 30 June 2021 are set out in note 18 to the financial statements. Up to the date of this report, most of the trade receivables from the major customers had been settled.

It may cause financial loss to the Group due to failure to discharge an obligation by the counterparties. In order to mitigate such risk, the Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures.

The Group will take care of customers' need and provide after sales services such as assisting them to get property owner title deed, providing repair and maintenance services and decoration advices services.

The Group values the views and opinions of all customers through various means and channels, including the usage of business intelligence to understand customer trends and needs and regular analyse on customer feedback. The Group also conducts comprehensive tests and checks to ensure that only superior quality property and services are offered to customers.

Our major suppliers were services providers for our Xuzhou management services business and had business relationship with the Group for 1 year or less. All the major suppliers were the independent third parties of the Group and were the services providers in the Xuzhou. The credit terms granted by the major suppliers were determined according to contract terms. For the details of trade payables, please refer to note 22 to the financial statements. Up to the date of this report, most of the trade payables to the major suppliers had been settled.

The Group encompasses working relationships with suppliers to meet our customers' needs in an effective and efficient manner. The departments work closely to make sure the tendering and procurement process is conducted in an open, fair and just manner. The Group's requirements and standards are also well-communicated to suppliers before the commencement of a project.

### MAJOR CUSTOMERS AND SUPPLIERS

The information in respect of the Group's sales and purchases attributable to the major customers and suppliers respectively during the financial year is as follows:

	Percentage of the Group's total	
	Sales	Purchases
The largest customer	44	
Five largest customers in aggregate	61	
The largest supplier		29
Five largest suppliers in aggregate		80

At no time during the Year have the Directors, their close associates or any shareholders of the Company (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had any interest in these major customers and suppliers.

# Report of the Directors (Continued)

## FINANCIAL STATEMENTS

The loss of the Group for the Year and the financial position of the Group as at 30 June 2021 are set out in the financial statements on pages 44 to 122.

## DIVIDENDS

The Board does not recommend the payment of a final dividend for the Year (2020: Nil).

## CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from 10 December 2021 to 16 December 2021, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for attending the forthcoming annual general meeting, all transfers accompanied by the relevant share certificates and transfer forms must be lodged with the Company's Hong Kong branch share registrar, Hong Kong Registrars Limited at Shops 1712-1716, 17th floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration not later than 4:30 p.m. on 9 December 2021.

## SHARE CAPITAL

Details of the issued share capital of the Company during the Year are set out in note 27 to the financial statements.

## RESERVES

Details of movements in the reserves of the Group during the Year are set out in the consolidated statement of changes in equity and in note 28 to the financial statements.

## DISTRIBUTABLE RESERVES

Details of the movements in reserves of the Company during the Year are set out in note 36 to the financial statements.

As at 30 June 2021, the Company had no reserves available for cash distribution. In accordance with the Companies Law (Revised) of the Cayman Islands and the Company's articles of association, the contributed surplus of the Company is available for distribution or payment of dividends to shareholders provided that the Company is able to pay off its debts as and when they fall due. The Company's share premium account, with a balance of RMB678,834,000 as at 30 June 2021, may be distributed in the form of fully paid bonus shares.

# Report of the Directors (Continued)

## SUBSIDIARIES

Particulars of the Company's subsidiaries as at 30 June 2021 are set out in note 1 to the financial statements.

## PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group during the Year are set out in note 12 to the financial statements.

## BORROWING FACILITIES

No borrowing facilities was granted to the Group as at 30 June 2021 (2020: Nil).

## CHARITABLE DONATIONS

No charitable donation was made by the Group during the Year (2020: Nil).

## EQUITY-LINKED AGREEMENT

Details of the equity-linked agreement entered into during the Year or subsisting at the end of the Year are set out below:

### Issue of Ordinary Shares

On 4 November 2020, 3,000,000 non-redeemable convertible preferred shares of the Company with aggregate principal amount of HK\$3,000,000 were converted into 10,000,000 ordinary shares to Union Day Group Limited under the acquisition agreement dated 26 April 2011. The non-redeemable convertible preferred shares were converted into ordinary shares of the Company at a conversion price of HK\$0.30 per share.

As a result of the full conversion of the non-redeemable convertible preferred shares, the total number of issued shares of the Company were 2,894,091,737 shares as at 30 June 2021. Union Day Group Limited continues to be substantial shareholder of the Company who is interested in 394,198,376 shares of the Company, representing approximately 13.62% of the total number of issued shares of the Company as enlarged by the allotment and issue of the 10,000,000 ordinary shares.

# Report of the Directors (Continued)

## SHARE OPTION SCHEME (2003)

At the extraordinary general meeting of the Company held on 9 January 2003, an ordinary resolution was passed to adopt a share option scheme (the “2003 Share Option Scheme”).

### Summary of the 2003 Share Option Scheme

#### (A) Purpose of the 2003 Share Option Scheme

The purpose of the 2003 Share Option Scheme is to provide incentives and rewards to eligible participants (as defined hereinafter) who contribute to the success of the Group.

#### (B) Participants of the 2003 Share Option Scheme

Pursuant to the 2003 Share Option Scheme, the Board may offer eligible participants (being employees (whether full time or part time) or executives or officers of the Company or any of its subsidiaries (including executive and non-executive Directors of the Company or any of its subsidiaries) and business consultants, agents, legal or financial advisers who the Board considers, in its sole discretion, will contribute or have contributed to the Company or any of its subsidiaries) (“Eligible Participants”) options to subscribe for such number of shares in the Company.

#### (C) Total number of shares available for issue under the 2003 Share Option Scheme

The total number of shares which may be issued upon exercise of all options to be granted under the 2003 Share Option Scheme will be 40,262,500 shares, representing 10% of the shares in issue as at the adoption date on 9 January 2003. On 23 December 2005 and 22 December 2006, an ordinary resolution was passed at each of that annual general meeting to refresh the number of shares available for issue up to 10% of the shares in issue as at the resolution date, representing 46,762,500 and 55,316,900 shares respectively. The maximum number of shares to be issued upon the exercise of all outstanding options granted and yet to be exercised under the 2003 Share Option Scheme must not in aggregate exceed 30% of the relevant shares of the Company in issue from time to time. As at the date of this annual report, there are no outstanding share options and no securities are available for issue under the 2003 Share Option Scheme.

#### (D) Maximum entitlement of each participant

The maximum number of shares in respect of which options may be granted to any individual in any 12-month period is not permitted to exceed 1% of the shares of the Company in issue at any point of time. Any further grant of options in excess of this 1% limit shall be subject to the issue of a circular by the Company and the approval of the shareholders in general meeting.

#### (E) Option period

Option may be exercised after it has vested at any time during the year to be notified by the Board at the time of the grant of the option but shall be in any event not later than 10 years from the offer date, subject to the provisions for early termination of the 2003 Share Option Scheme.

## Report of the Directors (Continued)

**(F) Payment on acceptance of option**

Options granted must be taken up within 21 days from the offer date, upon payment of HK\$1.00 per grant.

**(G) Basis of determining the subscription price**

The subscription price per share under the 2003 Share Option Scheme is determined by the Board, save that such price must not be less than the highest of (a) the closing price of the shares as stated in the Stock Exchange's daily quotation sheet on the date of offer to grant option, which must be a business day; (b) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotation sheet for the five business days immediately preceding the date of offer to grant option; and (c) the nominal value of the share of the Company.

**(H) Remaining life of the 2003 Share Option Scheme**

The 2003 Share Option Scheme was terminated following the adoption of a new share option scheme on 11 February 2010.

### SHARE OPTION SCHEME (2010)

At the extraordinary general meeting of the Company held on 11 February 2010, an ordinary resolution was passed to adopt a share option scheme (the "2010 Share Option Scheme").

#### Summary of the 2010 Share Option Scheme

**(A) Purpose of the 2010 Share Option Scheme**

The purpose of the 2010 Share Option Scheme is to provide incentives and rewards to Eligible Participants (as defined hereinafter) who contribute to the success of the Group.

**(B) Participants of the 2010 Share Option Scheme**

Pursuant to the 2010 Share Option Scheme, the Board may offer eligible participants (being employees (whether full time or part time) or executives or officers of the Company or any of its subsidiaries (including executive and non-executive Directors of the Company or any of its subsidiaries) and business consultants, agents, legal or financial advisers who the Board considers, in its sole discretion, will contribute or have contributed to the Company or any of its subsidiaries) ("Eligible Participants") options to subscribe for such number of shares in the Company.

**(C) Total number of shares available for issue under the 2010 Share Option Scheme**

The initial total number of shares which may be issued upon exercise of all options to be granted under the 2010 Share Option Scheme will be 95,024,050 shares, representing 10% of the shares in issue as at the date of the 2010 extraordinary general meeting. On 24 May 2010, 7 December 2010, 20 December 2013, 12 December 2014, and 18 December 2015 an ordinary resolution was passed at each of the extraordinary general meeting or annual general meeting to refresh the number of shares available for issue up to 10% of the shares in issue as at the resolution date, representing 106,203,250, 151,234,450, 218,844,789, 239,868,256 and 288,409,173 shares respectively. The maximum number of shares to be issued upon the exercise of all outstanding options granted and yet to be exercised under the 2010 Share Option Scheme must not in aggregate exceed 30% of the relevant shares of the Company in issue from time to time. As at the date of this annual report, there are no outstanding options and no securities are available for issue under 2010 Share Option Scheme.

## Report of the Directors (Continued)

### (D) Maximum entitlement of each participant

The maximum number of shares in respect of which options may be granted to any individual in any 12-month period is not permitted to exceed 1% of the shares of the Company in issue at any point of time. Any further grant of options in excess of this 1% limit shall be subject to the issue of a circular by the Company and the approval of the shareholders in general meeting.

### (E) Option period

An option may be exercised after it has vested at any time during the year to be notified by the Board at the time of the grant of the option but shall be in any event not later than 10 years from the offer date, subject to the provisions for early termination of the 2010 Share Option Scheme.

### (F) Payment on acceptance of option

Options granted must be taken up within 7 days or such other period as the Board may decide from the offer date, upon payment of HK\$1.00 per grant.

### (G) Basis of determining the subscription price

The subscription price per share under the 2010 Share Option Scheme is determined by the Board, save that such price must not be less than the highest of (a) the closing price of the shares as stated in the Stock Exchange's daily quotation sheet on the date of offer to grant option, which must be a business day; (b) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotation sheet for the five business days immediately preceding the date of offer to grant option; and (c) the nominal value of the share of the Company.

### (H) Remaining life of the 2010 Share Option Scheme

The 2010 Share Option Scheme was terminated following the adoption of a new share option scheme on 12 December 2019.

## SHARE OPTION SCHEME (2019)

At the annual general meeting of the Company held on 12 December 2019, an ordinary resolution was passed to adopt a share option scheme (the "2019 Share Option Scheme").

### Summary of the 2019 Share Option Scheme

#### (A) Purpose of the 2019 Share Option Scheme

The purpose of the 2019 Share Option Scheme is to provide incentives and rewards to Eligible Participants (as defined hereinafter) who contribute to the success of the Group.

#### (B) Participants of the 2019 Share Option Scheme

Pursuant to the 2019 Share Option Scheme, the Board may offer eligible participants (being employees (whether full time or part time) or executives or officers of the Company or any of its subsidiaries (including executive and non-executive Directors of the Company or any of its subsidiaries) and business consultants, agents, legal or financial advisers who the Board considers, in its sole discretion, will contribute or have contributed to the Company or any of its subsidiaries) ("Eligible Participants") options to subscribe for such number of shares in the Company.

## Report of the Directors (Continued)

### (C) Total number of shares available for issue under the 2019 Share Option Scheme

The initial total number of shares which may be issued upon exercise of all options to be granted under the 2019 Share Option Scheme will be 288,409,173 shares, representing 10% of the shares in issue as at the date of the 2019 annual general meeting. The maximum number of shares to be issued upon the exercise of all outstanding options granted and yet to be exercised under the 2019 Share Option Scheme must not in aggregate exceed 30% of the relevant shares of the Company in issue from time to time.

During the Year, no options were granted, exercised, lapsed and cancelled under the 2019 Share Option Scheme. There were no outstanding options under the 2019 Share Option Scheme at the beginning and at the end of the year ended 30 June 2021.

As at the date of this annual report, the total number of shares available for issue under the 2019 Share Option Scheme are 288,409,173 shares, representing 10% of the issued share capital of the Company.

### (D) Maximum entitlement of each participant

The maximum number of shares in respect of which options may be granted to any individual in any 12-month period is not permitted to exceed 1% of the shares of the Company in issue at any point of time. Any further grant of options in excess of this 1% limit shall be subject to the issue of a circular by the Company and the approval of the shareholders in general meeting.

### (E) Option period

An option may be exercised after it has vested at any time during the year to be notified by the Board at the time of the grant of the option but shall be in any event not later than 10 years from the offer date, subject to the provisions for early termination of the 2019 Share Option Scheme.

### (F) Payment on acceptance of option

Options granted must be taken up within 7 days or such other period as the Board may decide from the offer date, upon payment of HK\$1.00 per grant.

### (G) Basis of determining the subscription price

The subscription price per share under the 2019 Share Option Scheme is determined by the Board, save that such price must not be less than the highest of (a) the closing price of the shares as stated in the Stock Exchange's daily quotation sheet on the date of offer to grant option, which must be a business day; (b) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotation sheet for the five business days immediately preceding the date of offer to grant option; and (c) the nominal value of the share of the Company.

### (H) Remaining life of the 2019 Share Option Scheme

The 2019 Share Option Scheme will remain valid until 11 December 2029. The remaining life of the 2019 Share Option Scheme is 8 years.

Apart from the foregoing, at no time during the Year was the Company, any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

# Report of the Directors (Continued)

## DIRECTORS

The Directors during the Year and up to the date of this annual report are:

### Executive Directors

Mr. Mu Dongsheng (*Chairman and Chief Executive Officer*)

Mr. Du Yun

### Independent Non-executive Directors

Mr. Cheung Chuen

Mr. Ling Aiwen

Mr. Lu Lin

## DIRECTORS' SERVICE AGREEMENTS

Each of the executive Directors appointed after 1 July 2009 listed below has entered into a service contract with the Company for a term of one year from the date of their appointments and their appointments will continue thereafter until terminated by six months' notice in writing served by either party on the other. The commencement dates of the renewal contracts at the same terms as per above of the Executive Directors are as follows:

Mr. Mu Dongsheng	15 January 2016
Mr. Du Yun	19 June 2020

Mr. Cheung Chuen, Mr. Ling Aiwen and Mr. Lu Lin were appointed as independent non-executive Directors on 30 September 2004, 31 July 2015 and 30 April 2019 respectively, each of their appointment letters has been renewed with the Company for a term of one year commencing from 1 January 2021, 31 July 2021 and 30 April 2021 respectively.

According to their terms of services, Mr. Cheung Chuen, Mr. Ling Aiwen and Mr. Lu Lin are subject to retirement by rotation and offer themselves for re-election in accordance with the articles of association of the Company.

Save as disclosed above, none of the Directors has a service agreement with the Company or any of its subsidiaries, which is not determinable by the Group within one year without payment of compensation other than statutory compensation.

## Report of the Directors (Continued)

### DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2021, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and the chief executives of the Company were deemed or taken to have under such provisions of the SFO), or which were recorded in the register required to be kept pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

#### Long positions in the shares of the Company

Name	Capacity	Number of shares	Number of issued ordinary shares held	Total approximate % of the issued share capital
Mr. Du Yun	Interest held through controlled corporation	394,198,376	394,198,376 (Note)	13.62
Mr. Mu Dongsheng	Beneficial owner	277,777,777	277,777,777	9.60

Note: 394,198,376 Shares are held by Union Day Group Limited (a company incorporated in the British Virgin Islands with limited liability) which is 40% beneficially owned by Mr. Du Yun.

Save as disclosed above, as at 30 June 2021, none of the Directors nor the chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company which had to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

## Report of the Directors (Continued)

### SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2021, according to the register of members kept by the Company pursuant to Section 336 of the SFO and so far as is known to, or can be ascertained after reasonable enquiry by the Directors, the following person/entity (other than the Directors or chief executives of the Company) had an interest or short position in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which would fall to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO, or be directly and indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote on all circumstances at general meetings of the Company:

#### Long positions in the shares of the Company

Name	Capacity	Number of issued ordinary shares held	Total approximate % of the issued shares
Union Day Group Limited	Beneficial owner	394,198,376 (Note)	13.62
Mr. Yin Jia Tang	Beneficial owner	217,880,604	7.53

Note: 394,198,376 shares are held by Union Day Group Limited (a company incorporated in the British Virgin Islands with limited liability) which is 40% beneficially owned by Mr. Du Yun.

Save as disclosed above, the Company has not been notified of any other interests or short positions representing 5% or more of the issued shares of the Company and recorded in the register maintained under Section 336 of the SFO as at 30 June 2021.

### DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

Save as disclosed above, at no time during the Year was the Company, its holding company or any of its subsidiaries, or any of its fellow subsidiaries, a party to any arrangement to enable the Directors or chief executives of the Company or their respective close associates (as defined in the Listing Rules) to have any right to subscribe for securities of the Company or any of its associated corporations as defined in the SFO or to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

# Report of the Directors (Continued)

## DISCLOSURE OF CHANGE IN INFORMATION ON DIRECTORS

Pursuant to Rule 13.51B(1) of the Listing Rules, the change of information on Directors are as follows:

Mr. Cheung Chuen, Mr. Ling Aiwen and Mr. Lu Lin are independent non-executive Directors, have re-entered into appointment letters with the Company for a term of one year commencing from 1 January 2021, 31 July 2021 and 30 April 2021.

## INDEMNITY OF DIRECTORS

The Company has maintained appropriate directors and officers liability insurance and such permitted indemnity provision for the benefit of the Directors is currently in force and was in force throughout the Year.

## DIRECTORS OF SUBSIDIARIES

The name of director who has served on the board of directors of the subsidiaries of the Company during the Year and up to the date of this report are as follows:

Mr. Mu Dongsheng

## DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in note 32 to the financial statements, no transaction, arrangement or contract of significance to which the company, or any of its holding company, subsidiaries or fellow subsidiaries was a party, and in which a director of the company had a material interest, subsisted at the end of the year or at any time during the Year.

## DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors or the management shareholders or the substantial shareholders of the Company, or any of their respective close associates (as defined in the Listing Rules) had any material interest in a business that competes or may compete with the business of the Group.

# Report of the Directors (Continued)

## MANAGEMENT CONTRACT

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company or its subsidiaries were entered into or existed during the Year.

## FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on pages 121 to 122 of the annual report.

## 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.

## PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's articles of association, or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

## AUDIT COMMITTEE

The Company established the Audit Committee since 8 May 2001 with written terms of reference and the duties of the Audit Committee include reviewing the Company's annual reports and interim reports and providing advice and comments to the Directors. The Audit Committee is also responsible for reviewing and supervising the financial reporting, risk management and internal control systems of the Group.

As at the date of this annual report, the Audit Committee comprises three independent non-executive Directors, namely Mr. Cheung Chuen, Mr. Ling Aiwen and Mr. Lu Lin. During the Year, the Audit Committee met twice to review the interim and annual results of the Group.

## CORPORATE GOVERNANCE

A report on the principle corporate governance practices adopted by the Company is set out on pages 12 to 23.

## Report of the Directors (Continued)

### SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this annual report, the Company has maintained the prescribed public float under the Listing Rules.

### AUDITOR

Ernst & Young will retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of Ernst & Young as auditor of the Company is to be proposed at the forthcoming annual general meeting.

By Order of the Board

**Mu Dongsheng**

*Chairman*

Hong Kong, 29 September 2021

# Independent Auditor's Report



## Independent auditor's report

### To the shareholders of Kingwell Group Limited

*(Incorporated in the Cayman Islands with limited liability)*

## OPINION

We have audited the consolidated financial statements of Kingwell Group Limited (the "Company") and its subsidiaries (the "Group") set out on pages 44 to 120, which comprise the consolidated statement of financial position as at 30 June 2021, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 June 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

## BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

## Independent Auditor's Report (Continued)

### KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
<i>Net realisable value of inventories</i>	
<p>As at 30 June 2021, the carrying values of the Group's completed properties held for sale of RMB41,982,322 and parking lots held for sale of RMB20,685,714 ("Inventories") were significant. These Inventories were stated at the lower of cost and net realisable value.</p> <p>The calculation of the net realisable value of the Inventories at the end of the reporting period was performed by management. The net realisable value of the Group's inventories was determined by reference to expected future selling prices, the estimated future selling costs and the relevant taxes.</p> <p>The calculation of the net realisable value of the Inventories involved significant management judgement and estimation in assessing the expected future selling prices, the estimated future selling costs and the relevant taxes.</p> <p>We identified the assessment of the net realisable value of the Group's Inventories as a key audit matter because of the significance of the Inventories to the total assets of the Group and the inherent risks involved in estimating future selling prices, particularly in light of the current economic circumstances and property market measures introduced in various cities across Mainland China.</p> <p>Related disclosures are included in notes 2.4, 3 and 17 to the financial statements.</p>	<p>We conducted site visits to the Inventories on a sample basis. We evaluated the valuation methodology adopted by management for assessing the net realisable value of the Inventories and compared the key estimates and assumptions adopted in the valuations, including those relating to selling prices, with market available data, historical data, and sales budget plan maintained by the Group.</p>

# Independent Auditor's Report (Continued)

## KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
<p data-bbox="113 513 759 577"><i>Impairment of mining and exploration rights and exploration and evaluation assets</i></p> <p data-bbox="113 605 759 944">The Group recognised an impairment provision of RMB26,944,000 on the mining and exploration rights and exploration and evaluation assets of ZSL (the "CGU") as at 30 June 2021. Given that the mining results this year were still not as good as expected, the management of the Group engaged an independent professionally qualified valuer to evaluate the recoverable amounts of the CGU, which has been determined based on the discounted cash flow model ("DCF"). Based on the valuation report, no further provision was needed as at the year end.</p> <p data-bbox="113 987 759 1224">This area was important to our audit because the CGU of RMB36,475,000 was significant to the Group and significant judgement was involved in the assessment of the recoverable amount of the CGU. This assessment required management to make assumptions on the discounted cash flow model. The most critical assumptions were the future gold prices, production volume and discount rate.</p> <p data-bbox="113 1267 759 1330">Related disclosures are included in notes 2.4, 3 and 15 to the financial statements.</p>	<p data-bbox="759 605 1444 1015">We considered the competence, capabilities and objectivity of management's external expert. We evaluated the methodology and assumptions used by management and management's external expert to estimate the recoverable amount of the assets. We compared management's gold price assumptions with the latest market evidence available, including forward curves, brokers' estimates and other long-term price forecasts. We checked the consistency of the forecast production volume against the development plan of the gold mine. We also involved our valuation expert to assist us in critically assessing the methodology and assumptions applied in the model, including the discount rate.</p>

# Independent Auditor's Report (Continued)

## OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

# Independent Auditor's Report (Continued)

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

## Independent Auditor's Report (Continued)

### AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Hui Kin Fai, Stephen.

#### **Ernst & Young**

*Certified Public Accountants*

27/F, One Taikoo Place  
979 King's Road  
Quarry Bay, Hong Kong

29 September 2021

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 30 June 2021

	Notes	2021 RMB'000	2020 RMB'000
REVENUE	5	34,246	44,634
Cost of sales		(25,647)	(31,475)
Gross profit		8,599	13,159
Other income and gains	5	1,855	6,354
Selling and distribution expenses		(455)	(1,086)
Administrative expenses		(11,403)	(12,367)
Other expenses		(4,098)	(61)
Finance costs	7	(36)	(97)
		(5,538)	5,902
Provision for impairment of intangible assets	15	–	(26,944)
LOSS BEFORE TAX	6	(5,538)	(21,042)
Income tax expense	10	(1,621)	(6,655)
<b>LOSS FOR THE YEAR</b>		<b>(7,159)</b>	<b>(27,697)</b>
<b>OTHER COMPREHENSIVE LOSS</b>			
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		(6,623)	(5,272)
<b>OTHER COMPREHENSIVE LOSS FOR THE YEAR</b>		<b>(6,623)</b>	<b>(5,272)</b>
<b>TOTAL COMPREHENSIVE LOSS FOR THE YEAR</b>		<b>(13,782)</b>	<b>(32,969)</b>

# Consolidated Statement of Profit or Loss and Other Comprehensive Income (Continued)

Year ended 30 June 2021

	Note	2021 RMB'000	2020 RMB'000
Loss attributable to:			
Owners of the Company		(6,381)	(13,235)
Non-controlling interests		(778)	(14,462)
		<b>(7,159)</b>	<b>(27,697)</b>
Total comprehensive loss attributable to:			
Owners of the Company		(10,413)	(15,944)
Non-controlling interests		(3,369)	(17,025)
		<b>(13,782)</b>	<b>(32,969)</b>
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	11	RMB cents	RMB cents
Basic		(0.22)	(0.46)
Diluted		(0.22)	(0.46)

# Consolidated Statement of Financial Position

30 June 2021

	Notes	2021 RMB'000	2020 RMB'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	12	1,072	1,215
Investment properties	13	2,700	5,490
Goodwill	14	4,821	4,821
Intangible assets	15	37,722	42,763
Deferred tax assets	26	4,761	5,428
<b>Total non-current assets</b>		<b>51,076</b>	<b>59,717</b>
<b>CURRENT ASSETS</b>			
Inventories	17	62,668	35,652
Trade receivables	18	16,911	13,772
Deposits and other receivables	19	1,924	1,027
Financial assets at fair value through profit or loss	20	–	5,303
Pledged deposits	21	235	506
Cash and cash equivalents	21	51,622	84,596
		<b>133,360</b>	<b>140,856</b>
Non-current assets classified as held for sale	16	747	–
<b>Total current assets</b>		<b>134,107</b>	<b>140,856</b>
<b>CURRENT LIABILITIES</b>			
Trade payables	22	9,378	5,524
Other payables and accruals	23	11,442	25,618
Contract liabilities	24	2,155	4,827
Tax payable		22,930	9,482
<b>Total current liabilities</b>		<b>45,905</b>	<b>45,451</b>
<b>NET CURRENT ASSETS</b>		<b>88,202</b>	<b>95,405</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>139,278</b>	<b>155,122</b>

# Consolidated Statement of Financial Position (Continued)

30 June 2021

	Notes	2021 RMB'000	2020 RMB'000
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>139,278</b>	155,122
<b>NON-CURRENT LIABILITIES</b>			
Non-redeemable convertible preferred shares	25	–	865
Deferred tax liabilities	26	<b>1,370</b>	3,381
<b>Total non-current liabilities</b>		<b>1,370</b>	4,246
<b>Net assets</b>		<b>137,908</b>	150,876
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Issued capital	27	<b>253,688</b>	252,856
Non-redeemable convertible preferred shares	25	–	2,252
Other reserves	28	<b>(136,630)</b>	(128,451)
		<b>117,058</b>	126,657
<b>Non-controlling interests</b>		<b>20,850</b>	24,219
<b>Total equity</b>		<b>137,908</b>	150,876

**Mu Dongsheng**  
Director

**Du Yun**  
Director

# Consolidated Statement of Changes in Equity

Year ended 30 June 2021

	Attributable to owners of the Company											Total equity RMB'000
	Issued capital RMB'000	Share premium account RMB'000	Share option reserve RMB'000	Non-redeemable convertible preferred shares RMB'000	Statutory reserve RMB'000	Capital reserve RMB'000	Contribution reserve RMB'000	Exchange fluctuation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	
At 1 July 2019	252,856	676,605	35,986	2,252	6,099	19	48,448	(7,470)	(872,194)	142,601	41,244	183,845
Loss for the year	-	-	-	-	-	-	-	-	(13,235)	(13,235)	(14,462)	(27,697)
Other comprehensive loss for the year:												
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	(2,709)	-	(2,709)	(2,563)	(5,272)
Total comprehensive loss for the year	-	-	-	-	-	-	-	(2,709)	(13,235)	(15,944)	(17,025)	(32,969)
Transfer of share option reserve upon the expiry of share options	-	-	(35,986)	-	-	-	-	-	35,986	-	-	-
Transfer to statutory reserve	-	-	-	-	3,334	-	-	-	(3,334)	-	-	-
At 30 June 2020	252,856	676,605*	-*	2,252	9,433*	19*	48,448*	(10,179)*	(852,777)*	126,657	24,219	150,876

	Attributable to owners of the Company											Total equity RMB'000
	Issued capital RMB'000	Share premium account RMB'000	Share convertible preferred shares RMB'000	Statutory reserve RMB'000	Capital reserve RMB'000	Contribution reserve RMB'000	Exchange fluctuation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000		
At 1 July 2020	252,856	676,605	2,252	9,433	19	48,448	(10,179)	(852,777)	126,657	24,219	150,876	
Loss for the year	-	-	-	-	-	-	-	(6,381)	(6,381)	(778)	(7,159)	
Other comprehensive loss for the year:												
Exchange differences on translation of foreign operations	-	-	-	-	-	-	(4,032)	-	(4,032)	(2,591)	(6,623)	
Total comprehensive loss for the year	-	-	-	-	-	-	(4,032)	(6,381)	(10,413)	(3,369)	(13,782)	
Issue of shares upon conversion of non-redeemable convertible preference shares	832	2,229	(2,252)	-	-	-	-	5	814	-	814	
Transfer to statutory reserve	-	-	-	417	-	-	-	(417)	-	-	-	
At 30 June 2021	253,688	678,834*	-	9,850*	19*	48,448*	(14,211)*	(859,570)*	117,058	20,850	137,908	

\* These reserve accounts comprise a deficit in the consolidated other reserves of RMB136,630,000 (2020: RMB128,451,000) in the consolidated statement of financial position.

Note: The board of directors does not recommend the payment of a final dividend for the year ended 30 June 2021 (2020: Nil).

# Consolidated Statement of Cash Flows

Year ended 30 June 2021

	Notes	2021 RMB'000	2020 RMB'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Loss before tax		<b>(5,538)</b>	(21,042)
Adjustments for:			
Finance costs	7	<b>36</b>	97
Interest income	5	<b>(1,062)</b>	(886)
Gain on disposal of items of property, plant and equipment	5	<b>(99)</b>	(116)
Loss on disposal of investment properties	6	<b>–</b>	8
Impairment of assets held for sale	6	<b>313</b>	–
Depreciation	6	<b>226</b>	197
Amortisation of intangible assets	6	<b>516</b>	517
Provision for impairment of intangible assets	6	<b>–</b>	26,944
Fair value loss/(gains) on investment properties	6	<b>800</b>	(150)
Write-down of inventories of properties to net realisable value		<b>(2,823)</b>	–
Gain on disposal of an associate	5	<b>–</b>	(4,792)
		<b>(7,631)</b>	777
(Increase)/decrease in inventories		<b>(24,193)</b>	18,244
Increase in trade receivables		<b>(3,139)</b>	(3,338)
Increase in deposits and other receivables		<b>(897)</b>	(211)
Decrease/(increase) in financial assets at fair value through profit or loss		<b>5,303</b>	(5,303)
Decrease/(increase) in pledged deposits		<b>271</b>	(2)
Increase/(decrease) in trade payables		<b>3,854</b>	(20,032)
(Decrease)/increase in other payables and accruals		<b>(88)</b>	62
Decrease in contract liabilities		<b>(2,672)</b>	(4,476)
Cash used in operations		<b>(29,192)</b>	(14,279)
Taxes paid		<b>(3,605)</b>	(7,119)
Net cash flows used in operating activities		<b>(32,797)</b>	(21,398)

## Consolidated Statement of Cash Flows (Continued)

Year ended 30 June 2021

	Note	2021 RMB'000	2020 RMB'000
Net cash flows used in operating activities		<b>(32,797)</b>	(21,398)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received		<b>1,062</b>	886
Purchases of items of property, plant and equipment		<b>(376)</b>	(182)
Proceeds from disposal of investment properties		<b>930</b>	742
Proceeds from disposal of items of property, plant and equipment		<b>359</b>	385
Proceeds from disposal of an associate		<b>–</b>	42,400
Net cash flows from investing activities		<b>1,975</b>	44,231
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>			
Cash and cash equivalents at beginning of year		<b>84,596</b>	61,540
Effect of foreign exchange rate changes, net		<b>(2,152)</b>	223
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>		<b>51,622</b>	84,596
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>			
Cash and bank balances	21	<b>51,622</b>	84,596

# Notes to Financial Statements

30 June 2021

## 1. CORPORATE AND GROUP INFORMATION

Kingwell Group Limited is a limited liability company incorporated in the Cayman Islands. The registered office address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, the Cayman Islands.

During the year, the Group was involved in the following principal activities:

- sale of properties and parking lots
- provision of property management services, construction services and sales agency service
- gold mining

### Information about subsidiaries

Particulars of the Company's subsidiaries are as follows:

Company	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Stephigh Group Limited	British Virgin Islands ("BVI")/Hong Kong	US\$50,000	100%	–	Investment holding
Well Gold Group Limited	Hong Kong	HK\$1	100%	–	Investment holding
Commerce Prosper Limited	BVI/Hong Kong	US\$67,115	51%	–	Investment holding
Rise Win Group Limited	BVI/Hong Kong	US\$50,000	–	100%	Investment holding
Rising Ray China Group Limited	Hong Kong	HK\$10,000	–	100%	Investment holding
Anlu Taihe Real Estate Development Company ("安陸泰合房地產開發有限公司")*	PRC/Mainland China	RMB30,000,000	–	100%	Development and sale of real estate
Zolotoy Standart Limited	Russia	RUB10,000	–	100%	Gold mining
Xuzhou Taihua Property Service Co., Ltd. ("徐州泰華物業管理有限公司") ("Xuzhou Taihua")	PRC/Mainland China	RMB2,000,000	–	100%	Property management services
Jiangsu Tianan Hongji Property Management Co., Ltd. ("江蘇天安鴻基物業管理有限公司")	PRC/Mainland China	RMB10,000,000	–	100%	Property management services
China Integration Group Limited	Hong Kong	HK\$100,000	–	100%	Investment holding
Shenzhen Integration Holding Group Co., LTD. ("深圳融匯控股集團有限公司")*	PRC/Mainland China	RMB10,000,000	–	100%	Investment holding
Xuzhou Integration Commercial Management Co., Ltd. ("徐州融匯商業管理有限公司")	PRC/Mainland China	RMB2,000,000	–	100%	Property management services
Guangzhou Integration Environmental Technology Co., Ltd. ("廣州融匯環境科技有限公司")	PRC/Mainland China	RMB2,000,000	–	51%	Commercial services

\* Registered as a wholly-foreign-owned enterprise under the People's Republic of China ("PRC") law.

# Notes to Financial Statements (Continued)

30 June 2021

## 2.1 BASIS OF PREPARATION

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. Non-current assets classified as held for sale are stated at the lower of their carrying amounts and fair values less costs to sell as further explained in note 2.4. 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 2021. 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.

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.

# Notes to Financial Statements (Continued)

30 June 2021

## 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the *Conceptual Framework for Financial Reporting 2018* and the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 3	<i>Definition of a Business</i>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendment to HKFRS 16	<i>Covid-19-Related Rent Concessions</i>
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i>

The nature and the impact of the *Conceptual Framework for Financial Reporting 2018* and the revised HKFRSs are described below:

- (a) *Conceptual Framework for Financial Reporting 2018* (the "Conceptual Framework") sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.
- (b) Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.

# Notes to Financial Statements (Continued)

30 June 2021

## 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

- (c) Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate (“RFR”). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the introduction of the alternative RFR. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedging relationships.
- (d) Amendment to HKFRS 16 provides a 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. The practical expedient applies only to rent concessions occurring as a direct consequence of the pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective for annual periods beginning on or after 1 June 2020 with earlier application permitted and shall be applied retrospectively. 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.
- (e) Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. The amendments did not have any significant impact on the financial position and performance of the Group.

# Notes to Financial Statements (Continued)

30 June 2021

## 2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 3	<i>Reference to the Conceptual Framework<sup>2</sup></i>
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	<i>Interest Rate Benchmark Reform – Phase 2<sup>1</sup></i>
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture<sup>4</sup></i>
HKFRS 17	<i>Insurance Contracts<sup>3</sup></i>
Amendments to HKFRS 17	<i>Insurance Contracts<sup>3, 6</sup></i>
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current<sup>3, 5</sup></i>
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use<sup>2</sup></i>
Amendments to HKAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract<sup>2</sup></i>
<i>Annual Improvements to HKFRSs 2018-2020</i>	<i>Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41<sup>2</sup></i>
Amendments to HKAS 1	<i>Disclosure of Accounting Policies<sup>3</sup></i>
Amendments to HKAS 8	<i>Definition of Accounting Estimates<sup>3</sup></i>
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction<sup>3</sup></i>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2021

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2022

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2023

<sup>4</sup> No mandatory effective date yet determined but available for adoption

<sup>5</sup> As a consequence of the amendments to HKAS 1, Hong Kong Interpretation 5 *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised in October 2020 to align the corresponding wording with no change in conclusion

<sup>6</sup> As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

Amendments to HKFRS 3 are intended to replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group expects to adopt the amendments prospectively from 1 January 2022. Since the amendments apply prospectively to business combinations for which the acquisition date is on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

# Notes to Financial Statements (Continued)

30 June 2021

## 2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

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 RFR. The Phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount 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 amendments are effective for annual periods beginning on or after 1 January 2021 and shall be applied retrospectively, but entities are not required to restate the comparative information. The Group was not affected these amendments as the Group did not hold any interest-bearing bank borrowing.

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

Amendments to HKAS 1 clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

## Notes to Financial Statements (Continued)

30 June 2021

### 2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. Earlier application is permitted. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening equity at the date of initial application without restating the comparative information. The amendments are not expected to have any significant impact on the Group's financial statements.

*Annual Improvements to HKFRSs 2018-2020* sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are expected to be applicable to the Group are as follows:

- HKFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Group's financial statements.
- HKFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.

# Notes to Financial Statements (Continued)

30 June 2021

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 30 June. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Business combinations and goodwill (Continued)

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

### Fair value measurement

The Group measures its investment properties and financial assets at fair value through profit or loss at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

# Notes to Financial Statements (Continued)

30 June 2021

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets, financial assets and investment properties), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Related parties

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person
  - (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

- (b) the party is an entity where any of the following conditions applies:
  - (i) the entity and the Group are members of the same group;
  - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
  - (iii) the entity and the Group are joint ventures of the same third party;
  - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
  - (vi) the entity is controlled or jointly controlled by a person identified in (a);
  - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
  - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

# Notes to Financial Statements (Continued)

30 June 2021

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5, as further explained in the accounting policy for “Non-current assets and disposal groups held for sale”. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	3.6%
Leasehold improvements	33.3%
Plant and machinery	9%
Furniture and fixtures	18%
Motor vehicles	28%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Investment properties

Investment properties are interests in land and buildings (including the leasehold property held as a right-of-use asset which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year of the retirement or disposal.

### Non-current assets and disposal groups held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the asset or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets or disposal groups and its sale must be highly probable. All assets and liabilities of a subsidiary classified as a disposal group are reclassified as held for sale regardless of whether the Group retains a non-controlling interest in its former subsidiary after the sale.

Non-current assets and disposal groups (other than investment properties and financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell. Property, plant and equipment and intangible assets classified as held for sale are not depreciated or amortised.

### Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

### Exploration and evaluation assets

Exploration and evaluation assets are stated at cost less impairment losses. Exploration and evaluation assets include topographical and geological surveys, exploratory drilling, sampling and trenching and activities in relation to commercial and technical feasibility studies, and expenditure incurred to secure further mineralisation in existing ore bodies and to expand the capacity of a mine. Expenditure incurred prior to acquiring legal rights to explore an area is written off as incurred. When it can be reasonably ascertained that a mining property is capable of commercial production, exploration and evaluation costs are transferred to mining rights and are amortised based on the accounting policy as stated in "Mining and exploration rights" below. If any project is abandoned during the evaluation stage, the total expenditure thereon will be written off.

# Notes to Financial Statements (Continued)

30 June 2021

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Intangible assets (other than goodwill) (Continued)

#### Mining and exploration rights

Mining and exploration rights, including transferred exploration and evaluation assets, are stated at cost less accumulated amortisation and any impairment losses. The mining and exploration rights are amortised over the estimated useful lives of the mines in accordance with the production plan of the entities concerned and the proven and probable reserves of the mines using the unit-of-production method. Mining and exploration rights are written off to profit or loss if the mining property is abandoned.

#### Property management contract and customer relationship

Property management contract and customer relationship acquired in a business combination are recognised at fair value at the acquisition date. The contractual customer relations have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the expected life of five years from the acquisition date for the property management contract and customer relationship.

### Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

#### Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

##### (a) *Right-of-use assets*

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets.

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Leases (Continued)

#### Group as a lessee (Continued)

(b) *Lease liabilities*

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(c) *Short-term leases and leases of low-value assets*

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment and laptop computers that are considered to be of low value. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

#### Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the consolidated statement of profit or loss and other comprehensive income due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases.

# Notes to Financial Statements (Continued)

30 June 2021

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Investments and other financial assets

#### Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

#### Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

##### *Financial assets at amortised cost (debt instruments)*

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the consolidated statement of profit or loss and other comprehensive income when the asset is derecognised, modified or impaired.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Investments and other financial assets (Continued)

#### Subsequent measurement (Continued)

##### *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with net changes in fair value recognised in profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised as other income in profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

#### Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise to the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

#### Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

# Notes to Financial Statements (Continued)

30 June 2021

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Impairment of financial assets (Continued)

#### General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

- Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
- Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
- Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

#### Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial liabilities

#### Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as payables or non-redeemable convertible preferred shares, as appropriate.

All financial liabilities are recognised initially at fair value.

#### Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

#### Non-redeemable convertible preferred shares

Non-redeemable convertible preferred shares issued by the Group that contain both the liability and conversion option components are classified separately into respective items on initial recognition. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument.

Non-redeemable convertible preferred shares are classified as a liability if interest payments are not discretionary. On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debts. The difference between the gross proceeds from the issue of the preferred shares and the fair value assigned to the liability component, representing the conversion option for the holder to convert the preferred shares into equity, is included in equity.

In subsequent periods, the liability component of non-redeemable convertible preferred shares is carried at amortised cost using the effective interest method. The equity component will remain in equity until the conversion options are exercised and will be transferred to share capital and share premium of the Company.

### Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

### Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

# Notes to Financial Statements (Continued)

30 June 2021

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

### Completed properties held for sale

Completed properties held for sale are stated at the lower of cost and net realisable value. Cost includes all development expenditure, applicable borrowing costs and other direct costs attributable to such properties. Cost is determined by an apportionment of the total costs of land and buildings attributable to unsold properties. Net realisable value is determined by the directors based on the prevailing market prices on an individual property basis less costs to be incurred in selling the property.

### Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

### Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Income tax (Continued)

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

# Notes to Financial Statements (Continued)

30 June 2021

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### PRC land appreciation tax ("LAT")

According to the requirements of the Provisional Regulations of the PRC on LAT (中華人民共和國土地增值稅暫行條例) effective from 1 January 1994 and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT (中華人民共和國土地增值稅暫行條例實施細則) effective from 27 January 1995, all income from the sale or transfer of state-owned land use rights and buildings in Mainland China (being the proceeds from sales of properties less deductible expenditures including borrowing costs and property development expenditures) is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation of land value with an exemption provided for property sales of ordinary residential properties (普通標準住宅) if their appreciation values do not exceed 20% of the sum of the total deductible items.

### Revenue recognition

#### 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 with 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 with 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 parking lots*

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

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Revenue recognition (Continued)

#### Revenue from contracts with customers (Continued)

(b) *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.

(d) *Provision of sales agency service*

Revenue from the provision of sales agency service is recognised at the point in time when the service is rendered to the customer and the collection of the consideration is probable.

#### Revenue from other sources

Rental income is recognised on a time proportion basis over the lease terms. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are incurred.

#### 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.

### Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

### Share-based payments

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using the Binomial Option Pricing model or Black-Scholes model.

# Notes to Financial Statements (Continued)

30 June 2021

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Share-based payments (Continued)

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Other employee benefits

#### Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the “MPF Scheme”) under the Mandatory Provident Fund Schemes Ordinance for all of those employees in Hong Kong who are eligible to participate. Contributions are made based on a percentage of the employees’ basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group’s employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group’s subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

#### Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

Interim dividends are simultaneously proposed and declared, because the Company’s memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

#### Foreign currencies

These financial statements are presented in Renminbi (“RMB”). The functional currency of the Company is the Hong Kong dollar (“HK\$”). Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on retranslation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

# Notes to Financial Statements (Continued)

30 June 2021

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Foreign currencies (Continued)

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currency of the subsidiaries in Mainland China is RMB, while the functional currencies of the subsidiaries outside Mainland China are HK\$ and the Russian ruble ("RUB"). As at the end of the reporting period, the assets and liabilities of those entities with the functional currencies other than RMB are translated into RMB at exchange rates prevailing at the end of the reporting period and their profits or losses are translated into RMB at the weighted average exchange rate for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of those entities of which the functional currencies are currencies other than RMB are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of those entities which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

## 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

### Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

#### Property lease classification – Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all the fair value of the commercial property, that it retains substantially all the significant risks and rewards incidental to ownership of these properties which are leased out and accounts for the contracts as operating leases.

#### Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

#### Recognition of a deferred tax liability for withholding taxes

Deferred income tax liability has been established for withholding tax that would be payable on certain profit of the subsidiaries in Mainland China to be repatriated and distributed by way of dividends.

### Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

# Notes to Financial Statements (Continued)

30 June 2021

## 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

### Estimation uncertainty (Continued)

#### Estimation of the useful life of a property management contract and customer relationship identified in a business combination

Property management contract and customer relationship identified in a business combination on the acquisition date is recognised as an intangible asset, which amounted to RMB1,247,000 as at 30 June 2021. The property management contract and customer relationship relate to the existing property management contract of an acquired business on the acquisition date with no specific expiration date. Based on industry experience, termination or non-renewal of property management contracts with the property developers or the property owners' association is uncommon. The Group thus estimates the useful life and determines the amortisation period to be five years starting from the acquisition date.

However, the actual useful life may be shorter or longer than estimated, depending on the Group's ability to secure its contract and relationship with the property developer or renew the contract with property owners' association in the future. Where the actual contract period is different from the original estimate, such difference will impact the carrying amount of the property management contract and customer relationship and the amortisation expenses in the periods in which such estimate has been changed.

#### Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 30 June 2021 was RMB4,821,000 (30 June 2020: RMB4,821,000). Further details are given in note 14.

#### Estimation of fair value of investment properties

In the absence of current prices in an active market for similar properties, the Group considers information from a variety of sources, including:

- (a) current prices in an active market for properties of a different nature, condition or location, adjusted to reflect those differences;
- (b) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and
- (c) discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The principal assumptions for the Group's estimation of the fair value include those related to recent market selling prices for similar properties in the same location and condition, appropriate discount rates, and expected future maintenance costs. The carrying amount of investment properties at 30 June 2021 was RMB2,700,000 (30 June 2020: RMB5,490,000).

## 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

### Estimation uncertainty (Continued)

#### Mineral reserves

Engineering estimates of the Group's mineral resources are inherently imprecise and represent only approximate amounts because of the assumptions involved in developing such information.

There are authoritative guidelines regarding the engineering criteria that have to be met before estimated mineral reserves can be designated as "proven" and "probable". Proven and probable mineral reserve estimates are updated on a regular basis and have taken into account recent production and technical information about each mine. In addition, as prices and cost level change from year to year, the estimate of proven and probable mineral reserves also changes. This change is considered a change in estimate for accounting purposes and is reflected on a prospective basis in related depreciation/amortisation rates.

Despite the inherent imprecision in these engineering estimates, these estimates are used in determining depreciation/amortisation expenses and impairment losses. Depreciation/amortisation rates of the mining structures and mining and exploration rights are determined based on the proven and probable mineral reserve quantity (the denominator) and capitalised costs of the mining structures or mining rights (the numerator).

#### Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each reporting period. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value-in-use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

#### Net realisable value of inventories

The Group writes down inventories to net realisable value based on assessment of the realisability of the inventories, which takes into account net sales value based on prevailing market conditions. If there is a decrease in net sales value, the net realisable value will decrease, which may result in writing down the inventories to net realisable value. Write-downs are recorded where events or changes in circumstances indicate that the balances may not be realised. The identification of write-downs requires the use of judgement and estimates. Where the expectation is different from the original estimate, the carrying value of inventories is adjusted in the period in which such estimate is changed.

#### Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. No deferred tax assets related to tax losses are recognised as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

# Notes to Financial Statements (Continued)

30 June 2021

## 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

### Estimation uncertainty (Continued)

#### LAT

The Group is subject to LAT in Mainland China. The provision for LAT is based on management's best estimates according to its understanding of the requirements set forth in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the tax authorities upon completion of the property development projects. The Group has finalised its LAT calculations and payments with the tax authorities for certain property development projects. The final outcome could be different from the amounts that were initially recorded, and any differences will impact the LAT expenses and the related provision in the period in which the differences realise.

## 4. 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 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 mining and sale of gold.

Management monitors the results of the Group's operating segments separately for 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, gain on disposal of an associate, finance costs as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude deferred tax assets, non-current assets 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.

# Notes to Financial Statements (Continued)

30 June 2021

## 4. OPERATING SEGMENT INFORMATION (Continued)

Year ended 30 June 2021	Property development, property leasing and property management services RMB'000	Gold mining RMB'000	Total RMB'000
<b>Segment revenue (note 5)</b>			
Sales to external customers	31,298	2,948	34,246
Other revenue	793	–	793
	<b>32,091</b>	<b>2,948</b>	<b>35,039</b>
<b>Segment results</b>	<b>4,813</b>	<b>398</b>	<b>5,211</b>
<i>Reconciliation:</i>			
Interest income			1,062
Corporate and other unallocated expenses			(11,775)
Finance costs			(36)
Loss before tax			(5,538)
<b>Segment assets</b>	<b>133,622</b>	<b>43,109</b>	<b>176,731</b>
<i>Reconciliation:</i>			
Corporate and other unallocated assets			8,452
			<b>185,183</b>
<b>Segment liabilities</b>	<b>34,714</b>	<b>290</b>	<b>35,004</b>
<i>Reconciliation:</i>			
Corporate and other unallocated liabilities			12,271
			<b>47,275</b>
<b>Other segment information:</b>			
Depreciation and amortisation	742	–	742
Capital expenditure	376	–	376*

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

# Notes to Financial Statements (Continued)

30 June 2021

## 4. OPERATING SEGMENT INFORMATION (Continued)

Year ended 30 June 2020	Property development, property leasing and property management services RMB'000	Gold mining RMB'000	Total RMB'000
<b>Segment revenue (note 5)</b>			
Sales to external customers	44,634	–	44,634
Other revenue	676	–	676
	45,310	–	45,310
<b>Segment results</b>	11,195	(628)	10,567
<i>Reconciliation:</i>			
Interest income			886
Gain on disposal of an associate			4,792
Provision for impairment of intangible assets			(26,944) <sup>#</sup>
Corporate and other unallocated expenses			(10,246)
Finance costs			(97)
Loss before tax			(21,042)
<b>Segment assets</b>	140,378	49,748	190,126
<i>Reconciliation:</i>			
Corporate and other unallocated assets			10,447
			200,573
<b>Segment liabilities</b>	32,396	164	32,560
<i>Reconciliation:</i>			
Corporate and other unallocated liabilities			17,137
			49,697
<b>Other segment information:</b>			
Depreciation and amortisation	714	–	714
Capital expenditure	182	–	182 <sup>*</sup>

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

# In respect of the gold mining segment

# Notes to Financial Statements (Continued)

30 June 2021

## 4. OPERATING SEGMENT INFORMATION (Continued)

### Geographical information

#### (a) Revenue from external customers

	2021 RMB'000	2020 RMB'000
Mainland China	31,298	44,634
Russia	2,948	–
	<b>34,246</b>	44,634

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

#### (b) Non-current assets

	2021 RMB'000	2020 RMB'000
Mainland China	9,628	12,975
Hong Kong	116	159
Russia	36,571	41,155
	<b>46,315</b>	54,289

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 current year, revenue of RMB15,047,000 (2020: RMB19,387,000) was derived from rendering of property development, property leasing and property management services to a single customer.

# Notes to Financial Statements (Continued)

30 June 2021

## 5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2021 RMB'000	2020 RMB'000
<b>Revenue from contracts with customers</b>		
Rendering of property management services	10,758	8,275
Sale of properties	9,195	19,357
Rendering of construction services	7,892	2,842
Sale of gold	2,948	–
Sale of parking lots	2,938	1,491
Rendering of sales agency service	515	12,669
	<b>34,246</b>	<b>44,634</b>

# Notes to Financial Statements (Continued)

30 June 2021

## 5. REVENUE, OTHER INCOME AND GAINS (Continued)

### Revenue from contracts with customers

#### (i) Disaggregated revenue information

For the year ended 30 June 2021	Property development, property leasing and property management services RMB'000	Gold mining RMB'000	Total RMB'000
<b>Segments</b>			
<b>Types of goods or services</b>			
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
Sale agency service	515	–	515
Sale of gold	–	2,948	2,948
<b>Total revenue from contracts with customers</b>	<b>31,298</b>	<b>2,948</b>	<b>34,246</b>
<b>Geographical markets</b>			
Mainland China	31,298	–	31,298
Russia	–	2,948	2,948
<b>Total revenue from contracts with customers</b>	<b>31,298</b>	<b>2,948</b>	<b>34,246</b>
<b>Timing of revenue recognition</b>			
Goods transferred at a point in time	12,648	2,948	15,596
Services transferred over time	18,650	–	18,650
<b>Total revenue from contracts with customers</b>	<b>31,298</b>	<b>2,948</b>	<b>34,246</b>

# Notes to Financial Statements (Continued)

30 June 2021

## 5. REVENUE, OTHER INCOME AND GAINS (Continued)

### Revenue from contracts with customers (Continued)

#### (i) Disaggregated revenue information (Continued)

For the year ended 30 June 2020	Property development, property leasing and property management services RMB'000	Gold mining RMB'000	Total RMB'000
<b>Segments</b>			
<b>Types of goods or services</b>			
Sale of properties	19,357	–	19,357
Sale of parking lots	1,491	–	1,491
Property management services	8,275	–	8,275
Construction services	2,842	–	2,842
Sale agency service	12,669	–	12,669
<hr/>			
Total revenue from contracts with customers	44,634	–	44,634
<hr/>			
<b>Geographical market</b>			
Mainland China	44,634	–	44,634
<hr/>			
<b>Timing of revenue recognition</b>			
Goods transferred at a point in time	33,517	–	33,517
Services transferred over time	11,117	–	11,117
<hr/>			
Total revenue from contracts with customers	44,634	–	44,634
<hr/>			

# Notes to Financial Statements (Continued)

30 June 2021

## 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:

	2021 RMB'000	2020 RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of properties	2,604	4,283
Sale of parking lots	1,626	1,439
Property management services	542	2,253
	<b>4,772</b>	<b>7,975</b>

#### (ii) Performance obligations

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

##### *Sale of properties/parking lots*

For contracts entered into with customers for the sale of properties/parking lots, the Group does not have an enforceable right to payment prior to transfer of the relevant properties/parking lots to customers. Revenue from the sale of properties/parking lots is therefore recognised at the point in time when the properties/parking lots are transferred to customers, being the point in time when the customer obtains the control of the properties/parking lots 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.

##### *Sales agency service*

For contracts entered into with customers on the sales agency service, the Group does not have an enforceable right to payment prior to the completion of sales. Revenue from sales agency service is therefore recognised at the point in time when the service is completed, being the point in time when the customer obtains the control of the outcome from sales agency service and the Group has a present right to payment and collection of the consideration is probable.

The amounts of transaction prices totalling RMB5,334,000 (30 June 2020: RMB6,322,000) allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 30 June 2021 are expected to be recognised within one year. The amounts disclosed above do not include variable consideration which is constrained.

# Notes to Financial Statements (Continued)

30 June 2021

## 5. REVENUE, OTHER INCOME AND GAINS (Continued)

	Note	2021 RMB'000	2020 RMB'000
<b>Other income</b>			
Bank interest income		60	82
Interest income from financial assets at fair value through profit or loss		1,002	804
Rental income from investment property operating leases:			
Fixed payments		350	365
Others		344	45
		<b>1,756</b>	1,296
<b>Gains</b>			
Fair value gains on investment properties	13	–	150
Gain on disposal of an associate		–	4,792
Gain on disposal of items of property, plant and equipment		99	116
		<b>99</b>	5,058
		<b>1,855</b>	6,354

# Notes to Financial Statements (Continued)

30 June 2021

## 6. LOSS BEFORE TAX

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

	Notes	2021 RMB'000	2020 RMB'000
Cost of inventories sold		12,123	17,444
Cost of services provided		13,524	14,031
Depreciation	12	226	197
Amortisation	15	516	517
Minimum lease payments under operating leases		672	793
Auditor's remuneration		1,678	2,003
Staff costs (excluding directors' remuneration):			
Salaries and wages		10,250	8,565
Pension scheme contributions		497	460
		<b>10,747</b>	9,025
Foreign exchange differences, net*		74	33
Write-down of inventories to net realisable value*		2,823	–
Loss on disposal of investment properties*		–	8
Fair value loss/(gain) on investment properties		800	(150)
Impairment of assets held for sale*	16	313	–
Provision for impairment of intangible assets	15	–	26,944
Direct operating expenses (including repairs and maintenance) arising from rental-earning investment properties		61	50

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

## 7. FINANCE COSTS

An analysis of finance costs is as follows:

	2021 RMB'000	2020 RMB'000
Interest on:		
Non-redeemable convertible preferred shares (note 25)	36	97

# Notes to Financial Statements (Continued)

30 June 2021

## 8. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2021 RMB'000	2020 RMB'000
Fees	327	346
Other emoluments:		
Salaries, allowances and benefits in kind	217	448
Pension scheme contributions	–	11
	544	805

### (a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2021 RMB'000	2020 RMB'000
Mr. Cheung Chuen	123	130
Mr. Ling Aiwen	102	108
Mr. Lu Lin	102	108
	327	346

There were no other emoluments payable to the independent non-executive directors during the year (2020: Nil).

# Notes to Financial Statements (Continued)

30 June 2021

## 8. DIRECTORS' REMUNERATION (Continued)

### (b) Executive directors

	Salaries, allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
<b>2021</b>			
Mr. Mu Dongsheng	102	–	102
Mr. Du Yun <sup>#</sup>	115	–	115
	<b>217</b>	<b>–</b>	<b>217</b>

	Salaries, allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
<b>2020</b>			
Mr. Mu Dongsheng	242	–	242
Mr. Sze Ming Yee <sup>*</sup>	206	11	217
Mr. Du Yun <sup>#</sup>	–	–	–
	<b>448</b>	<b>11</b>	<b>459</b>

\* Resigned as executive director on 19 June 2020

<sup>#</sup> Appointed as executive director on 19 June 2020

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

# Notes to Financial Statements (Continued)

30 June 2021

## 9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included nil (2020: one) director, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining five (2020: remaining four) non-director, highest paid employees for the year are as follows:

	2021 RMB'000	2020 RMB'000
Salaries, allowances and benefits in kind	2,013	2,069
Pension scheme contributions	56	55
	<b>2,069</b>	<b>2,124</b>

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2021	2020
Nil to HK\$1,000,000	4	3
HK\$1,000,001 to HK\$1,500,000	1	1
	<b>5</b>	<b>4</b>

## 10. 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 (2020: 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% (2020: 25%).

	2021 RMB'000	2020 RMB'000
Current – Mainland China		
Provision for corporate income tax	1,661	6,218
Provision for LAT	1,304	2,955
Deferred (note 26)	(1,344)	(2,518)
	<b>1,621</b>	<b>6,655</b>

# Notes to Financial Statements (Continued)

30 June 2021

## 10. INCOME TAX (Continued)

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

	2021 RMB'000	2020 RMB'000
Loss before tax	(5,538)	(21,042)
Tax at the Mainland China statutory income tax rate of 25%	(1,384)	(5,260)
Lower tax rates on profits arising elsewhere	1,775	2,532
Expenses not deductible for tax	14	117
Effect of withholding tax at 10% on the distributable profits of the Group's PRC subsidiaries	332	1,523
Tax losses not recognised	2	5,540
Tax losses utilised from previous years	(96)	(13)
Provision for LAT	1,304	2,955
Tax effect of LAT	(326)	(739)
Tax charge at the Group's effective rate	1,621	6,655

## 11. 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 RMB6,381,000 (2020: RMB13,235,000), and the weighted average number of ordinary shares of 2,894,091,737 (2020: 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 2021 and 2020 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.

# Notes to Financial Statements (Continued)

30 June 2021

## 12. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Leasehold improvements RMB'000	Plant and machinery RMB'000	Furniture and fixtures RMB'000	Motor vehicles RMB'000	Total RMB'000
<b>30 June 2021</b>						
At 1 July 2020						
Cost	2,094	528	11	638	1,691	4,962
Accumulated depreciation and impairment	(1,377)	(498)	(11)	(543)	(1,318)	(3,747)
Net carrying amount	717	30	-	95	373	1,215
At 1 July 2020, net of accumulated depreciation and impairment	717	30	-	95	373	1,215
Additions	-	-	-	26	350	376
Disposals	(198)	-	-	-	(62)	(260)
Depreciation provided during the year	(71)	(20)	-	(16)	(119)	(226)
Exchange realignment	-	(3)	-	(8)	(22)	(33)
At 30 June 2021, net of accumulated depreciation and impairment	448	7	-	97	520	1,072
At 30 June 2021:						
Cost	1,849	481	-	532	1,032	3,894
Accumulated depreciation and impairment	(1,401)	(474)	-	(435)	(512)	(2,822)
Net carrying amount	448	7	-	97	520	1,072

# Notes to Financial Statements (Continued)

30 June 2021

## 12. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Buildings RMB'000	Leasehold improvements RMB'000	Plant and machinery RMB'000	Furniture and fixtures RMB'000	Motor vehicles RMB'000	Total RMB'000
30 June 2020						
At 1 July 2019						
Cost	2,171	509	11	620	1,716	5,027
Accumulated depreciation and impairment	(1,324)	(458)	(11)	(514)	(1,236)	(3,543)
Net carrying amount	847	51	–	106	480	1,484
At 1 July 2019, net of accumulated depreciation and impairment	847	51	–	106	480	1,484
Additions	–	–	–	–	182	182
Disposals	(48)	–	–	–	(221)	(269)
Depreciation provided during the year	(82)	(21)	–	(14)	(80)	(197)
Exchange realignment	–	–	–	3	12	15
At 30 June 2020, net of accumulated depreciation and impairment	717	30	–	95	373	1,215
At 30 June 2020:						
Cost	2,094	528	11	638	1,691	4,962
Accumulated depreciation and impairment	(1,377)	(498)	(11)	(543)	(1,318)	(3,747)
Net carrying amount	717	30	–	95	373	1,215

# Notes to Financial Statements (Continued)

30 June 2021

## 13. INVESTMENT PROPERTIES

	2021 RMB'000	2020 RMB'000
Carrying amount at 1 July	5,490	6,090
Disposals	(930)	(750)
Net (loss)/gain from a fair value adjustment (note 5)	(800)	150
Transfer to non-current assets classified as held for sale (note 16)	(1,060)	–
Carrying amount at 30 June	2,700	5,490

The Group's investment properties consist of certain commercial properties in Mainland China. The directors of the Company have determined that the investment properties are commercial properties, based on the nature, characteristics and risks of each property. The Group's investment properties were revalued on 30 June 2021 based on valuations performed by an independent professionally qualified valuer, at RMB2,700,000. Each year, the Group's directors and the chief financial officer decide to appoint which external valuer to be responsible for the external valuations of the Group's properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Group's directors and the chief financial officer have discussions with the valuer on the valuation assumptions and valuation results when the valuation is performed.

### Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

	Fair value measurement at 30 June 2021 using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Recurring fair value measurement for:				
Commercial properties	–	–	2,700	2,700

	Fair value measurement at 30 June 2020 using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Recurring fair value measurement for:				
Commercial properties	–	–	5,490	5,490

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2020: Nil).

# Notes to Financial Statements (Continued)

30 June 2021

## 13. INVESTMENT PROPERTIES (Continued)

### Fair value hierarchy (Continued)

Reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy:

	<b>Commercial properties</b> RMB'000
Carrying amount at 30 June 2019 and 1 July 2019	6,090
Disposals	(750)
Net gain from a fair value adjustment recognised in other income and gains in profit or loss (note 5)	150
<hr/>	
Carrying amount at 30 June 2020 and 1 July 2020	5,490
Disposals	(930)
Net loss from a fair value adjustment recognised in other expense in profit or loss (note 6)	(800)
Transfer to non-current assets classified as held for sale (note 16)	(1,060)
<hr/>	
Carrying amount at 30 June 2021	2,700

Set out below is a summary of the valuation techniques used and the key inputs to the valuation of investment properties:

	Valuation technique	Significant unobservable inputs	Range or weighted average	
			2021	2020
Commercial properties	Direct comparison approach	a. Market unit monthly rental (RMB/sq. m.)	a. 7 – 9	a. 7 – 9
		b. Yield per annum	b. 3.44% – 4.61%	b. 3.0%
		c. Market unit sales rate (RMB/sq. m.)	c. 2,000 – 2,800	c. 2,700 – 3,700

The direct comparison approach requires a valuation by assuming sales of the property interests in its existing state with the benefit of vacant possession and by making reference to comparable sales transactions as available in the relevant market and also considers the basis of capitalisation of the net income receivable, if necessary.

# Notes to Financial Statements (Continued)

30 June 2021

## 14. GOODWILL

	2021 RMB'000	2020 RMB'000
Cost and carrying amount:		
At the beginning and end of the year	4,821	4,821

### Impairment testing of goodwill

Goodwill acquired through business combination is allocated to the property development, property leasing and property management services cash-generating unit (the "CGU") for impairment testing.

The recoverable amount of the CGU has been determined based on a value-in-use calculation using cash flow projections based on financial budgets approved by management covering a period of five years. The growth rates used to extrapolate the cash flows beyond the period are based on the estimated growth rate of the unit, taking into account the industry growth rate, past experience and the medium or long term growth target of the CGU. The discount rate applied to the cash flow projections for the year ended 30 June 2021 is 21.27% (2020: 20.54%), and cash flows beyond the five-year period were extrapolated using a growth rate of 3% (2020: 3%), which is consistent with the industry growth estimate.

Assumptions were used in the value-in-use calculation for the year ended 30 June 2021. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

**Budgeted gross margins** – The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budget year.

**Discount rate** – The discount rate used is before tax and reflects specific risks relating to the relevant units.

**Life of the property management contract** – The life of the property management contract is estimated based on the industry practice.

The values assigned to the key assumptions on market development and discount rates are consistent with external information sources.

# Notes to Financial Statements (Continued)

30 June 2021

## 15. INTANGIBLE ASSETS

	Mining and exploration rights RMB'000	Exploration and evaluation assets RMB'000	Property management contract and customer relationship RMB'000	Total RMB'000
30 June 2021				
Cost at 1 July 2020, net of accumulated amortisation and impairment	41,000	–	1,763	42,763
Amortisation provided during the year	–	–	(516)	(516)
Exchange realignment	(4,525)	–	–	(4,525)
At 30 June 2021	36,475	–	1,247	37,722
At 30 June 2021:				
Cost	63,419	–	2,580	65,999
Accumulated amortisation	–	–	(1,333)	(1,333)
Impairment	(26,944)	–	–	(26,944)
Net carrying amount	36,475	–	1,247	37,722
30 June 2020				
Cost at 1 July 2019, net of accumulated amortisation	65,710	7,673	2,280	75,663
Amortisation provided during the year	–	–	(517)	(517)
Impairment during the year	(19,840)	(7,104)	–	(26,944)
Exchange realignment	(4,870)	(569)	–	(5,439)
At 30 June 2020	41,000	–	1,763	42,763
At 30 June 2020:				
Cost	60,840	7,104	2,580	70,524
Accumulated amortisation	–	–	(817)	(817)
Impairment	(19,840)	(7,104)	–	(26,944)
Net carrying amount	41,000	–	1,763	42,763

# Notes to Financial Statements (Continued)

30 June 2021

## 16. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

On 13 June 2021 and 30 June 2021, the Group entered into two agreements respectively with individuals to dispose of four investment properties, which were located in Anlu City, Hubei Province, the PRC, at a consideration of RMB747,000. The proceeds have been received in advance and the sale will be completed when the control of properties are transferred to the buyers.

As a result, the above investment properties were classified as non-current assets held for sale as at 30 June 2021.

	2021 RMB'000
At 1 July 2020	–
Transfer from investment properties (note 13)	1,060
Impairment loss (note 6)	(313)
<hr/>	
At 30 June 2021	747

## 17. INVENTORIES

	2021 RMB'000	2020 RMB'000
<b>Property development</b>		
Completed properties held for sale	41,982	13,633
Parking lots	20,686	22,019
<hr/>		
	62,668	35,652

As at 30 June 2021, impairment provision of RMB2,871,000 (2020: RMB2,697,000) has been recognised to write down the carrying amount of completed properties held for sale to the estimated net realisable value.

The parking lots fall into the category of civil air defence properties. According to the PRC laws and regulations, new buildings constructed in cities should contain basement areas that can be used for civil air defence purposes in times of war. A developer can manage and use such areas designated as civil air defence properties at other times and generate profits from such use. However, in times of war, such areas may be used by the government at no cost. In the event of war and if the civil air defence areas are used by the public, the Group may not be able to use such areas as parking lots, and such areas will no longer be a source of the Group's revenue.

# Notes to Financial Statements (Continued)

30 June 2021

## 17. INVENTORIES (Continued)

On 14 August 2020, Xuzhou Integration Commercial Management Co., Ltd. (“Jiangsu Ronghui” or “徐州融匯商業管理有限公司” in Chinese), an indirectly wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Xuzhou Zhongwei Real Estate Co., Ltd. (“Zhongwei” or “徐州市中維地產有限公司” in Chinese), the property developer, pursuant to which Zhongwei agreed to sell and Jiangsu Ronghui agreed to acquire the three blocks of three-storey commercial shops, which comprise Block 10, Block 11 and Block 12 in Xuzhou Yueqiao Flower Garden Project, Xincheng district, Xuzhou City, Jiangsu Province, the PRC at a cash consideration of RMB40,000,000. The acquisition of the commercial shops was completed on 25 January 2021. The Group holds the properties for earning proceeds expected to be derived from sales, and thus records the properties as inventories.

## 18. TRADE RECEIVABLES

	2021 RMB'000	2020 RMB'000
Trade receivables	16,911	13,772
Impairment	–	–
	<b>16,911</b>	13,772

The Group's trade receivables arise from the sale of properties and the provision of property management services, construction services and sales agency service. 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 six months is granted to the property developer for whom the Group provides property management services, construction services and sales agency service. Advanced payment is normally required for the property owners for whom the Group provides 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 the end of the reporting period, based on the invoice date, is as follows:

	2021 RMB'000	2020 RMB'000
Within 1 month	4,245	754
1 to 2 months	1,329	2,464
2 to 3 months	4,235	9,544
Over 3 months	7,102	1,010
	<b>16,911</b>	13,772

# Notes to Financial Statements (Continued)

30 June 2021

## 18. TRADE RECEIVABLES (Continued)

The Group measures the loss allowance for trade receivables at an amount equal to the 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. As the Group did not have any historical credit loss, the Group expects the lifetime ECL to be minimal. There has not been any significant change in the gross amounts of trade receivables that has affected the estimation of the loss allowance during the year.

## 19. DEPOSITS AND OTHER RECEIVABLES

	2021 RMB'000	2020 RMB'000
Deposits	80	87
Other receivables	1,844	940
	<b>1,924</b>	<b>1,027</b>

The financial assets included in the above balances relate to receivables for which there was no recent history of default and past due amounts.

The Group has applied the general approach to provide for expected credit loss on the deposits and other receivables and considered the historical loss rate and adjusted for forward-looking macroeconomic data in calculating the expected credit loss rate. As at 30 June 2021 and 2020, the loss allowance for deposits and other receivables was assessed to be minimal.

## 20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021 RMB'000	2020 RMB'000
Other unlisted investments, at fair value	–	5,303

The above unlisted investments at 30 June 2020 were financial products issued by banks in Mainland China. They were classified as financial assets at fair value through profit or loss as their contractual cash flows were not solely payments of principal and interest. During the year, the investments have been disposed of, resulting in a nil balance as at the year end.

# Notes to Financial Statements (Continued)

30 June 2021

## 21. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	2021 RMB'000	2020 RMB'000
Cash and bank balances	51,622	84,596
Pledged deposits	235	506
	51,857	85,102
Less: Pledged deposits for banking facilities	(235)	(506)
Cash and cash equivalents	51,622	84,596

At the end of the reporting period, the cash and bank balances of the Group denominated in RMB amounted to RMB34,828,000 (2020: RMB59,155,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Deposits were pledged to banks in respect of mortgage loan facilities granted by the banks to the buyers of certain properties developed by the Group. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

## 22. 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:

	2021 RMB'000	2020 RMB'000
Within 1 month	3,388	928
1 to 3 months	500	1,102
3 months to 1 year	1,036	2,203
Over 1 year	4,454	1,291
	9,378	5,524

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

## Notes to Financial Statements (Continued)

30 June 2021

### 23. OTHER PAYABLES AND ACCRUALS

	2021 RMB'000	2020 RMB'000
Other payables	11,442	11,485
LAT payable	–	14,087
Accruals	–	46
	11,442	25,618

Other payables are non-interest-bearing and have an average term of six months.

### 24. CONTRACT LIABILITIES

	30 June 2021 RMB'000	30 June 2020 RMB'000	1 July 2019 RMB'000
<b>Short-term advances received from customers</b>			
Sale of properties	1,385	2,659	5,611
Sale of parking lots	–	1,626	1,439
Property management services	770	542	2,253
Total contract liabilities	2,155	4,827	9,303

Contract liabilities include short-term advances received from customers in connection with the Group's sale of properties and parking lots and provision of property management services. The decrease in contract liabilities in 2021 and 2020 was due to the decrease in short-term advances received from customers in relation to the sale of properties and parking lots.

# Notes to Financial Statements (Continued)

30 June 2021

## 25. 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 holders of the CPS have 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 were converted into ordinary shares. In the current year, the remaining 3,000,000 CPS have been converted into ordinary shares and there was no CPS outstanding (2020: 3,000,000).

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

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

The Black-Scholes model was used to measure 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 amount of the liability component of the CPS during the year was calculated as follows:

	2021	2020
	RMB'000	RMB'000
Beginning of the year	865	738
Interest expense (note 7)	36	97
Conversion	(842)	–
Exchange realignment	(59)	30
<hr/>		
End of the year	–	865

## Notes to Financial Statements (Continued)

30 June 2021

### 26. DEFERRED TAX

The movements in deferred tax liabilities and assets during the year are as follows:

#### Deferred tax liabilities

	Withholding taxes RMB'000	Fair value adjustment of properties for sale RMB'000	Revaluation of properties RMB'000	Fair value adjustments arising from a business combination RMB'000	Total RMB'000
At 1 July 2019	1,301	3,913	585	570	6,369
Credited to profit or loss for the year (note 10)	(576)	(2,238)	(45)	(129)	(2,988)
At 30 June 2020 and 1 July 2020	725	1,675	540	441	3,381
(Credited)/charged to profit or loss for the year (note 10)	332	(731)	(398)	(129)	(926)
At 30 June 2021	<b>1,057</b>	<b>944</b>	<b>142</b>	<b>312</b>	<b>2,455</b>

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

#### Deferred tax assets

	Write-down of inventories to net realisable value RMB'000	Provision for LAT RMB'000	Accruals and other provision RMB'000	Others RMB'000	Total RMB'000
At 1 July 2019	1,742	3,008	1,148	–	5,898
(Charged)/credited to profit or loss during the year (note 10)	(1,068)	513	85	–	(470)
At 30 June 2020 and 1 July 2020	674	3,521	1,233	–	5,428
(Charged)/credited to profit or loss during the year (note 10)	44	204	(17)	187	418
At 30 June 2021	<b>718</b>	<b>3,725</b>	<b>1,216</b>	<b>187</b>	<b>5,846</b>

# Notes to Financial Statements (Continued)

30 June 2021

## 26. DEFERRED TAX (Continued)

### Deferred tax assets (Continued)

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2021 RMB'000	2020 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	4,761	5,428
Net deferred tax liabilities recognised in the consolidated statement of financial position	(1,370)	(3,381)
Net deferred tax assets	<b>3,391</b>	2,047

The Group has no tax losses arising in Mainland China (2020: RMB417,000) that will expire in the next five years, for offsetting against future taxable profits.

The Group has tax losses arising in Russia of RMB38,276,000 (2020: RMB30,737,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose.

Deferred tax assets have not been recognised in respect of these tax losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the above items can be utilised.

## 27. SHARE CAPITAL

### Shares

	2021 HKD'000	2020 HKD'000
Authorised:		
5,000,000,000 (2020: 5,000,000,000) ordinary shares of HK\$0.10 each	500,000	500,000
100,000,000 (2020: 100,000,000) CPS of HK\$1.00 each	100,000	100,000
	<b>600,000</b>	600,000

	2021 RMB'000	2020 RMB'000
Issued and fully paid:		
2,894,091,737 (2020: 2,884,091,737) ordinary shares	253,688	252,856

# Notes to Financial Statements (Continued)

30 June 2021

## 27. SHARE CAPITAL (Continued)

### Shares (Continued)

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	Share capital RMB'000
At 30 June 2020 and 1 July 2020	2,884,091,737	252,856
Conversion of CPS	10,000,000	832
<hr/>		
At 30 June 2021	2,894,091,737	253,688

During the year, 3,000,000 CPS have been converted into ordinary shares at a price of HK\$0.30 per share, resulting in the issue of 10,000,000 shares.

## 28. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 48 of the financial statements.

### (i) Share premium account

Under the Companies Law (Revised) of the Cayman Islands, share premium is distributable to shareholders, subject to the condition that the Company cannot declare or pay a dividend, or make a distribution out of share premium if (a) it is, or would after the payment be, unable to pay its liabilities as they become due, or (b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital account.

### (ii) Statutory reserve

In accordance with the PRC regulations, each of the PRC Subsidiaries is required to allocate 10% of its profit after tax, as determined under the PRC accounting regulations, to the statutory reserve until such reserve reaches 50% of its registered capital. Part of the statutory reserve may be used either to offset losses, or to be converted to increase the paid-up capital, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital.

### (iii) Capital contribution reserve

The capital contribution reserve represents the difference between the fair value of the interest-free financial assistance provided by the former shareholder of the Company initially recognised in the financial statements and the nominal amount of cash received/receivable by the Group.

## Notes to Financial Statements (Continued)

30 June 2021

### 29. PARTLY-OWNED SUBSIDIARY WITH MATERIAL NON-CONTROLLING INTERESTS

Details of the Group's subsidiary that has material non-controlling interests are set out below:

	2021	2020
Percentage of equity interest held by non-controlling interests:		
Commerce Prosper Limited	49%	49%
	2021	2020
	RMB'000	RMB'000
Profit/(loss) for the year allocated to non-controlling interests:		
Commerce Prosper Limited	(778)	(14,462)
	2021	2020
	RMB'000	RMB'000
Accumulated balances of non-controlling interests at the reporting date:		
Commerce Prosper Limited	20,850	24,219

The following table illustrates the summarised financial information of the above subsidiary. The amounts disclosed are before any inter-company eliminations.

	Commerce Prosper Limited	
	2021	2020
	RMB'000	RMB'000
Revenue	2,948	–
Total expenses	(4,535)	(29,514)
Loss for the year	(1,587)	(29,514)
Total comprehensive loss for the year	(1,587)	(29,514)
Current assets	10,617	15,128
Non-current assets	32,223	34,618
Current liabilities	(290)	(320)
Net cash flows used in operating activities	(1,932)	(2,136)
Net decrease in cash and cash equivalents	(1,932)	(2,136)

# Notes to Financial Statements (Continued)

30 June 2021

## 30. CONTINGENT LIABILITIES

At the end of the reporting period, contingent liabilities of the Group not provided for in the consolidated financial statements were as follows:

	2021 RMB'000	2020 RMB'000
Guarantees given to banks in connection with facilities granted to: Buyers of certain properties developed by the Group	460	2,480

As at 30 June 2021, banking facilities of RMB460,000 were granted to the buyers of certain properties developed by the Group (2020: RMB2,480,000).

## 31. LEASES

### (a) The Group as a lessee

The Group has lease contracts for its office premises. The lease terms of all the lease contracts end within 12 months and the Group applies the short-term lease exemption upon adoption of HKFRS 16. An expense relating to the short-term lease of RMB672,000 was included in administrative expenses during the year.

### (b) The Group as a lessor

The Group leases its Anlu Taihe kindergarten in Mainland China under operating lease arrangements. The terms of the leases generally also require the tenants to pay security deposits and fixed rent. Rental income recognised by the Group during the year was RMB350,000 (2020: RMB365,000).

At 30 June 2021 and 2020, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2021 RMB'000	2020 RMB'000
Within one year	366	333
In the second to fifth years, inclusive	31	397
	397	730

# Notes to Financial Statements (Continued)

30 June 2021

## 32. RELATED PARTY TRANSACTIONS

(a) Compensation of key management personnel of the Group:

	2021 RMB'000	2020 RMB'000
Short term employee benefits	1,593	1,891
Post-employment benefits	15	27
<b>Total compensation paid to key management personnel</b>	<b>1,608</b>	<b>1,918</b>

Further details of directors' emoluments are included in note 8 to the financial statements.

## 33. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2021

	Financial assets at amortised cost RMB'000
<b>Financial assets</b>	
Trade receivables	16,911
Financial assets included in deposits and other receivables	1,924
Pledged deposits	235
Cash and cash equivalents	51,622
	<b>70,692</b>

2021

	Financial liabilities at amortised cost RMB'000
<b>Financial liabilities</b>	
Trade payables	9,378
Financial liabilities included in other payables and accruals	4,963
	<b>14,341</b>

# Notes to Financial Statements (Continued)

30 June 2021

## 33. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

2020	Financial assets at fair value through profit or loss – Mandatorily designated as such RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000
<b>Financial assets</b>			
Trade receivables	–	13,772	13,772
Financial assets included in deposits and other receivables	–	1,027	1,027
Financial assets at fair value through profit or loss	5,303	–	5,303
Pledged deposits	–	506	506
Cash and cash equivalents	–	84,596	84,596
	5,303	99,901	105,204

2020

	Financial liabilities at amortised cost RMB'000
<b>Financial liabilities</b>	
Trade payables	5,524
Financial liabilities included in other payables and accruals	6,285
Non-redeemable convertible preferred shares	865
	12,674

# Notes to Financial Statements (Continued)

30 June 2021

## 34. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	2021 RMB'000	2020 RMB'000	2021 RMB'000	2020 RMB'000
<b>Financial liabilities</b>				
Non-redeemable convertible preferred shares	–	865	–	865

Management has assessed that the fair values of trade receivables, financial assets included in deposits and other receivables, pledged deposits, cash and cash equivalents, trade payables and financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's finance department headed by the chief financial officer is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer and the audit committee. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The fair value of non-redeemable convertible preferred shares has been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for the non-redeemable convertible preferred shares at the end of each of the years was assessed to be insignificant.

The Group invests in unlisted investments, which represent financial products issued by banks in Mainland China. The Group has estimated the fair value of these unlisted investments by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.

## Notes to Financial Statements (Continued)

30 June 2021

### 34. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

#### Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

There were no assets measured at fair value as at 30 June 2021.

As at 30 June 2020

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Financial assets at fair value through profit or loss	–	5,303	–	5,303

Liabilities for which fair values are disclosed:

There were no liabilities for which fair value is disclosed as at 30 June 2021.

As at 30 June 2020

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Non-redeemable convertible preferred shares	–	865	–	865

# Notes to Financial Statements (Continued)

30 June 2021

## 35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise non-redeemable convertible preferred shares, cash and pledged deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

### Interest rate risk

The Group's operating results and cash flows are not substantially affected by changes in market interest rates. In addition, the Group has no significant interest-bearing assets and liabilities except for cash and cash equivalents, and pledged deposits. Cash at banks earns interest at floating rates based on daily bank deposit rates, and has no material exposures to interest rate risk.

### Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific approval of management.

### Maximum exposure and year-end staging

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which was mainly based on past due information unless other information was available without undue cost or effort, and year-end staging classification as at 30 June. The amounts presented are gross carrying amounts for financial assets.

# Notes to Financial Statements (Continued)

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## 35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

### Credit risk (Continued)

#### Maximum exposure and year-end staging (Continued)

As at 30 June 2021	12-month ECLs		Lifetime ECLs		Simplified approach	Total
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	RMB'000		
Trade receivables*	–	–	–	16,911		16,911
Financial assets included in deposits and other receivables						
–Normal**	1,924	–	–	–		1,924
Pledged deposits	235	–	–	–		235
Cash and cash equivalents	51,622	–	–	–		51,622
	<b>53,781</b>	<b>–</b>	<b>–</b>	<b>16,911</b>		<b>70,692</b>

As at 30 June 2020	12-month ECLs		Lifetime ECLs		Simplified approach	Total
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	RMB'000		
Trade receivables*	–	–	–	13,772		13,772
Financial assets included in deposits and other receivables						
–Normal**	1,027	–	–	–		1,027
Pledged deposits	506	–	–	–		506
Cash and cash equivalents	84,596	–	–	–		84,596
	<b>86,129</b>	<b>–</b>	<b>–</b>	<b>13,772</b>		<b>99,901</b>

\* For trade receivables to which the Group applied the simplified approach for impairment, information is disclosed in note 18 to the financial statements.

\*\* The credit quality of the financial assets included in deposits and other receivables was considered to be “normal” when they were not past due and there was no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets was considered to be “doubtful”.

# Notes to Financial Statements (Continued)

30 June 2021

## 35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

### Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	2021		
	On demand and less than 12 months RMB'000	1 to 5 years RMB'000	Total RMB'000
Trade payables	9,378	–	9,378
Financial liabilities included in other payables and accruals	4,963	–	4,963
	<b>14,341</b>	<b>–</b>	<b>14,341</b>

  

	2020		
	On demand and less than 12 months RMB'000	1 to 5 years RMB'000	Total RMB'000
Trade payables	5,524	–	5,524
Financial liabilities included in other payables and accruals	6,285	–	6,285
Non-redeemable convertible preferred shares	865	–	865
	<b>12,674</b>	<b>–</b>	<b>12,674</b>

# Notes to Financial Statements (Continued)

30 June 2021

## 35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

### Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 30 June 2021 and 2020.

The Group monitors capital using a gearing ratio, which is net debt divided by the adjusted capital plus net debt. Net debt includes trade payables and certain other payables and accruals, less cash and cash equivalents. Capital includes the non-redeemable convertible preferred shares and equity attributable to owners of the Company.

The gearing ratios as at the end of the reporting periods were as follows:

	2021 RMB'000	2020 RMB'000
Trade payables	9,378	5,524
Other payables and accruals	11,442	25,618
Less: Cash and cash equivalents	(51,622)	(84,596)
Net debt	(30,802)	(53,454)
Non-redeemable convertible preferred shares, the liability component	–	865
Equity attributable to owners of the Company	117,058	126,657
Adjusted capital	117,058	127,522
Capital and net debt	86,256	74,068
Gearing ratio	n.a.	n.a.

# Notes to Financial Statements (Continued)

30 June 2021

## 36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

	2021 RMB'000	2020 RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	116	159
Investments in subsidiaries	50,690	50,690
Total non-current assets	50,806	50,849
CURRENT ASSETS		
Due from a subsidiary	64,689	53,000
Deposits and other receivables	81	89
Cash and cash equivalents	3,494	4,771
Total current assets	68,264	57,860
CURRENT LIABILITIES		
Due to a subsidiary	40,035	19,730
Other payables and accruals	2,875	3,409
Total current liabilities	42,910	23,139
NET CURRENT ASSETS	25,354	34,721
TOTAL ASSETS LESS CURRENT LIABILITIES	76,160	85,570
NON-CURRENT LIABILITIES		
Non-redeemable convertible preferred shares	–	865
Net assets	76,160	84,705
EQUITY		
Issued capital	253,688	252,856
Non-redeemable convertible preferred shares (note)	–	2,252
Other reserves (note)	(177,528)	(170,403)
Total equity	76,160	84,705

# Notes to Financial Statements (Continued)

30 June 2021

## 36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Note:

A summary of the Company's reserves is as follows:

	Share premium account RMB'000	Share option reserve RMB'000	Non- redeemable convertible preferred shares RMB'000	Capital reserve RMB'000	Contribution reserve RMB'000	Exchange fluctuation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 July 2019	676,605	35,986	2,252	19	48,448	(18,566)	(854,055)	(109,311)
Loss for the year	-	-	-	-	-	-	(57,597)	(57,597)
Other comprehensive loss for the year:								
Exchange differences on translation	-	-	-	-	-	(1,243)	-	(1,243)
Total comprehensive loss for the year	-	-	-	-	-	(1,243)	(57,597)	(58,840)
Transfer of share option reserve upon the forfeiture or expiry of share options	-	(35,986)	-	-	-	-	35,986	-
At 30 June 2020	676,605	-	2,252	19	48,448	(19,809)	(875,666)	(168,151)
At 1 July 2020	676,605	-	2,252	19	48,448	(19,809)	(875,666)	(168,151)
Loss for the year	-	-	-	-	-	-	(6,490)	(6,490)
Other comprehensive loss for the year:								
Exchange differences on translation	-	-	-	-	-	(2,869)	-	(2,869)
Total comprehensive loss for the year	-	-	-	-	-	(2,869)	(6,490)	(9,359)
Issue of shares upon conversion of non-redeemable convertible preference shares	2,229	-	(2,252)	-	-	-	5	(18)
At 30 June 2021	678,834	-	-	19	48,448	(22,678)	(882,151)	(177,528)

## 37. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 29 September 2021.

# Five Year Financial Summary

	Years ended 30 June				
	2021 RMB'000	2020 RMB'000	2019 RMB'000	2018 RMB'000	2017 RMB'000
<b>RESULTS</b>					
Revenue	<b>34,246</b>	44,634	43,179	21,216	10,542
Profit/(loss) from operations	<b>(5,502)</b>	5,999	(1,756)	(16,603)	(12,061)
Provision for impairment of an associate	-	-	-	-	(73,058)
Finance costs	<b>(36)</b>	(97)	(83)	(70)	(66)
Share of loss of an associate	-	-	(2,052)	(2,509)	(6,312)
Provisions for impairment of intangible assets	-	(26,944)	-	-	-
Loss before tax	<b>(5,538)</b>	(21,042)	(3,891)	(19,182)	(91,497)
Income tax (expense)/credit	<b>(1,621)</b>	(6,655)	(5,954)	(1,600)	473
Loss for the year	<b>(7,159)</b>	(27,697)	(9,845)	(20,782)	(91,024)
Loss attributable to:					
Owners of the Company	<b>(6,381)</b>	(13,235)	(8,493)	(19,811)	(90,724)
Non-controlling interests	<b>(778)</b>	(14,462)	(1,352)	(971)	(300)
	<b>(7,159)</b>	(27,697)	(9,845)	(20,782)	(91,024)
Dividends	-	-	-	-	-

## Five Year Financial Summary (Continued)

	As at 30 June				
	2021 RMB'000	2020 RMB'000	2019 RMB'000	2018 RMB'000	2017 RMB'000
<b>ASSETS AND LIABILITIES</b>					
Property, plant and equipment	1,072	1,215	1,484	1,197	1,482
Other non-current assets	50,004	58,502	92,472	133,609	140,161
Net current assets	88,202	95,405	96,996	62,651	86,145
Total assets less current liabilities	139,278	155,122	190,952	197,457	227,788
Non-current liabilities	(1,370)	(4,246)	(7,107)	(7,193)	(9,417)
Net assets	137,908	150,876	183,845	190,264	218,371
<b>EQUITY</b>					
Issued capital	253,688	252,856	252,856	252,856	252,856
Non-redeemable convertible preferred shares	–	2,252	2,252	2,252	2,252
Other reserves	(136,630)	(128,451)	(112,507)	(105,854)	(82,126)
Non-controlling interests	20,850	24,219	41,244	41,010	45,389
Total equity	137,908	150,876	183,845	190,264	218,371