KINGWELL GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 1195

ANNUAL REPORT 2023

Contents

Corporate Information

DIRECTORS

Mao Yangguang *(Chairman and Chief Executive Officer)*
Du Yun
Cheung Chuen*
Ling Aiwen*
Lu Lin*

* Independent Non-executive Director

COMPANY SECRETARY

Poon Yan Wai

AUTHORISED REPRESENTATIVES

Mao Yangguang
Poon Yan Wai

AUDIT COMMITTEE

Ling Aiwen *(Chairman)*
Cheung Chuen
Lu Lin

REMUNERATION COMMITTEE

Ling Aiwen *(Chairman)*
Mao Yangguang
Cheung Chuen

NOMINATION COMMITTEE

Mao Yangguang *(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
Certified Public Accountants
Registered Public Interest Entity Auditor

REGISTERED OFFICE

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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
Gardenia Court, Camana Bay
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 increased to approximately RMB74.5 million.
- Gross profit for the Year was approximately RMB22.7 million.
- Loss before tax for the Year decreased to approximately RMB10.1 million.
- Loss for the Year attributable to owners of the Company was approximately RMB23.1 million.
- Total comprehensive loss for the Year attributable to owners of the Company was approximately RMB0.2 million.
- Basic loss per share attributable to ordinary equity holders of the Company was RMB0.8 cents.
- Total equity of the Group decreased to RMB126.0 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 2023 (the "Year").

The Group had its wholly-owned subsidiaries of property management companies to provide the property management services such as Xuzhou Taihua Property Service Co., Ltd.# (徐州泰華物業管理有限公司) ("Xuzhou Taihua") and Jiangsu Tianan Hongji Property Management Co., Ltd.# (江蘇天安鴻基物業管理有限公司) ("Jiangsu Tianan Hongji"), in which, the size of the property under management are approximately 254,248 square meters in aggregate. Also, the Group has 518 units parking lots and 3 blocks of 3-storey commercial buildings (total gross floor area of 3,267 square meters). The above held for sales properties and property under management are in the Xuzhou Yueqiao Flower Garden# (徐州月橋花院) (the "Xuzhou Project"), Xuzhou City, Jiangsu Province, the People's Republic of China ("PRC"). The Group expects that the Xuzhou Project will continue to provide positive cash flow to the Group.

The Shenzhen Hailian Property Management Co., Ltd.# (深圳市海聯物業管理有限公司) ("Shenzhen Hailian") and Huizhou Huiyang Peninsula One Property Management Co., Ltd.# (惠州市惠陽半島壹號物業管理有限公司) ("Huiyang Peninsula One") provide property management services in Shenzhen and Huizhou, and have 864 units parking lots in Huizhou, in which, the size of the property under management are approximately 3,050,000 square meters in aggregate. The property management portfolio and geographic layout of property management business of the Group have been expanded from Xuzhou to Huizhou and Shenzhen, which are both located in the Guangdong-Hong Kong-Macao Greater Bay Area (the "Greater Bay Area"). According to the Outline Development Plan for the Greater Bay Area# (粵港澳大灣區發展規劃綱要) issued by The State Council of the PRC in February 2019, both Huizhou and Shenzhen are the cities that becoming the focus of the future development of the Greater Bay Area. Therefore, the Group believes that Huizhou and Shenzhen have growth potential.

There are only remaining few inventories for sales in the property development project "Anlu Taihe Paradise" in Anlu City, Hubei Province in the PRC, which is developed by Anlu Taihe Real Estate Development Company# (安陸泰合房地產開發有限公司) ("Anlu Taihe"). The Group does not expect Anlu Taihe will contribute significant income in the future.

The gold mining business recorded net loss in previous years, the Group believes that the disposal of the gold mining business provides a good opportunity for the Group to release its resources to develop of its other existing businesses.

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.

Mao Yangguang
Chairman

Hong Kong, 28 September 2023

English name is for identification only

Management Discussion and Analysis

Results

For the Year, revenue of the Group amounted to approximately RMB74,542,000 (2022: RMB32,957,000), representing an increase by approximately 126% as compared with last year. The increase in revenue was mainly due to the contribution from the property management services income from the Shenzhen Hailian and Huiyang Peninsula One.

During the Year, the Group recorded a gross profit of approximately RMB22,743,000 (2022: RMB11,702,000) and loss before tax of approximately RMB10,101,000 (2022: RMB13,128,000) respectively. The increase in gross profit and decrease in loss before tax were mainly due to the increase in the contribution from the property management services of Shenzhen Hailian and Huiyang Peninsula One.

During the Year, the loss attributable to owners of the Company for the Year was approximately RMB23,101,000 (2022: RMB10,818,000). Basic loss per share during the Year was RMB0.80 cents (2022: RMB0.37 cents).

Business Review

Property Development, Property Leasing and Property Management Services Business

The Group had its wholly-owned subsidiaries of property management companies to provide the property management services such as Xuzhou Taihua and Jiangsu Tianan Hongji, in which, the size of the property under management are approximately 254,248 square meters in aggregate. Also, the Group has 518 units parking lots and 3 blocks of 3-storey commercial buildings (total gross floor area of 3,267 square meters). The above held for sales properties and property under management are in the Xuzhou Yueqiao Flower Garden# (徐州月橋花院) (the "Xuzhou Project"), Xuzhou City, Jiangsu Province, the PRC.

During the Year, the Group recorded property management services income from the Shenzhen Hailian and Huiyang Peninsula One for a whole year. The Group acquired 51% equity interests in each of Shenzhen Hailian and Huiyang Peninsula One last year, at a consideration of RMB15.5 million. Pursuant to the agreement dated 18 January 2022, the vendor undertakes and guarantees to the Group that the net profit (after excluding the non-recurring gains and losses) of the Shenzhen Hailian and Huiyang Peninsula One for the year ended 31 December 2022 (the "2022 guaranteed net profit") should not be less than RMB6,200,000. The guaranteed net profit has been fulfilled. Shenzhen Hailian and Huiyang Peninsula One provide property management services in Shenzhen and Huizhou, and have 864 units parking lots in Huizhou, in which, the size of the property under management are approximately 3,050,000 square meters in aggregate.

The property development project "Anlu Taihe Paradise" at Liang Ji Bei Road, Anlu Economic Development District in Anlu city, Hubei province in the PRC (Postal code 432600), is developed by the Anlu Taihe Real Estate Development Company# ("Anlu Taihe") (安陸泰合房地產開發有限公司) and is wholly owned by the Group. 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.

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 2023.

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Business Review (Continued)

Property Development, Property Leasing and Property Management Services Business (Continued)

During the Year, the Group recorded significant increase in revenue due to property management services income contribution from the Shenzhen Hailian and Huiyang Peninsula One for a whole year. The sales of properties were more difficult due to the real estate downturn in the PRC.

During the Year, the property development, property leasing and property management services segment recorded a profit of approximately RMB16,960,000 as compared to a profit of approximately RMB6,928,000 in 2022. As at 30 June 2023, the property development, property leasing and property management services business had segment assets of approximately RMB162,562,000 (2022: RMB161,085,000) and segment liabilities of approximately RMB43,151,000 (2022: RMB44,258,000). The property development, property leasing and property management services shared 70% of the Group's total assets.

Gold Mining Business

The Group owned 34,230 shares ("51% equity interests") of CPL and investment costs was US$13 million (RMB81.7 million). CPL owned 100% equity interests of Zolotoy Standart Limited (the "Gold Mining Company" or "ZSL"). 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.

As for the gold mining business, most of the Russian labours had refused to go out for mining work due to the Russia-Ukraine war. The Group had suspended the mining operation during the Year. On 16 February 2023, the Company entered into a share transfer agreement with Mr. Guo Wei# (郭偉) (the "Purchaser") (an independent third party), pursuant to which the Company agreed to sell and the Purchaser agreed to purchase 51% equity interests of CPL and its wholly-owned subsidiary, ZSL, which holds a gold mine located in Russia. Details of the transaction are set out in the announcement of the Company dated 16 February 2023. The transaction was completed on 20 March 2023.

During the Year, the gold mining segment recorded a loss of approximately RMB19,136,000 as compared to a loss of approximately RMB343,000 in 2022, in which, the net gain on disposal of the gold mine excluding the accumulated exchange differences on translation of foreign operations reclassified from other comprehensive income was RMB5,044,000. As a reclassification adjustment, the accumulated exchange differences on translation of foreign operations recognized in other comprehensive income previously for amounting to RMB23,444,000 was reclassified from other comprehensive income to profit or loss. As the disposal of the gold mining business was completed on 20 March 2023, there is no segment assets (2022: RMB48,102,000) and no segment liabilities (2022: RMB154,000) in the Group's gold mining segment as at year end. There was no dividend income from the gold mining segment during the Year.

Geographic Information

During the Year, revenue from operations derived from sales to external customers located in Mainland China and Russia are RMB74,542,000 (2022: RMB32,614,000) and Nil (2022: RMB343,000) respectively.

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Business Prospects

The Group had 518 units parking lots and 3 blocks of 3-storey commercial buildings, which comprises Block 10, Block 11 and Block 12 in the Xuzhou Project. 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. Also, the Group will enhance the management services and provide the tailor-made services to our customers in Xuzhou. The Group expects that the Xuzhou Project will continue to provide positive cash flow to the Group.

Shenzhen Hailian and Huiyang Peninsula One provide property management services in Shenzhen and Huizhou, and have 864 units parking lots in Huizhou, in which, the size of the property under management are approximately 3,050,000 square meters in aggregate. The property management portfolio and geographic layout of property management business of the Group have been expanded from Xuzhou to Huizhou and Shenzhen, which are both located in the Greater Bay Area. According to the Outline Development Plan for the Greater Bay Area issued by The State Council of the PRC in February 2019, both Huizhou and Shenzhen are the cities that becoming the focus of the future development of the Greater Bay Area. Therefore, the Group believes that Huizhou and Shenzhen have growth potential.

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

The gold mining business recorded net loss in previous years, the Group believes that the disposal of the gold mining business provides a good opportunity for the Group to release its resources to develop of its other existing businesses.

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

Liquidity and Financial Resources and Capital Structure

For the year ended 30 June 2023, the Group's working capital requirement was principally financed by its internal resources.

As at 30 June 2023, the Group had cash and cash equivalents, net current assets and total assets less current liabilities of approximately RMB63,469,000 (2022: RMB29,643,000), RMB102,669,000 (2022: RMB74,072,000) and RMB128,921,000 (2022: RMB148,382,000), respectively.

As at 30 June 2023, the Group had no interest-bearing borrowings (2022: Nil).

Total equity attributable to owners of the Company as at 30 June 2023 decreased by approximately RMB234,000 to approximately RMB114,112,000 (2022: RMB114,346,000). The gearing ratio (calculated as the ratio of net debt: capital and net debt) of the Group as at 30 June 2023 was 0.07% (2022: 27.81%).

Significant Investments

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

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Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

Disclosable Transaction in relation to the Disposal of 51% Issued Share Capital in a Subsidiary

On 16 February 2023, the Company entered into a share transfer agreement with Mr. Guo Wei (郭偉)* (the "Purchaser") (an independent third party), pursuant to which the Company agreed to sell and the Purchaser agreed to purchase 51% equity interests of CPL at a consideration of RMB26.50 million. The principal asset of CPL and its wholly-owned subsidiary, ZSL, is a gold mine, which is located in Russia. As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the transaction are more than 5% but all of them are less than 25%, the transaction constitutes a discloseable transaction under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirement.

Details of the above transaction are set out in the announcement of the Company dated 16 February 2023.

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

EMPLOYEES' INFORMATION

Emolument Policy and Long-Term Incentive Scheme

As at 30 June 2023, the Group employed a total of 500 (2022: 449) employees. It is a policy of the Group to review its employees' pay levels and performance bonus system regularly to ensure that the remuneration policy is competitive within the relevant industry. The Group also provides a comprehensive benefit package and career development opportunities, including retirement schemes, medical benefits, and both internal and external training appropriate to individual needs. During the Year, the employment cost (including Directors' emoluments) amounted to approximately RMB40,241,000 (2022: RMB14,255,000). For the purpose of providing appropriate long-term incentive to the Group's employees, share options may be granted to staff, Directors and consultants under the Company's 2019 share option scheme (the "2019 Share Option Scheme") adopted in 2019. As at the date of this report, no option has been granted under the 2019 Share Option Scheme.

Directors' Remuneration Policy

A directors' remuneration policy has been adopted. It aims to set out the Company's policy in respect of remuneration paid to executive Directors and non-executive Directors. The Directors' remuneration policy sets out the remuneration structure that allows the Company to attract, motivate and retain qualified Directors who can manage and lead the Company in achieving its strategic objective and contribute to the Company's performance and sustainable growth, and to provide Directors with a balanced and competitive remuneration. The remuneration policy is, therefore, aiming at being competitive but not excessive. To achieve this, remuneration package is determined with reference to a matrix of factors, including the individual performance, qualification and experience of Directors concerned and prevailing industry practice. It will be reviewed and, if necessary, updated from time to time to ensure its continued effectiveness.

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

Retirement Benefit Scheme

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

EMPLOYEES' INFORMATION (Continued)

Retirement Benefit Scheme (Continued)

The Group's contributions to the Defined Contribution Schemes vest fully and immediately with the employees. Accordingly, (i) for each of the two years ended 30 June 2022 and 30 June 2023, there was no forfeiture of contributions under the Defined Contribution Schemes; and (ii) there were no forfeited contributions available for the Group to reduce its existing level of contributions to the Defined Contribution Schemes as at 30 June 2022 and 30 June 2023.

For each of the two years ended 30 June 2022 and 30 June 2023, the Group did not have any defined benefit plan.

CHARGES ON GROUP ASSETS

As at 30 June 2023, none of the Group's assets were pledged to secure general banking facilities to the Group (2022: Nil).

FUTURE PLANS FOR MATERIAL INVESTMENTS AND EXPECTED SOURCES OF FUNDING

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

The Group had no future plans for material investments and expected sources of funding as at 30 June 2023.

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. The Group also manages its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposure such as Hong Kong Dollars in order to keep the net exposure to an acceptable level. The Group has not used any hedging arrangement to hedge its foreign exchange risk exposure.

CAPITAL COMMITMENTS

As at 30 June 2023, the Group had no capital commitments (2022: Nil).

CONTINGENT LIABILITIES

As at 30 June 2023, the banking facilities of RMB236,000 were granted to buyers of certain properties developed by the Group (2022: RMB460,000).

DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 30 June 2023 (2022: Nil).

Biographical Information of Directors and Senior Management

DIRECTORS

Executive Directors

Mr. Mao Yangguang (毛仰光), aged 49, is an executive Director, Chairman, chief executive officer and authorised representative of the Company since 20 July 2023. He is also a director of various subsidiaries of the Company, including Stephigh Group Limited, Well Gold Group Limited, Rise Win Group Limited, Rising Ray China Group Limited and China Integration Group Limited. He is the Director of Yuhu Lenglian (Guangdong) Co., Ltd. since 2016. Mr. Mao has over 26 years of working experience in various business in PRC. Mr. Mao graduated for a four-year study major in Business Administration from Hebei University of Economics and Business (河北經貿大學) in 1996. Mr. Mao 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 50, is an executive Director of the Company since June 2020. He was the Guangzhou Region Deputy General Manager of the Yango Group Limited# (陽光城集團廣州區域副總經理) from January 2018 to 2021. He was the associate dean of the Guangdong Provincial Academy of Building Research College# (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# (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# (廣州市市政園林局科技處處長) from February 2009 to October 2010. Mr. Du has over 28 years of 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 49, 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 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 44, 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 21 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 was 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.

English name is for identification only

Independent Non-executive Directors (Continued)

Mr. Lu Lin (盧霖), aged 48, 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 22 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 53, 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 C.2.1

Under the code provision C.2.1 of the CG Code states that the roles of the chairman and the chief executive should be separate and should not be performed by the same individual. Being aware of the said deviation from code provision C.2.1, but in view of the current rapid development of the Group, the Board believes that with the support of the management, vesting the roles of both chairman and chief executive officer of the Company by Mr. Mu Dongsheng (for the period from 1 July 2022 to 20 July 2023 and Mr. Mao Yangguang took up Mr. Mu's roles as the chairman and the chief executive officer on 20 July 2023) can facilitate execution of the Group's business strategies and boost effectiveness of its operation. In addition, under the supervision by the Board which consists of three independent non-executive Directors, the interests of the shareholders will be adequately and fairly represented. The Company will seek to re-comply with code provision C.2.1 by identifying and appointing a suitable and qualified candidate to the position of the chief executive officer of the Company in future.

A. BOARD OF DIRECTORS

1. Composition of the Board of Directors

As at 30 June 2023, the Board consisted of two executive Directors and three independent non-executive Directors. Each of the 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).

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 7 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:

Directors' Attendance at Board Meetings	No. of attendance
Executive Directors	
Mr. Mao Yangguang *(appointed on 20 July 2023)*	0/0
Mr. Du Yun	7/7
Mr. Mu Dongsheng *(retired on 20 July 2023)*	7/7
Independent Non-executive Directors	
Mr. Cheung Chuen	4/7
Mr. Ling Aiwen	4/7
Mr. Lu Lin	4/7

The Directors will receive details of agenda items for decision and detailed 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.

4. General Meetings

During the Year, the Company convened one general meeting which is the annual general meeting held on 12 December 2022.

Directors' Attendance at General Meetings	No. of attendance
Executive Directors	
Mr. Mao Yangguang *(appointed on 20 July 2023)*	0/0
Mr. Du Yun	1/1
Mr. Mu Dongsheng *(retired on 20 July 2023)*	1/1
Independent Non-executive Directors	
Mr. Cheung Chuen	1/1
Mr. Ling Aiwen	1/1
Mr. Lu Lin	1/1

5. Directors' Training

According to the code provision C.1.4 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[1]	Reading materials updating on new rules and regulations
Executive Directors		
Mr. Mao Yangguang *(appointed on 20 July 2023)*	–	–
Mr. Mu Dongsheng *(retired on 20 July 2023)*	✓	✓
Mr. Du Yun	✓	✓
Independent Non-executive Directors		
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.

6. Chairman and Chief Executive Officer

CG Code provisions C.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 held both of the chairman and chief executive officer positions (for the period from 1 July 2022 to 20 July 2023 and Mr. Mao Yangguang took up Mr. Mu's roles as the chairman and the chief executive officer on 20 July 2023), as explained in the paragraph headed "Code Provision C.2.1" above in the Corporate Governance Report.

7. Independent Non-executive Directors

In compliance with Rule 3.10(1) of the Listing Rules, there are three independent non-executive Directors representing more then 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.

The independent non-executive Directors were 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 2023, 31 July 2023 and 30 April 2023, 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.

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 articles of association of the Company, the Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the Board or as an addition to the existing Board. Any Director appointed by the Board under this Article shall hold office only until the first annual general meeting of the Company after his appointment, and shall then be eligible for re-election at such meeting. Accordingly, Mr. Mao Yangguang, who has been appointed as an executive Director, is subject to retirement at the forthcoming annual general meeting and shall then be eligible for re-election at that meeting.

B. BOARD COMMITTEES

1. Remuneration Committee

The Company established a remuneration committee (the "Remuneration Committee") in November 2005 with written terms of reference revised to be substantially the same as the provisions as set out in the CG Code. The Remuneration Committee is responsible for advising the Board on the remuneration policy and framework of the Directors and senior management; 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; and to review and/or approve matters relating to the share schemes under Chapter 17 of the Listing Rules.

As at 30 June 2023, 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. Mr. Mao Yangguang has been appointed to replace Mr. Mu Dongsheng as a member of the Remuneration Committee on 20 July 2023. During the Year, two meetings were held to review the remuneration packages of the Board and the senior management. The attendance record of the Remuneration Committee meeting held is set out below:

Directors' Attendance at Remuneration Committee Meeting	No. of attendance
Mr. Ling Aiwen *(Chairman of the Remuneration Committee)*	2/2
Mr. Cheung Chuen	2/2
Mr. Mao Yangguang *(appointed on 20 July 2023)*	0/0
Mr. Mu Dongsheng *(retired on 20 July 2023)*	2/2

Remuneration of Directors and Senior Management

The emoluments of the members of the senior management by band for the year ended 30 June 2023 are set out below:

	Number of members	
	2023	2022
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.

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 2023, 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 ended 30 June 2022 and the unaudited condensed consolidated interim financial statements for the six months ended 31 December 2022 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 *(Chairman of the Audit Committee)*	2/2
Mr. Cheung Chuen	2/2
Mr. Lu Lin	2/2

3. Nomination Committee

The Company established a nomination committee (the "Nomination Committee") on 26 March 2012 with written terms of reference revised to be substantially the same as the provisions as set out in the CG Code. The Nomination Committee is responsible for electing and recommending candidates for directorship, based on assessment of their professional qualifications and experience and is also responsible for assessing the independence of each Independent Non-executive Director.

As at 30 June 2023, 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. Mr. Mao Yangguang has been appointed to replace Mr. Mu Dongsheng as a chairman of the Nomination Committee on 20 July 2023. 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 meeting held is set out below:

Directors' Attendance at Nomination Committee Meeting	**No. of attendance**
Mr. Mao Yangguang *(Chairman of the Nomination Committee, appointed on 20 July 2023)*	0/0
Mr. Mu Dongsheng *(Chairman of the Nomination Committee, retired on 20 July 2023)*	1/1
Mr. Ling Aiwen	1/1
Mr. Lu Lin	1/1

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, experience and gender diversity 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 interviewing 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.

C. 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.

D. 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.

E. 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 has 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 sets 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.

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 closely 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 systems. 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 and the risk management and internal control are reviewed twice annually. 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 systems, which cover 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 are established to provide reasonable (but not absolute) assurance against any material misstatement or losses.

F. 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 HK$'000
Audit services	2,150
Non-audit services	200

Note: Non-audit services fees include agreed-upon procedures on interim results and report on 2022 guaranteed net profit.

G. 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.

In respect of the gender diversity of the Board, as at the date of the Annual Report, all Directors are male which consist of a single gender board for the time being. The Company is well-aware of the requirements under the new CG Code where diversity on the Board needs to be achieved and is more than willing to fulfill the requirements by appointing a director of a different gender no later than 31 December 2024. The Company recognizes and embraces the benefits of having a diverse Board to enhance the quality of its performance, and sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. It is expected that the ratio of female Directors will reach more than 10% in the following years. The Company will achieve this goal through active nomination of suitable candidates without gender limitation to the newly appointed Directors in the next few years.

Moreover, the current gender ratio of the company workforce (including senior management) is 100 males per 47 females, compared with 100 males per 54 females of last year. The Company has already achieved gender diversity and will continue focusing on the area because workforce gender diversity is associated with resources that can provide a sustained competitive advantage to the Company, which includes market insight, creativity and innovation, and improved problem-solving ability. Men's and women's different experiences may provide insights into the different needs of male and female customers. Further, men and women may have different cognitive abilities, such as men's proficiency in mathematics and women's proficiency in verbal and interpersonal skills. Therefore, a mix of cognitive abilities in a gender diverse team may enhance the team's overall creativity and innovation as proved by research. Moreover, a gender diverse team produces high quality decisions. Although there may be some mitigating circumstances where gender diversity can be very hard to achieve (for instance, male workers are more commonly seen regarding physical labor and female workers are more often seen during psychological consultation), the Company will keep focusing on the workforce gender diversity to maintain its current strength as well as to further improve its competitivity in the future.

Mechanisms To Ensure Independent Views

The Company makes certain that the Board has access to independent views and input through the mechanisms listed below:

1. The Nomination Committee should review the Board composition and the independence of the independent non-executive Directors annually, in particular the portion of the independent non-executive Directors and the independence of the independent non-executive Director who has served for more than nine years.

2. A written confirmation was received by the Company under Rule 3.13 of the Listing Rules from each of the independent non-executive Directors in relation to his/her independence to the Company. The Company considers all its independent non-executive Directors to be independent.

3. In view of good corporate governance practices and to avoid conflict of interests, the Directors who are also Directors and/or senior management of the Company's controlling shareholders and/or certain subsidiaries of the controlling shareholders, would abstain from voting in the relevant Board resolutions on the transactions with the controlling shareholders and/or its associates.

4. The chairman of the Board shall meet with independent non-executive Directors at least once annually.

5. All members of the Board can seek independent professional advice when necessary to perform their responsibilities in accordance with the Company's policy. The mechanisms to ensure independent views are reviewed by the Nomination Committee for ensuring independent views and input are available to the Board on an annual basis, whether in terms of proportion, recruitment and independence of independent non-executive Directors, or their contribution and access to external independent professional advice.

Corporate Governance Committee

The Company established a corporate governance committee (the "Corporate Governance Committee") on 26 March 2012 with written terms of reference to be substantially the same as the provisions as set out in 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 2023, 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:

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

H. 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.

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

I. CONSTITUTIONAL DOCUMENTS

During the year, the Company has amended its Memorandum and Articles of Association (the "M&A") to conform to the amendments to Listing Rules for shareholder protections and to incorporate certain housekeeping amendments. The Board has also adopted the second amended and restated M&A incorporating and consolidating all the amendments. Details of the amendments were set out in the Company's circular to Shareholders dated 28 October 2022. A copy of the latest version of the M&A is available on the websites of the Company and the Stock Exchange.

J. INVESTORS AND SHAREHOLDERS RELATIONS

The Company recognises the importance of providing current and relevant information to its shareholders (the "Shareholders"). This shareholders' communication policy (the "Policy") aims to set out the provisions with the objective to ensure that the Shareholders and potential investors are provided with equal and timely access to balanced and understandable information about the Company, in order to enable Shareholders to exercise their rights in an informed manner, and to allow Shareholders and potential investors to engage actively with the Company.

Shareholders' communication policy

The board of directors of the Company (the "Board") shall maintain an on-going dialogue with Shareholders and will regularly review the Policy to ensure its effectiveness.

Information is communicated to the Shareholders as well as the stakeholders through periodic disclosure through the Company's financial reports (interim and annual reports), annual general meetings and other general meetings that may be convened, as well as by making available all the disclosures submitted to The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and other corporate publications on the Stock Exchange's website and corporate communications on the Stock Exchange website (www.hkex.com.hk) and the Company's website (http://kingwell.todayir.com).

Effective and timely dissemination of information to Shareholders shall be ensured at all times. Any questions, requests and comments can be addressed to the Company by mail to Units 314-315, Wing On Plaza, 62 Mody Road, Tsim Sha Tsui East, Kowloon, Hong Kong or by email to 1195@kingwellgroup.com.hk or through the Company's share registrar.

The Company believes that communication with Shareholders by electronic means, particularly through its website, is an efficient way to distribute information in a timely and convenient manner. Shareholders are encouraged to access to the corporate communications posted on the Company's website to help reduce the quantity of printed copies and hence reduce the impact on the environment.

The Company's website will be updated with material posted to the Stock Exchange website immediately thereafter. Such material includes but not limited to financial statements, results announcements, circulars and notices of general meetings and associated explanatory documents.

Shareholders may at any time make a request for the Company's information to the extent such information is publicly available.

Shareholders shall be provided with designated contacts, email addresses and enquiry lines of the Company in order to enable them to make any query in respect of the Company.

The Company has reviewed the shareholders' communication policy conducted for the year ended 30 June 2023 and considered that the shareholders' communication policy has been well implemented and effective.

K. 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.

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 2023 are disclosed in the 2023 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.

Our largest customer was the property developer of the Yueqiao Flower Garden in Xuzhou. 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 four year.

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 2023 are set out in note 18 to the financial statements.

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 management services business and had business relationship with the Group for 1 year or less. All the major suppliers were independent third parties of the Group. 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.

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 Year is as follows:

	Percentage of the Group's total	
	Sales	**Purchases**
The largest customer	5%	
Five largest customers in aggregate	7%	
The largest supplier		11%
Five largest suppliers in aggregate		19%

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.

FINANCIAL STATEMENTS

The loss of the Group for the Year and the financial position of the Group as at 30 June 2023 are set out in the financial statements on pages 45 to 120.

DIVIDENDS

The Board does not recommend the payment of a final dividend for the Year (2022: Nil).

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from 14 December 2023 to 20 December 2023, 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 13 December 2023.

SHARE CAPITAL

Details of the issued share capital of the Company during the Year are set out in note 26 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 27 to the financial statements.

DISTRIBUTABLE RESERVES

Details of the movements in reserves of the Company during the Year are set out in note 35 to the financial statements.

As at 30 June 2023, 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 2023, 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 2023 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 2023 (2022: Nil).

CHARITABLE DONATIONS

No charitable donation was made by the Group during the Year (2022: Nil).

EQUITY-LINKED AGREEMENT

Other than the share option scheme as disclosed below, no equity-linked agreement were entered into by the Company during the Year or subsisting at the end of the Year.

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.

No vesting period is specified under the 2003 Share Option Scheme.

(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.

(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.

No vesting period is specified under 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.

(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.

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 2023.

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 9.97% of the issued share capital of the Company.

The number of options available for grant under the scheme mandate of the 2019 Share Option Scheme as 1 July 2022 and 30 June 2023 is 288,409,173.

The number of shares that may be issued in respect of options granted under all schemes of the Company during the Year is nil, representing 0% of the weighted average number of shares of relevant class in issue of the Company for the Year.

(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.

The vesting period for options shall not be less than 12 months.

(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 6 years.

Apart from the foregoing, at no time during the Year was the Company or any of its 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.

DIRECTORS

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

Executive Directors
Mr. Mao Yangguang *(Chairman and Chief Executive Officer, appointed on 20 July 2023)*
Mr. Du Yun
Mr. Mu Dongsheng *(Chairman and Chief Executive Officer, resigned on 20 July 2023)*

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. Mao Yangguang	20 July 2023

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 2023, 31 July 2023 and 30 April 2023 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.

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

As at 30 June 2023, 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 *(retired on 20 July 2023)*	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 2023, 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.

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

As at 30 June 2023, 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 2023.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

Save as disclosed above, at no time during the Year was the Company or any of its 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.

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 2023, 31 July 2023 and 30 April 2023.

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 names of directors who have 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 *(resigned on 20 July 2023)*
Mr. Mao Yangguang *(appointed on 20 July 2023)*

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 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.

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 119 to 120 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 24.

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

Mao Yangguang
Chairman

Hong Kong, 28 September 2023

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 45 to 118, which comprise the consolidated statement of financial position as at 30 June 2023, 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 2023, 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 ("HKSAs") 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.

KEY AUDIT MATTERS (Continued)

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td colspan="2">Net realisable value of inventories</td></tr>
<tr><td>As at 30 June 2023, the carrying values of the Group's completed properties held for sale of RMB41,997,000 and parking lots held for sale of RMB62,932,000 ("Inventories") were significant. These Inventories were stated at the lower of cost and net realisable value.

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 the expected future selling prices, the estimated future selling costs and the relevant taxes, as well as a valuation report issued by an independent professionally qualified valuer.

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.

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.

Related disclosures are included in notes 2.4, 3 and 17 to the financial statements.</td><td>We conducted full physical inspection of the Inventories. We evaluated the valuation methodology adopted by management for assessing the net realisable value of the Inventories and reviewed the key estimates and assumptions adopted in the valuations, including those relating to selling prices, market available data, historical data, and sales budget plan maintained by the Group. We also considered the competence, capabilities and objectivity of management's external expert. In addition, we involved our valuation expert to assist us in critically assessing the methodology and assumptions used in the evaluation of the net realisable value of the Inventories by management's external expert.</td></tr>
</table>

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of goodwill	
As at 30 June 2023, goodwill of RMB19,968,000 in relation to business combination was recorded by the Group. The goodwill is related to the physical assets and intangible assets used in a cash-generating unit ("CGU"). According to HKAS 36, goodwill is subject to impairment testing at least at the end of each financial year. The management of the Group engaged an independent professionally qualified valuer to evaluate the recoverable amount of the CGU. Based on the valuation report, no provision was needed as at the year end. We identified the impairment assessment of goodwill as a key audit matter because the balance of goodwill was significant to the Group, and significant judgements were involved in the assessment of the recoverable amount of the CGU, including assumptions such as business plan, future cash flow and discount rate. Related disclosures are included in notes 2.4, 3 and 15 to the financial statements.	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 CGU. We checked the rationality and reliability of the business plan and future cash flow. We checked the consistency of the forecast, and we also involved our valuation expert to assist us in critically assessing the methodology and assumptions applied in the model, including the discount rate.

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.

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.

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

28 September 2023

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 30 June 2023

	Notes	2023 RMB'000	2022 RMB'000
CONTINUING OPERATIONS			
REVENUE	5	**74,542**	32,957
Cost of sales		**(51,799)**	(21,255)
Gross profit		**22,743**	11,702
Other income and gains	5	**2,248**	3,607
Selling and distribution expenses		**(6)**	(748)
Administrative expenses		**(13,724)**	(15,973)
Impairment losses on financial assets		**(1,651)**	(833)
Other expenses		**(19,702)**	(763)
Finance costs	7	**(9)**	(1)
		(10,101)	(3,009)
Provision for impairment on intangible assets	16	**–**	(10,119)
LOSS BEFORE TAX	6	**(10,101)**	(13,128)
Income tax expense	10	**(9,478)**	(3,663)
LOSS FOR THE YEAR		**(19,579)**	(16,791)
OTHER COMPREHENSIVE INCOME			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**(16,355)**	16,572
Reclassification adjustments for a foreign operation disposed of during the year	30	**23,444**	–
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of the Company's financial statements		**1,642**	424
OTHER COMPREHENSIVE INCOME FOR THE YEAR		**8,731**	16,996
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR		**(10,848)**	205

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

Year ended 30 June 2023

	Note	2023 RMB'000	2022 RMB'000
(Loss)/profit attributable to:			
Owners of the Company		**(23,101)**	(10,818)
Non-controlling interests		**3,522**	(5,973)
		(19,579)	(16,791)
Total comprehensive (loss)/income attributable to:			
Owners of the Company		**(234)**	(2,712)
Non-controlling interests		**(10,614)**	2,917
		(10,848)	205
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	11	**RMB cents**	RMB cents
Basic and diluted		**(0.80)**	(0.37)

Consolidated Statement of Financial Position

30 June 2023

	Notes	2023 RMB'000	2022 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	**780**	871
Investment properties	13	**1,470**	1,590
Right-of-use assets	14	**301**	86
Goodwill	15	**19,968**	19,968
Other intangible assets	16	**231**	43,412
Deferred tax assets	25	**3,502**	8,383
Total non-current assets		**26,252**	74,310
CURRENT ASSETS			
Inventories	17	**104,929**	104,967
Trade receivables	18	**27,378**	32,987
Deposits and other receivables	19	**8,346**	9,641
Financial assets at fair value through profit or loss	20	**–**	2,700
Pledged deposits	21	**236**	235
Cash and cash equivalents	21	**63,469**	29,643
Total current assets		**204,358**	180,173
CURRENT LIABILITIES			
Trade payables	22	**5,445**	12,462
Other payables and accruals	23	**34,499**	31,065
Contract liabilities	24	**6,541**	4,049
Lease liabilities	14	**117**	92
Amounts due to related companies	32	**23,607**	30,157
Tax payable		**31,480**	28,276
Total current liabilities		**101,689**	106,101
NET CURRENT ASSETS		**102,669**	74,072
TOTAL ASSETS LESS CURRENT LIABILITIES		**128,921**	148,382

Consolidated Statement of Financial Position (Continued)

30 June 2023

	Notes	2023 RMB'000	2022 RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**128,921**	148,382
NON-CURRENT LIABILITIES			
Lease liabilities	14	**187**	–
Deferred tax liabilities	25	**2,758**	2,027
Total non-current liabilities		**2,945**	2,027
Net assets		**125,976**	146,355
EQUITY			
Equity attributable to owners of the Company			
Issued capital	26	**253,688**	253,688
Other reserves	27	**(139,576)**	(139,342)
		114,112	114,346
Non-controlling interests		**11,864**	32,009
Total equity		**125,976**	146,355

Mao Yangguang
Director

Du Yun
Director

Consolidated Statement of Changes in Equity

Year ended 30 June 2023

	Attributable to owners of the Company									
	Issued capital RMB'000	Share premium account 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	Total equity RMB'000
At 1 July 2021	253,688	678,834	9,850	19	48,448	(14,211)	(859,570)	117,058	20,850	137,908
Loss for the year	–	–	–	–	–	–	(10,818)	(10,818)	(5,973)	(16,791)
Other comprehensive income for the year:										
Exchange differences on translation of foreign operations	–	–	–	–	–	8,106	–	8,106	8,890	16,996
Total comprehensive income/(loss) for the year	–	–	–	–	–	8,106	(10,818)	(2,712)	2,917	205
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	6,793	6,793
Acquisition of non-controlling interests	–	–	–	–	–	–	–	–	955	955
Disposal of a subsidiary	–	–	–	–	–	–	–	–	494	494
Transfer to statutory reserve	–	–	898	–	–	–	(898)	–	–	–
At 30 June 2022	253,688	678,834*	10,748 *	19*	48,448*	(6,105)*	(871,286)*	114,346	32,009	146,355

	Attributable to owners of the Company									
	Issued capital RMB'000	Share premium account 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	Total equity RMB'000
At 1 July 2022	253,688	678,834	10,748	19	48,448	(6,105)	(871,286)	114,346	32,009	146,355
(Loss)/profit for the year	–	–	–	–	–	–	(23,101)	(23,101)	3,522	(19,579)
Other comprehensive income/(loss) for the year:										
Reclassification adjustments for a foreign operation disposed of during the year	–	–	–	–	–	23,444	–	23,444	–	23,444
Exchange differences on translation of foreign operations	–	–	–	–	–	(577)	–	(577)	(14,136)	(14,713)
Total comprehensive income/(loss) for the year	–	–	–	–	–	22,867	(23,101)	(234)	(10,614)	(10,848)
Disposal of subsidiaries	–	–	–	–	–	–	–	–	(9,531)	(9,531)
Transfer to statutory reserve	–	–	1,568	–	–	–	(1,568)	–	–	–
At 30 June 2023	253,688	678,834*	12,316*	19*	48,448*	16,762*	(895,955)*	114,112	11,864	125,976

* These reserve accounts comprise a deficit in the consolidated other reserves of RMB139,576,000 (2022: RMB139,342,000) 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 2023.

Consolidated Statement of Cash Flows

Year ended 30 June 2023

	Notes	2023 RMB'000	2022 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(10,101)**	(13,128)
Adjustments for:			
Finance costs	7	**9**	1
Interest income	5	**(315)**	(502)
Loss/(gain) on disposal of subsidiaries	30	**18,400**	(1,509)
Loss on disposal of investment properties	6	**–**	257
Depreciation of property, plant and equipment	6	**228**	269
Depreciation of right-of-use assets	6	**118**	–
Amortisation of intangible assets	6	**521**	495
Impairment of intangible assets	6	**–**	10,119
Fair value loss on investment properties	6	**120**	110
Write-down of inventories to net realisable value		**–**	(19)
Impairment of trade receivables	6	**956**	833
Impairment of other receivables	6	**695**	–
		10,631	(3,074)
Decrease in inventories		**36**	800
Decrease/(increase) in trade receivables		**4,653**	(9,386)
Increase in deposits and other receivables		**(9,741)**	(2,616)
Increase in pledged deposits		**(1)**	–
(Decrease)/increase in trade payables		**(7,017)**	1,264
Increase in other payables and accruals		**3,438**	5,223
Increase/(decrease) in amounts due to related companies		**332**	(4,767)
Increase in contract liabilities		**2,492**	1,748
Decrease in non-current assets held for sale		**–**	747
Cash from/(used in) operations		**4,823**	(10,061)
Taxes paid		**(692)**	(3,334)
Net cash flows from/(used in) operating activities		**4,131**	(13,395)

Consolidated Statement of Cash Flows (Continued)

Year ended 30 June 2023

	Notes	2023 RMB'000	2022 RMB'000
Net cash flows from/(used in) operating activities		**4,131**	(13,395)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**315**	502
Purchases of items of property, plant and equipment		**(192)**	(147)
Proceeds from disposal of investment properties		**–**	743
Acquisition of subsidiaries	29	**–**	(8,363)
Disposal of subsidiaries	30	**26,312**	(246)
Disposal/(purchase) of wealth management products		**2,700**	(2,700)
Net cash flows from/(used in) investing activities		**29,135**	(10,211)
CASH FLOWS FROM FINANCING ACTIVITIES			
Principal portion of lease payment	14	**(130)**	–
Net cash flows used in financing activities		**(130)**	–
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**33,136**	(23,606)
Cash and cash equivalents at beginning of year		**29,643**	51,622
Effect of foreign exchange rate changes, net		**690**	1,627
CASH AND CASH EQUIVALENTS AT END OF YEAR		**63,469**	29,643
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	21	**63,469**	29,643

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:

- provision of property management services
- sale of properties and parking lots

Information about subsidiaries

Particulars of the Company's subsidiaries are as follows:

Name	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 ("CPL")**	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 ("ZSL")**	Russia	RUB10,000	–	100%	Gold mining
Xuzhou Taihua Property Service Co., Ltd. ("徐州泰華物業管理有限公司")	PRC/Mainland China	RMB2,000,000	–	100%	Property management services
Jiangsu Tianan Hongji Property Management Co., Ltd. ("Jiangsu Tianan") ("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. ("Xuzhou Integration") ("徐州融匯商業管理有限公司")	PRC/Mainland China	RMB2,000,000	–	100%	Property management services

1. CORPORATE AND GROUP INFORMATION (Continued)

Information about subsidiaries (Continued)

Particulars of the Company's subsidiaries are as follows: (Continued)

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Huizhou Huiyang Peninsula One Property Management Co., Ltd. ("Peninsula One") ("惠州市惠陽半島一號物業管理有限公司")	PRC/Mainland China	RMB3,000,000	–	51%	Property management services
Shenzhen Hailian Property Management Co., Ltd. ("Shenzhen Hailian") ("深圳市海聯物業管理有限公司")	PRC/Mainland China	RMB3,000,000	–	51%	Property management services
Zhaoqing Hailian Property Management Co., Ltd. ("肇慶市海聯物業管理有限公司")	PRC/Mainland China	RMB1,000,000	–	51%	Property management services
Huizhou Huiyang Peninsula New City Property Management Co., Ltd. ("惠州市惠陽半島新城市物業管理有限公司")	PRC/Mainland China	RMB1,000,000	–	51%	Property management services
Foshan Integration Commercial Management Co., Ltd. ("佛山市融匯商業管理有限公司")****	PRC/Mainland China	RMB2,000,000	–	51%	Property management services
Nanning Integration E-commerce Co., Ltd. ("南寧融匯電子商務有限公司")***	PRC/Mainland China	RMB5,000,000	–	100%	Information technology services
Shenzhen Huihai Technology Logistics Supply Chain Co., Ltd. ("深圳市匯海科技物流供應鏈有限公司")***	PRC/Mainland China	RMB5,000,000	–	51%	Transportation agency services
Yingtong Supply Chain Technology (Shenzhen) Co., Ltd. ("盈通供應鏈科技(深圳)有限公司")	PRC/Mainland China	RMB10,000	–	51%	Transportation agency services

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

** Being disposed of on 20 March 2023. Further details of this disposal are included in note 30 to the financial statements.

*** Nanning Integration E-commerce Co., Ltd. and Shenzhen Huihai Technology Logistics Supply Chain Co., Ltd. were established on 7 March 2023 and 25 April 2023, respectively.

**** Being disposed of on 1 May 2023.

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. 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 2023. 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).

Generally, there is a presumption that a majority of voting rights results in control. 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 the consolidated statement of profit or loss and other comprehensive income. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 3	*Reference to the Conceptual Framework*
Amendments to HKAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*
Amendments to HKAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*
Annual Improvements to HKFRSs 2018-2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

The nature and the impact of the revised HKFRSs that are applicable to the Group are described below:

(a) Amendments to HKFRS 3 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* (the "Conceptual Framework") 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 has applied the amendments prospectively to business combinations that occurred on or after 1 July 2022. As there were no business combinations during the year, the amendments did not have any impact on the financial position and performance of the Group.

(b) 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 as determined by HKAS 2 *Inventories*, in the consolidated statement of profit or loss and other comprehensive income. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 July 2021. Since there was no sale of items produced prior to the property, plant and equipment being available for use, the amendments did not have any impact on the financial position or performance of the Group.

(c) 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 Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 July 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

The nature and the impact of the revised HKFRSs that are applicable to the Group are described below: (Continued)

(d) 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 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. The Group has applied the amendment prospectively from 1 July 2022. As there was no modification or exchange of the Group's financial liabilities during the year, the amendment did not have any impact on the financial position or performance of the Group.

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 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to HKFRS 16	*Lease Liability in a Sale and Leaseback*[2]
HKFRS 17	*Insurance Contracts*[1]
Amendments to HKFRS 17	*Insurance Contracts*[1, 5]
Amendment to HKFRS 17	*Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information*[6]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current (the "2020 Amendments")*[2, 4]
Amendments to HKAS 1	Non-current Liabilities with Covenants (the "2022 Amendments")[2]
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*[1]
Amendments to HKAS 8	*Definition of Accounting Estimates*[1]
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[1]

1 Effective for annual periods beginning on or after 1 January 2023

2 Effective for annual periods beginning on or after 1 January 2024

3 No mandatory effective date yet determined but available for adoption

4 As a consequence of the 2022 Amendments, the effective date of the 2020 Amendments was deferred to annual periods beginning on or after 1 January 2024. In addition, as a consequence of the 2020 Amendments and 2022 Amendments, 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 to align the corresponding wording with no change in conclusion

5 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

6 An entity that chooses to apply the transition option relating to the classification overlay set out in this amendment shall apply it on initial application of HKFRS 17

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

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

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 resulting from a downstream transaction 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 HKFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of HKFRS 16 (i.e., 1 January 2019). Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 1 *Classification of Liabilities as Current or Non-current* clarify the requirements for classifying liabilities as current or non-current, in particular the determination over whether an entity has a right to defer settlement of the liabilities for at least 12 months after the reporting period. 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. In 2022, the HKICPA issued the 2022 Amendments to further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. In addition, the 2022 Amendments require additional disclosures by an entity that classifies liabilities arising from loan arrangements as non-current when it has a right to defer settlement of those liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively. Earlier application is permitted. An entity that applies the 2020 Amendments early is required to apply simultaneously the 2022 Amendments, and vice versa. The Group is currently assessing the impact of the amendments and whether existing loan agreements may require revision. Based on a preliminary assessment, the amendments are not expected to have any significant impact on the Group's financial statements.

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

Amendments to HKAS 1 *Disclosure of Accounting Policies* require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. Amendments to HKAS 1 are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted. Since the guidance provided in the amendments to HKFRS Practice Statement 2 is non-mandatory, an effective date for these amendments is not necessary. The Group is currently revisiting the accounting policy disclosures to ensure consistency with the amendments.

Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 12 narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations and goodwill (Continued)

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 the consolidated statement of profit or loss and other comprehensive income.

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 the consolidated statement of profit or loss and other comprehensive income. 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 the consolidated statement of profit or loss and other comprehensive income 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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

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 the consolidated statement of profit or loss and other comprehensive income in the period in which it arises in those expense categories consistent with the function of the impaired asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of non-financial assets (Continued)

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 the consolidated statement of profit or loss and other comprehensive income in the period in which it arises.

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; and the sponsoring employers of the post-employment benefit plan;

(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.

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 the consolidated statement of profit or loss and other comprehensive income 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	3.8%
Leasehold improvements	2.1%
Furniture and fixtures	7.3%-33.3%
Motor vehicles	17.8%-20.0%

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 the consolidated statement of profit or loss and other comprehensive income in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

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 the consolidated statement of profit or loss and other comprehensive income in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the consolidated statement of profit or loss and other comprehensive income in the year of the retirement or disposal.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 as follows:

Buildings	2 years

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.

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 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, 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.

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 the consolidated statement of profit or loss and other comprehensive income.

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 the consolidated statement of profit or loss and other comprehensive income 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets (Continued)

General approach (Continued)

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.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial liabilities (Continued)

Subsequent measurement

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

Financial liabilities at amortised cost (loans and borrowings)

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the consolidated statement of profit or loss and other comprehensive income when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the consolidated statement of profit or loss and other comprehensive income.

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 the consolidated statement of profit or loss and other comprehensive income.

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.

Inventories

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.

Parking lots

Parking lots are stated at the lower of cost and net realisable value. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 the consolidated statement of profit or loss and other comprehensive income is recognised outside the consolidated statement of 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.

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 carryforward 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax (Continued)

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Revenue from contracts with customers (Continued)

(a) *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.

(b) *Parking services*

Revenue from the provision of parking services is recognised over the scheduled period on a straight-line basis.

(c) *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.

(d) *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.

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).

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 the consolidated statement of profit or loss and other comprehensive income.

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 the consolidated statement of profit or loss is also recognised in other comprehensive income or the consolidated statement of profit or loss, respectively).

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

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 exchange rates that approximate to those prevailing at the dates of the transactions.

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 the consolidated statement of profit or loss and other comprehensive income.

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.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Judgements (Continued)

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 portion of the profits 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.

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 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 2023 was RMB19,968,000 (30 June 2022: RMB19,968,000). Further details are given in note 15 to the financial statements.

Provision for expected credit losses on trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 18 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

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 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 2023 was RMB1,470,000 (30 June 2022: RMB1,590,000). Further details are given in note 13 to the financial statements.

Net realisable value of inventories

The Group writes down inventories, including property held for sale and parking lots, 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. The carrying value of deferred tax assets relating to tax losses at 30 June 2023 was RMB29,000 (2022: RMB18,000). The amount of unrecognised tax losses at 30 June 2023 was RMB1,151,000 (2022: RMB380,000).

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 completed its LAT declaration 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 services and has two reportable operating segments as follows. The gold mining segment was disposed of on 20 March 2023.

(a) the property development, property leasing and the 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.

(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 profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's loss before tax except that interest income, provision for impairment of intangible assets, non-lease-related finance costs as well as head office and corporate expenses are excluded from such measurement.

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

Segment liabilities exclude tax payable, amounts due to related companies, deferred tax liabilities and other unallocated head office and corporate liabilities, as these liabilities are managed on a group basis.

4. OPERATING SEGMENT INFORMATION (Continued)

Year ended 30 June 2023	Note	Property development, property leasing and property management services RMB'000	Gold mining RMB'000	Total RMB'000
Segment revenue				
Sales to external customers	5	74,542	–	74,542
Other revenue		1,933	–	1,933
		76,475	–	76,475
Segment results		16,960	(19,136)	(2,176)
Reconciliation:				
Interest income				315
Corporate and other unallocated expenses				(8,240)
Loss before tax				(10,101)
Segment assets		162,562	–	162,562
Reconciliation:				
Corporate and other unallocated assets				68,048
				230,610
Segment liabilities		43,151	–	43,151
Reconciliation:				
Corporate and other unallocated liabilities				61,483
				104,634
Other segment information:				
Loss on disposal of subsidiaries		–	(18,400)	(18,400)
Impairment losses on financial assets		1,651	–	1,651
Depreciation and amortisation		867	–	867
Capital expenditure*		192	–	192

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

4. OPERATING SEGMENT INFORMATION (Continued)

Year ended 30 June 2022	Note	Property development, property leasing and property management services RMB'000	Gold mining RMB'000	Total RMB'000
Segment revenue				
Sales to external customers	5	32,614	343	32,957
Other revenue		3,105	–	3,105
		35,719	343	36,062
Segment results		6,928	(343)	6,585
Reconciliation:				
Interest income				502
Provision for impairment of intangible assets				(10,119)
Corporate and other unallocated expenses				(10,095)
Finance costs				(1)
Loss before tax				(13,128)
Segment assets		161,085	48,102	209,187
Reconciliation:				
Corporate and other unallocated assets				45,296
				254,483
Segment liabilities		44,258	154	44,412
Reconciliation:				
Corporate and other unallocated liabilities				63,716
				108,128
Other segment information:				
Provision for impairment on intangible assets		–	10,119	10,119
Impairment losses on financial assets		833	–	833
Depreciation and amortisation		764	–	764
Capital expenditure*		166	–	166

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

4. OPERATING SEGMENT INFORMATION (Continued)

Geographical information

(a) Revenue from external customers

	2023 RMB'000	2022 RMB'000
Mainland China	**74,542**	32,614
Russia	**–**	343
	74,542	32,957

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

(b) Non-current assets

	2023 RMB'000	2022 RMB'000
Mainland China	**22,651**	23,093
Hong Kong	**99**	100
Russia	**–**	42,734
	22,750	65,927

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

Information about major customers

No information about major customers is presented as no single customer contributed over 10% of total revenue of the Group during the year ended 30 June 2023.

During the year ended 30 June 2022, revenue of RMB14,891,000 was derived from the rendering of property leasing and property management services to a single customer.

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2023 RMB'000	2022 RMB'000
Revenue from contracts with customers		
Rendering of property management services	59,981	19,626
Parking fee	14,473	2,755
Sale of parking lots	88	2,114
Rendering of construction services	–	8,119
Sale of gold	–	343
	74,542	32,957

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 30 June 2023	Property development, property leasing and property management services RMB'000	Gold mining RMB'000	Total RMB'000
Segments			
Types of goods or services			
Property management services	59,981	–	59,981
Parking fee	14,473	–	14,473
Sale of parking lots	88	–	88
Total revenue from contracts with customers	74,542	–	74,542
Geographical market			
Mainland China	74,542	–	74,542
Timing of revenue recognition			
Goods transferred at a point in time	88	–	88
Services transferred over time	74,454	–	74,454
Total revenue from contracts with customers	74,542	–	74,542

5. REVENUE, OTHER INCOME AND GAINS (Continued)

Revenue from contracts with customers (Continued)

(i) Disaggregated revenue information (Continued)

For the year ended 30 June 2022	Property development, property leasing and property management services RMB'000	Gold mining RMB'000	Total RMB'000
Segments			
Types of goods or services			
Property management services	19,626	–	19,626
Parking fee	2,755	–	2,755
Sale of parking lots	2,114	–	2,114
Sale of gold	–	343	343
Construction services	8,119	–	8,119
Total revenue from contracts with customers	32,614	343	32,957
Geographical markets			
Mainland China	32,614	–	32,614
Russia	–	343	343
Total revenue from contracts with customers	32,614	343	32,957
Timing of revenue recognition			
Goods transferred at a point in time	2,114	343	2,457
Services transferred over time	30,500	–	30,500
Total revenue from contracts with customers	32,614	343	32,957

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:

	2023 **RMB'000**	2022 RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Property management services	**3,708**	720

5. REVENUE, OTHER INCOME AND GAINS (Continued)

Revenue from contracts with customers (Continued)

(ii) Performance obligations

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

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 to three years.

Parking fee
The performance obligation is satisfied over time as services are rendered and payment is usually received after the services are rendered.

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 the 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.

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

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 30 June are as follows:

	2023 **RMB'000**	2022 RMB'000
Amounts expected to be recognised as revenue:		
Within one year	**10,335**	7,828
After one year	**3,404**	7,183
	13,739	15,011

The amounts of transaction prices allocated to the remaining performance obligations which are expected to be recognised as revenue after one year relate to property management services, of which the performance obligations are to be satisfied within three years. All the other amounts of transaction prices allocated to the remaining performance obligations are expected to be recognised as revenue within one year. The amounts disclosed above do not include variable consideration which is constrained.

	2023 **RMB'000**	2022 RMB'000
Other income		
Gain on disposal of a subsidiary	**–**	1,509
Sale of goods	**–**	667
Rental income from operating leases:		
Fixed payments	**1,311**	566
Interest income from financial assets at fair value through profit or loss	**234**	442
Bank interest income	**81**	60
Others	**622**	363
	2,248	3,607

6. LOSS BEFORE TAX

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

	Notes	2023 RMB'000	2022 RMB'000
Cost of inventories sold		**38**	1,256
Cost of services provided		**18,938**	19,999
Depreciation of property, plant and equipment	12	**228**	269
Depreciation of right-of-use assets	14(a)	**118**	–
Amortisation	16	**521**	495
Lease payments not included in the measurement of lease liabilities	14(c)	**638**	596
Auditor's remuneration		**2,095**	1,986
Staff costs (excluding directors' remuneration (note 8)):			
Salaries and wages		**36,935**	12,965
Pension scheme contributions		**2,661**	626
		39,596	13,591
Foreign exchange differences, net*		**1,032**	395
Loss on disposal of investment properties*		**–**	257
Fair value loss on investment properties*	13	**120**	110
Impairment of intangible assets	16	**–**	10,119
Impairment of financial assets:			
Impairment of trade receivables	18	**956**	833
Impairment of other receivables	19	**695**	–
Loss/(gain) on disposal of subsidiaries	30	**18,400***	(1,509)

* 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:

	2023 RMB'000	2022 RMB'000
Interest on:		
Lease liabilities	**9**	1

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:

	2023	2022
	RMB'000	RMB'000
Fees	**342**	317
Other emoluments:		
Salaries, allowances and benefits in kind	**303**	347
Pension scheme contributions	**–**	–
	645	664

(a) Independent non-executive directors

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

	2023			2022		
	Salaries, allowances and benefits in kinds	**Pension Scheme contributions**	**Total remunerations**	Salaries, allowances and benefits in kinds	Pension Scheme contributions	Total remunerations
	RMB'000	**RMB'000**	**RMB'000**	RMB'000	RMB'000	RMB'000
Mr. Cheung Chuen	**128**	**–**	**128**	119	–	119
Mr. Ling Aiwen	**107**	**–**	**107**	99	–	99
Mr. Lu Lin	**107**	**–**	**107**	99	–	99
	342	**–**	**342**	317	–	317

There were no other emoluments payable to the independent non-executive directors during the year (2022: Nil).

8. DIRECTORS' REMUNERATION (Continued)

(b) Executive directors

Salaries, allowances and benefits in kind paid to executive directors during the year were as follows:

	2023 Salaries, allowances and benefits in kinds RMB'000	2023 Pension Scheme contributions RMB'000	2023 Total remunerations RMB'000	2022 Salaries, allowances and benefits in kinds RMB'000	2022 Pension Scheme contributions RMB'000	2022 Total remunerations RMB'000
Mr. Mu Dongsheng*	143	–	143	199	–	199
Mr. Du Yun	160	–	160	148	–	148
Mr. Mao Yangguang**	–	–	–	–	–	–
	303	–	303	347	–	347

* Retired on 20 July 2023.
** Appointed on 20 July 2023.

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

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included one (2022: one) director, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining four (2022: four) non-director, highest paid employees for the year are as follows:

	2023 RMB'000	2022 RMB'000
Salaries, allowances and benefits in kind	1,789	1,673
Pension scheme contributions	49	44
	1,838	1,717

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

	Number of employees 2023	2022
Nil to HK$1,000,000	3	3
HK$1,000,001 to HK$1,500,000	1	1
	4	4

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 and Russia profits tax has been made (2022: Nil) as the Group did not generate any assessable profits in Hong Kong and Russia during the year. Taxes on profits assessable in Mainland China have been calculated at the rate of 25% (2022: 25%).

	Note	**2023** **RMB'000**	2022 RMB'000
Current – Mainland China			
Provision for corporate income tax		**3,866**	2,991
Provision for LAT		**–**	420
Deferred	25	**5,612**	252
Total tax charge for the year		**9,478**	3,663

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

	2023 **RMB'000**	2022 RMB'000
Loss before tax	**(10,101)**	(13,128)
Tax at the Mainland China statutory income tax rate of 25%	**(2,525)**	(3,282)
Lower tax rates for specific provinces or enacted by local authority*	**6,274**	2,338
Adjustments in respect of current tax of previous periods	**(74)**	–
Expenses not deductible for tax	**19**	1,814
Effect of withholding tax at 10% on the distributable profits of the Group's PRC subsidiaries	**847**	1,556
Tax losses not recognised	**125**	922
Temporary differences not recognised	**140**	–
Provision for LAT	**–**	420
Tax effect of LAT	**–**	(105)
Write-down of deferred tax assets	**4,672**	–
Tax charge at the Group's effective rate	**9,478**	3,663

* Specific provinces or local authority mainly represented the Cayman Islands and Hong Kong.

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 RMB23,101,000 (2022: RMB10,818,000), and the weighted average number of ordinary shares of 2,894,091,737 (2022: 2,894,091,737) 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 2023 and 2022.

12. PROPERTY, PLANT AND EQUIPMENT

	Notes	Buildings RMB'000	Leasehold improvements RMB'000	Furniture and fixtures RMB'000	Motor vehicles RMB'000	Total RMB'000
30 June 2023						
At 1 July 2022:						
Cost		1,849	483	563	1,067	3,962
Accumulated depreciation and impairment		(1,471)	(483)	(457)	(680)	(3,091)
Net carrying amount		378	–	106	387	871
At 1 July 2022, net of accumulated depreciation and impairment		378	–	106	387	871
Additions		12	161	19	–	192
Depreciation provided during the year	6	(72)	(13)	(23)	(120)	(228)
Disposal of subsidiaries	30	–	–	(10)	(17)	(27)
Exchange realignment		–	–	–	(28)	(28)
At 30 June 2023, net of accumulated depreciation and impairment		318	148	92	222	780
At 30 June 2023:						
Cost		1,861	644	572	1,022	4,099
Accumulated depreciation and impairment		(1,543)	(496)	(480)	(800)	(3,319)
Net carrying amount		318	148	92	222	780

12. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Notes	Buildings RMB'000	Leasehold improvements RMB'000	Furniture and fixtures RMB'000	Motor vehicles RMB'000	Total RMB'000
30 June 2022						
At 1 July 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
At 1 July 2021, net of accumulated depreciation and impairment		448	7	97	520	1,072
Additions		–	–	148	–	148
Acquisition of subsidiaries	29	–	–	18	–	18
Depreciation provided during the year	6	(70)	(9)	(22)	(168)	(269)
Disposal of a subsidiary	30	–	–	(144)	–	(144)
Exchange realignment		–	2	9	35	46
At 30 June 2022, net of accumulated depreciation and impairment		378	–	106	387	871
At 30 June 2022:						
Cost		1,849	483	563	1,067	3,962
Accumulated depreciation and impairment		(1,471)	(483)	(457)	(680)	(3,091)
Net carrying amount		378	–	106	387	871

13. INVESTMENT PROPERTIES

	Note	2023 RMB'000	2022 RMB'000
Carrying amount at 1 July		**1,590**	2,700
Disposals		**–**	(1,000)
Net loss from a fair value adjustment	6	**(120)**	(110)
Carrying amount at 30 June		**1,470**	1,590

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 2023 based on valuations performed by an independent professionally qualified valuer, at RMB1,470,000. 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 2023 using			
Recurring fair value measurement for:	**Quoted prices in active markets (Level 1) RMB'000**	**Significant observable inputs (Level 2) RMB'000**	**Significant unobservable inputs (Level 3) RMB'000**	**Total RMB'000**
Commercial properties	**–**	**–**	**1,470**	**1,470**

	Fair value measurement at 30 June 2022 using			
Recurring fair value measurement for:	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Commercial properties	–	–	1,590	1,590

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 (2022: Nil).

13. INVESTMENT PROPERTIES (Continued)

Fair value hierarchy (Continued)

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

	Note	Commercial properties RMB'000
Carrying amount at 1 July 2021		2,700
Disposals		(1,000)
Net loss from a fair value adjustment recognised in other expenses in profit or loss	6	(110)
Carrying amount at 30 June 2022 and 1 July 2022		1,590
Net loss from a fair value adjustment recognised in other expenses in profit or loss	6	(120)
Carrying amount at 30 June 2023		1,470

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	
			2023	2022
Commercial properties	Direct comparison approach	Market unit sales rate (RMB/sq. m.)	**1,722-2,460**	1,960-2,610

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.

A significant increase (decrease) in the estimated market unit sales rate in isolation would result in a significant increase (decrease) in the fair value of the investment properties.

14. LEASES

The Group as a lessee

The Group has lease contracts for various items of leased properties used in its operations. Leases of properties generally have lease terms of 2 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Notes	Leased properties RMB'000
As at 1 July 2021		–
Additions as a result of acquisition of subsidiaries	29	105
Others		(19)
As at 30 June 2022 and 1 July 2022		86
Additions		333
Depreciation charge	6	(118)
As at 30 June 2023		301

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	Notes	**2023 RMB'000**	2022 RMB'000
Carrying amount at 1 July		**92**	–
New leases		**333**	–
Additions as a result of acquisition of subsidiaries	29	**–**	92
Accretion of interest recognised during the year	7	**9**	1
Payments		**(130)**	(1)
Carrying amount at 30 June		**304**	92
Analysed into:			
Current portion		**117**	92
Non-current portion		**187**	–

14. LEASES (Continued)

The Group as a lessee (Continued)

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	Notes	**2023** **RMB'000**	2022 RMB'000
Interest on lease liabilities	7	**9**	1
Depreciation charge of right-of-use assets	6	**118**	–
Expense relating to short-term leases (included in cost of sales and administrative expenses)	6	**638**	596
Total amount recognised in profit or loss		**765**	597

(d) Total cash outflow for leases

The total cash outflow for leases included in the consolidated statement of cash flows is as follows:

	2023 **RMB'000**	2022 RMB'000
Within financing activities	**130**	–
Within operating activities	**774**	852

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 RMB31,000 (2022: RMB366,000).

The Group also leases out the public area of the property in Mainland China. 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 RMB1,280,000 (2022: RMB200,000).

At 30 June 2023 and 2022, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2023 **RMB'000**	2022 RMB'000
Within one year	**–**	31

15. GOODWILL

	Note	2023 RMB'000	2022 RMB'000
At the beginning of the year:			
Cost and net carrying amount		**19,968**	4,821
Cost at 1 July, net of accumulated impairment		**19,968**	4,821
Acquisition of subsidiaries	29	**–**	15,147
Cost and net carrying amount at 30 June		**19,968**	19,968

Impairment testing of goodwill

Goodwill acquired through business combinations is allocated to the property development, property leasing and property management services cash-generating units (the "CGUs") for impairment testing, both of which are within the same industry and segment so that assumptions applied in the assessment of the recoverable amounts are the same.

The recoverable amount of each of the CGUs 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 2023 is 25.49% (2022: 28.01%), and cash flows beyond the five-year period were extrapolated using a growth rate of 2% (2022: 2%), which is consistent with the industry growth estimate.

Assumptions were used in the value-in-use calculation for the year ended 30 June 2023. 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.

16. OTHER INTANGIBLE ASSETS

	Notes	Mining and exploration rights RMB'000	Property management contract and customer relationship RMB'000	Total RMB'000
30 June 2023				
Cost at 1 July 2022, net of accumulated amortisation and impairment		**42,660**	**752**	**43,412**
Amortisation provided during the year	6	**–**	**(521)**	**(521)**
Exchange realignment		**(22,254)**	**–**	**(22,254)**
Disposal of subsidiaries	30	**(20,406)**	**–**	**(20,406)**
At 30 June 2023		**–**	**231**	**231**
At 30 June 2023:				
Cost		**–**	**2,580**	**2,580**
Accumulated amortisation		**–**	**(2,349)**	**(2,349)**
Net carrying amount		**–**	**231**	**231**
30 June 2022				
Cost at 1 July 2021, net of accumulated amortisation and impairment		36,475	1,247	37,722
Amortisation provided during the year	6	–	(495)	(495)
Impairment during the year	6	(10,119)	–	(10,119)
Exchange realignment		16,304	–	16,304
At 30 June 2022		42,660	752	43,412
At 30 June 2022:				
Cost		79,723	2,580	82,303
Accumulated amortisation		–	(1,828)	(1,828)
Impairment		(37,063)	–	(37,063)
Net carrying amount		42,660	752	43,412

16. OTHER INTANGIBLE ASSETS (Continued)

As at 30 June 2022, due to war and Covid-19, an impairment of RMB10,119,000 was recognised to write down the recoverable amount of the mining and exploration right to RMB42,660,000.

The recoverable amount was determined by discounting the future cash flows generated from the continuous use of the ZSL CGU. The future cash flows of the ZSL CGU are estimated mainly based on an average gold selling price of RUB3,834 per gram (equivalent to RMB339 per gram) over the remaining useful life of the mining and exploration right discounting at a pre-tax discount rate of 38.99%.

17. INVENTORIES

	2023	2022
	RMB'000	RMB'000
Completed properties held for sale	**41,997**	41,997
Parking lots	**62,932**	62,970
	104,929	104,967

As at 30 June 2023, impairment provision of RMB2,853,000 (2022: RMB2,853,000) has been recognised to write down the carrying amount of completed properties held for sale to the estimated net realisable value.

On 14 August 2020, Xuzhou Integration, 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 Tianan 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.

Included in parking lots are civil air defence properties which amounted to RMB19,700,000. 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.

18. TRADE RECEIVABLES

	2023	2022
	RMB'000	RMB'000
Trade receivables	**29,167**	33,820
Impairment	**(1,789)**	(833)
	27,378	32,987

The Group's trade receivables arise from the provision of property management services. A credit period of generally six months is granted to the property developer for whom the Group provides property management services. 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 and net of loss allowance, is as follows:

	2023	2022
	RMB'000	RMB'000
Within 1 month	**3,729**	11,499
1 to 2 months	**1,827**	1,750
2 to 3 months	**2,070**	1,950
Over 3 months	**19,752**	17,788
	27,378	32,987

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.

18. TRADE RECEIVABLES (Continued)

The movements in the loss allowance for impairment of trade receivables are as follows:

	Note	2023 RMB'000	2022 RMB'000
At the beginning of year		**833**	–
Impairment losses	6	**956**	833
At the end of year		**1,789**	833

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 30 June 2023

	Ageing			
	Less than 1 month	**1 to 3 months**	**Over 3 months**	**Total**
Expected credit loss rate	**–**	**–**	**8.31%**	**6.13%**
Gross carrying amount (RMB'000)	**3,729**	**3,897**	**21,541**	**29,167**
Expected credit losses (RMB'000)	**–**	**–**	**1,789**	**1,789**

As at 30 June 2022

	Ageing			
	Less than 1 month	1 to 3 months	Over 3 months	Total
Expected credit loss rate	–	–	4.47%	2.46%
Gross carrying amount (RMB'000)	11,499	3,700	18,621	33,820
Expected credit losses (RMB'000)	–	–	833	833

19. DEPOSITS AND OTHER RECEIVABLES

	2023 RMB'000	2022 RMB'000
Maintenance fund	**421**	109
Deposits	**190**	202
Other receivables	**8,430**	9,330
	9,041	9,641
Impairment allowance	**(695)**	–
	8,346	9,641

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. Except for certain receivables for which the counterparty failed to make the demanded payment within the credit term and the Group has made provision ("default receivables") of RMB695,000 (2022: nil), the other balances are normally settled within the credit term with no historical default and past due amounts. Except for the default receivables, the Group estimated that the expected credit loss rate for the other receivables is minimal.

The movements in the loss allowance for impairment of other receivables are as follows:

	Note	2023 RMB'000	2022 RMB'000
At the beginning of year		**–**	–
Impairment losses	6	**695**	–
At the end of year		**695**	–

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2023 RMB'000	2022 RMB'000
Other unlisted investments, at fair value	**–**	2,700

The above unlisted investments were wealth management products issued by banks in Mainland China. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

21. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	2023 RMB'000	2022 RMB'000
Cash and bank balances	**63,469**	29,643
Pledged deposits	**236**	235
	63,705	29,878
Less: Pledged deposits for banking facilities	**236**	235
Cash and cash equivalents	**63,469**	29,643

At the end of the reporting period, the cash and bank balances of the Group denominated in RMB amounted to RMB63,469,000 (2022: RMB29,643,000). 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:

	2023 RMB'000	2022 RMB'000
Within 1 month	**1,402**	6,502
3 months to 1 year	**–**	30
Over 1 year	**4,043**	5,930
	5,445	12,462

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

23. OTHER PAYABLES AND ACCRUALS

	2023 RMB'000	2022 RMB'000
Other payables	**34,461**	31,017
Accruals	**38**	48
	34,499	31,065

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

24. CONTRACT LIABILITIES

	30 June 2023 RMB'000	30 June 2022 RMB'000
Short-term advances received from customers		
Property management service	**6,351**	3,859
Sales of properties	**190**	190
Total contract liabilities	**6,541**	4,049

Contract liabilities include short-term advances received from customers in connection with the Group's sale of properties and provision of property management services. The increase in contract liabilities in 2023 was due to the increase in short-term advances received from property owners in relation to the property management service.

25. DEFERRED TAX

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

Deferred tax liabilities

	Note	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 2021		1,057	944	142	312	2,455
Charged/(credited) to profit or loss for the year	10	557	–	(80)	(129)	348
At 30 June 2022 and 1 July 2022		1,614	944	62	183	2,803
Charged/(credited) to profit or loss for the year	10	847	–	(49)	(129)	669
At 30 June 2023		**2,461**	**944**	**13**	**54**	**3,472**

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

	Notes	Write-down of inventories to net realisable value RMB'000	Provision for LAT RMB'000	Impairment of financial assets RMB'000	Losses available for offsetting against future taxable profits RMB'000	Others RMB'000	Total RMB'000
At 1 July 2021		718	3,725	349	–	1,054	5,846
(Charged)/credited to profit or loss during the year	10	(5)	85	(178)	18	176	96
Acquisition of subsidiaries	29	–	–	3,217	–	–	3,217
At 30 June 2022 and 1 July 2022		713	3,810	3,388	18	1,230	9,159
(Charged)/credited to profit or loss during the year	10	–	(3,810)	82	11	(1,226)	(4,943)
At 30 June 2023		**713**	**–**	**3,470**	**29**	**4**	**4,216**

25. DEFERRED TAX (Continued)

Deferred tax assets (Continued)

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

	2023 **RMB'000**	2022 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	**3,502**	8,383
Net deferred tax liabilities recognised in the consolidated statement of financial position	**(2,758)**	(2,027)
Net deferred tax assets	**744**	6,356

The Group has tax losses arising in Mainland China of RMB1,137,000 (2022: RMB364,000) that will expire in the next five years, for offsetting against future taxable profits.

The Group has tax losses arising in Hong Kong of RMB14,000 (2022: RMB16,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose.

As at 30 June 2022, the Group has tax losses arising in Russia of RMB39,625,000 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.

26. SHARE CAPITAL

Shares

	2023 **HKD'000**	2022 HKD'000
Authorised:		
5,000,000,000 (2022: 5,000,000,000) ordinary shares of HK$0.10 each	**500,000**	500,000
100,000,000 (2022: 100,000,000) non-redeemable convertible preferred shares of HK$1.00 each	**100,000**	100,000
	600,000	600,000

	2023 **RMB'000**	2022 RMB'000
Issued and fully paid:		
2,894,091,737 (2022: 2,894,091,737) ordinary shares	**253,688**	253,688

26. SHARE CAPITAL (Continued)

Shares (Continued)

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

	Number of shares in issue	Share capital RMB'000
At 30 June 2022 and 30 June 2023	2,894,091,737	253,688

27. OTHER 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 49 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.

28. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

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

	2023	2022
Percentage of equity interest held by non-controlling interests:		
CPL	–	49%
Shenzhen Hailian	49%	49%
Peninsula One	49%	49%

	2023 RMB'000	2022 RMB'000
Profit/(loss) for the year allocated to non-controlling interests:		
CPL	(362)	(5,711)
Shenzhen Hailian	4,290	1,034
Peninsula One	(406)	153
Guangzhou Integration Chain Life Technology Co., Ltd. ("Guangzhou Integration") (“廣州融匯鏈生活科技有限公司”)	–	(1,449)
	3,522	(5,973)
Increase from acquisition of Shenzhen Hailian and Peninsula One	–	6,793
Capital contribution from non-controlling interests of Guangzhou Integration	–	955
Decrease from disposal of Guangzhou Integration	–	494
Decrease from disposal of CPL	(9,531)	–
Exchange differences on translation of foreign operations	(14,136)	8,890

	2023 RMB'000	2022 RMB'000
Accumulated balances of non-controlling interests at the reporting date:		
CPL	–	24,029
Shenzhen Hailian	20,755	16,465
Peninsula One	(8,891)	(8,485)
	11,864	32,009

28. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS (Continued)

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

	CPL	
	2023*	2022
	RMB'000	RMB'000
Revenue	**–**	343
Total expenses	**(736)**	(11,998)
Loss for the year	**(736)**	(11,655)
Total comprehensive loss for the year	**(736)**	(11,655)
Current assets	**–**	21,857
Non-current assets	**–**	42,736
Current liabilities	**–**	(23,803)
Net cash flows used in operating activities	**(5,230)**	(1,305)
Net decrease in cash and cash equivalents	**(5,230)**	(1,305)

* From 1 July 2022 to 20 March 2023, the disposal date.

	Shenzhen Hailian	
	2023	2022
	RMB'000	RMB'000
Revenue	**45,226**	7,684
Total expenses	**(36,471)**	(5,573)
Profit for the year	**8,755**	2,111
Total comprehensive income for the year	**8,755**	2,111
Current assets	**68,671**	51,990
Non-current assets	**6,864**	7,311
Current liabilities	**(33,177)**	(25,699)
Net cash flows from operating activities	**3,064**	5,946
Net cash flows used in investing activities	**–**	(522)
Net increase in cash and cash equivalents	**3,064**	5,424

28. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS (Continued)

	Peninsula One	
	2023	2022
	RMB'000	RMB'000
Revenue	**20,154**	3,630
Total expenses	**(20,983)**	(3,318)
(Loss)/profit for the year	**(829)**	312
Total comprehensive (loss)/income for the year	**(829)**	312
Current assets	**46,204**	43,833
Non-current assets	**1,451**	1,130
Current liabilities	**(65,799)**	(62,279)
Net cash flows from operating activities	**469**	1,574
Net increase in cash and cash equivalents	**469**	1,574

29. BUSINESS COMBINATION

On 29 April 2022, the Group acquired 51% equity interests in Shenzhen Hailian and Peninsula One from a thirty party. Shenzhen Hailian and Peninsula One are engaged in property management services. The acquisition was made as part of the Group's strategy to expand its market share of property management services in the Mainland China. The purchase consideration for the acquisition was in the form of cash, with RMB10,000,000 paid on 28 April 2022 and the remaining RMB5,500,000 paid on 29 April 2022.

The Group has elected to measure the non-controlling interests in Shenzhen Hailian and Peninsula One at the non-controlling interests' proportionate share of Shenzhen Hailian's and Peninsula One's identifiable net assets.

29. BUSINESS COMBINATION (Continued)

The fair values of the identifiable assets and liabilities of Shenzhen Hailian and Peninsula One as at the date of acquisition were as follows:

	Notes	2022 RMB'000
Property, plant and equipment	12	18
Right-of-use assets	14	105
Deferred tax assets	25	3,217
Inventories		43,200
Trade receivables		7,523
Prepayment, deposits and other receivables		6,434
Cash and bank balances		7,137
Trade payables		(1,820)
Accruals and other payables		(15,110)
Tax payables		(4,919)
Amount due to related companies		(34,924)
Contract liabilities		(3,623)
Lease liabilities	14	(92)
Total identifiable net assets at fair value		7,146
Non-controlling interests		(6,793)
Goodwill on acquisition	15	15,147
Satisfied by cash		15,500

The fair values of the trade receivables and other receivables as at the date of acquisition amounted to RMB7,523,000 and RMB4,270,000, respectively. The gross contractual amounts of trade receivables and other receivables were RMB20,472,000 and RMB5,943,000, respectively, of which trade receivables of RMB12,949,000 and other receivables of RMB1,673,000 are expected to be uncollectible.

The Group incurred transaction costs of RMB2,159,000 for this acquisition. These transaction costs have been expensed and are included in other expenses in the consolidated statement of profit or loss and other comprehensive income.

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

29. BUSINESS COMBINATION (Continued)

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

	2022 RMB'000
Cash consideration	(15,500)
Cash and bank balances acquired	7,137
Net outflow of cash and cash equivalents included in cash flows from investing activities	(8,363)
Transaction costs of the acquisition included in cash flows from operating activities	(2,159)
	(10,522)

Since the acquisition, Shenzhen Hailian and Peninsula One contributed RMB11,335,000 to the Group's revenue and RMB2,060,000 to the consolidated profit for the year ended 30 June 2022.

30. DISPOSAL OF SUBSIDIARIES

	Notes	**2023** **RMB'000**	2022 RMB'000
Net assets disposed of:			
Property, plant and equipment	12	**27**	144
Intangible assets	16	**20,406**	–
Deferred tax assets		**38**	–
Inventories		**2**	120
Deposits and other receivables		**10,341**	1,843
Cash and bank balances		**188**	246
Other payables and accruals		**(15)**	(369)
Contract liabilities		**–**	(3,477)
Non-controlling interests	28	**(9,531)**	494
		21,456	(999)
Satisfied by:			
Cash		**26,500**	510
		5,044	1,509
Reclassification adjustment for a foreign operation disposed of during the year		**(23,444)**	–
(Loss)/gain on disposal of subsidiaries	6	**(18,400)**	1,509

30. DISPOSAL OF SUBSIDIARIES (Continued)

On 16 February 2023, the Company entered into an agreement with Mr. Guo Wei (the "Purchaser"), an independent third party, to dispose of its 51% equity interest in CPL to the Purchaser at a cash consideration of RMB26,500,000. Pursuant to the supplementary agreement entered into between the Company and the Purchaser dated 20 March 2023, the disposal of CPL was completed on 20 March 2023.

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	2023 **RMB'000**	2022 RMB'000
Cash consideration	**26,500**	–
Cash and bank balances disposed of	**(188)**	(246)
Net inflow/(outflow) of cash and cash equivalents In respect of the disposal of subsidiaries	**26,312**	(246)

31. 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:

	2023 **RMB'000**	2022 RMB'000
Guarantees given to banks in connection with facilities granted to: Buyers of certain properties developed by the Group	**236**	460

As at 30 June 2023, banking facilities of RMB236,000 were granted to the buyers of certain properties developed by the Group (2022: RMB460,000).

32. RELATED PARTY TRANSACTIONS

(a) Amounts due to related parties:

	2023 RMB'000	2022 RMB'000
Non-controlling shareholders		
China Construction Shekou Development Co., Ltd.	**(23,328)**	(27,617)
Zhaoqing Jinding Real Estate Co., Ltd.	**(270)**	(350)
Guangzhou Yingtong Logistics Supply Chain Ltd.	**(9)**	–
	(23,607)	(27,967)
Entities controlled by non-controlling shareholders		
Huiyang Honghenglong Real Estate Development Co., Ltd.	**–**	(1,475)
Huizhou Hongfu Real Estate Co., Ltd.	**–**	(715)
	–	(2,190)
	(23,607)	(30,157)

Balances due to related parties are unsecured, non-interest-bearing and had no fixed terms of repayment.

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

	2023 RMB'000	2022 RMB'000
Short term employee benefits	**1,552**	1,506
Post-employment benefits	**16**	15
Total compensation paid to key management personnel	**1,568**	1,521

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:

2023

	Financial assets at amortised cost RMB'000
Financial assets	
Trade receivables	27,378
Financial assets included in deposits and other receivables	8,346
Pledged deposits	236
Cash and cash equivalents	63,469
	99,429

	Financial liabilities at amortised cost RMB'000
Financial liabilities	
Trade payables	5,445
Financial liabilities included in other payables and accruals	24,374
Amounts due to related companies	23,607
	53,426

33. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

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

2022

	Financial assets at fair value through profit or loss RMB'000	Financial assets at amortised cost RMB'000
Financial assets		
Trade receivables	–	32,987
Financial assets included in deposits and other receivables	–	9,641
Financial assets at fair value through profit or loss	2,700	–
Pledged deposits	–	235
Cash and cash equivalents	–	29,643
	2,700	72,506

	Financial liabilities at amortised cost RMB'000
Financial liabilities	
Trade payables	12,462
Financial liabilities included in other payables and accruals	20,888
Amounts due to related companies	30,157
	63,507

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash, pledged deposits and financial assets at fair value through profit or loss. 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.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk (Continued)

Maximum exposure and year-end staging (Continued)

As at 30 June 2023	**12-month ECLs**	**Lifetime ECLs**			
	Stage 1 RMB'000	**Stage 2 RMB'000**	**Stage 3 RMB'000**	**Simplified approach RMB'000**	**Total RMB'000**
Trade receivables*	**–**	**–**	**–**	**29,167**	**29,167**
Financial assets included in deposits and other receivables					
– Normal**	**8,346**	**–**	**–**	**–**	**8,346**
– Doubtful	**–**	**–**	**2,368**	**–**	**2,368**
Pledged deposits	**236**	**–**	**–**	**–**	**236**
Cash and cash equivalents	**63,469**	**–**	**–**	**–**	**63,469**
	72,051	**–**	**2,368**	**29,167**	**103,586**

As at 30 June 2022	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Trade receivables*	–	–	–	33,820	33,820
Financial assets included in deposits and other receivables					
– Normal**	9,641	–	–	–	9,641
– Doubtful	–	–	1,673	–	1,673
Financial assets at fair value through profit or loss	2,700	–	–	–	2,700
Pledged deposits	235	–	–	–	235
Cash and cash equivalents	29,643	–	–	–	29,643
	42,219	–	1,673	33,820	77,712

* 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".

34. 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:

	2023 On demand and less than 12 months RMB'000
Trade payables	**5,445**
Financial liabilities included in other payables and accruals	**24,374**
Amounts due to related companies	**23,607**
	53,426

	2022 On demand and less than 12 months RMB'000
Trade payables	12,462
Financial liabilities included in other payables and accruals	20,888
Amounts due to related companies	30,157
	63,507

34. 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 2023 and 2022.

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 represents equity attributable to owners of the Company.

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

	2023	2022
	RMB'000	RMB'000
Trade payables	**5,445**	12,462
Other payables and accruals	**34,499**	31,065
Amounts due to related companies	**23,607**	30,157
Less: Cash and cash equivalents	**63,469**	29,643
Net debt	**82**	44,041
Equity attributable to owners of the Company	**114,112**	114,346
Adjusted capital	**114,112**	114,346
Capital and net debt	**114,194**	158,387
Gearing ratio	**0.07%**	27.81%

35. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2023 RMB'000	2022 RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	**99**	100
Investments in subsidiaries	**25,483**	32,887
Total non-current assets	**25,582**	32,987
CURRENT ASSETS		
Due from a subsidiary	**98,214**	66,816
Deposits and other receivables	**742**	221
Cash and cash equivalents	**1,118**	4,013
Total current assets	**100,074**	71,050
CURRENT LIABILITIES		
Due to a subsidiary	**58,298**	50,427
Other payables and accruals	**3,638**	3,258
Total current liabilities	**61,936**	53,685
NET CURRENT ASSETS	**38,138**	17,365
TOTAL ASSETS LESS CURRENT LIABILITIES	**63,720**	50,352
Net assets	**63,720**	50,352
EQUITY		
Issued capital	**253,688**	253,688
Other reserves (note)	**(189,968)**	(203,336)
Total equity	**63,720**	50,352

Mao Yangguang
Director

Du Yun
Director

35. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Note:

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

	Share premium account 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 2021	678,834	19	48,448	(22,678)	(882,151)	(177,528)
Loss for the year	–	–	–	–	(26,231)	(26,231)
Other comprehensive income for the year:						
Exchange differences on translation	–	–	–	423	–	423
Total comprehensive loss for the year	–	–	–	423	(26,231)	(25,808)
At 30 June 2022	678,834	19	48,448	(22,255)	(908,382)	(203,336)

	Share premium account 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 2022	678,834	19	48,448	(22,255)	(908,382)	(203,336)
Profit for the year	–	–	–	–	11,726	11,726
Other comprehensive income for the year:						
Exchange differences on translation	–	–	–	1,642	–	1,642
Total comprehensive income for the year	–	–	–	1,642	11,726	13,368
At 30 June 2023	678,834	19	48,448	(20,613)	(896,656)	(189,968)

36. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 28 September 2023.

Five Year Financial Summary

	Years ended 30 June				
	2023	2022	2021	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
RESULTS					
Revenue	**74,542**	32,957	34,246	44,634	43,179
(Loss)/profit from operations	**(10,092)**	(3,008)	(5,502)	5,999	(1,756)
Finance costs	**(9)**	(1)	(36)	(97)	(83)
Share of loss of an associate	**–**	–	–	–	(2,052)
Provisions for impairment of intangible assets	**–**	(10,119)	–	(26,944)	–
Loss before tax	**(10,101)**	(13,128)	(5,538)	(21,042)	(3,891)
Income tax expense	**(9,478)**	(3,663)	(1,621)	(6,655)	(5,954)
Loss for the year	**(19,579)**	(16,791)	(7,159)	(27,697)	(9,845)
Loss attributable to:					
Owners of the Company	**(23,101)**	(10,818)	(6,381)	(13,235)	(8,493)
Non-controlling interests	**3,522**	(5,973)	(778)	(14,462)	(1,352)
	(19,579)	(16,791)	(7,159)	(27,697)	(9,845)
Dividends	**–**	–	–	–	–

Five Year Financial Summary (Continued)

	As at 30 June				
	2023	2022	2021	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
ASSETS AND LIABILITIES					
Property, plant and equipment	**780**	871	1,072	1,215	1,484
Other non-current assets	**25,472**	73,439	50,004	58,502	92,472
Net current assets	**102,669**	74,072	88,202	95,405	96,996
Total assets less current liabilities	**128,921**	148,382	139,278	155,122	190,952
Non-current liabilities	**(2,945)**	(2,027)	(1,370)	(4,246)	(7,107)
Net assets	**125,976**	146,355	137,908	150,876	183,845
EQUITY					
Issued capital	**253,688**	253,688	253,688	252,856	252,856
Non-redeemable convertible preferred shares	**–**	–	–	2,252	2,252
Other reserves	**(139,576)**	(139,342)	(136,630)	(128,451)	(112,507)
Non-controlling interests	**11,864**	32,009	20,850	24,219	41,244
Total equity	**125,976**	146,355	137,908	150,876	183,845