



KINGWELL GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1195

# INTERIM REPORT 2015-2016



# INTERIM REPORT

For the six months ended 31 December 2015

## HIGHLIGHTS

- Revenue from the continuing operations of the six months ended 31 December 2015 amounted to approximately RMB8,392,000;
- Loss before tax from continuing operations for the six months ended 31 December 2015 amounted to approximately RMB36,583,000;
- Loss attributable to owners of the Company for the six months ended 31 December 2015 amounted to approximately RMB33,842,000;
- Loss per share was RMB1.3 cents for the six months ended 31 December 2015;
- Total equity increased to RMB319,722,000.

# CORPORATE INFORMATION

## DIRECTORS

Mu Dongsheng (*Chairman*) (appointed as Chairman and Director on 15 January 2016)

Hui Lung Hing (*Chairman*) (retired as Chairman and Director on 18 December 2015)

Yang Xue Jun (*Chief Executive Officer*)

Sze Ming Yee

Cheung Chuen\*

Ling Aiwen\* (appointed on 31 July 2015)

Han Hongwei\* (appointed on 31 July 2015)

Huang Jian Zi\* (resigned on 31 July 2015)

Wong Lai Wing\* (resigned on 31 July 2015)

\* Independent non-executive Director

## COMPANY SECRETARY

Poon Yan Wai

## AUTHORISED REPRESENTATIVES

Yang Xue Jun

Poon Yan Wai

## AUDIT COMMITTEE

Ling Aiwen (*Chairman*)

Cheung Chuen

Han Hongwei

## REMUNERATION COMMITTEE

Ling Aiwen (*Chairman*)

Yang Xue Jun

Cheung Chuen

## NOMINATION COMMITTEE

Mu Dongsheng (*Chairman*)

Ling Aiwen

Han Hongwei

## CORPORATE GOVERNANCE COMMITTEE

Han Hongwei (*Chairman*)

Ling Aiwen

Cheung Chuen

## LEGAL ADVISER FOR CAYMAN ISLANDS LAW

Conyers Dill & Pearman

## AUDITOR

Ernst & Young

## REGISTERED OFFICE

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman

KY1-1111

Cayman Islands

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Royal Bank of Canada Trust Company (Cayman) Limited  
4th Floor, Royal Bank House  
24 Shedden Road  
George Town  
Grand Cayman  
KY1-1110  
Cayman Islands

## HONG KONG BRANCH REGISTRAR AND TRANSFER OFFICE

Hong Kong Registrars Limited  
17M 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>

## RESULTS

The board (the “Board”) of directors (the “Directors”) of Kingwell Group Limited (“Kingwell” or the “Company”) herein presents the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 31 December 2015. The interim results of the Group are unaudited but have been reviewed by the Audit Committee of the Company:

### Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 31 December 2015

(Express in Renminbi)

		Six months ended 31 December	
	Notes	2015 (Unaudited) RMB'000	2014 (Unaudited) RMB'000
<b>CONTINUING OPERATIONS</b>			
<b>REVENUE</b>	4	<b>8,392</b>	8,200
Cost of sales		(4,669)	(5,682)
<b>Gross profit</b>		<b>3,723</b>	2,518
Other income and gains	4	151	143
Selling and distribution expenses		(102)	(52)
Administrative expenses		(30,150)	(14,144)
Other expenses		(4,452)	(6,258)
Finance costs	5	(3,466)	(899)
Share of loss of an associate		(2,287)	—
<b>LOSS BEFORE TAX FROM CONTINUING OPERATIONS</b>	6	<b>(36,583)</b>	(18,692)
Income tax expense	7	—	(17)
<b>Loss for the period from continuing operations</b>		<b>(36,583)</b>	(18,709)
<b>DISCONTINUED OPERATION</b>			
<b>Profit for the period from a discontinued operation</b>	8	—	79,623
<b>(LOSS)/PROFIT FOR THE PERIOD</b>		<b>(36,583)</b>	60,914

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

For the six months ended 31 December 2015

(Express in Renminbi)

	Note	Six months ended 31 December	
		2015 (Unaudited) RMB'000	2014 (Unaudited) RMB'000
<b>OTHER COMPREHENSIVE (LOSS)/INCOME</b>			
<i>Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods:</i>			
Exchange differences on translation of foreign operations		(4,858)	1,504
<b>OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD</b>		(4,858)	1,504
<b>TOTAL COMPREHENSIVE (LOSS)/ INCOME FOR THE PERIOD</b>		(41,441)	62,418
<b>(Loss)/profit for the period attributable to:</b>			
Owners of the Company		(33,842)	64,838
Non-controlling interests		(2,741)	(3,924)
		(36,583)	60,914
<b>TOTAL COMPREHENSIVE (LOSS)/INCOME ATTRIBUTABLE TO:</b>			
Owners of the Company		(37,086)	66,207
Non-controlling interests		(4,355)	(3,789)
		(41,441)	62,418
<b>(LOSS)/ EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY</b>	9		
Basic			
— For (loss)/earnings for the period		RMB(1.3) cents	RMB2.8 cents
— For loss from continuing operations		RMB(1.3) cents	RMB(0.6) cent
Diluted			
— For (loss)/earnings for the period		RMB(1.3) cents	RMB2.4 cents
— For loss from continuing operations		RMB(1.3) cents	RMB(0.6) cent

## Condensed Consolidated Statement of Financial Position

At 31 December 2015

(Express in Renminbi)

		As at 31 December 2015 (Unaudited) RMB'000	As at 30 June 2015 (Audited) RMB'000
	Notes		
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		2,225	2,384
Investment properties		45,817	45,817
Intangible assets		65,183	75,052
Investment in an associate		135,502	137,789
Deferred tax assets		2,191	2,191
Total non-current assets		<b>250,918</b>	263,233
<b>CURRENT ASSETS</b>			
Inventories		90,972	95,643
Prepayments, deposits and other receivables		7,449	2,968
Pledged deposits		802	1,262
Cash and cash equivalents		59,023	37,063
Total current assets		<b>158,246</b>	136,936
<b>CURRENT LIABILITIES</b>			
Trade payables	11	5,668	6,404
Other payables and accruals		60,989	32,147
Interest-bearing other borrowings	12	2,000	17,600
Tax payable		6,909	6,909
Total current liabilities		<b>75,566</b>	63,060
<b>NET CURRENT ASSETS</b>		<b>82,680</b>	73,876
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>333,598</b>	337,109



## Condensed Consolidated Statement of Financial Position (Continued)

As at 31 December 2015

(Express in Renminbi)

	Note	As at 31 December 2015 (Unaudited) RMB'000	As at 30 June 2015 (Audited) RMB'000
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>333,598</b>	337,109
<b>NON-CURRENT LIABILITIES</b>			
Non-redeemable convertible preferred shares		434	408
Deferred tax liabilities		13,442	13,442
Promissory note		—	22,621
Total non-current liabilities		<b>13,876</b>	36,471
<b>Net assets</b>		<b>319,722</b>	300,638
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Issued capital	13	253,447	229,285
Non-redeemable convertible preferred shares		2,252	2,252
Reserves		22,728	23,451
		<b>278,427</b>	254,988
<b>Non-controlling interests</b>		<b>41,295</b>	45,650
<b>Total equity</b>		<b>319,722</b>	300,638

## Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 December 2015

(Express in Renminbi)

	Share		Share option reserve	Non- redeemable convertible		Statutory reserve	Warrants reserve	Capital reserve	Capital contribution reserve	Exchange fluctuation funds	Retained profit	Non- controlling interest	Total equity
	Issued capital	premium account		preferred shares	Statutory reserve								
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
(Unaudited)													
At 1 July 2014	204,451	559,559	31,185	6,004	18,872	3,049	6,929	48,448	34,059	(765,698)	146,858	71,939	218,797
Profit/(loss) for the period	–	–	–	–	–	–	–	–	–	64,838	64,838	(3,924)	60,914
Other comprehensive income for the period	–	–	–	–	–	–	–	–	–	–	–	–	–
Exchange differences on translation of foreign operations	–	–	–	–	–	–	–	–	1,369	–	1,369	135	1,504
Total comprehensive income/(loss) for the period	–	–	–	–	–	–	–	–	1,369	64,838	66,207	(3,789)	62,418
Conversion of non-redeemable convertible preferred shares	1,314	2,631	–	(3,430)	–	–	–	–	–	–	515	–	515
Exercise of share options	7,230	24,992	(24,992)	–	–	–	–	–	–	–	7,230	–	7,230
Exercise of warrants	1,420	3,787	–	–	–	(141)	–	–	–	–	5,066	–	5,066
At 31 Dec 2014	214,415	590,969	6,193	2,574	18,872	2,908	6,929	48,448	35,428	(700,860)	225,876	68,150	294,026
(Unaudited)													
At 1 July 2015	229,285	662,461	37,280	2,252	4,680	–	19	48,448	(8,668)	(720,769)	254,988	45,650	300,638
Loss for the period	–	–	–	–	–	–	–	–	–	(33,842)	(33,842)	(2,741)	(36,583)
Other comprehensive loss for the period	–	–	–	–	–	–	–	–	–	–	–	–	–
Exchange differences on translation of foreign operations	–	–	–	–	–	–	–	–	(3,244)	–	(3,244)	(1,614)	(4,858)
Total comprehensive loss for the period	–	–	–	–	–	–	–	–	(3,244)	(33,842)	(37,086)	(4,355)	(41,441)
Issue of shares	24,162	14,497	–	–	–	–	–	–	–	–	38,659	–	38,659
Equity-settled share option arrangements	–	–	21,866	–	–	–	–	–	–	–	21,866	–	21,866
At 31 December 2015	253,447	676,958	59,146	2,252	4,680	–	19	48,448	(11,912)	(754,611)	278,427	41,295	319,722

## Condensed Consolidated Cash Flow Statement

For the six months ended 31 December 2015

(Express in Renminbi)

	2015 (Unaudited) RMB'000	2014 (Unaudited) RMB'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net cash flows from/(used in) operating activities	<b>19,955</b>	(40,465)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	<b>1</b>	128
Purchases of items of property, plant and equipment	<b>(6)</b>	(182)
Disposal of a subsidiary	<b>—</b>	(103,744)
Net cash flows used in investing activities	<b>(5)</b>	(103,798)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of shares	<b>38,660</b>	37,428
Repayment of other borrowings	<b>(15,600)</b>	(1,000)
Interest paid	<b>(3,466)</b>	(4,218)
Repayment of the promissory note	<b>(22,621)</b>	—
Net cash flows (used in)/from financing activities	<b>(3,027)</b>	32,210
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>16,923</b>	(112,053)
Cash and cash equivalents at 1 July	<b>37,063</b>	184,579
Effect of foreign exchange rate changes, net	<b>5,037</b>	1,369
<b>CASH AND CASH EQUIVALENTS AT 31 DECEMBER</b>	<b>59,023</b>	73,895
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	<b>59,023</b>	73,895

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

For the six months ended 31 December 2015

*(Express in Renminbi)*

## 1. BASIS OF PREPARATION

These unaudited condensed consolidated interim financial statements for the six months ended 31 December 2015 (“Financial Statements”) have been prepared in accordance with the disclosure requirements set out in Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and the Hong Kong Accounting Standard (“HKAS”) 34 “Interim financial reporting”, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). These Financial Statements are presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand except when otherwise indicated.

The Financial Statements do not include all the information and disclosure required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 30 June 2015.

## 2. ACCOUNTING POLICIES

The accounting policies and basis of preparation adopted in the preparation of the unaudited condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group’s financial statements for the year ended 30 June 2015.

### 3. OPERATING SEGMENT INFORMATION

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

- (a) the gold mining segment engages in the production and sale of gold; and
- (b) the property development segment engages in the development of villas, apartments and commercial buildings.

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

The electronic products business is no longer included in the note for operating segment information for being disposed of and classified as a discontinued operation on 31 October 2014. Further details are set out in note 8 to this report.

Segment assets exclude deferred tax assets and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude tax payable, non-redeemable convertible preferred shares, deferred tax liabilities, promissory note and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

### 3. OPERATING SEGMENT INFORMATION (Continued)

Period ended 31 December 2015

	Gold mining (Unaudited) RMB'000	Property development (Unaudited) RMB'000	Total (Unaudited) RMB'000
<b>Segment revenue:</b>			
Sales to external customers	—	8,392	8,392
Other revenue	—	150	150
Revenue from continuing operations	—	8,542	8,542
<b>Segment results:</b>	(3,443)	1,893	(1,550)
<i>Reconciliation:</i>			
Interest income			1
Corporate and other unallocated expenses			(31,568)
Finance costs			(3,466)
Loss before tax from continuing operations			(36,583)

### 3. OPERATING SEGMENT INFORMATION (Continued)

Period ended 31 December 2014

	Gold mining (Unaudited) RMB'000	Property development (Unaudited) RMB'000	Total (Unaudited) RMB'000
<b>Segment revenue:</b>			
Sales to external customers	—	8,200	8,200
Other revenue	—	110	110
Revenue from continuing operations	—	8,310	8,310
<b>Segment results:</b>	(6,409)	1,460	(4,949)
<i>Reconciliation</i>			
Interest income			33
Corporate and other unallocated expenses			(12,877)
Finance costs			(899)
Loss before tax from continuing operations			(18,692)

	Gold mining RMB'000	Property development RMB'000	Total RMB'000
<b>Segment Assets</b>			
31 December 2015 (Unaudited)	219,320	162,687	382,007
30 June 2015 (Audited)	231,145	158,861	390,006
<b>Segment Liabilities</b>			
31 December 2015 (Unaudited)	1	51,354	51,355
30 June 2015 (Audited)	101	49,717	49,818

## 4. REVENUE, OTHER INCOME AND GAINS

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

	Six Months ended 31 December	
	2015 (Unaudited) RMB'000	2014 (Unaudited) RMB'000
Revenue		
Sales of properties	8,392	8,200
Other income and gains		
Bank interest income	1	33
Other	150	110
	151	143

## 5. FINANCE COSTS

An analysis of finance costs from continuing operations is as follows:

	Six Months ended 31 December	
	2015 (Unaudited) RMB'000	2014 (Unaudited) RMB'000
Interest on:		
Other borrowings	461	899
Promissory note	3,005	—
	3,466	899

No interest was capitalised by the Group in both periods.



## 6. LOSS BEFORE TAX

The Group's loss before tax from continuing operations is arrived at after charging the following:

	Six Months ended	
	31 December	
	2015	2014
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Cost of properties sold	4,669	5,682
Depreciation	164	139
Amortisation of intangible assets	1	1
Minimum lease payments under operating leases:		
Land and buildings	305	853
Staff costs (including directors' remuneration)		
Salaries and wages	3,232	4,036
Equity-settled share option expense	14,915	—
Exchange loss	4,452	6,258

## 7. INCOME TAX EXPENSE

	Six Months ended	
	31 December	
	2015	2014
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Current — Mainland China provision for corporate income tax	—	17

No provision for Hong Kong profits tax has been made (2014: Nil) as the Group did not generate any assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

## 8. DISCONTINUED OPERATION

On 27 August 2014, the Company entered into sale and purchase agreement, pursuant to which the Company conditionally agreed to sell of its 100% equity interest in Superford Holding Limited and its subsidiary (collectively the “Superford Group”) to an independent third party at a cash consideration of HK\$700,000 (equivalent to RMB557,000). The Superford Group is engaged in the manufacture and sales of rigid printed circuit boards. As the relevant percentage ratios of the above transaction are more than 25% but less than 75%, the transaction constitutes a major transaction for the Company under the Listing Rules and is therefore subject to the reporting, announcement and shareholders’ approval requirements under the Listing Rules. The circular and notice of extraordinary general meeting for the above transaction had been dispatched to the shareholders on 26 September 2014. The shareholders had been approved the transaction by poll at the extraordinary general meeting held on 23 October 2014. The disposal of the Superford Group was completed on 31 October 2014. With the Superford Group being disposed of and classified as a discontinued operation, the electronic products segment is no longer included in the note for operating segment information.

## 8. DISCONTINUED OPERATION (Continued)

The results of the Superford Group for the period ended 31 December 2014 are presented below:

	Six Months ended 31 December 2014 (Unaudited) RMB'000
Revenue	20,561
Expenses	(36,845)
Finance costs	(3,321)
Loss of the discontinued operation	(19,605)
Gain recognised on the disposal of the Superford Group	99,228
Profit before tax and profit for the period from the discontinued operation	79,623
The net cash flows incurred by the Superford Group is as follows:	
Operating activities	756
Investing activities	(81)
Financing activities	(3,045)
Net cash outflow	(2,370)
	RMB' Cents
Earnings per share:	
Basic, from the discontinued operation	3.4
Diluted, from the discontinued operation	2.9

## 8. DISCONTINUED OPERATION (Continued)

The calculation of basic and diluted earnings per share from the discontinued operation is based on:

	31 December 2014 (Unaudited) RMB
Profit attributable to ordinary equity holders of the Company from the discontinued operation	79,623,000
	Number of shares
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation ( <i>note 9</i> )	2,329,638,027
Weighted average number of ordinary shares used in the diluted earnings per share calculation ( <i>note 9</i> )	2,758,434,027

## 8. DISCONTINUED OPERATION (Continued)

The net assets of the Superford Group disposed are presented below:

	2014 (Unaudited) RMB'000
Property, plant and equipment	31,055
Prepaid land lease payments	1,630
Intangible assets	160
Prepayments, deposits and other payables	8,186
Inventories	7,739
Trade receivables	18,359
Equity investments at fair value through profit or loss	151
Cash and cash equivalents	104,301
Trade payables	(20,893)
Other payables and accruals	(114,889)
Interest bearing bank borrowings	(134,530)
Tax payable	60
	(98,671)
Gain on disposal of the Superford Group	99,228
	557
Satisfied by:	
Cash	557

## 8. DISCONTINUED OPERATION (Continued)

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

	2014 (Unaudited) RMB'000
Cash consideration	557
Cash and bank balances disposed of	(104,301)
<hr/>	
Net outflow of cash and cash equivalents in respect of the disposal of the Superford Group	(103,744)

## 9. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic losses per share amounts is based on the loss for the period attributable to ordinary equity holders of the Company of RMB33,842,000 (2014: a profit of RMB64,838,000), and the weighted average number of ordinary shares of 2,685,026,710 (2014: 2,329,638,027) in issue during the period.

The calculation of the loss per share amounts for the loss from continuing operations is based on the loss for the period from continuing operations attributable to ordinary equity holders of the Company of RMB33,842,000 (2014: RMB14,785,000), and the weighted average number of ordinary shares of 2,685,026,710 (2014: 2,329,638,027) in issue during the period.

The calculation of the diluted earnings per share amounts for the period ended 31 December 2014 is based on the profit for that period attributable to ordinary equity holders of the Company of RMB64,838,000. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during that period, as used in the basic earnings 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.

## 9. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY (Continued)

No adjustment has been made to the basic loss per share amounts presented for the period ended 31 December 2015 and the basic loss per share amounts from continuing operations for the period ended 31 December 2015 and 2014 in respect of a dilution as the impact of the warrants, share options, non-redeemable convertible preferred shares outstanding had an anti-dilutive effect on the basic loss per share amounts presented.

The calculations of diluted earnings per share for the period ended 31 December 2014 are based on:

	2014 (Unaudited) RMB'000
Earnings	
(Loss)/profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation:	
From continuing operations	(14,785)
From a discontinued operation	79,623
	64,838

## 9. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY (Continued)

	Number of shares
Shares	
Weighted average number of ordinary shares in issue during the period used in the diluted earnings per share calculation	2,329,638,027
Effect of dilution — weighted average number of ordinary shares:	
Warrants	367,000,000
Share options	51,796,000
Non-redeemable convertible preferred shares	10,000,000
	2,758,434,027

## 10. DIVIDENDS

No interim dividends were proposed for the six months ended 31 December 2015 and 2014.



## 11. TRADE PAYABLES

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

	31 December 2015 (Unaudited) RMB'000	30 June 2015 (Audited) RMB'000
Within 1 month	—	3,398
1 to 3 months	—	—
3 months to 1 year	2,546	—
Over 1 year	3,122	3,006
	<b>5,668</b>	<b>6,404</b>

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

## 12. INTEREST-BEARING OTHER BORROWINGS

	31 December 2015 (Unaudited) RMB'000	30 June 2015 (Audited) RMB'000
Within one year or on demand	<b>2,000</b>	17,600

### 13. SHARE CAPITAL

	31 December 2015 (Unaudited) HK\$'000	30 June 2015 (Audited) HK\$'000
Authorised:		
5,000,000,000 (30 June 2015: 5,000,000,000) ordinary shares of HK\$0.10 each	500,000	500,000
100,000,000 (30 June 2015: 100,000,000) convertible preferred shares of HK\$1.00 each	100,000	100,000
	<b>600,000</b>	600,000

	31 December 2015 (Unaudited) RMB'000	30 June 2015 (Audited) RMB'000
Issued and fully paid:		
2,884,091,737 ordinary shares of HK\$0.10 each (30 June 2015: 2,595,682,564 shares)	253,447	229,285

During the Period, the Company has issued and allotted 288,409,173 new ordinary shares by means of open offer at HK\$0.16 per offer share on the basis of one offer share for every nine existing ordinary shares.

## 14. OPERATING LEASE ARRANGEMENTS AS LESSEE

The Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	31 December 2015 (Unaudited) RMB'000	30 June 2015 (Audited) RMB'000
Within one year	209	473

## 15. FAIR VALUE AND FAIR VALUE HIERARCHY

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

	Carrying amounts		Fair values	
	As at 31 December 2015 (Unaudited) RMB'000	As at 30 June 2015 (Audited) RMB'000	As at 31 December 2015 (Unaudited) RMB'000	As at 30 June 2015 (Audited) RMB'000
<b>Financial liabilities</b>				
Non-redeemable convertible preferred shares	434	408	434	408
Promissory note	—	22,621	—	22,621
	434	23,029	434	23,029

## 15. FAIR VALUE AND FAIR VALUE HIERARCHY (Continued)

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

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The fair values of non-redeemable convertible preferred shares and promissory note have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for non-redeemable convertible preferred shares and promissory note at the end of each of the years was assessed to be insignificant.

The fair values of equity investments are based on quoted market prices.

### Fair value hierarchy

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

The Group did not have any financial assets measured at fair value as at 31 December 2015 and 30 June 2015.

During the Period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (During the year ended 30 June 2015: Nil).

## 15. FAIR VALUE AND FAIR VALUE HIERARCHY (Continued)

### Fair value hierarchy (Continued)

Liabilities for which fair value are disclosed:

At 31 December 2015 (Unaudited)

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Non-redeemable convertible preferred shares	—	434	—	434
	—	434	—	434

At 30 June 2015 (Audited)

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Non-redeemable convertible preferred shares	—	408	—	408
Promissory note	—	22,621	—	22,621
	—	23,029	—	23,029

# MANAGEMENT DISCUSSION AND ANALYSIS

## REVIEW OF OPERATION

For the six months ended 31 December 2015 (the "Period"), revenue of the Group from continuing operations amounted to approximately RMB8,392,000 (2014: RMB8,200,000), representing an increase of approximately 2.3% as compared to the corresponding period in last year. The increase in revenue was mainly due to the increase in sales in property development business.

During the Period, the Group recorded a gross profit from continuing operations of approximately RMB3,723,000 (2014: RMB2,518,000) and loss before tax from continuing operations of approximately RMB36,583,000 (2014: RMB18,692,000) respectively. The increase in gross profit and the increase in loss before tax were mainly due to the higher gross profit contribution from the property development business and the increase in share option expenses during the Period, respectively.

The loss attributable to ordinary equity holders of the Company for the Period was approximately RMB33,842,000 (2014: profit of approximately RMB64,838,000). The increase in loss attributable to ordinary equity holders of the Company was due to the increase in share option expenses and the absence of any gain on disposal of subsidiaries during the Period. Basic loss per share during the Period was RMB1.3 cents (2014: basic earnings per share was RMB2.8 cents).

## BUSINESS REVIEW

### Gold Mining Business

The Company acquired 51% equity interest in a gold mining company in Russian Federation and completed the acquisition on 15 August 2012. The gold mining company is a company established under the laws of Russian Federation with limited liability and currently operates and owns the legal and beneficial interest in a mining project related to the mine. With an aggregate mining area of about 309.3 square kilometres, the mine is operated by the gold mining company and located in Molchan river, Zeyskiy region, Amur area, the Russian Federation. The gold mining company is still in process of devising its production and exploitation plan.

On 30 January 2015, the Company acquired a 35% equity interest of Port First Limited (“Port First”). Major assets of Port First are its 70% equity interest in each of Longkou Jinxin Gold Co., Ltd. (“Jinxin Company”) and Longkou Jinhui Gold Co., Ltd. (“Jinhui Company”). Jinxin Company (i) holds the mine exploitation license and mine exploration license of the Shanchakou Mine; (ii) holds the mine exploitation license of Jinjiling Area; and (iii) owns a gold processing plant and a gold refinery plant. Jinhui Company holds the mine exploitation license and mine exploration license of the Yaojia Mine. During the Period, the average selling price of gold was under great downward pressure which undermined the profitability of the gold mining business.

The gold mining business has valid licenses, environmental protection policies and permits for conducting its business operations and has complied with relevant local requirements and applicable laws and regulations for its business operations.

The principal risk and uncertainties of the gold mining business are (i) fluctuation of gold prices, which will direct effect the sale performance; and (ii) social and environmental issues, any complaints or protests by the local community, and change of the environmental regulation or requirement will direct effect the efficiency and the cost of the operation.

During the Period, the gold mining segment recorded a loss of RMB3,443,000 as compared to a loss of RMB6,409,000 in the same period in 2014. As at 31 December 2015, the gold mining business had segment assets of RMB219,320,000 (30 June 2015: RMB231,145,000) and segment liabilities of RMB1,000 (30 June 2015: RMB101,000).

## Property Development Business

The property development project “Anlu Taihe Paradise” at Liang Ji Bei Road, Anlu Economic Development District in Anlu city, Hubei province in the PRC is wholly owned by the Group and is having positive contribution to the Group. The project comprises three phases, with a total gross floor area of approximately 272,568 square meters and are approved for residential and commercial composite uses. The land use rights of the properties have been granted for a term expiring on 22 August 2065. In which, some of properties are held by the Group as investment purposes (as shops, kindergarten and hotel) to generate the rental income, and some of the properties are held for sale. The properties held for sales comprise various types of properties including villas and apartments. During the Period, the PRC property market condition had made challenges to the property development business. The property sales situations and average selling prices were still under great pressure and undermined the profitability of the property development business.

The property development business has valid licenses and permits for conducting its business operation, and has complied with relevant local requirements and applicable laws and regulations for its business.

The principal risk and uncertainties of the property development business are (i) economic conditions, both domestic and global issues will directly affect the sale performance; and (ii) government policy change, any change of the PRC government policies over the property industry in China will directly affect the sale performance and the cost of operation.

During the Period, the property development segment recorded a profit of RMB1,893,000 as compared to a profit of approximately RMB1,460,000 in the same period in 2014. As at 31 December 2015, the property development business had segment assets of RMB162,687,000 (30 June 2015: RMB158,861,000) and segment liabilities of RMB43,816,000 (30 June 2015: RMB49,717,000).

## BUSINESS PROSPECTS

In order to sustain the continuous growth of the Group and meet the coming challenges, the Group successfully developed its property development business in Anlu city, Hubei province in the PRC. The real estate project, comprising various types of properties including villas, apartments and commercial buildings, had made positive contribution to the Group in the past. We expect that the property development business will provide positive contribution in the future.

In August 2012, the Group acquired a gold mining company in the Russian Federation. On 30 January 2015, the Company acquired a 35% equity interest of Port First. Major assets of Port First are its 70% equity interest in each of Jinxin Company and Jinhui Company. Jinxin Company (i) holds the mine exploitation license and mine exploration license of the Shanchakou Mine; (ii) holds the mine exploitation license of Jinjiling Area; and (iii) owns a gold processing plant and a gold refinery plant. Jinhui Company holds the mine exploitation license and mine exploration license of the Yaojia Mine. Considering China's strong demand and sustainable growth in the gold market, the Directors expect the future business and prospect of Port First and its subsidiaries will contribute to generate profit stream to the Group. The Directors consider that the acquisition represents an opportunity for the Group to further develop its current gold mining business and increase the Group's gold resources.

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



## LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2015, the Group had cash and cash equivalents, net current assets and total assets less current liabilities of approximately RMB59,023,000 (30 June 2015: approximately RMB37,063,000), RMB82,680,000 (30 June 2015: approximately RMB73,876,000) and RMB333,598,000 (30 June 2015: approximately RMB337,109,000) respectively.

As at 31 December 2015, the Group had interest-bearing other borrowings of approximately RMB2,000,000 (30 June 2015: approximately RMB17,600,000). As at 31 December 2015, all these borrowings were unsecured and repayment within one year.

The interest-bearing other borrowings of the Group were mainly for business expansion, capital expenditure and working capital purposes and were mainly denominated in Renminbi.

Total equity of the Group as at 31 December 2015 increased by RMB23,439,000 to RMB278,427,000 (30 June 2015: RMB254,988,000). The gearing ratio (calculated as the ratio of net debt: adjusted capital and net debt) of the Group as at 31 December 2015 was 3% (30 June 2015: 14%).

## SIGNIFICANT INVESTMENTS

The Group had no significant investment held during the six months ended 31 December 2015.

## ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

During the Period, the Group had no acquisition and disposals of subsidiaries and associated companies.

## EMPLOYMENT INFORMATION

As at 31 December 2015, the Group employed a total of 38 (2014: 38) employees. It is the Group's policy to review its employee's pay levels and performance bonus system regularly to ensure the competitiveness of the Group's remuneration policy within the relevant industry. During the Period, the employment cost (including directors' emoluments) amounted to approximately RMB18,147,000. In order to align the interests of staff, Directors and consultants with the Group, share options would be granted to staff, Directors and consultants under the Company's 2010 share options scheme (the "2010 Scheme"). There were 245,179,840 share options outstanding under the 2010 Scheme as at 31 December 2015.

## CHARGES ON GROUP ASSETS

As at 31 December 2015, and 30 June 2015, no Group assets were pledged to secure general banking facilities to the Group.

## 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 31 December 2015.

## EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

The Group has foreign currency risk as certain financial assets and liabilities are denominated in foreign currencies, principally in Hong Kong dollars and Russia ruble. The Group does not expect any appreciation or depreciation of the Renminbi against foreign currencies which might materially affects the Group's result of operations. The Group did not employ any financial instruments for hedging purposes.

## CAPITAL COMMITMENT

As at 31 December 2015, the Group had no capital commitments.

## CONTINGENT LIABILITIES

As at 31 December 2015, the banking facilities granted to the buyers of certain properties developed by the Group were RMB802,000 (30 June 2015: RMB1,262,000).

## DIVIDENDS

The Board did not recommend the payment of any interim dividend for the six months ended 31 December 2015 (2014: Nil).

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

As at 31 December 2015, 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 Securities and Futures Ordinance (the "SFO")) which were notified to the Company and The Stock Exchange of Hong Kong Limited (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
Sze Ming Yee	Interest held as beneficial owner and through controlled corporation	384,198,376	384,198,376 (Note)	13.32

Note: 384,198,376 shares are held by Union Day Group Limited (a company incorporated in the British Virgin Islands with limited liability) which is 72% beneficially owned by Mr. Sze Ming Yee.

Save as disclosed above, as at 31 December 2015, 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.

## SHARE OPTIONS

The following table discloses details of the Company's share options held by the Directors, employees and consultants of the Group pursuant to the Company's 2010 Scheme and movements in such holdings during the Period:

Name or category of participant	Date of grant	Outstanding as at 1 July 2015	Granted during the Period	Exercised during the Period	Adjustment by open offer (Note 1)	Cancelled/ Lapsed during the Period	Outstanding as at 31 December 2015	Exercisable period	Exercise price HK\$	Market value per share at date of grant of options HK\$
(a) Directors										
Mr. Hui Lung Hing	8 January 2014	8,000,000	—	—	320,000	—	8,320,000 (Note 1)	8 January 2014 to 7 January 2019	0.587 (Note 1)	0.600
(b) Eligible employees	8 January 2014	12,396,000	—	—	495,840	—	12,891,840 (Note 1)	8 January 2014 to 7 January 2019	0.587 (Note 1)	0.600
	9 January 2015	16,900,000	—	—	676,000	—	17,576,000 (Note 1)	9 January 2015 to 8 January 2020	0.560 (Note 1)	0.550
	14 October 2015	—	61,000,000 (Note 2)	—	—	—	61,000,000	14 October 2015 to 13 October 2019	0.300	0.300
(c) Eligible consultants	8 January 2014	29,400,000	—	—	1,176,000	—	30,576,000 (Note 1)	08 January 2014 to 07 January 2019	0.587 (Note 1)	0.600
	9 January 2015	85,400,000	—	—	3,416,000	—	88,816,000 (Note 1)	9 January 2015 to 8 January 2020	0.560 (Note 1)	0.550
	14 October 2015	—	26,000,000 (Note 2)	—	—	—	26,000,000	14 October 2015 to 13 October 2019	0.300	0.300
		152,096,000	87,000,000	—	6,083,840	—	245,179,840			

Note 1: Upon completion of the open offer, the exercise prices and the numbers of outstanding share options have been adjusted to HK\$0.587 and 51,787,840 for share options granted on 8 January 2014 and HK\$0.560 and 106,392,000 for share options granted on 9 January 2015 in accordance with the terms of the share option scheme and the requirements of the Listing Rules with effect from 9 November 2015.

Note 2: Closing price of the shares on the last trading day prior to the date of grant was HK\$0.345.

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

As at 31 December 2015, 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 shares	Number of issued ordinary shares held	Number of underlying shares held	Total Approximate % of the issued share capital
Union Day Group Limited	Beneficial Owner	384,198,376	384,198,376 <i>(Note 1)</i>	—	13.32
Hui Lung Hing	Beneficial Owner	286,097,777	277,777,777	8,320,000 <i>(Note 2)</i>	9.92
Yin Jia Tang	Beneficial Owner	166,162,963	160,962,963	5,200,000 <i>(Note 3)</i>	5.76

*Note 1:* 384,198,376 shares are held by Union Day Group Limited (a company incorporated in the British Virgin Islands with limited liability) which is 72% beneficially owned by Mr. Sze Ming Yee.

*Note 2:* 8,320,000 share options are held by Mr. Hui Lung Hing.

*Note 3:* 5,200,000 share options are held by Mr. Yin Jia Tang.

Save as disclosed above, the Company has not been notified of any other interests or short positions representing 5% or more of the issued share capital of the Company and recorded in the register maintained under Section 336 of the SFO as at 31 December 2015.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

Saved as disclosed under the sections headed "Share Options" and "Directors' and Chief Executives' Interests in Securities and Short Positions in Shares, Underlying Shares and Debentures" above, at no time during the Period was the Company or any of its subsidiaries, its holding company, or any of its fellow subsidiaries a party to any arrangement to enable the Directors or chief executives of the Company or their respective close associates (as defined in the Listing Rules) to acquire benefits by means of acquisition of shares in or debentures of, the Company or any other body corporate.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the Period, the Company issued and allotted 288,409,173 new ordinary shares by means of open offer at HK\$0.16 per offer share on the basis of one offer share for every nine existing ordinary shares.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Period.

## CORPORATE GOVERNANCE

During the Period, the Company has applied and complied with the code provisions in the Corporate Governance Code (the "CG Code") set out in Appendix 14 of the Listing Rules except the following deviation:

### Code Provision A.2.1

According to the code provision A.2.1 of the CG Code, the roles of the chairman and the chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing.

During the Period, Mr. Yang Xue Jun acted as the chief executive officer of the Company and Mr. Hui Lung Hing was the chairman of the Board until his retirement in the annual general meeting of the Company held on 18 December 2015. The Board kept reviewing the structure of the Board from time to time and should candidate with suitable knowledge, skill and experience be identified, the Company would make appointment to fill the post as appropriate. Mr. Mu Dongsheng has been appointed as the new chairman of the Board with effect from 15 January 2016.

## MODEL CODE

The Company has adopted the Model Code of securities transactions 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 enquiry of all Directors, the Company confirmed that all Directors have complied with the required standard set out in the Model Code for the Period under review.

## DIRECTORS’ INTEREST 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.

## 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.



## REMUNERATION COMMITTEE

The remuneration committee of the Company, currently comprising executive Director, namely Mr. Yang Xue Jun, and independent non-executive Directors, namely Mr. Ling Aiwen and Mr. Cheung Chuen, is responsible for advising the Board on the remuneration policy and framework of the Directors and senior management of the Company, as well as reviews and determines the remuneration of all the executive Directors and senior management of the Company with reference to the Company's objectives from time to time.

## AUDIT COMMITTEE

The Company has established an audit committee on 8 May 2001 with written terms of reference. The duties of the audit committee of the Company are to review and discuss on the effectiveness of the external audit risk management and internal control systems 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 of the Company comprised three independent non-executive Directors, namely Mr. Ling Aiwen, Mr. Han Hongwei and Mr. Cheung Chuen. The Company's interim results for the six months ended 31 December 2015 have not been audited, but have been reviewed by the Audit Committee.

By Order of the Board  
**KINGWELL GROUP LIMITED**  
**Mu Dongsheng**  
*Chairman*

Hong Kong, 26 February 2016