



KINGWELL GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1195

2017/2018 INTERIM REPORT

INTERIM REPORT

For the six months ended 31 December 2017

HIGHLIGHTS

- Revenue for the six months ended 31 December 2017 amounted to approximately RMB9,199,000;
- Loss before tax for the six months ended 31 December 2017 amounted to approximately RMB6,864,000;
- Loss attributable to owners of the Company for the six months ended 31 December 2017 amounted to approximately RMB6,419,000;
- Loss per share was RMB0.2 cent for the six months ended 31 December 2017;
- Total equity of the Group decreased to RMB209,667,000.

CORPORATE INFORMATION

DIRECTORS

Mu Dongsheng (*Chairman*)

Yang Xue Jun (*Chief Executive Officer*)

Sze Ming Yee

Cheung Chuen*

Ling Aiwen*

Han Hongwei*

* 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

SMP Partners (Cayman) Limited
3rd Floor, Royal Bank House
24 Shedden Road
P.O. Box 1586
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 2017. The interim results of the Group are unaudited but have been reviewed by the audit committee of the Company (the “Audit Committee”).

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 31 December 2017

(Express in Renminbi)

	Notes	Six months ended 31 December	
		2017 (Unaudited) RMB'000	2016 (Unaudited) and restated) RMB'000
REVENUE	4	9,199	2,356
Cost of sales		(6,520)	(1,659)
Gross profit		2,679	697
Other income and gains	4	216	3,239
Selling and distribution expenses		(166)	(157)
Administrative expenses		(7,322)	(5,930)
Other expenses		–	(3,045)
Finance costs	5	(36)	(33)
Share of loss of an associate		(2,235)	(4,613)
LOSS BEFORE TAX	6	(6,864)	(9,842)
Income tax (expense)/credit	7	(258)	1,956
LOSS FOR THE PERIOD		(7,122)	(7,886)
OTHER COMPREHENSIVE (LOSS)/INCOME			
<i>Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods:</i>			
Exchange differences on translation of foreign operations		(1,582)	7,628
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD		(1,582)	7,628
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		(8,704)	(258)

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

For the six months ended 31 December 2017

(Express in Renminbi)

	Note	Six months ended	
		31 December	2016
		2017	2016
		(Unaudited)	(Unaudited)
		RMB'000	RMB'000
Loss for the period attributable to:			
Owners of the Company		(6,419)	(7,979)
Non-controlling interests		(703)	93
		(7,122)	(7,886)
TOTAL COMPREHENSIVE LOSS			
ATTRIBUTABLE TO:			
Owners of the Company		(7,206)	(3,900)
Non-controlling interests		(1,498)	3,642
		(8,704)	(258)
LOSS PER SHARE ATTRIBUTABLE TO			
ORDINARY EQUITY HOLDERS OF			
THE COMPANY			
	8		
Basic			
– For loss for the period		RMB(0.2) cent	RMB(0.3) cent
Diluted			
– For loss for the period		RMB(0.2) cent	RMB(0.3) cent

Condensed Consolidated Statement of Financial Position

As at 31 December 2017

(Express in Renminbi)

	Notes	As at 31 December 2017 (Unaudited) RMB'000	As at 30 June 2017 (Audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		1,410	1,482
Investment properties		5,964	5,964
Intangible assets		75,779	76,238
Investment in an associate		50,531	52,769
Deferred tax assets		5,190	5,190
Total non-current assets		138,874	141,643
CURRENT ASSETS			
Inventories		63,260	69,779
Trade receivables	10	70	70
Prepayments, deposits and other receivables		298	405
Pledged deposits		502	503
Cash and cash equivalents		42,050	44,139
Total current assets		106,180	114,896
CURRENT LIABILITIES			
Trade payables	11	1,677	1,840
Other payables and accruals		18,062	20,664
Tax payable		6,217	6,247
Total current liabilities		25,956	28,751
NET CURRENT ASSETS		80,224	86,145
TOTAL ASSETS LESS CURRENT LIABILITIES		219,098	227,788

Condensed Consolidated Statement of Financial Position (Continued)

As at 31 December 2017

(Express in Renminbi)

	As at 31 December 2017 (Unaudited) RMB'000	As at 30 June 2017 (Audited) RMB'000
Note		
TOTAL ASSETS LESS CURRENT LIABILITIES	219,098	227,788
NON-CURRENT LIABILITIES		
Non-redeemable convertible preferred shares	586	572
Deferred tax liabilities	8,845	8,845
Total non-current liabilities	9,431	9,417
Net Assets	209,667	218,371
EQUITY		
Equity attributable to owners of the Company		
Issued capital	12 252,856	252,856
Non-redeemable convertible preferred shares	2,252	2,252
Other reserves	(89,332)	(82,126)
	165,776	172,982
Non-controlling interests	43,891	45,389
Total Equity	209,667	218,371

Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 December 2017

(Express in Renminbi)

	Issued capital	Share premium account	Share option reserve	Non-redeemable preferred Shares	Statutory reserve	Capital reserve	Capital contribution reserve	Exchange fluctuation reserve	Accumulated losses	Total	Non-controlling interests	Total equity
	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 2016	252,856	676,605	49,409	2,252	4,680	19	48,448	(8,698)	(765,170)	260,401	42,900	303,301
(Loss)/profit for the period	-	-	-	-	-	-	-	-	(7,979)	(7,979)	93	(7,886)
Other comprehensive loss for the period:												
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	4,079	-	4,079	3,549	7,628
Total comprehensive (loss)/income for the period	-	-	-	-	-	-	-	4,079	(7,979)	(3,900)	3,642	(258)
At 31 December 2016	252,856	676,605	49,409	2,252	4,680	19	48,448	(4,619)	(773,149)	256,501	46,542	303,043
(Unaudited)												
At 1 July 2017	252,856	676,605	49,409	2,252	4,756	19	48,448	(5,393)	(855,970)	172,982	45,389	218,371
Loss for the period	-	-	-	-	-	-	-	-	(6,419)	(6,419)	(703)	(7,122)
Other comprehensive loss for the period:												
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	(787)	-	(787)	(795)	(1,582)
Total comprehensive loss for the period	-	-	-	-	-	-	-	(787)	(6,419)	(7,206)	(1,498)	(8,704)
At 31 December 2017	252,856	676,605*	49,409*	2,252	4,756*	19*	48,448*	(6,180)*	(862,389)*	165,776	43,891	209,667

* These reserve accounts comprise deficit in the consolidated other reserves of RMB89,332,000 (30 June 2017: RMB82,126,000) in the condensed consolidated statement of financial position.

Condensed Consolidated Statement of Cash Flow

For the six months ended 31 December 2017

(Express in Renminbi)

	2017 (Unaudited) RMB'000	2016 (Unaudited) RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net cash flows (used in)/generated from operating activities	(980)	3,598
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	26	6
Purchases of items of property, plant and equipment	-	(7)
Net cash flows generated from/(used in) investing activities	26	(1)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		
Cash and cash equivalents at 1 July	44,139	38,779
Effect of foreign exchange rate changes, net	(1,135)	661
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	42,050	43,037
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	42,050	43,037

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

For the six months ended 31 December 2017

(Express in Renminbi)

1. BASIS OF PREPARATION

These unaudited condensed consolidated interim financial statements for the six months ended 31 December 2017 (“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 2017.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised Hong Kong Financial Reporting Standards (“HKFRSs”, which include all Hong Kong Financial Reporting Standards, HKASs and interpretations) issued by the HKICPA for the first time for these Financial Statements.

Amendments to HKAS 7

Disclosure Initiative

Amendments to HKAS 12

Recognition of Deferred Tax Assets for Unrealised Losses

Amendments to HKFRS 12 included
in Annual Improvements to HKFRSs
2014-2016 Cycle

*Disclosure of Interests in Other Entities:
Classification of the Scope of HKFRS 12*

3. OPERATING SEGMENT INFORMATION

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

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

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

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

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

3. OPERATING SEGMENT INFORMATION (Continued)

Period ended 31 December 2017

	Gold mining (Unaudited) RMB'000	Property development and property leasing (Unaudited) RMB'000	Total (Unaudited) RMB'000
Segment revenue:			
Sales to external customers	–	9,199	9,199
Other revenue	–	170	170
	–	9,369	9,369
Segment results:	(3,669)	820	(2,849)
<i>Reconciliation:</i>			
Interest income and other income			46
Corporate and other unallocated expenses			(4,025)
Finance costs			(36)
Loss before tax			(6,864)

3. OPERATING SEGMENT INFORMATION (Continued)

Period ended 31 December 2016

	Gold mining (Unaudited) RMB'000	Property development and property leasing (Unaudited and restated) RMB'000	Total (Unaudited and restated) RMB'000
Segment revenue:			
Sales to external customers	–	2,356	2,356
Other revenue	–	138	138
	–	2,494	2,494
Segment results:	(4,423)	(3,529)	(7,952)
<i>Reconciliation:</i>			
Interest income and other income			3,101
Corporate and other unallocated expenses			(4,958)
Finance costs			(33)
Loss before tax			(9,842)

3. OPERATING SEGMENT INFORMATION (Continued)

	Gold mining	Property development and property leasing	Total
	RMB'000	RMB'000	RMB'000
Segment Assets			
31 December 2017 (Unaudited)	140,942	89,308	230,250
30 June 2017 (Audited)	145,416	96,245	241,661
Segment Liabilities			
31 December 2017 (Unaudited)	151	17,257	17,408
30 June 2017 (Audited)	12	19,660	19,672

4. REVENUE, OTHER INCOME AND GAINS

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

	Six Months ended	
	31 December	
	2017	2016
	(Unaudited)	(Unaudited and restated)
	RMB'000	RMB'000
Revenue		
Sales of properties	9,199	2,356
Other income and gains		
Bank interest income	26	6
Exchange gain	16	817
Other	174	2,416
	216	3,239

5. FINANCE COSTS

An analysis of finance costs is as follows:

	Six Months ended	
	31 December	
	2017	2016
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Interest on:		
Non-redeemable convertible shares	36	33

No interest was capitalised by the Group in both periods.

6. LOSS BEFORE TAX

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

	Six Months ended	
	31 December	
	2017	2016
	(Unaudited)	(Unaudited and restated)
	RMB'000	RMB'000
Cost of properties sold	6,520	1,659
Depreciation	65	65
Minimum lease payments under operating leases:		
Land and buildings	596	214
Staff costs (including directors' remuneration)		
Salaries and wages	3,162	3,105
Exchange gain	(16)	(817)
Loss on disposal of investment properties*	–	1,400

* This amount was included in "other expenses" in the condensed consolidated statement of profit or loss and other comprehensive income.

7. INCOME TAX (EXPENSE)/CREDIT

	Six Months ended	
	31 December	
	2017	2016
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Current – Mainland China		
Provision for corporate income tax	(258)	–
Deferred	–	1,956
Total tax (expense)/credit for the period	(258)	1,956

No provision for Hong Kong profits tax has been made (2016: 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. 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 period attributable to ordinary equity holders of the Company of RMB6,419,000 (2016: RMB7,979,000), and the weighted average number of ordinary shares of 2,884,091,737 (2016: 2,884,091,737) in issue during the period.

8. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY (Continued)

The calculation of the diluted loss per share amount is based on the loss for the period 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 that period, 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 amount presented for the periods ended 31 December 2017 and 2016, in respect of a dilution as the impact of the share options and non-redeemable convertible preferred shares outstanding had an anti-dilutive effect on the basic loss per share amount presented.

9. DIVIDENDS

No interim dividends were declared for the six months ended 31 December 2017 and 2016.

10. TRADE RECEIVABLES

	31 December 2017 (Unaudited) RMB'000	30 June 2017 (Audited) RMB'000
Trade receivables	70	70
Impairment	–	–
	70	70

10. TRADE RECEIVABLES (Continued)

The Group's trade receivables arise from the sale of properties. Considerations in respect of the properties sold are payable by the buyers in accordance with the terms of the related sale and purchase agreements. Trade receivables are non-interest-bearing.

The balances of the trade receivables as at 31 December 2017 aged within 1 year based on the invoice date, which were neither past due nor impaired. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as they are still considered fully recoverable.

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 2017 (Unaudited) RMB'000	30 June 2017 (Audited) RMB'000
3 months to 1 year	460	46
Over 1 year	1,217	1,794
	1,677	1,840

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

12. SHARE CAPITAL

Shares

	31 December 2017 (Unaudited) HK\$'000	30 June 2017 (Audited) HK\$'000
Authorised:		
5,000,000,000 (30 June 2017: 5,000,000,000) ordinary shares of HK\$0.10 each	500,000	500,000
100,000,000 (30 June 2017: 100,000,000) convertible preferred shares of HK\$1.00 each	100,000	100,000
	600,000	600,000

	31 December 2017 (Unaudited) RMB'000	30 June 2017 (Audited) RMB'000
Issued and fully paid:		
2,884,091,737 (30 June 2017: 2,884,091,737) ordinary shares of HK\$0.10 each	252,856	252,856

13. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties under operating lease arrangements, with leases negotiated for terms ranging from one to three years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At 31 December 2017, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	31 December 2017 (Unaudited) RMB'000	30 June 2017 (Audited) RMB'000
Within one year	52	106
In the second to fifth years, inclusive	39	61
	91	167

(b) As lessee

The Group leases certain of its office premises under operating lease arrangements for lease terms of one year. At 31 December 2017, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	31 December 2017 (Unaudited) RMB'000	30 June 2017 (Audited) RMB'000
Within one year	451	573

14. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

	Carrying amounts		Fair values	
	As at 31 December 2017 (Unaudited) RMB'000	As at 30 June 2017 (Audited) RMB'000	As at 31 December 2017 (Unaudited) RMB'000	As at 30 June 2017 (Audited) RMB'000
Financial liabilities				
Non-redeemable convertible preferred shares	586	572	586	572

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

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

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

14. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Fair value hierarchy

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

Liabilities for which fair values are disclosed:

As at 31 December 2017 (Unaudited)

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Non-redeemable convertible preferred shares	–	586	–	586

As at 30 June 2017 (Audited)

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Non-redeemable convertible preferred shares	–	572	–	572

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 the financial liabilities (30 June 2017: Nil).

15. COMPARATIVE AMOUNTS

The loss on disposal of investment properties of RMB1,400,000 should be recorded in other expenses for the six months period ended 31 December 2016. However, the consideration for the disposal of investment properties of RMB37,600,000 and the carrying amount of the investment properties of RMB39,000,000 were wrongly recorded as revenue and cost of sales, respectively, for the six months period ended 31 December 2016. As a result, certain prior period reclassification adjustments have been made, and certain comparative amounts of the condensed consolidated statement of profit or loss and other comprehensive income have been reclassified and restated for the six months period ended 31 December 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF OPERATION

For the six months ended 31 December 2017 (the “Period”), revenue of the Group amounted to approximately RMB9,199,000 (2016 (Restated): RMB2,356,000), representing an increase of approximately 290.45% as compared to the corresponding period in last year. The increase in revenue was mainly due to the increase in sales in property development and property leasing business.

Reclassification adjustments for the six months period ended 31 December 2016

According to the HKFRSs, a net loss on disposal of investment properties (net of sales tax) of approximately RMB1,400,000 should be recorded in other expenses for the six months period ended 31 December 2016. However, the consideration for the disposal of investment properties of approximately RMB37,600,000 and the carrying amount of the investment properties of approximately RMB39,000,000 were wrongly recorded as revenue and cost of sales, respectively, for the six months period ended 31 December 2016. To adjust these classification errors, the revenue and cost of sales were restated to approximately RMB2,356,000 (previously reported: RMB39,956,000) and RMB1,659,000 (previously reported: RMB40,659,000), respectively, for the six months period ended 31 December 2016. As a result, the gross loss was restated from approximately RMB703,000 to a gross profit of approximately RMB697,000 and other expenses were increased to RMB3,045,000 (previously reported: RMB1,645,000). There was no impact on the net loss for the six months period ended 31 December 2016.

During the Period, the Group recorded a gross profit of approximately RMB2,679,000 (2016 (Restated): RMB697,000) and loss before tax of approximately RMB6,864,000 (2016: RMB9,842,000) respectively. The increase in gross profit and the decrease in loss before tax were mainly due to the increase in gross profit contribution from the property development and property leasing business, the decrease in other expenses and share of loss of an associate during the Period, respectively.

The loss attributable to ordinary equity holders of the Company for the Period was approximately RMB6,419,000 (2016: RMB7,979,000). The decrease in loss attributable to ordinary equity holders of the Company was due to the increase in gross profit, the decrease in other expenses and share of loss of an associate during the Period. Basic loss per share during the Period was RMB0.2 cent (2016: RMB0.3 cent).

BUSINESS REVIEW

Gold Mining Business

The Company acquired 51% equity interest in a gold mining company in Russian Federation and completed the acquisition on 15 August 2012. The gold mining company is a company established under the laws of Russian Federation with limited liability and currently operates and owns the legal and beneficial interest in a mining project related to the mine. With an aggregate mining area of about 309.3 square kilometres, the mine is operated by the gold mining company and located in Molchan river, Zeyskiy region, Amur area, the Russian Federation. The Group has exploration and exploitation rights on the same area (BLG02398BR) with an expiry date on 31 December 2027.

Since the mining area is too large and the rock composition in the northern Molchan region is complex, the gold mining company planned to conduct small scale production prior to large scale exploitation, which is common for all the mining exercise. The gold mining company submitted the plan of exploitation to the local government in October 2017 and is still waiting for the government approval. The preparation of trial run production will start after the approval is granted.

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”). During the Period, both companies were upgrading their plants and equipment to fulfill the increasingly rigorous environmental requirements. The upgrading process as well as the interrupted production has resulted in reduced and limited production scale during the period, which has undermined the profitability of the gold mining business.

During the Period, the gold mining segment recorded a loss of approximately RMB3,669,000 as compared to a loss of approximately RMB4,423,000 in the same period in 2016. As at 31 December 2017, the gold mining business had segment assets of approximately RMB140,942,000 (30 June 2017: RMB145,416,000) and segment liabilities of approximately RMB151,000 (30 June 2017: RMB12,000).

Property Development and Property Leasing Business

The property development project “Anlu Taihe Paradise” at Liang Ji Bei Road, Anlu Economic Development District in Anlu city, Hubei province in the PRC (Postal code 432600), is wholly owned by the Group and is having positive contribution to the Group. The project comprises three phases, with a total gross floor area of approximately 272,568 square meters and are approved for residential and commercial composite uses. The land use rights of the properties have been granted for a term expiring on 22 August 2065.

The Anlu Taihe Paradise comprised 3 phases, constructions were completed in 2007, 2009 and 2011 respectively and majority of the units has been sold. In our inventories, there are 47 unsold villas, 31 unsold shops and apartments in Phase I and 18 unsold shops and condos in Phase II as at 31 December 2017.

Some of the properties are held by the Group as investment purpose (as shops and kindergarten) to generate rental income. Properties held by the Group for investment purpose as at 31 December 2017 are listed as below:

Shop Nos. 101-103, 106-107 and 112-116 of Block 4, Shop Nos. 101-114 and 201 of Block 25, and Shop Nos. 117-118 of Block 53 in Anlu Taihe Paradise.

During the Period, the PRC property market condition had improved as compared with the last period. The property sales situations and average selling prices were increased and improved the profitability of the property development and property leasing business.

During the Period, the property development and property leasing segment recorded a profit of approximately RMB820,000 as compared to a loss of approximately RMB3,529,000 in the same period in 2016. As at 31 December 2017, the property development and property leasing business had segment assets of approximately RMB89,308,000 (30 June 2017: RMB96,245,000) and segment liabilities of approximately RMB17,257,000 (30 June 2017: RMB19,660,000).

BUSINESS PROSPECTS

In order to sustain the continuous growth of the Group and meet the coming challenges, the Group developed its property development and property leasing business in Anlu City, Hubei Province in the PRC. The real estate project, comprising various types of properties including villas, apartments and commercial buildings. Although the property market is still under great pressure, the Directors expect that the property development and property leasing business will continue to provide positive contribution in the future. Also, the Group will search for new investment opportunities in property market around Hubei Province, the PRC. The Group will utilize its experience in Anlu City project and identify new land resources close to the railway network in Xiaogan City and Anlu City. The property investment opportunities could be residential, commercial or industrial development project.

As for the gold mining business, the Russia gold mining company is in the process of making a trial production plan. Since the mining area is too large and the rock composition in the northern Molchan region is complex, the gold mining company planned to conduct small scale production prior to large scale exploitation, which is common for all the mining exercise. The gold mining company submitted the plan of exploitation to the local government in October 2017 and is still waiting for the government approval. The preparation of trial run production will start after the approval is granted.

Subject to finalization, the gold mining company expects to operate 1 production line, including 28 laborers, 2 excavators, 1 bulldozer, 2 loaders, 2 heavy engineering transporters, 1 gold moving band as well as electric generator, water pump, accessories and living facilities. This production line could process 30,000 to 45,000 cubic meters ore per month, which should be able to produce around 24kg to 36kg gold. Due to the cold weather in Russia, the gold mining company could conduct production for only six months every year, the gross revenue will be subject to the output of the trial run production.

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

LIQUIDITY AND FINANCIAL RESOURCES AND CAPITAL STRUCTURE

For the six months ended 31 December 2017, the Group's working capital requirement was principally financed by its internal resources.

As at 31 December 2017, the Group had cash and cash equivalents, net current assets and total assets less current liabilities of approximately RMB42,050,000 (30 June 2017: RMB44,139,000), RMB80,224,000 (30 June 2017: RMB86,145,000) and RMB219,098,000 (30 June 2017: RMB227,788,000) respectively.

Total equity attributable to owners of the Company as at 31 December 2017 decreased by RMB7,206,000 to RMB165,776,000 (30 June 2017: RMB172,982,000). The gearing ratio (calculated as the ratio of net debt: adjusted capital and net debt) of the Group as at 31 December 2017 was in net cash position (30 June 2017: net cash position).

SIGNIFICANT INVESTMENTS

The Group had no significant investment held during the six months ended 31 December 2017.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

During the Period, the Group had no material acquisitions and disposals of subsidiaries, associates or joint ventures.

EMPLOYMENT INFORMATION

As at 31 December 2017, the Group employed a total of 38 (2016: 38) employees. It is a policy of the Group to review its employee's pay levels and performance bonus system regularly to ensure that the remuneration policy is competitive within the relevant industry. During the Period, the employment cost (including Directors' emoluments) amounted to approximately RMB3,162,000. 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 Share Options Scheme"). There were 245,179,840 share options outstanding under the 2010 Share Options Scheme as at 31 December 2017.

CHARGES ON GROUP ASSETS

As at 31 December 2017 and 30 June 2017, 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 2017.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

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

CAPITAL COMMITMENT

As at 31 December 2017, the Group had no capital commitments.

CONTINGENT LIABILITIES

As at 31 December 2017, the banking facilities of RMB502,000 were granted to the buyers of certain properties developed by the Group (30 June 2017: RMB503,000).

DIVIDENDS

The Board did not declare the payment of any interim dividend for the six months ended 31 December 2017 (2016: Nil).

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 Share Options Scheme and movements in such holdings during the Period:

Name or category of participant	Date of grant	Outstanding as at 1 July 2017	Granted during the Period	Exercised during the Period	Cancelled/ Lapsed during the Period	Outstanding as at 31 December 2017	Exercisable period	Exercise price HK\$	Market value per share at date of grant of options HK\$
(a) <i>Director</i>									
Mr. Mu Dongsheng	14 October 2015	13,000,000	-	-	-	13,000,000	14 October 2015 to 13 October 2019	0.300	0.300
(b) <i>Eligible employees</i>									
	8 January 2014	12,891,840	-	-	-	12,891,840	8 January 2014 to 7 January 2019	0.587	0.600
	9 January 2015	17,576,000	-	-	-	17,576,000	9 January 2015 to 8 January 2020	0.560	0.550
	14 October 2015	61,000,000	-	-	-	61,000,000	14 October 2015 to 13 October 2019	0.300	0.300
(c) <i>Eligible consultants</i>									
	8 January 2014	38,896,000	-	-	-	38,896,000	8 January 2014 to 7 January 2019	0.587	0.600
	9 January 2015	88,816,000	-	-	-	88,816,000	9 January 2015 to 8 January 2020	0.560	0.550
	14 October 2015	13,000,000	-	-	-	13,000,000	14 October 2015 to 13 October 2019	0.300	0.300
		245,179,840	-	-	-	245,179,840			

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

As at 31 December 2017, 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 for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules were as follows:

Long positions in the shares of the Company

Name	Capacity	Number of Shares	Number of issued ordinary shares held	Number of underlying shares held pursuant to share options	Total approximate % of the issued share capital
Mr. Sze Ming Yee	Interest held as beneficial owner and through controlled corporation	384,198,376	384,198,376 (Note 1)	–	13.32
Mr. Mu Dongsheng	Beneficial owner	13,000,000	–	13,000,000 (Note 2)	0.45

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: 13,000,000 shares options are held by Mr. Mu Dongsheng.

Save as disclosed above, as at 31 December 2017, 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 AND DEBENTURES OF THE COMPANY

As at 31 December 2017, 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
Mr. Hui Lung Hing	Beneficial Owner	286,097,777	277,777,777	8,320,000 <i>(Note 2)</i>	9.92
Mr. Yin Jia Tang	Beneficial Owner	223,080,604	217,880,604	5,200,000 <i>(Note 3)</i>	7.73

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 2017.

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, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

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 to the Listing Rules except the following deviation:

Code Provision A.6.7

Under the code provision A.6.7 of the CG Code provides that independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. One of the independent non-executive Director was not able to attend the annual general meeting held on 15 December 2017 due to his business engagements. Other Board members who attend the annual general meeting were already of sufficient calibre and number for answering questions raised by the shareholders at that annual general meeting.

MODEL CODE

The Company has adopted the Model Code as its 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.

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.

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. 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 2017 have not been audited, but have been reviewed by the Audit Committee.

IMPORTANT EVENTS AFTER THE PERIOD

No important events affecting the Group has occurred since the end of the Period.

By Order of the Board
KINGWELL GROUP LIMITED
Mu Dongsheng
Chairman

Hong Kong, 27 February 2018