KINGWELL GROUP LIMITED

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

INTERIM REPORT 2018/2019

INTERIM REPORT

For the six months ended 31 December 2018

HIGHLIGHTS

- Revenue for the six months ended 31 December 2018 amounted to approximately RMB10,884,000;
- Loss before tax for the six months ended 31 December 2018 amounted to approximately RMB4,464,000;
- Loss attributable to owners of the Company for the six months ended 31 December 2018 amounted to approximately RMB5,371,000;
- Loss per share was RMB0.19 cent for the six months ended 31 December 2018;
- Total equity of the Group decreased to RMB180,292,000.

CORPORATE INFORMATION

DIRECTORS

Mu Dongsheng *(Chairman and Chief Executive Officer)*
Sze Ming Yee
Cheung Chuen*
Ling Aiwen*
Han Hongwei*

* Independent non-executive Director

COMPANY SECRETARY

Poon Yan Wai

AUTHORISED REPRESENTATIVES

Mu Dongsheng
Poon Yan Wai

AUDIT COMMITTEE

Ling Aiwen *(Chairman)*
Cheung Chuen
Han Hongwei

REMUNERATION COMMITTEE

Ling Aiwen *(Chairman)*
Mu Dongsheng
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
Shop 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

TRADING CODE ON THE STOCK EXCHANGE OF HONG KONG LIMITED

1195

WEBSITE

http://kingwell.todayir.com

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 2018. 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 2018
(Express in Renminbi)

	Notes	Six months ended 31 December **2018** **(Unaudited)** **RMB'000**	2017 (Unaudited) RMB'000
REVENUE	4	**10,884**	9,199
Cost of sales		**(5,720)**	(6,520)
Gross profit		**5,164**	2,679
Other income and gains	4	**331**	216
Selling and distribution expenses		**(141)**	(166)
Administrative expenses		**(8,750)**	(7,322)
Finance costs	5	**(43)**	(36)
Share of loss of an associate		**(1,025)**	(2,235)
LOSS BEFORE TAX	6	**(4,464)**	(6,864)
Income tax expense	7	**(1,708)**	(258)
LOSS FOR THE PERIOD		**(6,172)**	(7,122)
OTHER COMPREHENSIVE LOSS			
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**(3,800)**	(1,582)
OTHER COMPREHENSIVE LOSS FOR THE PERIOD		**(3,800)**	(1,582)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		**(9,972)**	(8,704)

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

For the six months ended 31 December 2018

(Express in Renminbi)

	Note	Six months ended 31 December 2018 (Unaudited) RMB'000	2017 (Unaudited) RMB'000
Loss for the period attributable to:			
Owners of the Company		**(5,371)**	(6,419)
Non-controlling interests		**(801)**	(703)
		(6,172)	(7,122)
TOTAL COMPREHENSIVE LOSS ATTRIBUTABLE TO:			
Owners of the Company		**(8,082)**	(7,206)
Non-controlling interests		**(1,890)**	(1,498)
		(9,972)	(8,704)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	8		
Basic			
– For loss for the period		**RMB(0.19) cent**	RMB(0.2) cent
Diluted			
– For loss for the period		**RMB(0.19) cent**	RMB(0.2) cent

Condensed Consolidated Statement of Financial Position

As at 31 December 2018

(Express in Renminbi)

	Notes	**As at 31 December 2018 (Unaudited) RMB'000**	As at 30 June 2018 (Audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**1,210**	1,197
Investment properties		**6,604**	6,604
Intangible assets		**70,979**	70,377
Investment in an associate		**49,235**	50,260
Deferred tax assets		**6,368**	6,368
Total non-current assets		**134,396**	134,806
CURRENT ASSETS			
Inventories		**40,541**	45,422
Trade receivables	10	**6,863**	10
Deposits and other receivables		**1,004**	574
Pledged deposits		**503**	503
Cash and cash equivalents		**41,613**	52,666
Total current assets		**90,524**	99,175
CURRENT LIABILITIES			
Trade payables	11	**6,203**	1,672
Other payables and accruals		**21,153**	27,293
Tax payable		**10,013**	7,559
Total current liabilities		**37,369**	36,524
NET CURRENT ASSETS		**53,155**	62,651
TOTAL ASSETS LESS CURRENT LIABILITIES		**187,551**	197,457

Condensed Consolidated Statement of Financial Position (Continued)

As at 31 December 2018

(Express in Renminbi)

	Note	As at 31 December 2018 (Unaudited) RMB'000	As at 30 June 2018 (Audited) RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**187,551**	197,457
NON-CURRENT LIABILITIES			
Non-redeemable convertible preferred shares		**693**	627
Deferred tax liabilities		**6,566**	6,566
Total non-current liabilities		**7,259**	7,193
Net Assets		**180,292**	190,264
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		**(113,936)**	(105,854)
		141,172	149,254
Non-controlling interests		**39,120**	41,010
Total equity		**180,292**	190,264

Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 December 2018

(Express in Renminbi)

	Issued capital RMB'000	Share premium account RMB'000	Share option reserve RMB'000	Non-redeemable convertible preferred Shares RMB'000	Statutory reserve RMB'000	Capital reserve RMB'000	Capital contribution reserve RMB'000	Exchange fluctuation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
(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
(Unaudited)												
At 1 July 2018	252,856	676,605	49,409	2,252	4,809	19	48,448	(9,310)	(875,834)	149,254	41,010	190,264
Loss for the period	–	–	–	–	–	–	–	–	(5,371)	(5,371)	(801)	(6,172)
Other comprehensive loss for the period:												
Exchange differences on translation of foreign operations	–	–	–	–	–	–	–	(2,711)	–	(2,711)	(1,089)	(3,800)
Total comprehensive loss for the period	–	–	–	–	–	–	–	(2,711)	(5,371)	(8,082)	(1,890)	(9,972)
Transfer of share option reserve upon the forfeiture of share options	–	–	(473)	–	–	–	–	–	473	–	–	–
At 31 December 2018	252,856	676,605*	48,936*	2,252	4,809*	19*	48,448*	(12,021)*	(880,732)*	141,172	39,120	180,292

* These reserve accounts comprise deficit in the consolidated other reserves of RMB113,936,000 (30 June 2018: RMB105,854,000) in the condensed consolidated statement of financial position.

Condensed Consolidated Statement of Cash Flow

For the six months ended 31 December 2018

(Express in Renminbi)

	2018 (Unaudited) RMB'000	2017 (Unaudited) RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net cash flows used in operating activities	**(3,563)**	(980)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	**53**	26
Purchases of items of property, plant and equipment	**(83)**	–
Acquisition of a business	**(8,164)**	–
Net cash flows (used in)/generated from investing activities	**(8,194)**	26
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(11,757)**	(954)
Cash and cash equivalents at 1 July	**52,666**	44,139
Effect of foreign exchange rate changes, net	**704**	(1,135)
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	**41,613**	42,050
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**41,613**	42,050

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

For the six months ended 31 December 2018
(Express in Renminbi)

1. BASIS OF PREPARATION

These unaudited condensed consolidated interim financial statements for the six months ended 31 December 2018 ("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 2018.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and 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 HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*
HKFRS 9	*Financial Instruments*
HKFRS 15	*Revenue from Contracts with Customers*
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*
Amendment to HKAS 40	*Transfers of Investment Property*
Annual Improvements to HKFRSs 2014-2016 Cycle	*Amendments to HKFRS 1 and HKAS 28*

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

Other than as explained below regarding the impact of HKFRS 9 and HKFRS 15, the adoption of the above new and revised standards has had no significant financial effect on these Financial Statements.

HKFRS 9 Financial Instruments

HKFRS 9 Financial Instruments replaces HKAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting. The Group has applied the transitional provisions set out in HKFRS 9 without restating comparative information. It applied the classification and measurement requirements (including impairment) to financial instruments that were not derecognised as at 1 July 2018. Therefore, the comparative information was not restated and continues to be reported under HKAS 39.

(a) Classification and measurement

Under HKFRS 9, financial assets are subsequently measured at amortised cost, fair value through other comprehensive income, or fair value through profit or loss. The classification based on two criteria: (i) the Group's business model for managing the assets; and (ii) whether the instrument's contractual cash flows represent solely payments of principal and interest on the principal amount outstanding.

The Group's financial assets including trade receivables, financial assets included in deposits and other receivables, pledged deposits, and cash and cash equivalents, which was classified as loans and receivables under HKAS 39, has been reclassified to financial assets at amortised cost after transition to HKFRS 9 as these instruments passed the contractual cash flow characteristics test in HKFRS 9, were not actively traded and were held with the intention to collect cash flows and without the intention to sell.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

(a) Classification and measurement (Continued)

Under HKFRS 9, the Group's financial liabilities are subsequently measured at amortised cost. The accounting for the Group's financial liabilities remains largely the same as it was under HKAS 39.

(b) Impairment

The adoption of HKFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets. The incurred loss approach under HKAS 39 was replaced by a forward-looking expected credit loss approach.

HKFRS 9 requires the Group to record a loss allowance for the expected credit loss of its financial assets not held at fair value through profit or loss. In that respect, the Group measured the expected credit losses of (i) its other receivables on a 12-month basis as permitted by the general approach; and (ii) its trade receivables on a lifetime basis as permitted by the simplified approach. The adoption of HKFRS 9 has had no material impact on the impairment provisions on the Group's financial assets.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 and its amendments replace HKAS 11 Construction Contracts, HKAS 18 Revenue and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. As a result of the application of HKFRS 15, the Group has changed the accounting policy with respect to revenue recognition.

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, property leasing and property management services segment engages in the development of villas, apartments and commercial buildings, property leasing of self-owned properties, and provision of property management services.

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 2018

	Gold mining (Unaudited) RMB'000	Property development, property leasing and property management services (Unaudited) RMB'000	Total (Unaudited) RMB'000
Segment revenue:			
Sales to external customers	–	10,884	10,884
Other revenue	–	191	191
	–	11,075	11,075
Segment results:	(2,657)	3,960	1,303
Reconciliation:			
Interest income and other income			140
Corporate and other unallocated expenses			(5,864)
Finance costs			(43)
Loss before tax			(4,464)

3. OPERATING SEGMENT INFORMATION (Continued)

Period ended 31 December 2017

	Gold mining (Unaudited) RMB'000	Property development, property leasing and property management services (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)
Reconciliation:			
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)

	Gold mining	Property development, property leasing and property management services	Total
	RMB'000	RMB'000	RMB'000
Segment Assets			
31 December 2018 (Unaudited)	127,333	90,095	217,428
30 June 2018 (Audited)	134,076	91,185	225,261
Segment Liabilities			
31 December 2018 (Unaudited)	1	24,858	24,859
30 June 2018 (Audited)	111	25,949	26,060

4. REVENUE, OTHER INCOME AND GAINS

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

	Six Months ended 31 December	
	2018	2017
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Revenue from contracts with customers		
Sales of properties	**8,537**	9,199
Rendering of property management services	**2,347**	–
	10,884	9,199
Other income and gains		
Bank interest income	**53**	26
Exchange gain	**13**	16
Other	**265**	174
	331	216

5. FINANCE COSTS

An analysis of finance costs is as follows:

	Six Months ended 31 December	
	2018	2017
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Interest on:		
Non-redeemable convertible shares	**43**	36

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	
	2018	2017
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Cost of properties sold	**4,876**	6,520
Cost of property management services provided	**844**	–
Depreciation	**65**	65
Minimum lease payments under operating leases:		
Land and buildings	**448**	596
Staff costs (including directors' remuneration)		
Salaries and wages	**3,277**	3,162

7. INCOME TAX EXPENSE

	Six Months ended 31 December	
	2018	2017
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Current – Mainland China		
Provision for corporate income tax	**(1,708)**	(258)
Deferred	**–**	–
Total tax expense for the period	**(1,708)**	(258)

No provision for Hong Kong profits tax has been made (2017: 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 RMB5,371,000 (2017: RMB6,419,000), and the weighted average number of ordinary shares of 2,884,091,737 (2017: 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 2018 and 2017, 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 2018 and 2017.

10. TRADE RECEIVABLES

	31 December 2018 (Unaudited) RMB'000	30 June 2018 (Audited) RMB'000
Trade receivables	**6,863**	10
Impairment	**–**	–
	6,863	10

10. TRADE RECEIVABLES (Continued)

The Group's trade receivables arise from the sale of properties and provision of property management services. Consideration of the properties sold are payable by the buyers in accordance with the terms of the related sale and purchase agreements. For the provision of property management services, a credit period of generally 6 months is granted to the property developer. Advanced payment is normally required for the property owners. The management seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by management. There are no collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

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 2018 (Unaudited) RMB'000	30 June 2018 (Audited) RMB'000
3 months to 1 year	**6,203**	54
Over 1 year	**–**	1,618
	6,203	1,672

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

12. SHARE CAPITAL

Shares

	31 December 2018 (Unaudited) HK$'000	30 June 2018 (Audited) HK$'000
Authorised:		
5,000,000,000 (30 June 2018: 5,000,000,000) ordinary shares of HK$0.10 each	**500,000**	500,000
100,000,000 (30 June 2018: 100,000,000) convertible preferred shares of HK$1.00 each	**100,000**	100,000
	600,000	600,000

	31 December 2018 (Unaudited) RMB'000	30 June 2018 (Audited) RMB'000
Issued and fully paid:		
2,884,091,737 (30 June 2018: 2,884,091,737) ordinary shares of HK$0.10 each	**252,856**	252,856

13. BUSINESS COMBINATION

On 25 June 2018, Xuzhou Taihua Property Management Co., Ltd*（徐州泰華物業管理有限公司）(the "Purchaser" or "Xuzhou Taihua"), an indirect wholly-owned subsidiary of the Company entered into a sale and purchase agreement with Foshan Tianan Hongji Property Services Co., Ltd.*（佛山天安鴻基物業服務有限公司）(the "Vendor" or "Tianan Hongji"), pursuant to which the Purchaser conditionally agreed to purchase and the Vendor conditionally agreed to sell all the assets, liabilities and businesses of Foshan Tianan Hongji Property Services Co., Ltd. Xuzhou Branch Office*（佛山天安鴻基物業服務有限公司徐州分公司）(the "Acquiree") (the "Acquisition"). The purchase consideration for the Acquisition was RMB9,000,000 (equivalent to approximately HK$10,800,000) in cash. The Acquisition was completed on 1 November 2018. The Acquiree is principally engaged in the provision of property management services in Xuzhou City, Jiangsu Province, the PRC. The Acquisition was made as part of the Group's strategy to enhance its expertise in property management services.

The purchase price allocation of the Acquiree is still preliminary, pending the finalisation of the valuation. In the opinion of the directors of the Company, the fair value of the assets and liabilities of the Acquiree acquired, as well as the goodwill, is subject to change when the valuation on the completion date of the Acquisition is finalised.

An analysis of the cash flows in respect of the Acquisition is as follows:

	RMB'000
Cash consideration	(9,000)
Cash and cash balances acquired	836
Net outflow of cash and cash equivalents included in cash flows used in investing activities	(8,164)

14. 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 five 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 2018, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	31 December 2018 (Unaudited) RMB'000	30 June 2018 (Audited) RMB'000
Within one year	**299**	336
In the second to fifth years, inclusive	**853**	1,094
	1,152	1,430

(b) As lessee

The Group leases certain of its office premises under operating lease arrangements for lease terms of one year. At 31 December 2018, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	31 December 2018 (Unaudited) RMB'000	30 June 2018 (Audited) RMB'000
Within one year	**543**	556

15. 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 2018 (Unaudited) RMB'000	As at 30 June 2018 (Audited) RMB'000	**As at 31 December 2018 (Unaudited) RMB'000**	As at 30 June 2018 (Audited) RMB'000
Financial liabilities				
Non-redeemable convertible preferred shares	**693**	627	**693**	627

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

The Group's finance department headed by the financial controller is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the financial controller 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 financial controller.

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.

15. 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 2018 (Unaudited)

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	**Significant observable inputs (Level 2) RMB'000**	**Significant unobservable inputs (Level 3) RMB'000**	**Total RMB'000**
Non-redeemable convertible preferred shares	**–**	**693**	**–**	**693**

As at 30 June 2018 (Audited)

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Non-redeemable convertible preferred shares	–	627	–	627

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 2018: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF OPERATION

For the six months ended 31 December 2018 (the "Period"), revenue of the Group amounted to approximately RMB10,884,000 (2017: RMB9,199,000), representing an increase of approximately 18.3% as compared to the corresponding period in last year. The increase in revenue was mainly due to the contribution from the property management services.

During the Period, the Group recorded a gross profit of approximately RMB5,164,000 (2017: RMB2,679,000) and loss before tax of approximately RMB4,464,000 (2017: RMB6,864,000) respectively. The increase in gross profit and the decrease in loss before tax were mainly due to the gross profit contribution from the property management services and the decrease in 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 RMB5,371,000 (2017: RMB6,419,000). The decrease in loss attributable to ordinary equity holders of the Company was due to the increase in gross profit and the decrease in share of loss of an associate during the Period. Basic loss per share during the Period was RMB0.19 cent (2017: RMB0.2 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 had submitted the plan of exploitation to the local government in October 2017. However, due to the increase in number of wildfire and environmental destruction incidents caused by mining activities during 2017, the Russian authority raised the environmental protection requirements on exploitation applications at the beginning of 2018. Therefore, the Company was required to re-submit a new plan of exploitation which satisfies the tightened regulation. It is expected that the exploitation approval shall be obtained on or before May 2019 and shall begin the foundation work for the forthcoming exploitation process in May 2019.

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").

The mine exploitation license and mine exploitation license of the Shanchakou Mine held by Jinxin Company expired on 1 June 2018 and 28 September 2018, respectively. Jinxin Company has already applied for the renewal of those licenses.

The gold mine of Jinxin Company is located near the border but part of it is within the Laishan Natural Protection Area ("萊山生態保護區", the "LNPA") of Longkou City. During the Period, Jinxin Company is still suspended the production as requested by the local government. Local government is in the process of applying to the related provincial government for excluding the gold mine of Jinxin Company from the LNPA given that the gold mine had been developed and commenced production before the LNPA was set up and part of the gold mine as well as the processing plant and refinery plant of Jinxin Company are outside the LNPA. Up to the date of this report, no decision has been made by the related provincial government on this application.

Jinhui Company holds the mine exploitation license of the Yaojia mine which expired on 31 December 2017. Jinhui Company has already applied for the renewal of the license in February 2018. Meanwhile, in August 2018, Jinhui Company got the renewal of the exploration license of the Yaojia mine for the period up to 30 June 2020.

Jinhui Company has prepared for the expansion of its production capacity as requested by the local government in order to renew the exploitation license. However, as a railway was built across the gold mine area of Jinhui Company, Jinhui Company has to obtain the consent from the railway operator for the construction and expansion in the mine site. The railway operator is still kept silent. As a result, Jinhui Company is still suspended the production during the Period. Jinhui Company had claimed against the railway operator for the loss incurred due to the suspension of production. The court concluded a favourable decision for Jinhui Company and requested the railway operator to compensate the loss. However, during the period the railway operator had made appeal to an intermediate court. Up to the date of this report, no decision has been made by the intermediate court.

During the Period, the gold mining segment recorded a loss of approximately RMB2,657,000 as compared to a loss of approximately RMB3,669,000 in the same period in 2017. As at 31 December 2018, the gold mining business had segment assets of approximately RMB127,333,000 (30 June 2018: RMB134,076,000) and segment liabilities of approximately RMB1,000 (30 June 2018: RMB111,000).

Property Development, Property Leasing and Property Management Services Business

The property development project "Anlu Taihe Paradise" at Liang Ji Bei Road, Anlu Economic Development District in Anlu city, Hubei province in the PRC (Postal code 432600), is 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 its inventories, there are 33 unsold villas, 20 unsold shops and apartments in Phase I and 7 unsold shops and condos in Phase II as at 31 December 2018.

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 2018 are listed as below:

Shop Nos. 101-103, 106 and 112-116 of Block 4, Shop Nos. 101-114 and 201 of Block 25, and Shop Nos. 112-113 and 117-118 of Block 53 in Anlu Taihe Paradise.

During the Period, the PRC property market condition was more difficult as compared with the last period. The property average selling prices were decreased to improve the sale transaction.

On 25 June 2018, Xuzhou Taihua Property Management Co., Ltd*（徐州泰華物業管理有限公司）(the "Purchaser" or "Xuzhou Taihua"), an indirect wholly-owned subsidiary of the Company entered into a sale and purchase agreement with Foshan Tianan Hongji Property Services Co., Ltd.*（佛山天安鴻基物業服務有限公司）(the "Vendor" or "Tianan Hongji"), pursuant to which the Purchaser conditionally agreed to purchase and the Vendor conditionally agreed to sell all the assets, liabilities and businesses of Foshan Tianan Hongji Property Services Co., Ltd. Xuzhou Branch Office*（佛山天安鴻基物業服務有限公司徐州分公司）(the "Acquisition"). The consideration payable by the Purchaser is RMB9,000,000 (equivalent to approximately HK$10,800,000) in cash. The Acquisition was completed on 1 November 2018.

As the relevant percentage ratios calculated pursuant to Rule 14.07 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") in respect of the Acquisition exceeds 25% but is less than 100%, the Acquisition constitutes a major transaction of the Company under Rule 14.06(3) of the Listing Rules and is subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

In the extraordinary general meeting of the Company held on 29 October 2018, the ordinary resolution in relation to the Acquisition was duly passed by the shareholders of the Company by way of poll.

Details of the Acquisition are set out in the announcements of the Company dated 25 June 2018, 16 July 2018, 27 July 2018, 10 August 2018, 28 August 2018, 7 September 2018, 21 September 2018 and 29 October 2018 and the circular of the Company dated 21 September 2018.

During the Period, the property development, property leasing and property management services segment recorded a profit of approximately RMB3,960,000 as compared to a profit of approximately RMB820,000 in the same period in 2017. As at 31 December 2018, the property development, property leasing and property management services business had segment assets of approximately RMB90,095,000 (30 June 2018: RMB91,185,000) and segment liabilities of approximately RMB24,858,000 (30 June 2018: RMB25,949,000).

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 cashflow in the future.

The Group would like to enlarge the existing property development and property leasing business to include the provision of property management services. Therefore, the Group had entered into the conditional sale and purchase agreement with Tianan Hongji to acquire the property management business in Xuzhou City, Jiangsu Province, the PRC. This business not only would provide profits to the Group, it would also enhance the Group's expertise in the daily management of properties in the PRC, enabling the Group to improve the quality of the property management at the Group's property development project for now and in the future. The Acquisition was completed on 1 November 2018.

Except that, the Group is being negotiation to acquire the carpark spaces in Xuzhou City, the PRC to increase the inventories. This acquisition is a good opportunity to expand the Group's participation in the PRC property market. Also, the Group will actively searching suitable site for property development.

As for the gold mining business, since the mining area is too large and the rock composition in the northern Molchan region is complex, the Russia 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. However, due to the increase in number of wildfire and environmental destruction incidents caused by mining activities in 2017, the Russian authority raised the environment protection requirements on exploitation applications at the beginning of 2018. Therefore, the Company was required to re-submit a new plan of exploitation which satisfies the tightened regulation. It is expected that the exploitation approval shall be obtained on or before May 2019 and shall begin the foundation work for the forthcoming exploitation process in May 2019.

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 2018, the Group's working capital requirement was principally financed by its internal resources.

As at 31 December 2018, the Group had cash and cash equivalents, net current assets and total assets less current liabilities of approximately RMB41,613,000 (30 June 2018: RMB52,666,000), RMB53,155,000 (30 June 2018: RMB62,651,000) and RMB187,551,000 (30 June 2018: RMB197,457,000) respectively.

Total equity attributable to owners of the Company as at 31 December 2018 decreased by RMB8,082,000 to RMB141,172,000 (30 June 2018: RMB149,254,000). The gearing ratio (calculated as the ratio of net debt: capital and net debt) of the Group as at 31 December 2018 was in net cash position (30 June 2018: net cash position).

SIGNIFICANT INVESTMENTS

Save as disclosed above, the Group had no significant investment held during the six months ended 31 December 2018.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Save as disclosed above, the Group had no material acquisitions and disposals of subsidiaries, associates or joint ventures during the Period.

EMPLOYMENT INFORMATION

As at 31 December 2018, the Group employed a total of 77 (2017: 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 RMB3,277,000. 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 243,099,840 share options outstanding under the 2010 Share Options Scheme as at 31 December 2018.

CHARGES ON GROUP ASSETS

As at 31 December 2018 and 30 June 2018, 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 such as carpark spaces in Xuzhou City and suitable site for property development.

Save as disclosed above, the Group had no future plans for material investments and expected sources of funding as at 31 December 2018.

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 COMMITMENTS

As at 31 December 2018, the Group had no capital commitments (2017: Nil).

CONTINGENT LIABILITIES

As at 31 December 2018, the banking facilities of RMB3,169,000 were granted to the buyers of certain properties developed by the Group (30 June 2018: RMB3,169,000).

DIVIDENDS

The Board did not declare the payment of any interim dividend for the six months ended 31 December 2018 (2017: Nil).

ISSUE OF CONVERTIBLE PREFERRED SHARES

As at 31 December 2018, 3,000,000 non-redeemable convertible preferred shares of the Company with aggregate principal amount of HK$3,000,000 may be issued 10,000,000 ordinary shares under the acquisition agreement dated 26 April 2011. The non-redeemable convertible preferred shares can be converted into ordinary shares of the Company at a conversion price of HK$0.30 per share.

Assuming full conversion of the non-redeemable convertible preferred shares, the total number of issued shares of the Company would be 2,894,091,737 shares as at 31 December 2018. Set out below is the dilution effect on equity interest of the substantial shareholder of the Company if there had been full conversion of the outstanding non-redeemable convertible preferred shares of the Company as at 31 December 2018:

	As at 31 December 2018		Full conversion of the non-redeemable convertible preferred shares as at 31 December 2018	
Substantial Shareholder	**Number of Shares**	**Approximate percentage of issued shares of the Company**	**Number of Shares**	**Approximate percentage of issued shares of the Company**
Mr. Sze Ming Yee *(Note)*	384,198,376	13.32%	384,198,376	13.28%

Note: Mr. Sze Ming Yee is interested in 384,198,376 shares under controlled corporation, Union Day Group Limited, which is owned as to 72% by him.

As calculated based on loss and diluted loss attributable to owners of the Company of approximately RMB5,371,000 for the six months ended 31 December 2018, basic and diluted loss per share of the Company amounted to RMB0.19 cent. No adjustment has been made to the basic loss per share amounts presented for the six months ended 31 December 2018 in respect of a dilution as the impact of the non-redeemable convertible preferred shares outstanding had an anti-dilutive effect on the basic loss per share amounts presented.

Since the non-redeemable convertible preferred shares issued are non-redeemable based on the terms and conditions, there is no share price that the security holders would be equally financially advantageous to convert or redeem.

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 2018	Granted during the Period	Exercised during the Period	Cancelled/ Lapsed during the Period	Outstanding as at 31 December 2018	Exercisable period	Exercise price HK$	Market value per share at date of grant of options HK$
(a)	*Director*									
	Mr. Mu Dongsheng	14 October 2015	13,000,000	–	–	–	13,000,000	14 October 2015 to 13 October 2019	0.300	0.300
(b)	*Eligible employees*	8 January 2014	12,891,840	–	–	(312,000)	12,579,840	8 January 2014 to 7 January 2019	0.587	0.600
		9 January 2015	17,576,000	–	–	(1,768,000)	15,808,000	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)	*Eligible consultants*	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	–	–	(2,080,000)	243,099,840			

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

As at 31 December 2018, 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 shares
Mr. Sze Ming Yee	Interest held through controlled corporation	384,198,376	384,198,376 *(Note 1)*	–	13.32
Mr. Mu Dongsheng	Beneficial owner	290,777,777	277,777,777	13,000,000 *(Note 2)*	10.08

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 2018, none of the Directors nor the chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company which had to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

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

As at 31 December 2018, 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 and underlying shares 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 shares
Union Day Group Limited	Beneficial owner	384,198,376	384,198,376 *(Note 1)*	–	13.32
Mr. Yin Jia Tang	Beneficial owner	223,080,604	217,880,604	5,200,000 *(Note 2)*	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: 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 shares of the Company and recorded in the register maintained under Section 336 of the SFO as at 31 December 2018.

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.2.1

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

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 2018 have not been audited, but have been reviewed by the Audit Committee.

DISCLOSURE OF CHANGE IN INFORMATION ON DIRECTORS

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

Mr. Mu Dongsheng will not receive director remuneration as an executive Director with effect from 1 January 2019.

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 2019