KINGWELL GROUP LIMITED

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

INTERIM REPORT 2019/2020

INTERIM REPORT

For the six months ended 31 December 2019

HIGHLIGHTS

- Revenue for the six months ended 31 December 2019 amounted to approximately RMB20,187,000;

- Profit before tax for the six months ended 31 December 2019 amounted to approximately RMB958,000;

- Loss attributable to owners of the Company for the six months ended 31 December 2019 amounted to approximately RMB2,044,000;

- Loss per share was RMB0.07 cent for the six months ended 31 December 2019;

- Total equity of the Group decreased to RMB183,042,000.

CORPORATE INFORMATION

DIRECTORS

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

* Independent non-executive Director

COMPANY SECRETARY

Poon Yan Wai

AUTHORISED REPRESENTATIVES

Mu Dongsheng
Poon Yan Wai

AUDIT COMMITTEE

Ling Aiwen *(Chairman)*
Cheung Chuen
Lu Lin

REMUNERATION COMMITTEE

Ling Aiwen *(Chairman)*
Mu Dongsheng
Cheung Chuen

NOMINATION COMMITTEE

Mu Dongsheng *(Chairman)*
Ling Aiwen
Lu Lin

CORPORATE GOVERNANCE COMMITTEE

Lu Lin *(Chairman)*
Ling Aiwen
Cheung Chuen

LEGAL ADVISER FOR CAYMAN ISLANDS LAW

Conyers Dill & Pearman

AUDITOR

Ernst & Young

REGISTERED OFFICE

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Grand Cayman
KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Units 314–315
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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 2019. 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 2019

(Express in Renminbi)

	Notes	Six months ended 31 December **2019** **(Unaudited)** **RMB'000**	2018 (Unaudited) RMB'000
REVENUE	4	**20,187**	10,884
Cost of sales		**(11,798)**	(5,720)
Gross profit		**8,389**	5,164
Other income and gains	4	**451**	331
Selling and distribution expenses		**(568)**	(141)
Administrative expenses		**(7,270)**	(8,750)
Finance costs	5	**(44)**	(43)
Share of loss of an associate		**–**	(1,025)
PROFIT/(LOSS) BEFORE TAX	6	**958**	(4,464)
Income tax expense	7	**(3,718)**	(1,708)
LOSS FOR THE PERIOD		**(2,760)**	(6,172)
OTHER COMPREHENSIVE INCOME/(LOSS)			
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**1,957**	(3,800)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD		**1,957**	(3,800)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		**(803)**	(9,972)

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

For the six months ended 31 December 2019

(Express in Renminbi)

	Note	Six months ended 31 December 2019 (Unaudited) RMB'000	2018 (Unaudited) RMB'000
Loss for the period attributable to:			
Owners of the Company		**(2,044)**	(5,371)
Non-controlling interests		**(716)**	(801)
		(2,760)	(6,172)
TOTAL COMPREHENSIVE (LOSS)/INCOME ATTRIBUTABLE TO:			
Owners of the Company		**(1,215)**	(8,082)
Non-controlling interests		**412**	(1,890)
		(803)	(9,972)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	8		
Basic			
– For loss for the period		**RMB(0.07) cent**	RMB(0.19) cent
Diluted			
– For loss for the period		**RMB(0.07) cent**	RMB(0.19) cent

Condensed Consolidated Statement of Financial Position

As at 31 December 2019

(Express in Renminbi)

	Notes	As at 31 December 2019 (Unaudited) RMB'000	As at 30 June 2019 (Audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**1,378**	1,484
Investment properties		**6,090**	6,090
Goodwill		**4,821**	4,821
Intangible assets		**78,111**	75,663
Deferred tax assets		**5,898**	5,898
Total non-current assets		**96,298**	93,956
CURRENT ASSETS			
Inventories		**45,350**	53,896
Trade receivables	10	**4,619**	10,434
Deposits and other receivables		**6,213**	830
Pledged deposits		**505**	504
Cash and cash equivalents		**75,593**	61,540
		132,280	127,204
Non-current asset classified as held for sale		**48,208**	48,208
Total current assets		**180,488**	175,412
CURRENT LIABILITIES			
Trade payables	11	**15,554**	25,556
Other payables and accruals		**55,092**	34,075
Contract liabilities		**7,732**	9,303
Tax payable		**8,107**	9,482
Total current liabilities		**86,485**	78,416
NET CURRENT ASSETS		**94,003**	96,996
TOTAL ASSETS LESS CURRENT LIABILITIES		**190,301**	190,952

Condensed Consolidated Statement of Financial Position (Continued)

As at 31 December 2019

(Express in Renminbi)

	Note	As at 31 December 2019 (Unaudited) RMB'000	As at 30 June 2019 (Audited) RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**190,301**	190,952
NON-CURRENT LIABILITIES			
Non-redeemable convertible preferred shares		**794**	738
Deferred tax liabilities		**6,465**	6,369
Total non-current liabilities		**7,259**	7,107
Net assets		**183,042**	183,845
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		**(113,722)**	(112,507)
		141,386	142,601
Non-controlling interests		**41,656**	41,244
Total equity		**183,042**	183,845

Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 December 2019

(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 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
At 1 July 2019	252,856	676,605	35,986	2,252	6,099	19	48,448	(7,470)	(872,194)	142,601	41,244	183,845
Loss for the period	–	–	–	–	–	–	–	–	(2,044)	(2,044)	(716)	(2,760)
Other comprehensive income for the period:												
Exchange differences on translation of foreign operations	–	–	–	–	–	–	–	829	–	829	1,128	1,957
Total comprehensive income/(loss) for the period	–	–	–	–	–	–	–	829	(2,044)	(1,215)	412	(803)
Transfer of share option reserve upon the lapse or expiry of share options	–	–	(18,829)	–	–	–	–	–	18,829	–	–	–
Transfer of statutory reserve	–	–	–	–	601	–	–	–	(601)	–	–	–
At 31 December 2019	252,856	676,605*	17,157*	2,252	6,700*	19*	48,448*	(6,641)*	(856,010)*	141,386	41,656	183,042

* These reserve accounts comprise deficit in the consolidated other reserves of RMB113,722,000 (30 June 2019: RMB112,507,000) in the condensed consolidated statement of financial position.

Condensed Consolidated Statement of Cash Flow

For the six months ended 31 December 2019

(Express in Renminbi)

	2019 (Unaudited) RMB'000	2018 (Unaudited) RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net cash flows used in operating activities	**(4,366)**	(3,563)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	**54**	53
Purchases of items of property, plant and equipment	**(205)**	(83)
Proceeds from disposal of items of property, plant and equipment	**250**	–
Proceeds from the proposed disposal of an associate	**21,200**	–
Acquisition of a business	**–**	(8,164)
Additions to intangible assets	**(2,448)**	–
Net cash flows from/(used in) investing activities	**18,851**	(8,194)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**14,485**	(11,757)
Cash and cash equivalents at 1 July	**61,540**	52,666
Effect of foreign exchange rate changes, net	**(432)**	704
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	**75,593**	41,613
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**75,593**	41,613

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

For the six months ended 31 December 2019

(Express in Renminbi)

1. BASIS OF PREPARATION

These unaudited condensed consolidated interim financial statements for the six months ended 31 December 2019 ("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 2019.

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 9	*Prepayment Features with Negative Compensation*
HKFRS 16	*Leases*
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*
Annual Improvements 2015-2017 Cycle	*Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23*

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

Other than as explained below regarding the impact of HKFRS 16, the adoption of the above new and revised standards has had no significant financial effect on these Financial Statements.

HKFRS 16 Leases

HKFRS 16 replaces HKAS 17 Leases, HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease, HK(SIC)-Int 15 Operating Leases – Incentives and HK(SIC)-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17.

The Group has adopted HKFRS 16 using the modified retrospective method with the date of initial application of 1 July 2019. Under this method, the standard has been applied retrospectively with the cumulative effect of initial adoption recognised as an adjustment to the opening balance of accumulated losses at 1 July 2019, and the comparative information for 2019 was not restated and continued to be reported under HKAS 17 and related interpretations.

New definition of a lease

Under HKFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 July 2019.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

As a Lessee – Leases Previously Classified as Operating Leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for its office premises. As a lessee, the Group previously classified leases as operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low-value assets (elected on a lease-by-lease basis) and leases with a lease term of 12 months or less ("short-term leases") (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 January 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

Impact on transition

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 July 2019:

- Applying the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application

- Using hindsight in determining the lease term where the contract contains options to extend/terminate the lease

As the lease terms of all the lease contracts of the Group end within 12 months, which meet the criteria for the exemptions allowed by the standard, the adoption of HKFRS 16 has no impact on the Financial Statements.

For the leasehold commercial properties (that were held to earn rental income and/or for capital appreciation) previously included in investment properties and measured at fair value, the Group has continued to include them as investment properties at 1 July 2019. They continue to be measured at fair value applying HKAS 40.

3. OPERATING SEGMENT INFORMATION

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

(a) the gold mining segment engages in the production and sale of gold; and

(b) the property development, property leasing and property management services segment engages in the development of villas, apartments and commercial buildings, property leasing of self-owned properties, the sale of carpark spaces, and provision of property management services and construction 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 profit/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, non-current asset classified as held for sale and other unallocated head office and corporate assets, as these assets are managed on a group basis.

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

3. OPERATING SEGMENT INFORMATION (Continued)

Period ended 31 December 2019

	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	–	20,187	20,187
Other revenue	–	186	186
	–	20,373	20,373
Segment results:	(1,461)	7,359	5,898
Reconciliation:			
Interest income and other income			265
Corporate and other unallocated expenses			(5,161)
Finance costs			(44)
Profit before tax			958

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)

	Gold mining RMB'000	Property development, property leasing and property management services RMB'000	Total RMB'000
Segment Assets			
31 December 2019 (Unaudited)	85,846	121,196	207,042
30 June 2019 (Audited)	84,383	129,422	213,805
Segment Liabilities			
31 December 2019 (Unaudited)	591	51,778	52,369
30 June 2019 (Audited)	290	54,351	54,641

4. REVENUE, OTHER INCOME AND GAINS

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

	Six Months ended 31 December	
	2019	2018
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Revenue from contracts with customers		
Sales of properties	**12,724**	8,537
Rendering of property management services	**7,463**	2,347
	20,187	10,884
Other income and gains		
Bank interest income	**54**	53
Exchange gain	**–**	13
Other	**397**	265
	451	331

5. FINANCE COSTS

An analysis of finance costs is as follows:

	Six Months ended 31 December	
	2019	2018
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Interest on:		
Non-redeemable convertible shares	**44**	43

No interest was capitalised by the Group in both periods.

6. PROFIT/LOSS BEFORE TAX

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

	Six Months ended 31 December	
	2019	2018
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Cost of properties sold	**8,542**	4,876
Cost of property management services provided	**3,256**	844
Depreciation	**109**	65
Minimum lease payments under operating leases	**–**	448
Lease payments not included in the measurement of lease liabilities	**268**	–
Staff costs (including directors' remuneration)		
Salaries and wages	**2,828**	3,277

7. INCOME TAX EXPENSE

	Six Months ended 31 December 2019 (Unaudited) RMB'000	2018 (Unaudited) RMB'000
Current – Mainland China		
Provision for corporate income tax	**(3,621)**	(1,708)
Deferred	**(97)**	–
Total tax expense for the period	**(3,718)**	(1,708)

No provision for Hong Kong profits tax has been made (2018: 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 RMB2,044,000 (2018: RMB5,371,000), and the weighted average number of ordinary shares of 2,884,091,737 (2018: 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 2019 and 2018, 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 2019 and 2018.

10. TRADE RECEIVABLES

	31 December 2019 (Unaudited) RMB'000	30 June 2019 (Audited) RMB'000
Trade receivables	**4,619**	10,434
Impairment	**–**	–
	4,619	10,434

10. TRADE RECEIVABLES (Continued)

The Group's trade receivables arise from the sale of properties and provision of property management services and construction services. Consideration in respect of the properties sold are payable by the buyers in accordance with the terms of the related sale and purchase agreements. A credit period of generally 6 months is granted to the property developer for whom the Group provides management services and construction services. Advanced payment is normally required for the property owners for whom the Group provides management services. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

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 2019 (Unaudited) RMB'000	30 June 2019 (Audited) RMB'000
Within 1 month	**–**	4,885
1 to 3 months	**–**	9,524
3 months to 1 year	**14,250**	9,530
Over 1 year	**1,304**	1,617
	15,554	25,556

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

12. SHARE CAPITAL

Shares

	31 December 2019 (Unaudited) HK$'000	30 June 2019 (Audited) HK$'000
Authorised:		
5,000,000,000 (30 June 2019: 5,000,000,000) ordinary shares of HK$0.10 each	**500,000**	500,000
100,000,000 (30 June 2019: 100,000,000) convertible preferred shares of HK$1.00 each	**100,000**	100,000
	600,000	600,000

	31 December 2019 (Unaudited) RMB'000	30 June 2019 (Audited) RMB'000
Issued and fully paid:		
2,884,091,737 (30 June 2019: 2,884,091,737) ordinary shares of HK$0.10 each	**252,856**	252,856

13. OPERATING LEASE COMMITMENTS AS AT 30 JUNE 2019

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

	30 June 2019 (Audited) RMB'000
Within one year	**581**

The Group is the lessee in respect of its office premises under leases which were previously classified as operating leases under HKAS 17. The Group has initially applied HKFRS 16 using the modified retrospective approach. In addition, the Group has applied the short-term leases exemptions to leases with lease term that ends within 12 months from the date of initial application in accordance with the policies set out in the note 2 to these Financial Statements.

14. LEASES

(a) The Group as a lessee

The Group has lease contracts for its office premise. The lease terms of all the lease contracts end within 12 month and the Group applies the short-term lease exemption upon adoption of HKFRS 16. Expense relating to the short-term lease of RMB268,000 was included in administrative expenses during the period ended 31 December 2019.

(b) The Group as a lessor

The Group leases its investment properties consisting of certain commercial properties in Mainland China under operating lease arrangements. 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. Rental income recognised by the Group during the period was RMB191,000 (2018: RMB186,000).

At 31 December 2019, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	31 December 2019 (Unaudited) RMB'000	30 June 2019 (Audited) RMB'000
Within one year	**284**	335
In the second to fifth years, inclusive	**436**	766
	720	1,101

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 2019 (Unaudited) RMB'000	As at 30 June 2019 (Audited) RMB'000	**As at 31 December 2019 (Unaudited) RMB'000**	As at 30 June 2019 (Audited) RMB'000
Financial liabilities				
Non-redeemable convertible preferred shares	**794**	738	**794**	738

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 2019 (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	**–**	**794**	**–**	**794**

As at 30 June 2019 (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	–	738	–	738

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 (2018: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF OPERATION

For the six months ended 31 December 2019 (the "Period"), revenue of the Group amounted to approximately RMB20,187,000 (2018: RMB10,884,000), representing an increase of approximately 85% as compared to the corresponding period in last year. The increase in revenue was mainly due to the contribution from the sales of properties and rending of property management services.

During the Period, the Group recorded a gross profit of approximately RMB8,389,000 (2018: RMB5,164,000) and profit before tax of approximately RMB958,000 (2018: loss before tax of RMB4,464,000) respectively. The increase in gross profit and the increase in profit before tax were mainly due to the gross profit contribution from the sales of properties and rendering of 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 RMB2,044,000 (2018: RMB5,371,000). 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 RMB0.07 cent (2018: RMB0.19 cent).

BUSINESS REVIEW

Gold Mining Business

The Group owned 34,229 shares ("51% equity interests") of Commerce Prosper Limited and investment costs was US$13 million (RMB81.7 million). Commerce Prosper Limited owned 100% equity interests of Zolotoy Standart Limited (the "Gold Mining Company"). The Gold Mining Company is a company established under the laws of Russian Federation with limited liability and currently operates and owns the legal and beneficial interest in a mining project related to the mine. With an aggregate mining area of about 309.3 square kilometres, the mine is operated by the Gold Mining Company and located in Molchan river, Zeyskiy region, Amur area, the Russian Federation. The Group has exploration and exploitation rights on the same area (BLG02398BR) with an expiry date on 31 December 2027.

Since the mining area is too large and the rock composition in the northern Molchan region is complex, the Gold Mining Company planned to conduct small scale production prior to large scale exploitation, which is common for all the mining exercise. 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. As the Group signed an outsourcing contract with a third party which modified the original submitted plan, the Group was required to re-submit a new plan of exploitation which satisfies the tightened regulation. The Group has filed the reschedules in November 2018 and expected to obtain the exploitation approval within the year of 2020. According to the new legal requirements in Russia, it is very difficult to get the working visa for the PRC workers. In this case, the outsourcing contractor had employed the local Russian worker for this project. If the Covid-19 are being stably controlled in the Far East Region in China and Russia, the Group and the outsourcing contractor will resume the exploitation process.

During the Period, the gold mining segment recorded a loss of approximately RMB1,461,000 as compared to a loss of approximately RMB2,657,000 in the same period in 2018. As at 31 December 2019, the gold mining business had segment assets of approximately RMB85,846,000 (30 June 2019: RMB84,383,000) and segment liabilities of approximately RMB591,000 (30 June 2019: RMB290,000). The gold mining segment shared 31% of the Group's total assets. There was no dividend income from the gold mining segment during the period.

Property Development, Property Leasing and Property Management Services Business

The property development project "Anlu Taihe Paradise" at Liang Ji Bei Road, Anlu Economic Development District in Anlu city, Hubei province in the PRC (Postal code 432600), is developed by the Anlu Taihe Real Estate Development Company* (the "Anlu Taihe") ("安陸泰合房地產開發有限公司") and is wholly owned by the Group and is having positive contribution to the Group. The project comprises three phases, constructions were completed in 2007, 2009 and 2011 respectively, with a total gross floor area of approximately 272,568 square meters and are approved for residential and commercial composite uses. The land use rights of the properties have been granted for a term expiring on 22 August 2065. The issued share capital of the Anlu Taihe was RMB30 million and 100% owned by the Group. The Anlu Taihe wholly owned RMB2 million (100%) share capital of Xuzhou Taihua Property Service Co., Ltd.* (the "Xuzhou Taihua") ("徐州泰華物業管理有限公司") and started the property management business in Xuzhou.

The property development, property leasing and property management services business segment are holding the unsold villas, shops, apartments and carpark spaces as inventories.

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 are classified as investment properties and stated at fair value as at 31 December 2019, which are listed as below:

Shop Nos. 112-114 and 115-116 of Block 4, Shop Nos. 101-114 and 201 of Block 25, and Shop Nos. 111-112 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, but the sales of properties and rendering of property management business in Xuzhou City, Jiangsu Province, the PRC, contributed positive cashflow to the Group.

During the Period, the property development, property leasing and property management services segment recorded a profit of approximately RMB7,359,000 as compared to a profit of approximately RMB3,960,000 in the same period in 2018. As at 31 December 2019, the property development, property leasing and property management services business had segment assets of approximately RMB121,196,000 (30 June 2019: RMB129,422,000) and segment liabilities of approximately RMB51,778,000 (30 June 2019: RMB54,351,000). The Anlu Taihe shared 44% to the Group's total assets.

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 is comprising various types of properties including villas, apartments and commercial buildings. The Anlu Taihe's daily operations are being significant affected by the Covid-19 in Hubei Province. The Group are implementing the precautionary measures against Covid-19 to protect our staff and customers. These situation will affect the sales income in the 2nd half of the year. Although the property market is under great pressure, the Directors expect that the Anlu Taihe will continue to generate positive cashflow.

The property management business in Xuzhou City, Jiangsu Province, the PRC, will enhance the Group's expertise in the daily management of properties in the PRC, enabling the Group to improve the quality of the property management at the Group's property development project. The property management business in Xuzhou City are implementing the precautionary measures against Covid-19 to protect our staff and customers. Some of the operations are being suspended due to the precautionary measures and these situation will affect the non-routine service fee income in the 2nd half of the year. However, the property management business will continue contribute positive cashflow to the Group.

In addition, the Group has completed the acquisition of 700 carpark spaces in Xuzhou City, the PRC. This acquisition is a good opportunity to expand the Group's participation in the PRC property market. However, the carpark selling activities are being suspended due to the Covid-19 in China and it will affect the carpark sales situation in Xuzhou City. Also, the Group will actively search suitable site for property development or management project.

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. As the Group signed an outsourcing contract with a third party which modified the original submitted plan, the Group was required to re-submit a new plan of exploitation which satisfies the tightened regulation. The Group has filed the reschedules in November 2018 and expected to obtain the exploitation approval within the year of 2020. According to the new legal requirements in Russia, it is very difficult to get the working visa for the PRC workers. In this case, the outsourcing contractor had employed the local Russian workers for this project. The Group and the outsourcing contractor had started the foundation work for the exploitation process in May 2019. The outsourcing contractor had set up their mining equipment in the mining area and started the exploitation process. However, due to the heavy raining and flooding in the Molchan region, the outsourcing contractor was in the process to remove the stagnant water in the mining area in August 2019. The exploitation process was restarted in early September 2019. The Group expects the exploitation process has to be suspended from late October 2019 to March 2020 due to the severe winter in the Molchan region. If the Covid-19 are being stably controlled in the Far East Region in China and Russia, the Group and the outsourcing contractor will resume the exploitation process.

Due to the outbreak of the Covid-19 virus in February 2020, the Group will closely monitor the impact on the Group's operations.

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 2019, the Group's working capital requirement was principally financed by its internal resources.

As at 31 December 2019, the Group had cash and cash equivalents, net current assets and total assets less current liabilities of approximately RMB75,593,000 (30 June 2019: RMB61,540,000), RMB94,003,000 (30 June 2019: RMB96,996,000) and RMB190,301,000 (30 June 2019: RMB190,952,000) respectively.

Total equity attributable to owners of the Company as at 31 December 2019 decreased by RMB1,215,000 to RMB141,386,000 (30 June 2019: RMB142,601,000). The gearing ratio (calculated as the ratio of net debt: capital and net debt) of the Group as at 31 December 2019 was in net cash position (30 June 2019: net cash position).

SIGNIFICANT INVESTMENTS

Save as disclosed above, the Group had no significant investment held during the six months ended 31 December 2019.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

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

MAJOR TRANSACTION IN RELATION TO THE DISPOSAL OF 35% EQUITY INTERESTS IN THE PORT FIRST LIMITED

On 21 June 2019, the Group and Mr. Wu Fong Shing ("Mr. Wu") entered into the sale and purchase agreement (the "Sale and Purchase Agreement"), pursuant to which the Group conditionally agreed to sell and Mr. Wu conditionally agreed to acquire the 17,500 shares (the "Disposal"), representing 35% equity interests in Port First Limited (the "Target Company"), at the consideration payable by Mr. Wu of RMB53.0 million (equivalent to approximately HK$60.4 million) (the "Consideration").

The Target Company were acquired by the Company on 30 January 2015 at consideration of RMB150 million, however, performance of the Target Company had not been satisfactory. As a result, the Group had continued share of losses and no dividend income from the Target Company. The Group had also recorded an impairment loss of approximately RMB73.1 million for the year ended 30 June 2017.

As a result of the Disposal, the Group is expected to record an unaudited gain of approximately RMB4.8 million which represents the difference between the Consideration of RMB53.0 million and the proportion of equity interest in the Target Company of approximately RMB48.2 million.

The completion of the Disposal (the "Completion") is subject to fulfilment of the conditions precedent under the Sale and Purchase Agreement (the "Conditions"). Upon Completion, the Group will cease to have any interest in the Target Company, and the financial results of the Target Company will no longer be shared into the consolidated financial statements of the Group under the equity method.

On 7 August 2019, the Group and Mr. Wu entered into a supplemental agreement to the Sale and Purchase Agreement (the "Supplemental Agreement").

Pursuant to the Supplemental Agreement, in addition to the Conditions, Completion shall also be conditional upon the Group having received no less than 60% of the Consideration (i.e. RMB31.8 million).

On 9 September 2019, the Group and Mr. Wu entered into the second supplemental agreement to the Sale and Purchase Agreement (as amended by the Supplemental Agreement).

Pursuant to the Second Supplemental Agreement, in addition to the Conditions, the Completion shall only take place after the Consideration of RMB53.0 million (equivalent to approximately HK$60.4 million) had been received by the Group in full.

As one or more of the applicable 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 Disposal is more than 25% but less than 75%, the Disposal constitutes a major transaction for the Company under Rule 14.06(3) of the Listing Rules and is subject to reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

In the extraordinary general meeting of the Company held on 10 October 2019, the ordinary resolution in relation to the Disposal was duly passed by the shareholders of the Company by way of poll.

Details of the Disposal are set out in the announcements of the Company dated 21 June 2019, 7 August 2019 and 9 September 2019 and in the circular of the Company dated 18 September 2019.

EMPLOYMENT INFORMATION

As at 31 December 2019, the Group employed a total of 77 (2018: 77) 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 RMB2,828,000. 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") and the Company's 2019 share options scheme (the "2019 Share Options Scheme"). The 2010 Share Option Scheme was terminated and the 2019 Share Options Scheme was adopted on 12 December 2019. There were 96,304,000 share options outstanding under the 2010 Share Options Scheme as at 31 December 2019.

CHARGES ON GROUP ASSETS

As at 31 December 2019 and 30 June 2019, 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 2019.

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 2019, the Group had no capital commitments (2018: Nil).

CONTINGENT LIABILITIES

As at 31 December 2019, the banking facilities of RMB3,000,000 were granted to the buyers of certain properties developed by the Group (30 June 2019: RMB3,000,000).

DIVIDENDS

The Board did not declare the payment of any interim dividend for the six months ended 31 December 2019 (2018: Nil).

ISSUE OF CONVERTIBLE PREFERRED SHARES

As at 31 December 2019, 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 2019. 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 2019:

	As at 31 December 2019		**Full conversion of the non-redeemable convertible preferred shares as at 31 December 2019**	
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 RMB2,044,000 for the six months ended 31 December 2019, basic and diluted loss per share of the Company amounted to RMB0.07 cent. No adjustment has been made to the basic loss per share amounts presented for the six months ended 31 December 2019 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 2019	Granted during the Period	Exercised during the Period	Cancelled/ Lapsed during the Period	Outstanding as at 31 December 2019	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*	9 January 2015	15,808,000	–	–	–	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*	9 January 2015	80,496,000	–	–	–	80,496,000	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
		183,304,000	–	–	(87,000,000)	96,304,000			

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

As at 31 December 2019, 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	Total approximate % of the issued shares
Mr. Sze Ming Yee	Interest held through controlled corporation	384,198,376	384,198,376 *(Note)*	13.32
Mr. Mu Dongsheng	Beneficial owner	277,777,777	277,777,777	9.63

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

Save as disclosed above, as at 31 December 2019, 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 2019, 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	Total Approximate % of the issued shares
Union Day Group Limited	Beneficial owner	384,198,376	384,198,376 *(Note)*	13.32
Mr. Yin Jia Tang	Beneficial owner	217,880,604	217,880,604	7.55

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

Save as disclosed above, 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 2019.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

Saved as disclosed under the sections headed "Share Options" and "Directors' and Chief Executives' Interests 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. Lu Lin and Mr. Cheung Chuen. The Company's interim results for the six months ended 31 December 2019 have not been audited, but have been reviewed by the Audit Committee.

IMPORTANT EVENTS AFTER THE PERIOD

Save as disclosed under the section headed "Business Prospects" above, 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 2020