



KINGWELL GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1195

2020/2021
INTERIM REPORT

INTERIM REPORT

For the six months ended 31 December 2020

HIGHLIGHTS

- Revenue for the six months ended 31 December 2020 amounted to approximately RMB22,631,000;
- Loss before tax for the six months ended 31 December 2020 amounted to approximately RMB1,288,000;
- Loss attributable to owners of the Company for the six months ended 31 December 2020 amounted to approximately RMB3,388,000;
- Loss per share was RMB0.12 cent for the six months ended 31 December 2020;
- Total equity of the Group decreased to RMB140,182,000.

CORPORATE INFORMATION

DIRECTORS

Mu Dongsheng (*Chairman and Chief Executive Officer*)

Du Yun

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

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Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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Grand Cayman KY1-1110
Cayman Islands

HONG KONG BRANCH REGISTRAR AND TRANSFER OFFICE

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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 2020. 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 2020

(Express in Renminbi)

	Notes	Six months ended 31 December 2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
REVENUE	4	22,631	20,187
Cost of sales		(17,144)	(11,798)
Gross profit		5,487	8,389
Other income and gains	4	1,124	451
Selling and distribution expenses		(773)	(568)
Administrative expenses		(7,088)	(7,270)
Finance costs	5	(38)	(44)
(LOSS)/PROFIT BEFORE TAX	6	(1,288)	958
Income tax expense	7	(2,384)	(3,718)
LOSS FOR THE PERIOD		(3,672)	(2,760)
OTHER COMPREHENSIVE (LOSS)/INCOME			
<i>Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:</i>			
Exchange differences on translation of foreign operations		(7,951)	1,957
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD		(7,951)	1,957
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		(11,623)	(803)

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

For the six months ended 31 December 2020

(Express in Renminbi)

	Note	Six months ended	
		31 December	2019
		2020	2019
		(Unaudited)	(Unaudited)
		RMB'000	RMB'000
Loss for the period attributable to:			
Owners of the Company		(3,388)	(2,044)
Non-controlling interests		(284)	(716)
		(3,672)	(2,760)
TOTAL COMPREHENSIVE (LOSS)/INCOME ATTRIBUTABLE TO:			
Owners of the Company		(7,435)	(1,215)
Non-controlling interests		(4,188)	412
		(11,623)	(803)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	8		
Basic			
– For loss for the period		RMB(0.12) cent	RMB(0.07) cent
Diluted			
– For loss for the period		RMB(0.12) cent	RMB(0.07) cent

Condensed Consolidated Statement of Financial Position

As at 31 December 2020

(Express in Renminbi)

	Notes	As at 31 December 2020 (Unaudited) RMB'000	As at 30 June 2020 (Audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		1,233	1,215
Investment properties		4,560	5,490
Goodwill		4,821	4,821
Intangible assets		34,873	42,763
Deferred tax assets		5,428	5,428
Total non-current assets		50,915	59,717
CURRENT ASSETS			
Inventories		27,775	35,652
Trade receivables	10	10,506	13,772
Deposits and other receivables		1,032	1,027
Financial assets at fair value through profit or loss		–	5,303
Pledged deposits		506	506
Cash and cash equivalents		97,622	84,596
Total current assets		137,441	140,856
CURRENT LIABILITIES			
Trade payables	11	7,572	5,524
Other payables and accruals		26,541	25,618
Contract liabilities		1,288	4,827
Tax payable		9,392	9,482
Total current liabilities		44,793	45,451
NET CURRENT ASSETS		92,648	95,405
TOTAL ASSETS LESS CURRENT LIABILITIES		143,563	155,122

Condensed Consolidated Statement of Financial Position (Continued)

As at 31 December 2020

(Express in Renminbi)

	Note	As at 31 December 2020 (Unaudited) RMB'000	As at 30 June 2020 (Audited) RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		143,563	155,122
NON-CURRENT LIABILITIES			
Non-redeemable convertible preferred shares		–	865
Deferred tax liabilities		3,381	3,381
Total non-current liabilities		3,381	4,246
Net assets		140,182	150,876
EQUITY			
Equity attributable to owners of the Company			
Issued capital	12	253,720	252,856
Non-redeemable convertible preferred shares		–	2,252
Other reserves		(133,569)	(128,451)
		120,151	126,657
Non-controlling interests		20,031	24,219
Total equity		140,182	150,876

Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 December 2020

(Express in Renminbi)

	Issued capital	Share premium account	Share option reserve	Non-redeemable convertible preferred shares	Statutory reserve	Capital reserve	Capital contribution reserve	Exchange fluctuation reserve	Accumulated losses	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
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 to 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

	Issued capital	Share premium account	Non-redeemable convertible preferred shares	Statutory reserve	Capital reserve	Capital contribution reserve	Exchange fluctuation reserve	Accumulated losses	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 July 2020	252,856	676,605	2,252	9,433	19	48,448	(10,179)	(852,777)	126,657	24,219	150,876
Loss for the period	-	-	-	-	-	-	-	(3,388)	(3,388)	(284)	(3,672)
Other comprehensive income for the period:											
Exchange differences on translation of foreign operations	-	-	-	-	-	-	(4,047)	-	(4,047)	(3,904)	(7,951)
Total comprehensive loss for the period	-	-	-	-	-	-	(4,047)	(3,388)	(7,435)	(4,188)	(11,623)
Conversion of non-redeemable convertible preference shares	864	2,317	(2,252)	-	-	-	-	-	929	-	929
Transfer to statutory reserve	-	-	-	153	-	-	-	(153)	-	-	-
At 31 December 2020	253,720	678,922*	-	9,586*	19*	48,448*	(14,226)*	(856,318)*	120,151	20,031	140,182

* These reserve accounts comprise deficit in the consolidated other reserves of RMB133,569,000 (30 June 2020: RMB128,451,000) in the condensed consolidated statement of financial position.

Condensed Consolidated Statement of Cash Flow

For the six months ended 31 December 2020

(Express in Renminbi)

	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net cash flows from/(used in) operating activities	12,785	(4,366)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	30	54
Purchases of items of property, plant and equipment	(377)	(205)
Proceeds from disposal of items of property, plant and equipment	350	250
Proceeds from disposal of an associate	–	21,200
Proceeds from disposal of investment properties	822	–
Additions to intangible assets	–	(2,448)
Net cash flows from investing activities	825	18,851
NET INCREASE IN CASH AND CASH EQUIVALENTS	13,610	14,485
Cash and cash equivalents at 1 July	84,596	61,540
Effect of foreign exchange rate changes, net	(584)	(432)
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	97,622	75,593
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	97,622	75,593

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

For the six months ended 31 December 2020

(Express in Renminbi)

1. BASIS OF PREPARATION

These unaudited condensed consolidated interim financial statements for the six months ended 31 December 2020 (“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 2020.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the *Conceptual Framework for Financial Reporting 2018* and the following revised Hong Kong Financial Reporting Standards (“HKFRSs”, which include all Hong Kong Financial Reporting Standards, HKASs and interpretations) issued by the HKICPA for the first time for these Financial Statements.

Amendments to HKFRS 3

Amendments to HKFRS 9,

HKAS 39 and HKFRS 7

Amendment to HKFRS 16

Amendments to HKAS 1

and HKAS 8

Definition of a Business

Interest Rate Benchmark Reform

Covid-19-Related Rent Concessions

Definition of Material

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

The nature and the impact of the *Conceptual Framework for Financial Reporting 2018* and the revised HKFRSs that are applicable to the Group are described below:

Conceptual Framework for Financial Reporting 2018 (the “Conceptual Framework”) sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.

Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 July 2020. The amendments did not have any impact on the financial position and performance of the Group.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. The amendments did not have any significant impact on the financial position and performance of the Group.

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 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; and
- (b) the gold mining segment engages in the production and sale of gold.

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, 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 2020

	Property development, property leasing and property management services (Unaudited) RMB'000	Gold mining (Unaudited) RMB'000	Total (Unaudited) RMB'000
Segment revenue:			
Sales to external customers	19,648	2,983	22,631
Other revenue	192	–	192
	19,840	2,983	22,823
Segment results:	2,519	(496)	2,023
<i>Reconciliation:</i>			
Interest income and other income			932
Corporate and other unallocated expenses			(4,205)
Finance costs			(38)
Loss before tax			(1,288)

3. OPERATING SEGMENT INFORMATION (Continued)

Period ended 31 December 2019

	Property development, property leasing and property management services (Unaudited) RMB'000	Gold mining (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:	7,359	(1,461)	5,898
<i>Reconciliation:</i>			
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)

	Property development, property leasing and property management services RMB'000	Gold mining RMB'000	Total RMB'000
Segment Assets			
31 December 2020 (Unaudited)	139,676	41,566	181,242
30 June 2020 (Audited)	140,378	49,748	190,126
Segment Liabilities			
31 December 2020 (Unaudited)	32,068	625	32,693
30 June 2020 (Audited)	32,396	164	32,560

4. REVENUE, OTHER INCOME AND GAINS

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

	Six Months ended	
	31 December	
	2020	2019
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Revenue from contracts with customers		
Sale of properties	11,682	12,724
Rendering of property management services	7,966	7,463
Sale of gold	2,983	–
	22,631	20,187
Other income and gains		
Bank interest income	30	54
Interest income from financial assets at fair value through profit or loss	716	–
Other	378	397
	1,124	451

5. FINANCE COSTS

An analysis of finance costs is as follows:

	Six Months ended	
	31 December	
	2020	2019
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Interest on:		
Non-redeemable convertible preferred shares	38	44

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	
	2020	2019
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Cost of properties sold	7,879	8,542
Cost of property management services provided	7,075	3,256
Cost of gold sold	2,190	–
Depreciation	21	109
Lease payments not included in the measurement of lease liabilities	313	268
Staff costs (including directors' remuneration)		
Salaries and wages	3,326	2,828

7. INCOME TAX EXPENSE

	Six Months ended	
	31 December	
	2020	2019
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Current – Mainland China		
Provision for corporate income tax	2,384	3,621
Deferred	–	97
Total tax expense for the period	2,384	3,718

No provision for Hong Kong profits tax has been made (2019: 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 RMB3,388,000 (2019: RMB2,044,000), and the weighted average number of ordinary shares of 2,887,243,911 (2019: 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 2020 and 2019, 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 2020 and 2019.

10. TRADE RECEIVABLES

	31 December 2020 (Unaudited) RMB'000	30 June 2020 (Audited) RMB'000
Trade receivables	10,506	13,772
Impairment	-	-
	10,506	13,772

10. TRADE RECEIVABLES (Continued)

The Group's trade receivables arise from the sale of properties and provision of property management services, construction services and sales agency 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, construction services and sales agency 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 2020 (Unaudited) RMB'000	30 June 2020 (Audited) RMB'000
Within 1 month	2,900	928
1 to 3 months	–	1,102
3 months to 1 year	3,350	2,203
Over 1 year	1,322	1,291
	7,572	5,524

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

13. 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 months and the Group applies the short-term lease exemption upon adoption of HKFRS 16. An expense relating to the short-term lease of RMB313,000 was included in administrative expenses during the period ended 31 December 2020.

(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 fixed rent. Rental income recognised by the Group during the period was RMB192,000 (2019: RMB191,000).

At 31 December 2020, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	31 December 2020 (Unaudited) RMB'000	30 June 2020 (Audited) RMB'000
Within one year	400	333
In the second to fifth years, inclusive	200	397
	600	730

14. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

	Carrying amounts		Fair values	
	As at 31 December 2020 (Unaudited) RMB'000	As at 30 June 2020 (Audited) RMB'000	As at 31 December 2020 (Unaudited) RMB'000	As at 30 June 2020 (Audited) RMB'000
Financial liabilities				
Non-redeemable convertible preferred shares	-	865	-	865

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

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

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

Fair value hierarchy

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

Assets measured at fair value:

As at 30 June 2020

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Financial assets at fair value through profit or loss	–	5,303	–	5,303

There were no assets measured at fair value as at 31 December 2020.

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

Fair value hierarchy (Continued)

Liabilities for which fair values are disclosed:

As at 30 June 2020 (Audited)

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Non-redeemable convertible preferred shares	–	865	–	865

There were no liabilities for which fair value are disclosed as at 31 December 2020.

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 (2019: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF OPERATION

For the six months ended 31 December 2020 (the “Period”), revenue of the Group amounted to approximately RMB22,631,000 (2019: RMB20,187,000), representing an increase of approximately 12.1% as compared to the corresponding period in last year. The increase in revenue was mainly due to the contribution from the sale of gold.

During the Period, the Group recorded a gross profit of approximately RMB5,487,000 (2019: RMB8,389,000) and loss before tax of approximately RMB1,288,000 (2019: profit before tax of RMB958,000) respectively. The decrease in gross profit and the increase in loss before tax were mainly due to the decrease in gross profit contribution from the sale of properties and rendering of property management services.

The loss attributable to ordinary equity holders of the Company for the Period was approximately RMB3,388,000 (2019: RMB2,044,000). The increase in loss attributable to ordinary equity holders of the Company was due to the decrease in gross profit from the sale of properties and rendering of property management services during the Period. Basic loss per share during the Period was RMB0.12 cent (2019: RMB0.07 cent).

BUSINESS REVIEW

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 Group had enlarged the existing property development and property leasing business to include the provision of management services. In which, the Group wholly owned Xuzhou Taihua Property Service Co., Ltd.# (the “Xuzhou Taihua”) (“徐州泰華物業管理有限公司”) and Jiangsu Tianan Hongji Property Management Co., Ltd.# (the “Jiangsu Tianan Hongji”) (“江蘇天安鴻基物業管理有限公司”).

Some of the properties are held by the Group as investment purpose to generate rental income. Properties held by the Group for investment purpose are classified as investment properties and stated at fair value as at 31 December 2020.

During the Period, the PRC property market condition was more difficult as compared with the last year, but the sale of properties and rendering of property management service business in PRC, continued to contribute positive contribution to the Group.

During the Period, the property development, property leasing and property management services segment recorded a profit of approximately RMB2,519,000 as compared to a profit of approximately RMB7,359,000 in 2019. As at 31 December 2020, the property development, property leasing and property management services business had segment assets of approximately RMB139,676,000 (30 June 2020: RMB140,378,000) and segment liabilities of approximately RMB32,068,000 (30 June 2020: RMB32,396,000). The property development, property leasing and property management services shared 74% of the Group’s total assets.

Gold Mining Business

The Group owned 34,230 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 obtained 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. Due to the Covid-19, the Group has changed the exploitation plan and postponed the normal production of the Russia gold mine to protect our staff and outsourcing contractor staff. The Group expects the Russia gold mine will only maintain the minimum operation by the outsourcing contractor in 2021. During the period, the Group had sold the gold sand from the trial run production.

During the Period, the gold mining segment recorded a loss of approximately RMB496,000 as compared to a loss of approximately RMB1,461,000 in 2019. As at 31 December 2020, the gold mining business had segment assets of approximately RMB41,566,000 (30 June 2020: RMB49,748,000) and segment liabilities of approximately RMB625,000 (30 June 2020: RMB164,000). The gold mining segment shared 22% of the Group's total assets. There was no dividend income from the gold mining segment during the Period.

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 Group are implementing the precautionary measures against Covid-19 to protect our staff and customers. These situation will affect the sales income in the future. 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. The Group will enhance the management services and provide the tailor-made services to our customers in Xuzhou. The Directors expect that the property management business will continue contributing positive contribution 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.

The Group would like to further expand its property related business segment in PRC. On 14 August 2020, the Group had entered into the sale and purchase agreement with the Vendor, pursuant to which the Group conditionally agreed to purchase, and the Vendor conditionally agreed to sell, the 3 blocks of 3-storey commercial buildings, which comprises of Block 10, Block 11 and Block 12 in the Xuzhou Yueqiao Flower Garden Project# (徐州月橋花院項目) developed by the Vendor.

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 obtained 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. Due to the Covid-19, the Group has changed the exploitation plan and postponed the normal production of the Russia Gold mine to protect our staff and outsourcing contractor staff. The Group expects the Russia gold mine will only maintain the minimum operation by the outsourcing contractor in 2021. In the coming years, the Group will continue to sign the contract with the outsourcing contractor. Also, the Group will also invite and negotiate with the other outsourcing contractors. The Group would like to obtain the better terms with outsourcing contractors. In this case, the Group do not expect the Russia gold mine will provide positive contribution in 2021.

* *English name is for identification only*

Due to the outbreak of the Covid-19 epidemic, 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 property related investment opportunities.

LIQUIDITY AND FINANCIAL RESOURCES AND CAPITAL STRUCTURE

For the six months ended 31 December 2020, the Group's working capital requirement was principally financed by its internal resources.

As at 31 December 2020, the Group had cash and cash equivalents, net current assets and total assets less current liabilities of approximately RMB97,622,000 (30 June 2020: RMB84,596,000), RMB92,648,000 (30 June 2020: RMB95,405,000) and RMB143,563,000 (30 June 2020: RMB155,122,000) respectively.

Total equity attributable to owners of the Company as at 31 December 2020 decreased by RMB6,506,000 to RMB120,151,000 (30 June 2020: RMB126,657,000). The gearing ratio (calculated as the ratio of net debt: capital and net debt) of the Group as at 31 December 2020 was in net cash position (30 June 2020: net cash position).

SIGNIFICANT INVESTMENTS

Save as disclosed above, the Group had no significant investment held during the six months ended 31 December 2020.

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 acquisition of the commercial buildings

On 14 August 2020, the Group had entered into the sale and purchase agreement (the “Sale and Purchase Agreement”) with Xuzhou City Zhongwei Real Estate Co., Ltd.# (徐州市中維地產有限公司) (the “Vendor”), pursuant to which the Group conditionally agreed to purchase, and the Vendor conditionally agreed to sell, the 3 blocks of 3-storey commercial buildings, which comprises of Block 10, Block 11 and Block 12 in the Xuzhou Yueqiao Flower Garden Project# (徐州月橋花院項目) developed by the Vendor at the consideration of RMB40,000,000 (equivalent to approximately HK\$44,400,000) (the “Acquisition”). The Acquisition was completed in January 2021.

Details of the Acquisition are set out in the announcements of the Company dated 14 August 2020, 27 August 2020, 20 October 2020, 13 November 2020, 27 November 2020, 11 December 2020, 18 December 2020, 31 December 2020, 4 January 2021, 7 January 2021 and 25 January 2021 and in the circular of the Company dated 8 January 2021.

EMPLOYMENT INFORMATION

As at 31 December 2020, the Group employed a total of 87 (2019: 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 RMB3,326,000. 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 2019 share options scheme (the “2019 Share Options Scheme”). As at the date of this report, no option has been granted under the 2019 Share Option Scheme.

CHARGES ON GROUP ASSETS

As at 31 December 2020 and 30 June 2020, 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.

Save as disclosed above, the Group had no future plans for material investments and expected sources of funding as at 31 December 2020.

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 2020, the Group had no capital commitments (2019: Nil).

CONTINGENT LIABILITIES

As at 31 December 2020, the banking facilities of RMB2,480,000 were granted to the buyers of certain properties developed by the Group (30 June 2020: RMB2,480,000).

DIVIDENDS

The Board did not declare the payment of any interim dividend for the six months ended 31 December 2020 (2019: Nil).

ISSUE OF CONVERTIBLE PREFERRED SHARES

On 4 November 2020, 3,000,000 non-redeemable convertible preferred shares of the Company with aggregate principal amount of HK\$3,000,000 were converted into 10,000,000 ordinary shares to Union Day Group Limited under the acquisition agreement dated 26 April 2011. The non-redeemable convertible preferred shares were converted into ordinary shares of the Company at a conversion price of HK\$0.30 per share.

As a result of the full conversion of the non-redeemable convertible preferred shares, the total number of issued shares of the Company were 2,894,091,737 shares as at 31 December 2020. Union Day Group Limited continues to be substantial shareholder of the Company who is interested in 394,198,376 shares of the Company, representing approximately 13.62% of the total number of issued shares of the Company as enlarged by the allotment and issue of the 10,000,000 ordinary shares.

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

As at 31 December 2020, 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. Du Yun	Interest held through controlled corporation	394,198,376	394,198,376 <i>(Note)</i>	13.62
Mr. Mu Dongsheng	Beneficial owner	277,777,777	277,777,777	9.60

Note: 394,198,376 shares are held by Union Day Group Limited (a company incorporated in the British Virgin Islands with limited liability) which is 40% beneficially owned by Mr. Du Yun.

Save as disclosed above, as at 31 December 2020, 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 2020, 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	394,198,376	394,198,376 <i>(Note)</i>	13.62
Mr. Yin Jia Tang	Beneficial owner	217,880,604	217,880,604	7.53

Note: 394,198,376 shares are held by Union Day Group Limited (a company incorporated in the British Virgin Islands with limited liability) which is 40% beneficially owned by Mr. Du Yun.

Save as disclosed above, the Company has not been notified of any other interests or short positions representing 5% or more of the issued shares of the Company and recorded in the register maintained under Section 336 of the SFO as at 31 December 2020.

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 2020 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, 26 February 2021

English name is for identification only