



# KINGWELL GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1195

INTERIM REPORT **2022/2023**

# INTERIM REPORT

For the six months ended 31 December 2022

## HIGHLIGHTS

- Revenue for the six months ended 31 December 2022 amounted to approximately RMB39,163,000;
- Profit before tax for the six months ended 31 December 2022 amounted to approximately RMB196,000;
- Loss attributable to owners of the Company for the six months ended 31 December 2022 amounted to approximately RMB1,011,000;
- Loss per share was RMB0.03 cent for the six months ended 31 December 2022;
- Total equity of the Group decreased to RMB133,952,000.

# 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

## REGISTERED OFFICE

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman

KY1-1111

Cayman Islands

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Suntera (Cayman) Limited  
Suite 3204, Unit 2A, Block 3  
Building D,  
P.O. Box 1586  
Gardenia Court, Camana Bay  
Grand Cayman KY1-1110  
Cayman Islands

## HONG KONG BRANCH REGISTRAR AND TRANSFER OFFICE

Hong Kong Registrars Limited  
Shops 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 2022. 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 2022

(Express in Renminbi)

	Notes	Six months ended 31 December 2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
<b>REVENUE</b>	4	<b>39,163</b>	9,224
Cost of sales		<b>(31,012)</b>	(5,583)
<b>Gross profit</b>		<b>8,151</b>	3,641
Other income and gains	4	<b>1,354</b>	533
Selling and distribution expenses		<b>–</b>	(39)
Administrative expenses		<b>(9,309)</b>	(6,149)
<b>PROFIT/(LOSS) BEFORE TAX</b>	5	<b>196</b>	(2,014)
Income tax expense	6	<b>(1,389)</b>	(1,267)
<b>LOSS FOR THE PERIOD</b>		<b>(1,193)</b>	(3,281)
<b>OTHER COMPREHENSIVE LOSS</b>			
<i>Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:</i>			
Exchange differences on translation of foreign operations		<b>(11,210)</b>	(887)
<b>OTHER COMPREHENSIVE LOSS FOR THE PERIOD</b>		<b>(11,210)</b>	(887)
<b>TOTAL COMPREHENSIVE LOSS FOR THE PERIOD</b>		<b>(12,403)</b>	(4,168)

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

For the six months ended 31 December 2022

(Express in Renminbi)

	Note	Six months ended	
		2022	2021
		(Unaudited)	(Unaudited)
		RMB'000	RMB'000
<b>Loss for the period attributable to:</b>			
Owners of the Company		(1,011)	(2,504)
Non-controlling interests		(182)	(777)
		(1,193)	(3,281)
<b>TOTAL COMPREHENSIVE LOSS</b>			
<b>ATTRIBUTABLE TO:</b>			
Owners of the Company		(6,552)	(3,220)
Non-controlling interests		(5,851)	(948)
		(12,403)	(4,168)
<b>LOSS PER SHARE ATTRIBUTABLE TO</b>			
<b>ORDINARY EQUITY HOLDERS OF THE</b>			
<b>COMPANY</b>	7		
Basic			
– For loss for the period		RMB(0.03) cent	RMB(0.09) cent
Diluted			
– For loss for the period		RMB(0.03) cent	RMB(0.09) cent

## Condensed Consolidated Statement of Financial Position

As at 31 December 2022

(Express in Renminbi)

	Notes	As at 31 December 2022 (Unaudited) RMB'000	As at 30 June 2022 (Audited) RMB'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		774	871
Investment properties		1,590	1,590
Goodwill		19,968	19,968
Intangible assets		32,070	43,412
Deferred tax assets		8,383	8,383
Right-of-use assets		–	86
Total non-current assets		62,785	74,310
<b>CURRENT ASSETS</b>			
Inventories		104,932	104,967
Trade receivables	9	25,693	32,987
Deposits and other receivables		12,875	9,641
Financial assets at fair value through profit or loss		–	2,700
Pledged deposits		235	235
Cash and cash equivalents		39,052	29,643
Total current assets		182,787	180,173
<b>CURRENT LIABILITIES</b>			
Trade payables	10	6,759	12,462
Other payables and accruals		48,921	31,065
Contract liabilities		961	4,049
Lease liabilities		–	92
Amounts due to related companies		23,168	30,157
Tax payable		29,784	28,276
Total current liabilities		109,593	106,101
<b>NET CURRENT ASSETS</b>		73,194	74,072
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		135,979	148,382



## Condensed Consolidated Statement of Financial Position (Continued)

As at 31 December 2022

(Express in Renminbi)

	Note	As at 31 December 2022 (Unaudited) RMB'000	As at 30 June 2022 (Audited) RMB'000
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>135,979</b>	148,382
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities		2,027	2,027
Total non-current liabilities		2,027	2,027
<b>Net assets</b>		<b>133,952</b>	146,355
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Issued capital	11	253,688	253,688
Other reserves		(145,894)	(139,342)
		107,794	114,346
<b>Non-controlling interests</b>		<b>26,158</b>	32,009
<b>Total equity</b>		<b>133,952</b>	146,355

## Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 December 2022

(Express in Renminbi)

	Issued capital RMB'000	Share premium account RMB'000	Statutory reserve RMB'000	Capital reserve RMB'000	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
At 1 July 2021 (Audited)	253,688	678,834	9,850	19	48,448	(14,211)	(859,570)	117,058	20,850	137,908
Loss for the period	-	-	-	-	-	-	(2,504)	(2,504)	(777)	(3,281)
Other comprehensive loss for the period:										
Exchange differences on translation of foreign operations	-	-	-	-	-	(716)	-	(716)	(171)	(887)
Total comprehensive loss for the period	-	-	-	-	-	(716)	(2,504)	(3,220)	(948)	(4,168)
At 31 December 2021 (Unaudited)	253,688	678,834	9,850	19	48,448	(14,927)	(862,074)	113,838	19,902	133,740

	Issued capital RMB'000	Share premium account RMB'000	Statutory reserve RMB'000	Capital reserve RMB'000	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
At 1 July 2022 (Audited)	253,688	678,834	10,748	19	48,448	(6,105)	(871,286)	114,346	32,009	146,355
Loss for the period	-	-	-	-	-	-	(1,011)	(1,011)	(182)	(1,193)
Other comprehensive loss for the period:										
Exchange differences on translation of foreign operations	-	-	-	-	-	(5,541)	-	(5,541)	(5,668)	(11,210)
Total comprehensive loss for the period	-	-	-	-	-	(5,541)	(1,011)	(6,552)	(5,851)	(12,403)
Transfer to statutory reserve	-	-	706	-	-	-	(706)	-	-	-
At 31 December 2022 (Unaudited)	253,688	678,834*	11,454*	19*	48,448*	(11,646)*	(873,003)*	107,794	26,158	133,952

\* These reserve accounts comprise deficit in the consolidated other reserves of RMB145,894,000 (30 June 2022: RMB139,342,000) in the condensed consolidated statement of financial position.

## Condensed Consolidated Statement of Cash Flow

For the six months ended 31 December 2022

(Express in Renminbi)

	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net cash flows from/(used in) operating activities	6,463	(2,504)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	80	4
Purchases of items of property, plant and equipment	(63)	(350)
Proceeds from disposal of items of property, plant and equipment	–	35
Proceeds from disposal of investment properties	–	615
Proceeds from disposal of financial assets at fair value through profit or loss	2,700	–
Net cash flows from investing activities	2,717	304
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	9,180	(2,200)
Cash and cash equivalents at 1 July	29,643	51,622
Effect of foreign exchange rate changes, net	229	466
<b>CASH AND CASH EQUIVALENTS AT 31 DECEMBER</b>	39,052	49,888
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	39,052	49,888

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

For the six months ended 31 December 2022

(Express in Renminbi)

## 1. BASIS OF PREPARATION

These unaudited condensed consolidated interim financial statements for the six months ended 31 December 2022 (“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 2022.

## 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	<i>Reference to the Conceptual Framework</i>
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to HKAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>
Annual Improvements to HKFRSs 2018-2020	<i>Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41</i>

## 2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

Amendments to HKFRS 3 are intended to replace a reference to the previous Framework for the Preparation and Presentation of Financial Statements with a reference to the Conceptual Framework for Financial Reporting issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date.

Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. Earlier application is permitted.

## 2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. Earlier application is permitted. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening equity at the date of initial application without restating the comparative information.

Annual Improvements to HKFRSs 2018-2020 sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are expected to be applicable to the Group are as follows:

- **HKFRS 9 Financial Instruments:** clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022. Earlier application is permitted.
- **HKFRS 16 Leases:** removes the illustration of payments from the lessor relating to leasehold improvements. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.

The amendments did not have any 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 profit/loss before tax except that interest income as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude deferred tax assets, pledged deposit, cash and cash equivalents, financial assets at fair value through profit or loss and other unallocated head office and corporate assets, as these assets are managed on a group basis.

Segment liabilities exclude amounts due to related companies, 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 2022

	Property development, property leasing and property management services (Unaudited) RMB'000	Gold mining (Unaudited) RMB'000	Total (Unaudited) RMB'000
<b>Segment revenue:</b>			
Sales to external customers	39,163	–	39,163
Other revenue	1,274	–	1,274
	40,437	–	40,437
<b>Segment results:</b>	4,700	(207)	4,493
<i>Reconciliation:</i>			
Interest income and other income			80
Corporate and other unallocated expenses			(4,377)
Profit before tax			196



### 3. OPERATING SEGMENT INFORMATION (Continued)

Period ended 31 December 2021

	Property development, property leasing and property management services (Unaudited) RMB'000	Gold mining (Unaudited) RMB'000	Total (Unaudited) RMB'000
<b>Segment revenue:</b>			
Sales to external customers	8,883	341	9,224
Other revenue	212	–	212
	9,095	341	9,436
<b>Segment results:</b>	2,735	(191)	2,544
<i>Reconciliation:</i>			
Interest income and other income			321
Corporate and other unallocated expenses			(4,879)
Loss before tax			(2,014)

### 3. OPERATING SEGMENT INFORMATION (Continued)

	Property development, property leasing and property management services RMB'000	Gold mining RMB'000	Total RMB'000
<b>Segment Assets</b>			
31 December 2022 (Unaudited)	156,213	36,752	192,965
30 June 2022 (Audited)	161,085	48,102	209,187
<b>Segment Liabilities</b>			
31 December 2022 (Unaudited)	56,640	–	56,640
30 June 2022 (Audited)	44,258	154	44,412

## 4. REVENUE, OTHER INCOME AND GAINS

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

	Six Months ended	
	31 December	
	2022	2021
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Revenue from contracts with customers		
Sale of properties	88	1,938
Rendering of property management services	39,075	6,945
Sale of gold	–	341
	<b>39,163</b>	<b>9,224</b>
Other income and gains		
Bank interest income	37	4
Interest income from financial assets at fair value through profit or loss	43	271
Gain on disposal of investment properties	–	35
Rental income	662	–
Other	612	223
	<b>1,354</b>	<b>533</b>

## 5. PROFIT/(LOSS) BEFORE TAX

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

	Six Months ended	
	31 December	
	2022	2021
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Cost of properties sold	38	838
Cost of property management services provided	30,974	4,386
Cost of gold sold	–	359
Depreciation	63	128
Lease payments not included in the measurement of lease liabilities	322	320
Staff costs (including directors' remuneration)		
Salaries and wages	3,226	2,070

## 6. INCOME TAX EXPENSE

	Six Months ended	
	31 December	
	2022	2021
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Current – Mainland China		
Provision for corporate income tax	1,389	1,267
Deferred	–	–
<b>Total tax expense for the period</b>	<b>1,389</b>	<b>1,267</b>

No provision for Hong Kong profits tax has been made (2021: 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.

## 7. 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 RMB1,011,000 (2021: RMB2,504,000), and the weighted average number of ordinary shares of 2,894,091,737 (2021: 2,894,091,737) in issue during the period.

## 7. 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 2022 and 2021.

## 8. DIVIDENDS

No interim dividends were declared for the six months ended 31 December 2022 and 2021.

## 9. TRADE RECEIVABLES

	<b>31 December 2022 (Unaudited) RMB'000</b>	30 June 2022 (Audited) RMB'000
Trade receivables	26,526	33,820
Impairment	(833)	(833)
	<b>25,693</b>	32,987

## 9. 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 service. 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 property management services, construction services and sales agency service. 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.

## 10. 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:

	<b>31 December 2022 (Unaudited) RMB'000</b>	30 June 2022 (Audited) RMB'000
Within 1 month	1,148	6,502
1 to 3 months	-	-
3 months to 1 year	2,645	30
Over 1 year	2,966	5,930
	<b>6,759</b>	12,462

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

## 11. SHARE CAPITAL

### Shares

	<b>31 December 2022 (Unaudited) HK\$'000</b>	30 June 2022 (Audited) HK\$'000
Authorised:		
5,000,000,000 (30 June 2022: 5,000,000,000) ordinary shares of HK\$0.10 each	<b>500,000</b>	500,000
100,000,000 (30 June 2022: 100,000,000) convertible preferred shares of HK\$1.00 each	<b>100,000</b>	100,000
	<b>600,000</b>	600,000
	<b>31 December 2022 (Unaudited) RMB'000</b>	30 June 2022 (Audited) RMB'000
Issued and fully paid:		
2,894,091,737 (30 June 2022: 2,894,091,737) ordinary shares of HK\$0.10 each	<b>253,688</b>	253,688



## 12. EVENTS AFTER THE REPORTING PERIOD

On 16 February 2023, the Company entered into a share transfer agreement with Mr. Guo Wei\* (郭偉) (the “Purchaser”) (an independent third party), pursuant to which the Company agreed to sell and the Purchaser agreed to purchase 51% equity interests of Commerce Prosper Limited at a consideration of RMB26.50 million. The principal asset of Commerce Prosper Limited and its wholly-owned subsidiary, Zolotoy Standart Limited, is a gold mine, which is located in Russia. As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the transaction are more than 5% but all of them are less than 25%, the transaction constitutes a discloseable transaction under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirement.

Details of the above transaction are set out in the announcement of the Company dated 16 February 2023.

\* *English name is for identification only*

# MANAGEMENT DISCUSSION AND ANALYSIS

## REVIEW OF OPERATION

For the six months ended 31 December 2022 (the “Period”), revenue of the Group amounted to approximately RMB39,163,000 (2021: RMB9,224,000), representing an increase of approximately 325% as compared to the corresponding period in last year. The increase in revenue was mainly due to the increase of contribution from the newly acquired management companies of Shenzhen Hailian Property Management Co., Ltd.\* (深圳市海聯物業有限公司) (“Shenzhen Hailian”) and Huizhou Huiyang Peninsula One Property Management Co., Ltd.\* (惠州市惠陽半島壹號物業管理有限公司) (“Huizhou Huiyang”).

During the Period, the Group recorded a gross profit of approximately RMB8,151,000 (2021: RMB3,641,000) and profit before tax of approximately RMB196,000 (2021: loss before tax of RMB2,014,000) respectively. The increase in gross profit and the profit before tax were mainly due to the increase in gross profit contribution from the property management services.

The loss attributable to ordinary equity holders of the Company for the Period was approximately RMB1,011,000 (2021: RMB2,504,000). The decrease in loss attributable to ordinary equity holders of the Company was due to the increase in the contribution from the property management services during the Period. Basic loss per share during the Period was RMB0.03 cent (2021: RMB0.09 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 Anlu Taihe Real Estate Development Company\* (“Anlu Taihe”) (安陸泰合房地產開發有限公司) and is wholly owned by 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 Anlu Taihe Paradise was RMB30 million and 100% owned by the Group.

\* English name is for identification only

The Group had its wholly owned subsidiaries of property management companies to provide the property management services such as Xuzhou Taihua Property Service Co., Ltd.\* (“Xuzhou Taihua”) (徐州泰華物業管理有限公司) (the issued share capital of RMB2 million) and Jiangsu Tianan Hongji Property Management Co., Ltd.\* (“Jiangsu Tianan Hongji”) (江蘇天安鴻基物業管理有限公司) (the issued share capital of RMB10 million).

During the year ended 30 June 2022, the Group completed the acquisition of 51% of equity interests in each of Shenzhen Hailian and Huizhou Huiyang at a consideration of RMB15.5 million. Shenzhen Hailian and Huizhou Huiyang provide property management services in Shenzhen and Huizhou, and have 864 units parking lots in Huizhou, in which, the size of the property under management are approximately 3,050,000 square meters in aggregate.

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 2022.

During the Period, the property management services in Shenzhen and Huizhou significantly improve the property leasing and property management services business’s scales and the source of revenue of the Group.

During the Period, the property development, property leasing and property management services segment recorded a profit of approximately RMB4,700,000 as compared to a profit of approximately RMB2,735,000 in 2021. As at 31 December 2022, the property development, property leasing and property management services business had segment assets of approximately RMB156,213,000 (30 June 2022: RMB161,085,000) and segment liabilities of approximately RMB56,640,000 (30 June 2022: RMB44,258,000). The property development, property leasing and property management services shared 64% of the Group’s total assets.

\* English name is for identification only

## 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. Due to the Russia-Ukraine war, most of the Russian labours refused to go out for mining work. The Group had no choice but to temporarily suspend the mining operation in 2022.

During the Period, the gold mining segment recorded a loss of approximately RMB207,000 as compared to a loss of approximately RMB191,000 in 2021. As at 31 December 2022, the gold mining business had segment assets of approximately RMB36,752,000 (30 June 2022: RMB48,102,000) and no segment liabilities (30 June 2022: RMB154,000). The gold mining segment shared 15% of the Group’s total assets. There was no dividend income from the gold mining segment during the Period.

## BUSINESS PROSPECTS

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 Group will enhance the management services and provide the tailor-made services to our customers in Xuzhou.

The Group had parking lots and 3 blocks of 3-storey commercial building, 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), and are held for sale. The Directors expect that the Xuzhou properties and property management business will continue contributing positive contribution to the Group.

The Group owned 51% of equity interests in each of Shenzhen Hailian and Huizhou Huiyang. Shenzhen Hailian and Huizhou Huiyang provide the property management services in Shenzhen and Huizhou, and have 864 units parking lots in Huizhou, in which, the size of the property under management are approximately 3,050,000 square meters in aggregate. For the 864 units parking lots located at Huiyang District, Huizhou City, Guangdong Province, the PRC held for sale, 72 units parking lots are located in Dongfangxincheng\* (東方新城), Phase I and Phase III, 340 units parking lots are located in Hubinhuayuan\* (湖濱花園), Phase I and II, and 452 units parking lots are located in Bandaoyihaohuayuan\* (半島壹號花園), Phase II & V. The property management portfolio and geographic layout of property management business of the Group have been expanded from Xuzhou to Huizhou and Shenzhen, which are both located in the Greater Bay Area. According to the Outline Development Plan for the Greater Bay Area\* (粵港澳大灣區發展規劃綱要) issued by The State Council of the People's Republic of China in February 2019, both Huizhou and Shenzhen are the cities that have become the focus of the future development of the Great Bay Area. Therefore, the Company believes that Huizhou and Shenzhen have growth potential.

There are only remaining few inventories for sales in the Anlu Taihe project. The Group does not expect Anlu Taihe will contribute significant income in the future.

*English name is for identification only*

As for the gold mining business, most of the Russian labours had refused to go out for mining work due to the Russia-Ukraine war. The Group had no choice but to temporarily suspend the mining operation. On 16 February 2023, the Company entered into a share transfer agreement with Mr. Guo Wei\* (郭偉) (the “Purchaser”) (an independent third party), pursuant to which the Company agreed to sell and the Purchaser agreed to purchase 51% equity interests of Commerce Prosper Limited at a consideration of RMB26.50 million. The principal asset of Commerce Prosper Limited and its wholly-owned subsidiary, Zolotoy Standart Limited, is a gold mine, which is located in Russia. Details of the transaction are set out in the announcement of the Company dated 16 February 2023.

Also, the gold mining business recorded net loss in previous years, the Group believes that the disposal transaction provides a good opportunity for the Group to realise its investment and release its resources to develop its other existing businesses. In order to fulfil the above transaction, the Group will suspend the mining operation in 2023.

Looking ahead, the Group will search for the potential acquisition projects to expand the management services business in the Greater Bay Area in the PRC.

## LIQUIDITY AND FINANCIAL RESOURCES AND CAPITAL STRUCTURE

For the six months ended 31 December 2022, the Group’s working capital requirement was principally financed by its internal resources.

As at 31 December 2022, the Group had cash and cash equivalents, net current assets and total assets less current liabilities of approximately RMB39,052,000 (30 June 2022: RMB29,643,000), RMB73,194,000 (30 June 2022: RMB74,072,000) and RMB135,979,000 (30 June 2022: RMB148,382,000) respectively.

Total equity attributable to owners of the Company as at 31 December 2022 decreased by RMB6,552,000 to RMB107,794,000 (30 June 2022: RMB114,346,000). The gearing ratio (calculated as the ratio of net debt: capital and net debt) of the Group as at 31 December 2022 was 26.96% (30 June 2022: 27.81%).

\* English name is for identification only

## SIGNIFICANT INVESTMENTS

Save as disclosed herein, the Group had no significant investment held during the six months ended 31 December 2022.

## 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.

## EMPLOYMENT INFORMATION

As at 31 December 2022, the Group employed a total of 491 (2021: 85) 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 RMB3,226,000. 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 option scheme (the "2019 Share Option Scheme"). As at the date of this report, no option has been granted under the 2019 Share Option Scheme.

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those Hong Kong employees who are eligible to participate in the MPF Scheme, which contributions are made based on a percentage of the employees' basic salaries and the employees of the Group's subsidiaries which operates in Mainland China are required to participate in a central pension scheme (the "Central Pension Scheme", together with the MPF Scheme, the "Defined Contribution Schemes") operated by the local municipal government, which these subsidiaries are required to contribute a certain percentage, which was pre-determined by the local municipal government, of the sum of basic salary and allowance of employees to the Central Pension Scheme. The contributions by the Group for the Defined Contribution Schemes are charged to the statement of profit or loss and other comprehensive income as they become payable in accordance with the relevant rules of the respective schemes.

The Group's contributions to the Defined Contribution Schemes vest fully and immediately with the employees. Accordingly, (i) for each of the six months ended 31 December 2021 and 31 December 2022, there was no forfeiture of contributions under the Defined Contribution Schemes; and (ii) there were no forfeited contributions available for the Group to reduce its existing level of contributions to the Defined Contribution Schemes as at 31 December 2021 and 31 December 2022.

For each of the six months ended 31 December 2021 and 31 December 2022, the Group did not have any defined benefit plan.

## CHARGES ON GROUP ASSETS

As at 31 December 2022 and 30 June 2022, 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 and under the section headed "Events After the Reporting Period", the Group had no future plans for material investments and expected sources of funding as at 31 December 2022.

## 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 dollar 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 2022, the Group had no capital commitments (2021: Nil).

## CONTINGENT LIABILITIES

As at 31 December 2022, the banking facilities of RMB460,000 were granted to the buyers of certain properties developed by the Group (30 June 2022: RMB460,000).

## DIVIDENDS

The Board did not declare the payment of any interim dividend for the six months ended 31 December 2022 (2021: Nil).

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

As at 31 December 2022, 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 2022, 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 2022, 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 (Note)	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 2022.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

Save as disclosed under the section headed "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, 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 C.2.1

Under the code provision C.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 C.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 C.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 2022 have not been audited, but have been reviewed by the Audit Committee.

## EVENTS AFTER THE REPORTING 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 2023