



KIRIN GROUP
HOLDINGS LIMITED
麒麟集團控股有限公司

(Incorporated in Bermuda with limited liability)
(Stock Code: 8109)

2017 First Quarterly Report

A Step Forward, A Leap for Life

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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This report, for which the directors (the “Directors”) of Kirin Group Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

FIRST QUARTERLY RESULTS

The board of directors (the “Board”) of Kirin Group Holdings Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the three months ended 30 September, 2016 together with the comparative unaudited consolidated figures for the corresponding period in 2015, as set out below:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE THREE MONTHS ENDED 30 SEPTEMBER, 2016

		Three months ended 30 September	
	<i>Notes</i>	2016 RMB'000	2015 RMB'000
Revenue	3	12,551	727
Cost of sales and services		(6,176)	(633)
Other income		127	31
Loss on disposal of subsidiaries		—	(556)
Distribution costs		(4,384)	(194)
Share of loss of a joint venture		(3)	—
Administrative expenses		(13,421)	(4,645)
Finance costs		(3,729)	(1,314)
Loss before taxation		(15,035)	(6,584)
Taxation	4	(460)	—
Loss for the period		(15,495)	(6,584)
Other comprehensive expense			
Item that may be reclassified subsequently to profit or loss:			
Exchange difference arising from translation of financial statements of foreign operations		398	1,194
Exchange reserve released upon disposal of subsidiaries		—	2
Total comprehensive expenses for the period		(15,097)	(5,388)
Loss for the period attributable to:			
— Equity shareholders of the Company		(14,782)	(6,246)
— Non-controlling interests		(713)	(338)
		(15,495)	(6,584)
Total comprehensive expenses for the period attributable to:			
— Equity shareholders of the Company		(14,384)	(5,050)
— Non-controlling interests		(713)	(338)
		(15,097)	(5,388)
Loss per share			
Basic and diluted	5	(1.17 cents)	(1.72 cents)

1. GENERAL INFORMATION

Kirin Group Holdings Limited (the “Company”) is a public limited company domiciled and incorporated in Bermuda and its shares are listed on the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

2. BASIS OF PRESENTATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements for the three months ended 30 September 2016 have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”), which also include Hong Kong Accounting Standards (“HKAS”) and Interpretations (“Int”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The unaudited condensed consolidated financial statements also comply with the applicable disclosure provisions of the GEM Listing Rules. The unaudited condensed consolidated financial statements have been prepared under the historical cost convention.

The accounting policies and methods of computation used in the preparation of the unaudited condensed consolidated financial statements are consistent with those used in the annual financial statements for the year ended 30 June 2016.

The Group has not early applied any new standard, amendment or interpretation that has been issued but is not yet effective for the current accounting period.

The unaudited condensed consolidated financial statements have not been audited by the Company’s auditors, but have been reviewed by the Company’s audit committee.

3. TURNOVER AND SEGMENT INFORMATION

Information reported to the executive directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and performance assessment. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group. The Group is principally engaged in provision of energy saving service and related products, insurance brokerage service, money lending service, information technology service and sales of livestock.

Specifically, the Group’s reportable segments same as operating under HKFRS 8 are as follows:

- (a) Energy saving service and related products;
- (b) Insurance brokerage and related services;
- (c) Money lending services;
- (d) Information technology services; and
- (e) Sales of livestock.

An analysis of the Group's revenue is as follows:

	For the three months ended 30 September	
	2016	2015
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Sales of energy savings services and related products	708	406
Insurance brokerage and related services income	7,538	321
Information Technology service income	1,406	—
Money lending service income	2,899	—
	<hr/> 12,551 <hr/>	<hr/> 727 <hr/>

4. TAXATION

(i) *Overseas income tax*

The Company is incorporated in Bermuda and is exempted from taxation in Bermuda. The Company's subsidiaries established in the British Virgin Islands ("BVI") are incorporated under the International Business Companies Acts of the British Virgin Islands and, accordingly, are exempted from the British Virgin Islands income taxes. The Company's subsidiary established in the Republic of Seychelles is exempted from payment of the Republic of Seychelles income tax.

(ii) *The Philippines income tax*

Upon incorporation, Cagayan Economic Zone Authority ("CEZA") approved the registration of Red Rabbit International Technology, Inc ("Red Rabbit") as an Econzone Export Enterprise for its business activities. Under the terms of its registration, Red Rabbit is entitled to certain incentives such exemption in Value-Added Tax. Business establishments operating within the said economic zone shall be entitled to the existing fiscal incentives as provided for under Presidential Decree No. 66, the law creating the Export Processing Zone Authority, or those provided under Book VI of Executive Order No. 226, otherwise known as the Omnibus Investments Code of 1987. In lieu of paying national and local taxes, it shall pay 5% special tax rate on gross income earned as defined under Republic Act No. 7922, the law creating CEZA.

The provision for current income tax represents the income tax computed at the special tax rate of 5% applicable to CEZA registered enterprises.

(iii) *The PRC enterprise income tax*

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

(iv) *Hong Kong profits tax*

The provision for Hong Kong profits tax is calculated at the rate of 16.5% (2016: 16.5%) of the estimated assessable profits for the period.

5. LOSS PER SHARE

Basic loss per share

The calculation of basic loss per share is based on the loss attributable to the equity shareholders of the Company for the three months ended 30 September 2016 of approximately RMB14,782,000 (2016: approximately RMB6,246,000) and the weighted average number of approximately 1,266,767,000 (2016: approximately 362,279,000) ordinary shares in issue during the period.

The comparative figures for the basic loss per share for the three months ended 30 September 2016 are restated to take into account of the effect of the share consolidation, open offer and bonus issue completed during the year ended 30 June 2016 as if they had been taken place since the beginning of the comparative period.

Diluted loss per share

The diluted loss per share is equal to the basic loss per share as there were no potential dilutive ordinary shares outstanding during the three months ended 30 September 2016 and 2015.

6. RESERVES

Unaudited Condensed Consolidated Statement of Changes in Equity

For the three months ended 30 September 2016

	Attributable to equity shareholders of the Company					Non-	Total
	Share capital	Share premium	Translation reserve	Accumulated losses	Total	controlling interests	equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 July 2015	9,108	147,696	5,668	(125,949)	36,523	1,189	37,712
Loss for the period	—	—	—	(6,246)	(6,246)	(338)	(6,584)
Exchange reserve released upon disposal of subsidiaries	—	—	2	—	2	—	2
Exchange difference arising from translation of financial statements of foreign operations	—	—	1,194	—	1,194	—	1,194
Total comprehensive income (expenses) for the period	—	—	1,196	(6,246)	(5,050)	(338)	(5,388)
Issue of shares, net of expenses	760	24,059	—	—	24,819	—	24,819
Acquisition of subsidiaries	—	—	—	—	—	(269)	(269)
Disposal of subsidiaries	—	—	—	—	—	(1,073)	(1,073)
At 30 September 2015	<u>9,868</u>	<u>171,755</u>	<u>6,864</u>	<u>(132,195)</u>	<u>56,292</u>	<u>(491)</u>	<u>55,801</u>
At 1 July 2016	53,148	220,709	10,509	(181,491)	102,875	1,792	104,667
Loss for the period	—	—	—	(14,782)	(14,782)	(713)	(15,495)
Exchange difference arising from translation of financial statements of foreign operations	—	—	398	—	398	—	398
Total comprehensive income (expenses) for the period	—	—	398	(14,782)	(14,384)	(713)	(15,097)
At 30 September 2016	<u>53,148</u>	<u>220,709</u>	<u>10,907</u>	<u>(196,273)</u>	<u>88,491</u>	<u>1,079</u>	<u>89,570</u>

MANAGEMENT DISCUSSION AND ANALYSIS

The Company acts as an investment holding company and the Group was principally engaged in (i) provision of energy saving solutions and related services in the PRC; (ii) insurance brokerage and related service in Hong Kong; (iii) money lending business in Hong Kong; and (iv) provision of information technology service in the Philippines during the period under review. The energy saving business of the Group includes the provision of consultancy services for a variety of central air-conditioning retrofit projects in various sectors including commercial buildings and public district heating systems in the PRC. In recent years, the property market woes of the PRC intensified with continuous decline in real estate sales and price coupled with weakened domestic demand. China economic slowdown deepened as the structural transformation of economy continued.

Financial Review

The Group's turnover increased from approximately RMB727,000 for the three months ended 30 September 2015 to approximately RMB12,551,000 for the three months ended 30 September 2016, which was represented a significant increase of approximately RMB11,824,000 or 1,626%. The significant increase in the Group's turnover for the three months ended 30 September 2016 was mainly because the Group acquired certain new businesses during the financial year of 2016.

The distribution costs for the year ended 30 September 2016 increased significantly by approximately 2,160% to approximately RMB4,384,000, as compared to previous year (2016: approximately RMB194,000). Increase in distribution costs was mainly the increase of marketing expenses and transportation costs. Such significant increase in various distribution costs was because certain new businesses were acquired in the financial year of 2016.

Administrative expenses for the year ended 30 September 2016 was approximately RMB13,421,000, increased approximately RMB8,776,000 or 189% as compared with the previous year (2016: approximately RMB4,645,000). The increase in administrative expenses was due mainly to increase in operating lease rentals of promises, training, travelling and entertainment expenses. Such significant increase in various administrative expenses was because certain new businesses were acquired in the financial year of 2016.

The finance costs for the three months ended 30 September 2016 increased significantly by approximately 184% to approximately RMB3,729,000, as compared to previous year (2016: approximately RMB1,314,000). Increase in finance costs was mainly the increase of interest expenses on corporate bonds and other borrowings.

The Group recorded a net loss of approximately RMB15,495,000 for the three months ended 30 September 2016, representing a increase of approximately RMB8,911,000 or 1.35% as compared to the previous year (2016: approximately RMB6,584,000). Significant increase in net loss was a result of the increases in administrative expenses, distribution cost and finance costs.

Loss per share for the three months ended 30 September 2016 was RMB1.17 cents (2016: RMB1.72 cents (Restated)).

Profit Guarantee

Reference is made to the announcement of the Company dated 24 August 2015 in relation to the acquisition of the Kirin (the “Announcement”). Definitions and terms, unless otherwise stated, shall bear the same meanings as defined in the Announcement.

Pursuant to the Agreement, the Vendor undertakes to the Purchaser that the Guaranteed Profit for the 12 months immediately after the date of Completion shall not be less than HK\$3,000,000 and the Vendor will compensate the Purchaser for the Shortfall.

The Actual Profit for the 12 months immediately after the date of Completion was zero and therefore the Guaranteed Profit has not been met and the Shortfall amounted to HK\$10,500,000 will be fully compensated by way of cash payment to the Purchaser. As such, the Vendor will fulfill his obligation in relation to the Guaranteed Profit under the Agreement.

Business Review and Prospects

The Group is facing fierce competition in the energy savings industry and has made substantial loss from operations every year since 2005. The significant decrease in demand of energy efficient and savings services triggered the cut-throat competition in the energy efficiency market. The Group is taking positive steps to restructure the Group’s business operations.

Looking forward, the Group will continue to look for appropriate investment opportunities with reasonable and potential returns to enhance the Group’s future development opportunity. Besides, the Company may carry out fund raising activities including but not limited to placing of new shares and issue corporate bonds.

CAPITAL STRUCTURE

There has been no change in the capital structure of the Company during the period.

DIVIDENDS

The directors do not recommend the payment of any dividend for the period ended 30 September 2016 (30 September 2015: Nil).

SHARE OPTION SCHEME

The Company adopted a share option scheme (the “Scheme”) pursuant to a resolution passed by the shareholders on 5 November 2010. Under the Scheme, the board of directors may grant share options to the eligible persons to subscribe for such number of shares during such period of time as the board of directors may determine.

As at 30 September 2016, none of the board of directors, employees and other eligible persons of the Company on its subsidiaries were granted options to subscribe for the shares of the Company.

MAJOR EVENTS DURING THE PERIOD

On 7 July 2016, the Group had entered into a joint venture agreement with Zhongjun Investment Management (Hong Kong) Company Limited for the establishment of a joint venture company (the “JV Company”). The JV Company shall provide China veterans and their family members with not less than fifty thousand places of study tours for five specific subjects which are investment, medical benefits, retirement protection, business startup and wealth creation, and training. The JV Company shall also facilitate Hong Kong investors to make investment that are beneficial to the employment of veterans in China.

EVENTS AFTER THE REPORTING PERIOD

There was no significant event after the period under review.

AUDIT COMMITTEE

The Company has established an audit committee (the “Audit Committee”) with written terms of reference, for the purpose of reviewing and providing supervision over the Group’s financial reporting process and internal controls. The unaudited financial results for the three months ended 30 September 2016 have been reviewed by the Audit Committee, which was of the opinion that the preparation of such financial results complied with the applicable accounting standards and requirements and adequate disclosure have been made.

PURCHASE, REDEMPTION AND SALE OF LISTED SECURITIES OF THE COMPANY

During the period under review, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.

OTHER INFORMATION

Directors' and chief executives' interests or short positions in the shares, underlying shares or debentures of the company or any associated corporations

As at 30 September 2016, none of the directors or chief executives of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 under the Laws of Hong Kong (SFO)), which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions which they have taken or deemed to have taken 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 Rules 5.46 to 5.68 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

Directors' and chief executives' rights to acquire shares or debt securities

As at 30 September 2016, neither the Company nor any of its subsidiaries was a party to any arrangements to enable the directors and chief executives of the Company to acquire benefits by means of the acquisition of shares in, or debt securities, including debentures, of the Company or any other body corporate, and none of the Directors, chief executives or their spouses or children under the age of 18 had any right to subscribe for the securities of the Company, or had exercised any such right.

Substantial Shareholders

As at 30 September 2016, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that the following shareholders had notified the Company of relevant interests and short positions in the issued share capital of the Company:

Name	Capacity/ Nature of interest	No. of shares (Note 1)	Approximate percentage of interest
Sino Ahead Holdings Limited (Note 2)	Beneficial owner	217,068,810 (L)	17.13%
Mr. Hui Chi Kwan (Note 2)	Interest in a controlled corporation	217,068,810 (L)	17.13%

Notes:

1. The Letter “L” – denotes a long position in shares.
2. The interest disclosed represents the corporate interest in 217,068,810 shares held by Sino Ahead Holdings Limited, which is a company incorporated in the British Virgin Islands and is wholly owned by Mr. Hui Chi Kwan.

Save as disclosed above, the Company has not been notified of any other interests or short positions in the issued share capital of the Company at 30 September 2016.

DIRECTORS’ INTERESTS IN COMPETING BUSINESS

As at 30 September 2016, none of the directors of the Company (as defined in the GEM Listing Rules) had an interest in a business which competes or may compete with the business of the Group during the period.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Board of Directors (“Board”) and the management of the Company are committed to the maintenance of good corporate governance practices and procedures. The Company believes that good corporate governance provides a framework that is essential for effective management, a healthy corporate culture, successful business growth and enhancing shareholders’ value. The corporate governance principles of the Company emphasize a quality Board, sound internal controls, and transparency and accountability to all shareholders. The Company has applied the principles and complied with all code provisions of the Corporate Governance Code (“CG Code”) as set out in Appendix 15 to the Rules (“GEM Listing Rules”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Stock Exchange”).

The Company is in compliance with the CG Code contained in Appendix 15 of the GEM Listing Rules and the Code Provisions save for the deviation as explained below:

The Code provision A4.1 provides that Non-executive Directors should be appointed for specific term, subject to re-election. The Company has deviated from the provision in that all Independent Non-executive Directors are not appointed for specific term. They are, however, subject to retirement by rotation and re-election. The reason for the deviation is that the Company does not believe that arbitrary limits on term of non-executive directorship are appropriate given that Directors ought to be committed to representing the long time interest of the Company’s shareholders and the retirement and the re-election requirements of Independent Non-executive Directors have given the Company’s shareholders the right to approve continuation of Independent Non-executive Directors’ offices.

Save as the aforesaid and in the opinion of the Directors, the Company has met all relevant code provisions set out in the CG code during the period ended 30 September 2016.

ADOPTED CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings (“Standard Dealings”) set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company had also made specific enquiry of all Directors and all the Directors confirmed that they have complied with the Standard Dealings during the three months ended 30 September 2016.

By order of the Board

Chow Yik

Chairman

Hong Kong, 11 November 2016

As at the date of this report, the board of directors of the Company comprises Mr. Chow Yik, Dr. Ma Jun and Mr. Leung King Fai as executive directors, and Mr. Ng Chi Ho, Dennis, Ms. Chan Sin Wa, Carrie and Mr. Chung Shu Kun Christopher as independent non-executive directors.

This report, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.