



**KIRIN GROUP
HOLDINGS LIMITED**
麒麟集團控股有限公司
(Incorporated in Bermuda with limited liability)
(Stock Code: 8109)

2017

Third 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 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.

THIRD QUARTERLY RESULTS

The board of directors (the “Board”) of Kirin Group Holdings Limited (the “Company”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the “Group”) for the three months and nine months ended 31 March 2017 together with the comparative unaudited condensed consolidated figures for the corresponding periods in 2016, as set out below:

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

For the three months and nine months ended 31 March 2017

		Three months ended 31 March (Unaudited)		Nine months ended 31 March (Unaudited)	
		2017	2016	2017	2016
	Notes	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	3	25,228	11,642	55,228	20,784
Cost of sales and services		(19,350)	(8,667)	(37,694)	(15,128)
Other income		38	—	263	160
Loss on disposal of subsidiaries		—	—	—	(556)
Distribution costs		(1,566)	(325)	(12,817)	(2,168)
Share of loss of a joint venture		—	—	(3)	—
Administrative expenses		(12,686)	(8,096)	(40,112)	(20,925)
Finance cost		(5,907)	(3,401)	(14,944)	(7,277)
Loss before taxation		(14,243)	(8,847)	(50,079)	(25,110)
Taxation	4	(346)	(105)	(1,308)	(411)
Loss for the period		(14,589)	(8,952)	(51,387)	(25,521)
Other comprehensive expense:					
Item that may be reclassified subsequently to profit or loss:					
Exchange reserve released upon disposal of subsidiaries		—	—	—	2
Exchange difference arising from translation of financial statements of foreign operation		(1,426)	(958)	2,631	445
Total comprehensive expense for the period		(16,015)	(9,910)	(48,756)	(25,074)

	Three months ended		Nine months ended	
	31 March		31 March	
	(Unaudited)		(Unaudited)	
	2017	2016	2017	2016
Note	RMB'000	RMB'000	RMB'000	RMB'000
(Loss) profit for the period attributable to:				
Owners of the Company	(14,306)	(9,054)	(50,294)	(24,856)
Non-controlling interests	(283)	102	(1,093)	(665)
	<u>(14,589)</u>	<u>(8,952)</u>	<u>(51,387)</u>	<u>(25,521)</u>
Total comprehensive (expense) income				
for the period attributable to:				
Owners of the Company	(15,737)	(10,012)	(47,588)	(24,409)
Non-controlling interests	(278)	102	(1,168)	(665)
	<u>(16,015)</u>	<u>(9,910)</u>	<u>(48,756)</u>	<u>(25,074)</u>
Loss per share				
Basic and diluted	5	<u>(1.13 cents)</u>	<u>(1.68 cents)</u>	<u>(3.97 cents)</u>
		<u>(4.61 cents)</u>		

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 PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements for the three months and nine months ended 31 March 2017 have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”), which collective terms includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKAS”) and Interpretations (“Int”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and accounting principles generally accepted in Hong Kong. The unaudited condensed consolidated financial statements also comply with the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”). The unaudited condensed consolidated financial statements have been prepared on the historical cost basis.

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. REVENUE AND SEGMENTS INFORMATION

Information reported to the board of directors, 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 reporting segments of the Group. The Group is principally engaged in provision of energy saving service and related products, insurance brokerage and related 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 service;
- (c) Money lending service;
- (d) Assets management service;
- (e) Information technology service; and
- (f) Sales of livestock.

The assets management service segment are introduced during the nine months ended 31 March 2017 through the acquisition of Sang Woo (Kirin) Asset Management Limited.

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

	Three months ended		Nine months ended	
	31 March		31 March	
	2017	2016	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Sales of energy savings and related products	1,192	5,853	4,812	10,961
Insurance brokerage and related service income	19,232	4,507	37,824	6,659
Information technology service income	1,371	730	4,223	2,203
Money lending service income	3,433	552	8,369	961
	<u>25,228</u>	<u>11,642</u>	<u>55,228</u>	<u>20,784</u>

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

The calculation of basic and diluted loss per share attributable to the owners of the Company is based on the following data:

	Three months ended		Nine months ended	
	31/3/2017	31/3/2016	31/3/2017	31/3/2016
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Loss				
Loss for the purpose of basic and diluted loss per share for the period attributable to the owners of the Company	<u>(14,306)</u>	<u>(9,054)</u>	<u>(50,294)</u>	<u>(24,856)</u>
	'000	'000	'000	'000

Number of shares

Weighted average number of ordinary shares for the purpose of basic loss per share

	<u>1,266,767</u>	<u>539,481</u>	<u>1,266,767</u>	<u>538,661</u>
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The calculation of basic loss per share is based on the loss attributable to the equity shareholders of the Company for the nine months ended 31 March 2017 of approximately RMB50,294,000 (2016: RMB24,856,000) and the weighted average number of 1,266,767,000 (2016: 538,661,000 (restated)) ordinary shares in issue during the period. The diluted loss per share is equal to the basic loss per share as there were no dilutive potential ordinary shares outstanding during the nine months ended 31 March 2017 (2016: nil).

The comparative figures for the basic loss per share for the three months and nine months ended 31 March 2017 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.

6. RESERVES

Condensed Consolidated Statement of Changes in Equity (Unaudited)

For the nine months ended 31 March 2017

	Share capital	Share premium	Translation reserve	Other 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
At 1 July 2015 (Audited)	9,108	147,696	5,668	—	(125,949)	36,523	1,189	37,712
Loss for the period	—	—	—	—	(24,856)	(24,856)	(665)	(25,521)
Exchange reserve released upon disposal of subsidiaries	—	—	2	—	—	2	—	2
Exchange difference arising from translation of financial statements of foreign operations	—	—	445	—	—	445	—	445
Total comprehensive income (expense) for the period	—	—	447	—	(24,856)	(24,409)	(665)	(25,074)
Issue of shares, net of expenses	780	24,677	—	—	—	25,457	—	25,457
Bonus Issue	4,680	(4,680)	—	—	—	—	—	—
Acquisition of subsidiaries	—	—	—	—	—	—	1,824	1,824
Disposal of subsidiaries	—	—	—	—	—	—	(1,072)	(1,072)
At 31 March 2016	<u>14,568</u>	<u>167,693</u>	<u>6,115</u>	<u>—</u>	<u>(150,805)</u>	<u>37,571</u>	<u>1,276</u>	<u>38,847</u>
At 1 July 2016 (Audited)	53,148	220,709	10,509	—	(181,491)	102,875	1,792	104,667
Loss for the period	—	—	—	—	(50,294)	(50,294)	(1,093)	(51,387)
Exchange difference arising from translation of financial statements of foreign operations	—	—	2,706	—	—	2,706	(75)	2,631
Total comprehensive expense for the period	—	—	2,706	—	(50,294)	(47,588)	(1,168)	(48,756)
Acquisition of additional interest in a subsidiary (note)	—	—	—	95	—	95	(498)	(403)
At 31 March 2017 (Unaudited)	<u>53,148</u>	<u>220,709</u>	<u>13,215</u>	<u>95</u>	<u>(231,785)</u>	<u>55,382</u>	<u>126</u>	<u>55,508</u>

Note: On 21 November 2016, the Group further acquired 30% equity interest in Kirin Wealth Management Limited (“KWM”) at a cash consideration of RMB403,000 (equivalent to HK\$450,000). After the acquisition, the Group indirectly holds 75% equity interest of KWM. KWM is principally engaged in provision of insurance brokerage service in Hong Kong.

MANAGEMENT DISCUSSION AND ANALYSIS

The Company acts as an investment holding company and the Group is principally engaged in the provision of energy saving services and sales of energy saving products in the PRC, insurance brokerage and related service and money lending service in Hong Kong, information technology service in the Philippines through its subsidiaries during the nine months ended 31 March 2017. The Group also commenced assets management service segment during the nine months ended 31 March 2017 through the acquisition of Sang Woo (Kirin) Asset Management Limited.

Financial Review

During the nine months ended 31 March 2017, the Group's turnover was approximately RMB55,228,000, representing a significantly increase of 166% as compared to the same period in the previous year (31 March 2016: approximately RMB20,784,000). Turnover for the three months ended 31 March 2017 was significantly increase of 117% to approximately RMB25,228,000 as compared the same period in 2016.

Distribution costs for the nine months ended 31 March 2017 was approximately RMB12,817,000 (31 March 2016: approximately RMB2,168,000). The increase was mainly due to additional marketing and promotion expenses incurred for the business of insurance brokerage services.

Administrative expenses for the nine months ended 31 March 2017 was approximately RMB40,112,000, representing an increase of approximately RMB19,187,000 as compared to the same period in 2016 (31 March 2016: approximately RMB20,925,000). The increase was mainly due to increase in legal and professional fee related to certain business acquisitions and disposals of the subsidiaries, salaries, operating lease rental of premises, travelling and entertainment expenses.

The Group recorded a loss of approximately RMB51,387,000 for the nine months ended 31 March 2017, representing an increase of 101% as compared to the same period in the previous year (31 March 2016: approximately RMB25,521,000). The loss is mainly attributable to the increase in distribution costs and administration expenses.

Profit Guarantee

- (1) 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\$7,350,000 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.

- (2) Reference is made to the announcement of the Company dated 8 April 2015, 12 June 2015, 23 June 2015 and 24 September 2015 in relation to the acquisition of Red Rabbit (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 Revised Guaranteed Profit for the 12 months immediately after the date of Completion shall not be less than HK\$5,000,000 and the Vendor will compensate the Purchaser for the Shortfall. The Actual Profit of not less than HK\$5,000,000 was generated for the 12 months immediately after the date of Completion. Therefore, the Revised Guaranteed Profit was met and the Company has settled the Revised Promissory Notes in October 2016.

Business Review and Prospects

The Group is 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; (iv) provision of information technology service in the Philippines; and (v) assets management services in Hong Kong and (vi) sales of live stocks in PRC during the nine months ended 31 March 2017.

The management of the Group is committed to looking for business opportunities that would generate long-term returns to the shareholders of the Company.

Capital Structure

Details of the capital structure of the Company are set out in note 6 to the unaudited condensed consolidated statements.

DIVIDENDS

The directors do not recommend the payment of any dividend for the nine months ended 31 March 2017 (2016: Nil).

EVENT AFTER REPORTING DATE

There is 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 nine months ended 31 March 2017 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.

DIRECTORS’ AND CHIEF EXECUTIVE’S INTERESTS IN SECURITIES

As at the 31 March 2017, none of the directors nor chief executives of the Company and their associates had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required 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 they were 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 maintained by the Company referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the GEM Listing Rules.

DIRECTORS' AND CHIEF EXECUTIVES' RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

As at 31 March 2017, 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' INTEREST IN SECURITIES

As at 31 March 2017, so far as was known to the Directors, the following persons (other than the Directors or chief executives of the Company as disclosed herein) had interests or short position in the shares or underlying shares which would fall to be disclosed to the Company under provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long Position in the shares

Name of Shareholder	Capacity	Number of shares interested	Approx. % to the issued share capital
Mr. Hui Chi Kwan (<i>Note</i>)	Interest in a controlled corporation	217,068,810	17.14%
Sino Ahead Holdings Limited (<i>Note</i>)	Beneficial owner	217,068,810	17.14%

Note: The interest disclosed represents the corporate interest in 217,068,810 shares held by Sino Ahead Holdings Limited which 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 31 March 2017.

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 may grant share options to the eligible persons to subscribe for such number of shares during such period of time as the Board may determine.

As at 31 March 2017, none of the Directors, employees and other eligible persons of the Company or 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.

On 12 August 2016, the Group completed the acquisition of the entire equity interest in Sang Woo (Kirin) Asset Management Limited (“KAM”), which engaged in asset management service in the Hong Kong, for a cash consideration of approximately RMB3,857,000 (equivalent to HK\$4,307,000) from an independent third party.

On 21 November 2016, the Group further acquired 30% equity interest in Kirin Wealth Management Limited (“KWM”) at a cash consideration of RMB403,000 (equivalent to HK\$450,000). After the acquisition, the Group indirectly holds 75% equity interest of KWM. KWM is principally engaged in provision of insurance brokerage service in Hong Kong.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 31 March 2017, none of the directors or the management shareholders 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 CODE OF BEST PRACTICE

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 Code on Corporate Governance Practices (“Code on CG Practices”) 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 the Non-executive Directors and 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 Non-executive Directors and 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 nine months ended 31 March 2017.

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 nine months ended 31 March 2017.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the nine months ended 31 March 2017.

By order of the Board

Chow Yik

Chairman

Hong Kong, 12 May 2017

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