



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

2018 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 2017 together with the comparative unaudited consolidated figures for the corresponding period in 2016, as set out below:

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

For the three months ended 30 September 2017

		Three months ended 30 September	
		2017	2016
	Notes	RMB'000	RMB'000
Revenue	3	11,842	12,551
Cost of sales and services		(6,770)	(6,176)
Other income		630	127
Distribution costs		(6,175)	(4,384)
Share of loss of a joint venture		—	(3)
Administrative expenses		(18,387)	(13,421)
Finance costs		(5,622)	(3,729)
		<hr/>	<hr/>
Loss before taxation		(24,482)	(15,035)
Taxation	4	(60)	(460)
		<hr/>	<hr/>
Loss for the period		(24,542)	(15,495)
Other comprehensive expense			
Item that may be reclassified subsequently to profit or loss:			
Exchange difference arising from translation of financial statements of foreign operations		(1,565)	398
		<hr/>	<hr/>
Total comprehensive expenses for the period		(26,107)	(15,097)
		<hr/> <hr/>	<hr/> <hr/>

		Three months ended	
		30 September	
		2017	2016
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Loss for the period attributable to:			
— Equity shareholders of the Company		(23,812)	(14,782)
— Non-controlling interests		(730)	(713)
		<u>(24,542)</u>	<u>(15,495)</u>
Total comprehensive expenses for the period attributable to:			
— Equity shareholders of the Company		(25,377)	(14,384)
— Non-controlling interests		(730)	(713)
		<u>(26,107)</u>	<u>(15,097)</u>
			(Restated)
Loss per share			
Basic and diluted	5	<u>(1.02) cents</u>	<u>(1.06) 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 PRESENTATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements for the three months ended 30 September 2017 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 2017.

The unaudited condensed consolidated financial statements are presented in Renminbi (“RMB”) which is different from the functional currency of the Company, Hong Kong dollars (“HK\$”), as the Directors consider that RMB is the most appropriate presentation currency in view of the convenience of the consolidated financial statements users.

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 livestocks.

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) Asset management and securities brokerage services;
- (d) Money lending services;
- (e) Information technology services; and
- (f) Sales of livestocks.

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

	Three months ended	
	30 September	
	2017	2016
	RMB'000	RMB'000
Sales of energy savings services and related products	2,668	708
Insurance brokerage and related services income	5,083	7,538
Information Technology service income	1,207	1,406
Money lending service income	2,884	2,899
	<hr/> 11,842 <hr/>	<hr/> 12,551 <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 2017 of approximately RMB23,812,000 (2016: approximately RMB14,782,000) and the weighted average number of 2,340,765,571 (2016: 1,390,960,118 (Restated)) ordinary shares in issue during the period.

The comparative figures for the basic loss per share for the three months ended 30 September 2017 are restated to take into account of the effect of the rights issue completed during the three months ended 30 September 2017 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 2017 and 2016.

6. RESERVES

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 30 September 2017

	Attributable to equity shareholders of the Company					Total RMB'000	Non- controlling interests RMB'000	Total equity RMB'000
	Share capital RMB'000	Share premium RMB'000	Translation reserve RMB'000	Other reserve RMB'000	Accumulated losses RMB'000			
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>—</u>	<u>(196,273)</u>	<u>88,491</u>	<u>1,079</u>	<u>89,570</u>
At 1 July 2017	53,148	220,709	12,480	26	(267,937)	18,426	582	19,008
Loss for the period	—	—	—	—	(23,812)	(23,812)	(730)	(24,542)
Exchange difference arising from translation of financial statements of foreign operations	—	—	(1,565)	—	—	(1,565)	—	(1,565)
Total comprehensive expenses for the period	—	—	(1,565)	—	(23,812)	(25,377)	(730)	(26,107)
Issue of shares, under the right issue, net of expenses (Note a)	<u>134,894</u>	<u>51,126</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>186,020</u>	<u>—</u>	<u>186,020</u>
At 30 September 2017	<u>188,042</u>	<u>271,835</u>	<u>10,915</u>	<u>26</u>	<u>(291,749)</u>	<u>179,069</u>	<u>(148)</u>	<u>178,921</u>

Note:

- (a) Pursuant to an ordinary resolution passed at a special general meeting of the Company on 6 July 2017, the shareholders of the Company have approved the increase in authorised share capital of the Company from HK\$150,000,000 (divided into 3,000,000,000 shares of a par value of HKD0.05 per share) to HK\$500,000,000 (divided into 10,000,000,000 shares of a par value of HKD0.05 per share) by the creation of an additional 7,000,000,000 unissued shares that rank pari passu with all existing shares. Details are set out in the announcements dated 16 May 2017 and 6 July 2017.

On 10 August 2017, the Company issued and allotted 3,166,918,125 rights shares at a price of HKD0.07 per rights share on the basis of five rights shares for every two existing shares to subscribers. Details are set out in the announcements dated 16 May 2017, 6 July 2017 and 9 August 2017.

7. EVENTS AFTER THE REPORTING PERIOD

On 31 October 2017, the Group and an independent third party entered into a sale and purchase agreement to dispose certain subsidiaries which were engaged in the provision of energy saving solutions and sale of energy saving products at an aggregate cash consideration of HK\$1,200,000. Details are set out in the announcements dated 31 October 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

The Company acts as an investment holding company and the Group was principally engaged in (a) the provision of energy saving solutions and the sale of related products in Mainland China; (b) the provision of insurance brokerage and related services in Hong Kong; (c) the provision of asset management services in Hong Kong; (d) the provision of money lending services in Hong Kong; (e) the provision of information technology services in the Philippines; and (f) livestock business in Mainland China during the three months ended 30 September 2017.

Business Review

Provision of energy saving solutions and the sale of related products

The performance of energy saving business was significantly influenced by the competitive price of crude oil and the continuous decline in real estate sales in Mainland China. Given the poor performance of the energy saving business, the Company disposed two subsidiaries which was engaged in the provision of energy saving solutions and sale of energy saving products on 31 October 2017.

Provision of insurance brokerage and related services

The turnover decreased by 32.6% to approximately RMB5,083,000. The decrease in turnover was mainly due to increasing market competition of insurance industry in Hong Kong during recent years, the growth of our insurance brokerage business slowed down during the period.

The Company has currently identified several overseas markets including but not limited to Japan, the Philippines and Thailand for the geographical expansion of its business.

Asset management services

The Company expanded into the business of asset management service as part of its plan to transform itself into a financial conglomerate. This new segment did not have any revenue for the three months ended 30 September 2017 as it was still in a setting up stage.

Money lending business

Benefited from its successful marketing campaign, the Company will continue with its marketing campaign so as to get further market share in the money lending industry.

Livestocks business

The Group is constantly exploring opportunities in the diversification of business risk with a view to maximizing returns to the Group and the shareholders of the Company as a whole in the long run. As part of the Company's diversification plan, the Company has expanded into the industry of livestock business through developing the farms in Mainland China. It is expected that the facilities will commence their operations in the second half of 2017 and the livestock business will begin in 2018.

Information technology service

The information technology service business mainly includes the provision of online gaming platforms and software applications in the Philippines. The segment revenue decreased from approximately RMB1,406,000 for the three months ended 30 September 2016 to RMB1,207,000 for the three months ended 30 September 2017. The decrease is mainly attributable to the increase in urgent maintenance services provided in the corresponding period in 2016.

Financial Review

The Group's turnover decreased from approximately RMB12,551,000 for the three months ended 30 September 2016 to approximately RMB11,842,000 for the three months ended 30 September 2017, representing a decrease of approximately RMB709,000 or 5.6%. The decrease in the Group's turnover for the three months ended 30 September 2017 was mainly because of the decrease in revenue from the provision of insurance brokerage and related services.

The distribution costs for the period ended 30 September 2017 increased significantly by approximately 9.6% to approximately RMB6,176,000, as compared to previous year (2016: approximately RMB4,384,000). Increase in distribution costs was mainly due to the decrease of marketing expenses.

Administrative expenses for the period ended 30 September 2017 was approximately RMB18,387,000, an increase approximately RMB4,966,000 or 37.0% as compared with the previous year (2016: approximately RMB13,421,000). The increase in administrative expenses was due mainly to increase in operating lease rentals of promises, training, travelling and entertainment expenses.

The finance costs for the three months ended 30 September 2017 increased significantly by approximately 50.8% to approximately RMB5,622,000 as compared to previous year (2016: approximately RMB3,729,000). 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 RMB24,542,000 for the three months ended 30 September 2017, representing a increase of approximately RMB9,047,000 or 58.4% as compared to the previous year (2016: approximately RMB15,495,000). Significant increase in net loss was a result of the increases in administrative expenses, distribution costs and finance costs.

Loss per share for the three months ended 30 September 2017 was RMB1.02 cents (2016: RMB1.06 cents (Restated)).

Prospects

The Group is taking positive steps to restructure the Group's business operations in order to maximise the returns to the shareholders of the Company.

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

Details of changes in capital structure of the Company during the three months ended 30 September 2017 are set out in note 6(a) to the financial statements.

DIVIDENDS

The directors do not recommend the payment of any dividend for the period ended 30 September 2017 (30 September 2016: 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 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 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

Capital Raising

On 10 August 2017, the Company issued and allotted 3,166,918,125 rights shares at a price of HKD0.07 per rights share on the basis of five rights shares for every two existing shares to subscribers. Details are set out in the announcements dated 16 May 2017, 6 July 2017 and 9 August 2017.

Acquisitions

- (a) On 6 April 2016, the Company entered into a non-legally binding memorandum of understanding with an independent third party and paid the refundable deposit of HK\$6,750,000 (equivalent to approximately RMB5,737,000) for the acquisition of a business, which is principally engaged in provision of taxi service in Philippines. The Company further entered into a formal agreement for sale and purchase with the same independent third party to finalise this acquisition, this aforesaid acquisition was completed on 1 September 2017.

- (b) On 13 September 2016, the Group entered into a non-legally binding memorandum of understanding with an independent third party and paid the refundable deposit of RMB4,209,000 for the acquisition of a business, which is principally engaged in provision of public relation services. The Group further entered into a sale and purchase agreement with the same independent third party to acquire 40% equity interest in aforesaid business related to public relation services. This aforesaid acquisition was completed on 15 September 2017.

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in note 7 to the financial statements, the Company has no material events after the reporting period.

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 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.

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 2017, 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 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

As at 30 September 2017, 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	759,740,835 (L)	17.14%
Mr. Hui Chi Kwan (Note 2)	Interest in a controlled corporation	759,740,835 (L)	17.14%

Notes:

1. The Letter "L" – denotes a long position in shares.
2. The interest disclosed represents the corporate interest in 759,740,835 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 2017.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 30 September 2017, 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 emphasise 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 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 three months ended 30 September 2017.

By order of the Board

Chow Yik

Chairman

Hong Kong, 10 November 2017

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.