



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

2019 Interim Report



A Step Forward, A Leap for Life

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

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Main Board of 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.

Given the emerging nature of companies listed on GEM are generally small and mid-sized companies, 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.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

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.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 31 December 2018

	Notes	Three months ended 31 December		Six months ended 31 December	
		2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited and restated)	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited and restated)
Continuing operations					
Revenue	3	24,258	11,029	44,254	20,376
Cost of sales and services		(11,068)	(1,452)	(27,158)	(6,039)
Other income		279	70	288	70
Distribution costs		(2,024)	(2,180)	(8,188)	(9,360)
Share of profit (loss) of an associate		82	(187)	395	(187)
Impairment loss on loan receivables		(521)	–	(521)	–
Impairment loss on trade and other receivables		(88)	–	(88)	–
Administrative and other expenses		(4,229)	(9,081)	(17,659)	(29,780)
Finance costs	4	(5,730)	(10,812)	(13,265)	(17,441)
Profit (loss) before taxation		959	(12,613)	(21,942)	(42,361)
Taxation	5	(164)	(2)	(164)	–
Profit (loss) for the period	6	795	(12,615)	(22,106)	(42,361)
Discontinued operation					
Profit for the period from discontinued operation	7	9,009	25,462	10,269	23,630
Profit (loss) for the period		9,804	12,847	(11,837)	(18,731)
Other comprehensive income (expense) for the period					
<i>Items that may be reclassified subsequently to profit or loss:</i>					
Exchange difference arising from translation of financial statements of foreign operations		1,469	241	507	(363)
Exchange reserve released upon disposal of subsidiaries		(803)	(8,703)	(803)	(8,703)
		666	(8,462)	(296)	(9,066)
Total comprehensive income (expense) for the period		10,470	4,385	(12,133)	(27,797)

	Note	Three months ended 31 December		Six months ended 31 December	
		2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited and restated)	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited and restated)
Profit (loss) for the period attributable to:					
– Equity shareholders of the Company		7,857	12,928	(7,973)	(19,510)
– Non-controlling interests		1,947	(81)	(3,864)	779
		<u>9,804</u>	<u>12,847</u>	<u>(11,837)</u>	<u>(18,731)</u>
Total comprehensive income (expense) for the period attributable to:					
Equity shareholders of the Company					
– continuing operations		1,102	(21,026)	(16,333)	(52,253)
– discontinued operation		7,421	25,492	8,064	23,677
		<u>8,523</u>	<u>4,466</u>	<u>(8,264)</u>	<u>(28,576)</u>
Non-controlling interests					
– continuing operations		359	(51)	(6,069)	826
– discontinued operation		1,588	(30)	2,205	(47)
		<u>1,947</u>	<u>(81)</u>	<u>(3,864)</u>	<u>779</u>
		<u>10,470</u>	<u>4,385</u>	<u>(12,133)</u>	<u>(27,797)</u>
		HK\$	HK\$ (Restated)	HK\$	HK\$ (Restated)
Earnings (loss) per share					
From continuing and discontinued operations					
Basic and diluted	9	<u>3.54 cents</u>	6.88 cents	<u>(3.6 cents)</u>	<u>(10.39 cents)</u>
From continuing operations					
Basic and diluted		<u>0.2 cents</u>	(6.69 cents)	<u>(7.23 cents)</u>	<u>(22.99 cents)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Notes	31/12/2018 HK\$'000 (Unaudited)	30/6/2018 HK\$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	10	4,143	4,994
Prepaid lease payment		2,392	2,556
Intangible asset	11	–	3,420
Goodwill	12	2,842	2,842
Deposits paid for rental		857	1,119
Interest in an associate	13	7,168	6,773
		<u>17,402</u>	<u>21,704</u>
CURRENT ASSETS			
Deposits paid for livestocks		–	2,657
Prepaid lease payment		114	119
Loan receivables	14	305,088	282,554
Consideration receivable		3,500	7,000
Deposits paid for rental		262	–
Trade and other receivables	15	27,906	33,697
Cash and bank balances	16	10,080	10,436
		<u>346,950</u>	<u>336,463</u>
CURRENT LIABILITIES			
Trade and other payables	17	45,096	38,199
Obligations under finance leases		79	437
Promissory notes	18	1,270	3,170
Corporate bonds	19	165,519	140,733
Current tax payable		118	2,287
		<u>212,082</u>	<u>184,826</u>
NET CURRENT ASSETS		<u>134,868</u>	<u>151,637</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>152,270</u>	<u>173,341</u>

		31/12/2018	30/6/2018
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Audited)
NON-CURRENT LIABILITIES			
Obligations under finance leases		4	15
Corporate bonds	19	27,984	24,049
Deferred tax liability	21	–	171
		27,988	24,235
NET ASSETS		124,282	149,106
EQUITY			
Capital and reserves attributable to equity shareholders of the Company			
Share capital	20	1,108	221,684
Reserves		137,235	(69,572)
		138,343	152,112
Non-controlling interests		(14,061)	(3,006)
TOTAL EQUITY		124,282	149,106

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2018

	Attributable to equity shareholders of the Company								Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Contributed Surplus HK\$'000	Translation reserve HK\$'000	Other reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Non- controlling interests HK\$'000	
At 1 July 2017 (Audited and restated)	63,338	253,563	–	9,428	30	(305,148)	21,211	671	21,882
Loss for the year	–	–	–	–	–	(78,249)	(78,249)	(3,557)	(81,806)
Exchange difference arising from translation of financial statements of foreign operations	–	–	–	(506)	–	–	(506)	(120)	(626)
Release of translation reserve upon disposal of subsidiaries	–	–	–	(8,703)	–	–	(8,703)	–	(8,703)
Total comprehensive expense for the year	–	–	–	(9,209)	–	(78,249)	(87,458)	(3,677)	(91,135)
Issue of shares from rights issue (Note 20)	158,346	60,013	–	–	–	–	218,359	–	218,359
At 30 June 2018 and 1 July 2018 (Audited)	221,684	313,576	–	219	30	(383,397)	152,112	(3,006)	149,106
Transitional adjustment on the initial application of HKFRS 9 (Note 2.1)	–	–	–	–	–	(5,500)	(5,500)	–	(5,500)
Adjusted as at 1 July 2018	221,684	313,576	–	219	30	(388,897)	146,612	(3,006)	143,606
Loss for the period	–	–	–	–	–	(7,973)	(7,973)	(3,864)	(11,837)
Exchange difference arising from translation of financial statements of foreign operations	–	–	–	507	–	–	507	–	507
Disposal of a subsidiary	–	–	–	–	–	–	–	(7,191)	(7,191)
Release of translation reserve upon disposal of subsidiaries	–	–	–	(803)	–	–	(803)	–	(803)
Total comprehensive expense for the period	–	–	–	(296)	–	(7,973)	(8,269)	(11,055)	(19,324)
Cancellation of paid-up capital (Note 20)	(220,576)	–	220,576	–	–	–	–	–	–
Reduction of share premium and transfer to contributed surplus (Note 20)	–	(313,576)	313,576	–	–	–	–	–	–
At 31 December 2018 (Unaudited)	1,108	–	534,152	(77)	30	(396,870)	138,343	(14,061)	124,282

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 December 2018

	Six months ended 31 December	
	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited and restated)
Net cash used in operating activities	<u>(13,821)</u>	<u>(98,288)</u>
Investing activities		
Net cash inflow (outflow) from disposal of subsidiaries	279	(774)
Acquisition of plant and equipment	–	(679)
Interest received	–	59
Net cash from (used in) investing activities	<u>279</u>	<u>(1,394)</u>
Financing activities		
Proceeds from issuance of corporate bonds	77,710	82,136
Expenses on issuance of corporate bonds	(10,754)	(6,484)
Proceeds from issuance of shares, net of expenses	–	218,359
Interest paid	(6,360)	(5,998)
Repayment of finance leases	(369)	(256)
Repayment of promissory notes	(1,900)	(10,000)
Repayment of corporate bonds	(45,140)	(91,200)
Repayment of borrowings	–	(5,000)
Net cash from financing activities	<u>13,187</u>	<u>181,557</u>
Net increase in cash and cash equivalents	(355)	81,875
Effect of change in foreign exchange rate	(1)	(467)
Cash and cash equivalents at 1 July	<u>10,436</u>	<u>22,091</u>
Cash and cash equivalents at 31 December, represented by bank balances and cash	<u><u>10,080</u></u>	<u><u>103,499</u></u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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 GEM of the Stock Exchange.

The registered office of the Company is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The principal place of business of the Company is located at 23/F., Sang Woo Building, No. 227–228 Gloucester Road, Wan Chai, Hong Kong. The Company acts as an investment holding company and the Group is principally engaged in the provision of sales of livestock in the People’s Republic of China (the “PRC”), money lending business and provision of insurance brokerage services and assets management and securities brokerage service in Hong Kong.

The condensed consolidated interim financial information is presented in Hong Kong Dollar (“HK\$”), unless otherwise stated.

2. BASIS OF PREPARATION

The condensed consolidated interim financial statements have been prepared in accordance with the Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosure provisions of Chapter 18 of the GEM Listing Rules.

The accounting policies and methods of computation used in the preparation of the condensed consolidated interim financial statements are consistent with those adopted in the annual report for the year ended 30 June 2018 (the “2018 Annual Report”), except for the adoption of the following new and revised Hong Kong Financial Reporting Standards (“HKFRSs”), HKAS and amendments (hereinafter collectively referred to as the “new and revised HKFRSs”) which are effective for the financial year begin on or after 1 July 2018:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
Amendment to HKFRS 15	Clarifications to HKFRS 15 Revenue from Contracts with Customers
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

2. BASIS OF PREPARATION (Continued)

The unaudited condensed consolidated interim financial statements for the six months ended 31 December 2018 are presented in Hong Kong dollars (“HK\$”), which is different from the presentation currency of Renminbi (“RMB”) used in the Company’s unaudited condensed consolidated interim financial statements for the six months ended 31 December 2017 and the consolidated financial statements for the year ended 30 June 2017. Since the principal operations of the Group are conducted in Hong Kong with substantially all of its transactions denominated and settled in HK\$, the directors of the Company consider that it is more appropriate to use HK\$ as the presentation currency in presenting the operating results and financial positions of the Group. It enables the shareholders of the Company to have a more accurate picture of the Group’s financial performance.

The change in presentation currency has been applied retrospectively. The comparative figures in the unaudited condensed consolidated financial statements were then translated from RMB to HK\$ using the applicable average rates that approximated to actual rates for items in the unaudited condensed consolidated statement of profit or loss and other comprehensive income. Share capital, share premium and other reserves were translated at the exchange rate at the date when the respective amounts were determined (i.e. historical exchange rates).

Certain new standards, amendments and interpretations have been issued but are not effective for the current accounting period. The Group has not early adopted those new standards, amendments or interpretations and is in the process of making an assessment of the impact of these new standards, amendments and interpretation on its results of operations and financial position.

The preparation of condensed consolidated interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The interim financial report contains the condensed consolidated interim financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since 30 June 2018. The condensed consolidated interim financial information do not include all of the information required for full set of financial statements prepared in accordance with HKFRSs, which collectively include HKASs and Interpretations.

2. BASIS OF PREPARATION (Continued)

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the 2018 Annual Report.

2.1 Impacts and changes in accounting policies

2.1.1 Application on HKFRS 9 Financial Instruments

During the period under review, the Group has applied HKFRS 9 Financial Instruments and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for (1) the classification and measurement of financial assets and financial liabilities, (2) expected credit losses ("ECL") for financial assets and (3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9 i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 July 2018 (date of initial application) with the cumulative effect of initial application recognised at the date of initial application and has not applied the requirements to instruments that have already been derecognised as at 1 July 2018.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 Financial Instruments: Recognition and Measurement.

(a) *Key changes in accounting policies resulting from application of HKFRS 9 Classification and measurement*

Trade receivables arising from contracts with customers are initially measured in accordance with HKFRS 15.

All recognised financial assets that are within the scope of HKFRS 9 are subsequently measured at amortised cost or fair value, including unquoted equity investments measured at cost less impairment under HKAS 39.

2. BASIS OF PREPARATION (Continued)

2.1 Impacts and changes in accounting policies (Continued)

2.1.1 Application on HKFRS 9 Financial Instruments (Continued)

- (a) *Key changes in accounting policies resulting from application of HKFRS 9 Classification and measurement (Continued)*

Debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income (“FVOCI”):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value through profit or loss (“FVTPL”), except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income (“OCI”) if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 Business Combinations applies.

In addition, the Group may irrevocably designate a debt investment that meets the FVOCI criteria if doing so eliminates or significantly reduces an accounting mismatch.

Debt instruments classified as at FVOCI

Subsequent changes in the carrying amounts for debt instruments classified as at FVOCI as a result of interest income calculated using the effective interest method are recognised in profit or loss. All other changes in the carrying amount of these debt instruments are recognised in OCI and accumulated under the heading of revaluation reserve. Impairment allowance are recognised in profit or loss with corresponding adjustment to OCI without reducing the carrying amounts of these debt instruments. The amounts that are recognised in profit or loss are the same as the amounts that would have been recognised in profit or loss if these debt instruments had been measured at amortised cost. When these debt instruments are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

2. BASIS OF PREPARATION (Continued)

2.1 Impacts and changes in accounting policies (Continued)

2.1.1 Application on HKFRS 9 Financial Instruments (Continued)

- (a) *Key changes in accounting policies resulting from application of HKFRS 9 Classification and measurement (Continued)*

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVOCI or designated as FVOCI are measured at FVTPL. Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the “revenue” line item.

Equity instruments designated as at FVOCI

At the date of initial application/initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVOCI.

Investment in equity instruments at FVOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in OCI and accumulated in the FVOCI reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to accumulated losses.

Dividend on these investments in equity instruments are recognised in profit or loss when the Group’s right to receive the dividends is established in accordance with HKFRS 9, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the “other income” line item in profit or loss.

2. BASIS OF PREPARATION (Continued)

2.1 Impacts and changes in accounting policies (Continued)

2.1.1 Application on HKFRS 9 Financial Instruments (Continued)

- (a) *Key changes in accounting policies resulting from application of HKFRS 9 Classification and measurement (Continued)*

Impairment under ECL model

The directors of the Company reviewed and assessed the Group's financial assets as at 1 July 2018 based on the facts and circumstances that existed at that date. Changes in classification and measurement on the Group's financial assets and the impacts thereof are detailed in note 2.1.1(b). The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade and other receivables and loan receivables). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions. The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

2. BASIS OF PREPARATION (Continued)

2.1 Impacts and changes in accounting policies (Continued)

2.1.1 Application on HKFRS 9 Financial Instruments (Continued)

- (a) *Key changes in accounting policies resulting from application of HKFRS 9 Classification and measurement (Continued)*

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition.

In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

For trade and loan and interest receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

2. BASIS OF PREPARATION (Continued)

2.1 Impacts and changes in accounting policies (Continued)

2.1.1 Application on HKFRS 9 Financial Instruments (Continued)

- (a) *Key changes in accounting policies resulting from application of HKFRS 9 Classification and measurement (Continued)*

Measurement and recognition of ECL (Continued)

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

Except for investments in debt instruments that are measured at FVOCI, the Group recognizes an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables and other receivables where the corresponding adjustment is recognised through a loss allowance account. For investments in debt instruments that are measured at FVOCI, the loss allowance is recognised in OCI and accumulated in the FVOCI reserve without reducing the carrying amounts of these debt instruments. As at 1 July 2018, the directors of the Company reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9. The results of the assessment and the impact thereof are detailed as below.

2. BASIS OF PREPARATION (Continued)

2.1 Impacts and changes in accounting policies (Continued)

2.1.1 Application on HKFRS 9 Financial Instruments (Continued)

(b) Summary of effects arising from initial application of HKFRS 9

The table below illustrates the classification and measurement (including impairment) of financial assets and financial liabilities and other items subject to ECL under HKFRS 9 and HKAS 39 at the date of initial application, 1 July 2018.

	Loan receivables <i>HK\$'000</i>	Trade and other receivables <i>HK\$'000</i>	Effect on accumulated losses <i>HK\$'000</i>
Closing balance at 30 June 2018			
– HKAS 39	282,554	33,697	(383,397)
Effect arising from initial application of HKFRS 9: Additional provision for impairment	<u>(5,216)</u>	<u>(284)</u>	<u>(5,500)</u>
Opening balance at 1 July 2018	<u>277,338</u>	<u>33,413</u>	<u>(388,897)</u>

While cash and cash equivalents and other financial assets at amortised cost are also subject to the impairment requirements of HKFRS 9, no impairment loss was identified.

2. BASIS OF PREPARATION (Continued)

2.1 Impacts and changes in accounting policies (Continued)

2.1.2 Application on HKFRS 15 Revenue from Contracts with Customers

The Group has applied HKFRS 15 for the first time in the period under review. HKFRS 15 superseded HKAS 18 Revenue, HKAS 11 Construction Contracts and the related interpretations.

The Group recognises revenue from rendering of services and sale of livestock. Sales are recognised when control of the products has transferred, being when the products are delivered and the customers and title has passed.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 July 2018. Any difference at the date of initial application is recognised in the opening retained profits (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 July 2018 and has used the practical expedient for all contract modifications that occurred before the date of initial application, the aggregate effect of all of the modifications was reflected at the date of initial application. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 Revenue and HKAS 11 Construction Contracts and the related interpretations.

(a) Key changes in accounting policies resulting from application of HKFRS 15

HKFRS 15 introduces a 5-step approach when recognising revenue:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation

2. BASIS OF PREPARATION (Continued)

2.1 Impacts and changes in accounting policies (Continued)

2.1.2 Application on HKFRS 15 Revenue from Contracts with Customers (Continued)

(a) *Key changes in accounting policies resulting from application of HKFRS 15 (Continued)*

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group’s performance as the Group performs;
- the Group’s performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group’s performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group’s right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group’s unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

2. BASIS OF PREPARATION (Continued)

2.1 Impacts and changes in accounting policies (Continued)

2.1.2 Application on HKFRS 15 Revenue from Contracts with Customers (Continued)

- (a) *Key changes in accounting policies resulting from application of HKFRS 15 (Continued)*

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

The Group has concluded that the initial application of HKFRS 15 does not have a significant impact on the Group's revenue recognition.

Except as described above, the application of amendments to HKFRSs in the period under review has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated interim financial statements.

3. REVENUE AND SEGMENT INFORMATION

Information are reported to the executive directors of the Company, being the chief operating decision makers, for the purposes of resource allocation and assessment of segment performance. No operating segments identified by the chief operating decision makers have been aggregated in arriving at the reporting segments of the Group. The Group is principally engaged in provision of insurance brokerage service, assets management and securities brokerage service, money lending service and sales of livestocks. Specifically, the Group's reportable segments same as the operating segments under HKFRS 8 are as follows:

- (a) Insurance brokerage and related service;
- (b) Assets management and securities brokerage service;
- (c) Money lending service; and
- (d) Sales of livestocks.

3. REVENUE AND SEGMENT INFORMATION (Continued)

During the six months ended 31 December 2018, the operation of information technology service was discontinued upon the disposal of subsidiary, Red Rabbit International Technology, Inc., (“Red Rabbit”). Details are set out in notes 7(b) and 22(b).

During the six months ended 31 December 2017, the operating segment regarding the energy saving service and sale of related products business was discontinued as a result of disposal of Easy Union Holdings Limited (“Easy Union”) and Huntop Trading Limited (“Huntop”). Details are set out in notes 7(a) and 22(a).

The following is an analysis of the Group’s revenue and results by reportable and operating segments:

For the six months ended 31 December (Unaudited)

	2018					2017 (Restated)						
	Assets management and related service		securities brokerage	Money lending service	Sale of livestock	Total	Assets management and related service		securities brokerage	Money lending service	Sale of livestock	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	30,096	4,395	9,763	-	44,254	12,743	-	7,430	203		20,376	
Segment (loss) profit	(7,095)	2,439	9,124	(4,059)	409	(8,348)	(1,745)	7,005	12		(3,076)	
Unallocated corporate expenses					(9,481)							(21,727)
Unallocated other income					-							70
Share of loss of an associate					395							(187)
Finance costs					(13,265)							(17,441)
Loss before taxation					(21,942)							(42,361)

3. REVENUE AND SEGMENT INFORMATION (Continued)

For the three months ended 31 December (Unaudited)

	2018					2017 (Restated)				
	Insurance brokerage and related service HK\$'000	Assets management and securities brokerage service HK\$'000	Money lending service HK\$'000	Sale of livestocks HK\$'000	Total HK\$'000	Insurance brokerage and related service HK\$'000	Assets management and securities brokerage service HK\$'000	Money lending service HK\$'000	Sale of livestocks HK\$'000	Total HK\$'000
Revenue	15,117	4,206	4,935	-	24,258	6,779	-	4,047	203	11,029
Segment (loss) profit	(222)	3,333	4,811	(828)	7,094	(766)	(820)	3,823	8	2,245
Unallocated corporate expenses					(487)					(3,929)
Unallocated other income					-					70
Share of profit (loss) of an associate					82					(187)
Finance costs					(5,730)					(10,812)
Loss before taxation					959					(12,613)

Segment loss represents the loss incurred for or profit earned by each segment without allocation of central administration costs, directors' salaries, finance costs, income tax expenses, share of loss of an associate and other income. This is the measure reported to the board of directors, being the chief operating decision makers, for the purposes of resource allocation and assessment of segment performance.

3. REVENUE AND SEGMENT INFORMATION (Continued)

The following is an analysis of the Group's assets and liabilities by reportable and operating segments:

	31/12/2018 (Unaudited)					30/06/2018 (Audited and restated)				
	Assets management and					Assets management and				
	Insurance brokerage and related service	securities brokerage service	Money lending service	Sale of livestock	Total	Insurance brokerage and related service	securities brokerage service	Money lending service	Sale of livestock	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
ASSETS										
Segment assets	8,464	368	324,899	6,651	340,382	5,948	19	300,968	12,832	319,767
Unallocated corporate assets					23,970					38,400
Consolidated total assets					<u>364,352</u>					<u>358,167</u>
LIABILITIES										
Segment liabilities	23,892	346	1,175	782	26,195	19,218	73	1,057	788	21,136
Unallocated corporate liabilities					213,875					187,925
Consolidated total liabilities					<u>240,070</u>					<u>209,061</u>

For the purposes of monitoring segment performance and allocating resources between segments:

- All assets are allocated to operating segments other than certain plant and equipment, interest in an associate, certain other receivables, consideration receivable and bank balances and cash as these assets are managed on a group basis.
- All liabilities are allocated to operating segments other than certain other payables, promissory notes, corporate bonds and deferred tax liability as these liabilities are managed on a group basis.

4. FINANCE COSTS

Continuing operations

	Three months ended		Six months ended	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited and restated)	(Unaudited)	(Unaudited and restated)
Interest on corporate bonds	3,436	3,298	6,310	4,919
Interest on promissory notes	–	–	–	886
Interest on borrowings	25	–	25	141
Imputed interest on corporate bonds (Note 19)	2,261	7,488	6,905	11,443
Finance charges	8	26	25	52
	<u>5,730</u>	<u>10,812</u>	<u>13,265</u>	<u>17,441</u>

5. TAXATION

Continuing operations

	Three months ended		Six months ended	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Current tax	<u>(164)</u>	<u>–</u>	<u>(164)</u>	<u>–</u>

Tax charges 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, interpretation and practices in respect thereof.

6. LOSS FOR THE PERIOD

Continuing operations

	Three months ended		Six months ended	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited and restated)	(Unaudited)	(Unaudited and restated)
Loss for the period from continuing operations have been arrived at after charging (crediting):				
Staff costs (including directors' remuneration):				
– Salaries, wages and other benefits	5,559	5,387	10,337	8,280
– Retirement benefits scheme contribution	219	186	387	373
Bank interest income	–	(59)	–	(59)
Amortisation	31	33	62	65
Depreciation of plant and equipment	124	530	251	1,034
Operating lease rentals of properties	1,236	1,260	2,472	2,601
Impairment loss on property, plant and equipment	–	1,971	–	1,971

7. DISCONTINUED OPERATION

- (a) On 31 October 2017, the Group entered into a sale and purchase agreement with an independent third party to dispose of the entire equity interests in its subsidiaries, Easy Union and Huntup, which carried out all of the Group's energy saving service and sales of related products ("Energy Saving"). The disposal was completed on 31 October 2017, on which date control of the operations of Energy Saving was passed to the acquirer. Its results are presented in these condensed consolidated interim financial statements as discontinued operations.

7. DISCONTINUED OPERATION (Continued)

(a) (Continued)

Financial performance and cash flow information

The financial performance and cash flow information of Energy Saving presented are set out below. The comparative loss and cash flows from discontinued operations have been restated to include the operations classified as discontinued in the following period.

	1/7/2017 to 31/10/2017 HK\$'000
Revenue	3,146
Cost of sales	(2,942)
Other income	744
Distribution costs	(14)
Administrative and other expenses	(89)
	<hr/>
Profit before taxation from discontinued operations	845
Taxation	–
	<hr/>
Profit after taxation from discontinued operations	845
Gain on disposal of subsidiaries after taxation (<i>Note 22(a)</i>)	22,882
	<hr/>
Profit for the period from discontinued operations	23,727
	<hr/> <hr/>
Profit (loss) for the period from discontinued operations include the followings:	
Staff costs	70
	<hr/>
Other comprehensive expense for the period from discontinued operations	
Exchange differences on translation of discontinued operations	(8,703)
	<hr/> <hr/>
The cash flows of the discontinued operation are as follows:	
Net cash inflow from operating activities	1,500
	<hr/>
Total cash flows	1,500
	<hr/> <hr/>

The carrying amounts of assets and liabilities of Energy Saving at the date of disposal are set out in note 22(a).

7. DISCONTINUED OPERATION (Continued)

- (b) On 27 December 2018, the Group entered into a sale and purchase agreement with an independent third party to dispose of the entire equity interests in its subsidiary, Red Rabbit, which carried out all of the Group's information technology service ("Information Technology"). The disposal was completed on 31 December 2018, on which date control of the operations of Information Technology was passed to the acquirer. Its results are presented in these condensed consolidated interim financial statements as discontinued operations.

The results of the business of Information Technology for the period from 1 July 2018 to 31 December 2018 and the six months ended 31 December 2017, which have been included in the condensed consolidated statement of profit or loss and other comprehensive income, were as follows:

	1/7/2018– 31/12/2018	1/7/2017– 31/12/2017
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited and restated)
Revenue	5,967	2,888
Cost of sales	(1,200)	(888)
Distribution costs	(75)	–
Administrative and other expenses	(1,445)	(1,953)
	<hr/>	<hr/>
Profit before taxation from discontinued operation	3,247	47
Taxation	(298)	(144)
	<hr/>	<hr/>
Profit (loss) after taxation from discontinued operation	2,949	(97)
Gain on disposal of a subsidiary after taxation (<i>Note 22(b)</i>)	7,320	–
	<hr/>	<hr/>
Profit (loss) for the period from discontinued operation	10,269	(97)
	<hr/>	<hr/>
Profit (loss) for the period from discontinued operation include the following:		
Amortization	760	760
Depreciation	383	455
	<hr/>	<hr/>
Other comprehensive income for the period from discontinued operations		
Exchange differences on translation of discontinued operations	748	–
	<hr/>	<hr/>
The cash flows of the discontinued operation are as follows:		
Net cash outflow from operating activities	(196)	(54)
	<hr/>	<hr/>
Total cash outflow	(196)	(54)
	<hr/>	<hr/>

The carrying amounts of assets and liabilities of Information Technology at the date of disposal are set out in note 22(b).

8. INTERIM DIVIDEND

No dividend was paid, declared or proposed during the interim period. The directors of the Company have determined that no dividend will be paid in respect of the six months ended 31 December 2018 (six months ended 31 December 2017: nil).

9. EARNINGS (LOSS) PER SHARE

Continuing and discontinued operations

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

	Three months ended		Six months ended	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited and restated)	(Unaudited)	(Unaudited and restated)
Profit (loss) for the period attributable to the owners of the Company	<u>7,857</u>	<u>12,928</u>	<u>(7,973)</u>	<u>(19,510)</u>
	'000	'000 (Restated)	'000	'000 (Restated)

Number of shares

Weighted average number of ordinary shares for the purpose of basic loss per share	<u>221,684</u>	<u>187,814</u>	<u>221,684</u>	<u>187,814</u>
--	----------------	----------------	----------------	----------------

The diluted earnings (loss) per share is equal to the basic earnings (loss) per share as there were no dilutive potential ordinary shares outstanding during the six months ended 31 December 2018 (2017: nil).

The comparative figures for the basic earnings (loss) per share for the three months and six months ended 31 December 2018 are restated to take into account of the effect of the share consolidation completed during the period ended 31 December 2018 as if they had been taken place since the beginning of the comparative period.

9. EARNINGS (LOSS) PER SHARE (Continued)

Continuing operations

The calculation of basic and diluted earnings (loss) per share from continuing operations attributable to the owners of the Company is based on the following data:

	Three months ended		Six months ended	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited and restated)	(Unaudited)	(Unaudited and restated)
Profit (loss) for the period attributable to the owners of the Company	7,857	12,928	(7,973)	(19,510)
Less: profit for the period from discontinued operation	<u>(7,421)</u>	<u>(25,492)</u>	<u>(8,064)</u>	<u>(23,677)</u>
Profit (loss) for the purpose of basic and diluted earnings (loss) per share from continuing operations	<u>436</u>	<u>(12,564)</u>	<u>(16,037)</u>	<u>(43,187)</u>

The denominators used are the same as those detailed above for both basic and diluted earnings (loss) per share.

Discontinued operation

Basic and diluted earnings per share for the discontinued operation for the six months ended 31 December 2018 is HK\$3.64 cents (31 December 2017: profit of approximately HK\$12.61 cents per share), based on profit of approximately HK\$8,064,000 for the period attributable to the owners of the Company from the discontinued operation for the period ended 31 December 2018 (31 December 2017: profit of approximately HK\$23,677,000) and the denominators used are the same as those detailed above for both basic and diluted earnings per share.

Diluted earnings (loss) per share was the same as the basic earnings (loss) per share for both continuing and discontinued operations as there were no potential dilutive ordinary shares outstanding during the six months ended 31 December 2018 and 2017.

10. MOVEMENT IN PROPERTY, PLANT AND EQUIPMENT

During the six months ended 31 December 2018, the Group acquired certain property, plant and equipment at the cost of nil (six months ended 31 December 2017: approximately HK\$660,000), and depreciation and impairment loss of approximately HK\$634,000 and nil were recognised respectively (six months ended 31 December 2017: HK\$1,995,000 and HK\$2,005,000 respectively).

11. MOVEMENT IN INTANGIBLE ASSET

During the six months ended 31 December 2018, the amortisation of approximately HK\$760,000 (six months ended 31 December 2017: approximately HK\$760,000) was recognised and the carrying amount of intangible asset of approximately HK\$2,660,000 was disposed of, details as set out in note 22(b).

The customer service contract has definite lives and is amortised on a straight-line basis over its useful life of 5 years.

12. GOODWILL

HK\$'000

COST

At 1 July 2017 (Audited and restated), 30 June 2018 and 1 July 2018 (Audited)	39,256
Disposal of a subsidiary (<i>Note 22(b)</i>)	(20,705)
At 31 December 2018 (Unaudited)	18,551

ACCUMULATED IMPAIRMENT LOSSES

At 1 July 2017 (Audited and restated)	11,451
Impairment loss for the years	24,963
At 30 June 2018, 1 July 2018 (Audited)	36,414
Disposal of a subsidiary (<i>Note 22(b)</i>)	(20,705)
At 31 December 2018 (Unaudited)	15,709

NET BOOK VALUE

At 31 December 2018 (Unaudited)	2,842
At 30 June 2018 (Audited)	2,842

12. GOODWILL (Continued)

The net carrying amount of goodwill was allocated to cash generating unit (“CGU”) as follows:

	31/12/2018 <i>HK\$'000</i> (Unaudited)	30/6/2018 <i>HK\$'000</i> (Audited)
Information technology service	–	–
Assets management service	–	–
Money lending service	2,842	2,842
Insurance brokerage service	–	–
	<hr/> 2,842 <hr/>	<hr/> 2,842 <hr/>

13. INTEREST IN AN ASSOCIATE

	31/12/2018 <i>HK\$'000</i> (Unaudited)	30/6/2018 <i>HK\$'000</i> (Audited)
Cost of investment in an unlisted associate	4,700	4,700
Share of post-acquisition loss and other comprehensive expense	2,468	2,073
	<hr/> 7,168 <hr/>	<hr/> 2,073 <hr/>

On 15 September 2017, the Group entered into a sale and purchase agreement with an independent third party to acquire the entire interests in Aritza Holdings Limited (“Aritza”) at a cash consideration of HK\$4,700,000. Aritza is an investment holding company holding a single investment of 40% equity interests in an associate, One PR Limited (“One PR”), which is principally engaged in provision of public relation services.

13. INTEREST IN AN ASSOCIATE (Continued)

Set out below are the particulars of the associate as at 31 December 2018.

Name of Company	Form of entity	Place of incorporation and principal of business	Particulars of issued and paid up capital	Percentage of nominal value of issued capital and held by the Group		Principal activities
				31/12/2018	30/6/2018	
One PR Limited	Limited by shares company	Hong Kong	10,000 ordinary shares	40%	40%	Financial marketing and event promotion

Included in the cost of investment in an unlisted associate is goodwill of approximately HK\$4,648,000 arising on the acquisition of an unlisted associate during the year ended 30 June 2018.

The summary financial information in respect of the Group's interest in an associate which is accounted for using the equity method is set out below:

	31/12/2018 <i>HK\$'000</i>	30/6/2018 <i>HK\$'000</i>
Current assets	<u>7,492</u>	<u>6,495</u>
Non-Current assets	<u>4</u>	<u>12</u>
Current liabilities	<u>1,196</u>	<u>1,196</u>
Net assets	<u>6,300</u>	<u>5,311</u>
Group's share of net assets of associate	<u>2,520</u>	<u>2,125</u>

13. INTEREST IN AN ASSOCIATE (Continued)

	1/7/2018 to 31/12/2018 <i>HK\$'000</i>	Since acquisition to 30/6/2018 <i>HK\$'000</i>
Revenue	<u>1,000</u>	<u>6,395</u>
Profit and other comprehensive income for the period	<u>989</u>	<u>5,182</u>
Total comprehensive income	<u>989</u>	<u>5,182</u>
Group's share of profit and other comprehensive income of associate for the period	<u>395</u>	<u>2,073</u>

There was no dividend received from the associate during the six months ended 31 December 2018 (year ended 30 June 2018: Nil).

14. LOAN RECEIVABLES

	31/12/2018 <i>HK\$'000</i> (Unaudited)	30/6/2018 <i>HK\$'000</i> (Audited)
Unsecured, fixed rate loan receivables	319,325	291,054
<i>Less:</i> Allowance for impairment – Individually assessed	<u>(14,237)</u>	<u>(8,500)</u>
	<u>305,088</u>	<u>282,554</u>

14. LOAN RECEIVABLES (Continued)

The movements in provision for impairment of loan receivables of the Group are as follows:

	31/12/2018 <i>HK\$'000</i> (Unaudited)	30/6/2018 <i>HK\$'000</i> (Audited)
At beginning of period/ year	8,500	8,500
Initial application of HKFRS 9 (<i>Note 2.1.1(b)</i>)	5,216	–
Adjusted balance	13,716	8,500
Impairment loss recognised	521	–
At end of period/ year	14,237	8,500

The majority of loan receivables carried at 7% (30 June 2018: 7%–12%) interest rate per annum.

The loan receivables are due for settlement at the date specified in the respect loan agreements. The amount of unsecured loan receivables of approximately HK\$305,088,000 (30 June 2018: HK\$282,554,000) is neither past due nor impaired.

15. TRADE AND OTHER RECEIVABLES

	31/12/2018 <i>HK\$'000</i> (Unaudited)	30/6/2018 <i>HK\$'000</i> (Audited)
Trade receivables	6,988	14,209
Interest receivables	20,323	15,711
<i>Less:</i> Allowance for impairment	<u>(1,491)</u>	<u>(1,119)</u>
	<u>25,820</u>	<u>28,801</u>
Other receivables	<u>544</u>	<u>2,740</u>
Prepayments, rental and other deposits	<u>1,542</u>	<u>2,156</u>
	<u><u>27,906</u></u>	<u><u>33,697</u></u>

The Group allows an average credit period normally 90 days (30 June 2018: 90 days) to its trade customers. The following is an ageing analysis of trade and interest receivables (net of allowance for doubtful debt) presented based on the invoice date at the end of the reporting period, which approximates the respective revenue recognition date.

	31/12/2018 <i>HK\$'000</i> (Unaudited)	30/6/2018 <i>HK\$'000</i> (Audited)
0 to 3 months	25,820	27,529
4 to 6 months	–	1,254
7 to 12 months	–	14
Over 1 year	<u>–</u>	<u>4</u>
	<u><u>25,820</u></u>	<u><u>28,801</u></u>

15. TRADE AND OTHER RECEIVABLES (Continued)

The movements in provision for impairment of trade and other receivables of the Group are as follows:

	Trade receivables	
	31/12/2018	30/6/2018
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
At beginning of period/ year	956	21,963
Impairment loss recognised	–	956
Disposal of subsidiaries	–	(21,963)
	<hr/>	<hr/>
At end of period/ year	956	956
	<hr/> <hr/>	<hr/> <hr/>
	Interest receivables	
	31/12/2018	30/6/2018
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
At beginning of period/ year	163	163
Initial application of HKFRS 9 (<i>Note 2.1.1(b)</i>)	284	–
	<hr/>	<hr/>
Adjusted balance	447	163
Impairment loss recognised	88	–
	<hr/>	<hr/>
At end of period/ year	535	163
	<hr/> <hr/>	<hr/> <hr/>

As at 31 December 2018, the Group's trade, other and interest receivables are determined individually whether they are impaired. The individually impaired receivables are recognised based on the credit history of its customers, such as financial difficulties or default in payments, and current market conditions. At 31 December 2018, trade, other and interest receivables of approximately HK\$1,491,000 (30 June 2018: HK\$1,119,000) were impaired. The amount of allowance was HK\$1,491,000 as at 31 December 2018 (30 June 2018: HK\$1,119,000).

15. TRADE AND OTHER RECEIVABLES (Continued)

The ageing analysis of the trade receivables that are not considered to be impaired is as follows:

	31/12/2018	30/6/2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Neither past due nor impaired	<u>6,032</u>	<u>13,253</u>

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

The ageing analysis of the interest receivables that are not considered to be impaired is as follows:

	31/12/2018	30/6/2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Neither past due nor impaired	18,266	15,548
Less than 3 months past due	<u>1,522</u>	<u>–</u>
	<u>19,788</u>	<u>15,548</u>

16. CASH AND CASH EQUIVALENTS

	31/12/2018 <i>HK\$'000</i> (Unaudited)	30/6/2018 <i>HK\$'000</i> (Audited)
Cash and bank balances and cash and cash equivalents as stated in the condensed consolidated statement of cash flows	10,080	10,436

Included in the cash and bank balances is an amount of approximately HK\$265,000 (30 June 2018: HK\$68,000) which arose from segregated bank balances representing money deposited by clients in the course of its insurance brokerage and securities brokerage businesses. The Group has recognised the corresponding accounts payable to respective clients.

17. TRADE AND OTHER PAYABLES

	31/12/2018 <i>HK\$'000</i> (Unaudited)	30/6/2018 <i>HK\$'000</i> (Audited)
Trade payables	35,963	28,960
Other payables and accruals	7,133	8,939
Receipt in advance	2,000	300
	45,096	38,199

The ageing analysis of trade payables presented based on the invoice date at the end of the reporting period is as follow:

	31/12/2018 <i>HK\$'000</i> (Unaudited)	30/6/2018 <i>HK\$'000</i> (Audited)
Within 1 year	34,206	28,832
Over 1 year	1,757	128
	35,963	28,960

The average credit period on purchases of goods is normally 90 days (30 June 2018: 90 days). The Group has financial risk management policies in place to ensure that all trade payables are settled within the credit timeframe.

18. PROMISSORY NOTES

On 7 September 2016, the Company issued a promissory note (“PN 1”) with principal amount of HK\$32,000,000 to an independent third party. PN 1 bears interest of 12% per annum, with maturity date of 6 March 2017, and has been subsequently extended to 5 September 2017. The Group has fully settled the PN 1 during the year ended 30 June 2018.

On 20 April 2017, the Company issued another promissory note (“PN 2”) with principal amount of HK\$8,000,000 to the same independent third party. PN 2 bears interest of 12% per annum, with maturity date of 5 September 2017. On 15 December 2017, the Company partially settled HK\$4,500,000 and issued a new promissory note (“PN 3”) with principal amount of HK\$3,500,000 to replace PN 2 to the same independent third party. PN 3 is interest-bearing at 12% per annum and matured on 15 June 2018. The Group has partially settled the PN 3 of HK\$330,000 during the year ended 30 June 2018.

The movement of the promissory notes is set out below:

	<i>HK\$'000</i>
At 1 July 2017 (Audited and restated)	40,000
Principal repaid	<u>(36,830)</u>
At 30 June 2018 and 1 July 2018 (Audited)	3,170
Principal repaid	<u>(1,900)</u>
At 31 December 2018 (Unaudited)	<u><u>1,270</u></u>

19. CORPORATE BONDS

During the six months ended 31 December 2018, the Company issued 1 year to 2 years corporate bonds with aggregate principal amounts of approximately HK\$77,710,000 to certain independent third parties. The direct expenses in relation to the issuance of such bonds were approximately HK\$10,754,000. These corporate bonds carried interest at fixed rates of 2% to 17.25% per annum with interest payable monthly or semi-annually in arrears. These corporate bonds are unsecured. The effective interest rates of these corporate bonds are ranging from 1% to 36% per annum.

During the year ended 30 June 2018, the Company issued 18 months to 5 years corporate bonds with aggregate principal amounts of HK\$96,913,000 to certain independent third parties, net of direct expenses of approximately HK\$11,715,000. These corporate bonds carried at fixed rates of 1% to 17% per annum with interest payable monthly or semi-annually in arrears. These corporate bonds are unsecured. The effective interest rates of these corporate bonds are ranging from 9.5 % to 25.88%.

	31/12/2018	30/6/2018
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Beginning of the period	164,782	167,881
Proceeds from issuance of corporate bonds	77,710	96,913
Transaction costs for corporate bonds issuance	(10,754)	(11,715)
Imputed interest (<i>Note 4</i>)	6,905	14,765
Principal repaid	(45,140)	(103,062)
	193,503	164,782
Carrying amount repayable:		
Within one year	165,519	140,733
After one year but within five years	13,694	10,208
Over five years	14,290	13,841
	193,503	164,782
<i>Less:</i> Amount shown under current liabilities	(165,519)	(140,733)
Amount shown under non-current liabilities	27,984	24,049

20. SHARE CAPITAL

	Number of shares '000	Amount HK\$'000
Authorised:		
At 1 July 2017 (ordinary shares of HK\$0.05) (Audited)	3,000,000	150,000
Increase in authorised share capital (<i>Note (a)</i>)	<u>7,000,000</u>	<u>350,000</u>
At 30 June 2018 (Audited) (ordinary shares of HK\$0.05)	10,000,000	500,000
Increase in authorised share capital (<i>Note (b)</i>)	<u>90,000,000</u>	<u>–</u>
At 31 December 2018 (unaudited) (ordinary shares of HK\$0.005)	<u>100,000,000</u>	<u>500,000</u>
Issued and fully paid:		
At 1 July 2017 (Audited) (ordinary shares of HK\$0.05)	1,266,767	63,338
Issue of shares under rights issue (<i>Note (c)</i>)	<u>3,166,918</u>	<u>158,346</u>
At 30 June 2018 (Audited) (ordinary shares of HK\$0.05)	4,433,685	221,684
Cancellation of paid-up capital (<i>Note (d)</i>)	<u>(4,212,001)</u>	<u>(220,576)</u>
At 31 December 2018 (unaudited) (ordinary shares of HK\$0.005)	<u>221,684</u>	<u>1,108</u>

(a) Increase in authorised share capital

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 HK\$0.05 per share) to HK\$500,000,000 (divided into 10,000,000,000 shares of a par value of HK\$0.05 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 announcement and circular dated 16 May 2017 and 16 June 2017.

20. SHARE CAPITAL (Continued)

(b) Increase in authorised share capital

Pursuant to an ordinary resolution passed at a special general meeting of the Company on 7 August 2018, the shareholders of the Company have approved the increase in authorised share capital of the Company was HK\$500,000,000 comprising 10,000,000,000 old shares of HK\$0.05 each, after the Capital Reorganisation, the authorised share capital of the Company was HK\$500,000,000 divided into 100,000,000,000 new shares of HK\$0.005 each. Details are set out in the announcement and circular dated 26 June 2018 and 17 July 2018.

(c) Issue of shares under rights issue

On 10 August 2017, the Company issued and allotted 3,166,918,125 rights shares at a price of HK\$0.07 per rights share on the basis of five rights shares for every two existing shares to subscribers for gross proceeds of HK\$218,359,000. The difference of HK\$60,013,000 (equivalent to approximately RMB51,126,000) between the gross proceeds of HK\$218,359,000 and the par value of shares issued of HK\$158,346,000 (equivalent to approximately RMB134,894,000) has been credited to the share premium account of the Company. Details are set out in the announcement and circular dated 16 May 2017 and 16 June 2017.

All new ordinary shares issued during the year rank pari passu in all respects with the existing shares.

(d) Capital reorganisation

Pursuant to an ordinary resolution passed at the special general meeting on 7 August 2018, the shareholders of the Company approved the capital reorganisation whereby every 20 issued and unissued shares of HK\$0.05 were consolidated into 1 consolidated share of HK\$1. Immediately upon the share consolidation became effective, the issued share capital of the Company was reduced by cancelling the paid up capital of the Company to the extent of HK\$0.995 on each of the then issued consolidated shares such that the par value of each issued consolidated share was reduced from HK\$1 to HK\$0.005.

(e) The contributed surplus of the Company represents the credit arising from a capital reduction of the Company and the contributed surplus will be used to offset accumulated losses of the Company. Any credit standing in the contributed surplus account of the Company will be used in any manner permitted by laws of Bermuda and the bye-laws of the Company.

(f) A reduction of HK\$313,576,412 standing to the credit of the share premium account of the Company and the transfer such amount to the contributed surplus account was approved by the shareholders at the special general meeting on 7 August 2018.

21. DEFERRED TAX LIABILITY

	Fair value adjustment on intangible asset arising from business combination <i>HK\$'000</i>
At 1 July 2017 (Audited and restated)	247
Charged to profit or loss	<u>(76)</u>
At 30 June 2018 and 1 July 2018 (Audited)	171
Eliminated on disposal of a subsidiary	<u>(171)</u>
At 31 December 2018 (Unaudited)	<u><u>–</u></u>

22. DISPOSAL OF SUBSIDIARIES

- (a) On 31 October 2017, the Group entered into a sale and purchase agreement with an independent third party to dispose of the entire equity interests in Easy Union and Huntop with an aggregate consideration of HK\$1,200,000, consisting of the consideration of HK\$2 for disposal of entire equity interests in these subsidiaries and HK\$1,199,998 for sale of outstanding balances that due with the Group with an amount of approximately HK\$55,278,000. The disposal was completed on 31 October 2017.

The asset and liabilities of Easy Union and Huntop at the date of disposal were as follows:

	Easy Union	Huntop	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Property, plant and equipment	–	12	12
Trade and other receivables	1,939	5,587	7,526
Bank balances and cash	346	1,628	1,974
Trade and other payables	(10,405)	(12,086)	(22,491)
Amount due with group companies	(30,365)	(24,913)	<u>(55,278)</u>
Net assets disposed of			(68,257)
Release of exchange reserve upon disposals			(8,703)
Amount due to the Group assigned			55,278
Gain on disposal of subsidiaries (<i>Note 10(b)</i>)			<u>22,882</u>
Total consideration			<u><u>1,200</u></u>
Satisfied by cash			<u><u>1,200</u></u>
Net cash outflow arising from disposal:			
Cash consideration received during the year			1,200
<i>Less:</i> Bank balances and cash disposed of			<u>(1,974)</u>
			<u><u>(774)</u></u>

22. DISPOSAL OF SUBSIDIARIES (Continued)

- (b) On 27 December 2018, the Group entered into an agreement to dispose the entire equity interest in Red Rabbit which carried out all of the Group's information technology services business at a cash consideration of HK\$3,800,000. The disposal was completed on 31 December 2018.

The assets and liabilities of Red Rabbit at the date of disposal were as follows:

	Total <i>HK\$'000</i>
Intangible assets	2,660
Trade and other receivables	6,339
Amounts due with group companies	12,433
Bank balances and cash	21
Trade and other payables	(3,260)
Tax payable	(1,115)
Deferred tax liability	(171)
	<hr/>
Net assets disposal of	16,907
Non-controlling interests	(7,191)
Exchange reserve release upon disposal	(803)
Amounts due with the Group assigned and waived	(12,433)
Gain on disposal of subsidiaries	7,320
	<hr/>
Total consideration	3,800
	<hr/> <hr/>
Satisfied by cash	300
Consideration receivable	3,500
	<hr/>
	3,800
	<hr/> <hr/>
Net cash inflow arising from disposal:	
Cash consideration	300
<i>Less:</i> Bank balances and Cash disposed of	(21)
	<hr/>
	279
	<hr/> <hr/>

22. DISPOSAL OF SUBSIDIARIES (Continued)

(b) (Continued)

The deferred consideration will be settled in cash by the purchaser on or before 31 March 2019.

The cash flows of the discontinued operation of Red Rabbit during the six months ended 31 December 2018 are set out in note 7.

23. COMMITMENTS

Commitments under operating leases

The Group as lessee

The Group leases certain of its offices under operating lease arrangements. The leases typically run for an initial period of two to three years. None of the leases included contingent rentals. At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which are payable as follows:

	31/12/2018 <i>HK\$'000</i> (Unaudited)	30/6/2018 <i>HK\$'000</i> (Audited)
Within one year	4,053	5,294
In the second to fifth year inclusive	760	2,830
	4,813	8,124

24. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Fair value of the Group's financial assets that are measured at fair value on a recurring basis

The directors of the Company consider that the carrying amounts of the financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their fair values.

25. RELATED PARTIES TRANSACTIONS

Compensation of key management personnel

The remuneration of directors of the Company and other members of key management during the six months ended 31 December 2018 and 2017 is as follows:

	Six months ended	
	31/12/2018	31/12/2017
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Salaries and other benefits in kind	1,442	1,405
Retirement benefits scheme contributions	18	22
	<u>1,460</u>	<u>1,427</u>

The remuneration of directors of the Company and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

MANAGEMENT DISCUSSION AND ANALYSIS

The Company acts as an investment holding company and the Group was principally engaged in (a) the provision of insurance brokerage and related services in Hong Kong; (b) the provision of asset management and securities brokerage services in Hong Kong; (c) the provision of money lending services in Hong Kong; (d) the provision of information technology services in the Philippines (discontinued on 31 December 2018); and (e) livestock business in Mainland China during the six months ended 31 December 2018.

Business Review

Provision of insurance brokerage and related services

The turnover increased by 136% to approximately HK\$30,096,000. The increase in turnover was mainly due to the fact that more attractive rates were offered to the insurance brokers and the marketing and promotion previously performed became effective 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 and securities brokerage services

In view of the limited financial resources of the Group and the change of key management staff, the Company decided not to develop asset management business in the foreseeable future. The goodwill amounting to HK\$4,258,000 arising from the acquisition of the asset management business segment was impaired in full during the year ended 30 June 2018. This segment did not generate any revenue for the six months ended 31 December 2018.

Securities brokerage business recorded revenue of approximately HK\$4,395,000 and segment profit of approximately HK\$2,439,000.

Money lending business

The money lending business of the Company recorded revenue of approximately HK\$9,763,000 which represents an increase of approximately 31% from the corresponding period in 2018.

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. This segment did not record any revenue during the period. The Company will closely monitor the performance of this new business segment.

Information technology service

The uncertain political conditions and change in government policy in the Philippines affect adversely the future growth and profits of our information technology business. An impairment loss on goodwill of approximately HK\$20,705,000 was recognized during the year ended 30 June 2018. The Group shall spend more resources and efforts in its development of new business units and expanding its existing business with good prospects and no longer intends to participate in the further development of the information technology segment. In light of the aforesaid, the Directors consider the disposal of the information technology business is a good opportunity for the Group to consolidate its financial resources to fund the development of the existing and new business units of the Group which the Directors believe to have good prospects.

Accordingly, disposal of the information technology segment was completed on 31 December 2018 for a cash consideration of HK\$3,800,000. The net proceeds arising from the disposal will be used for general working capital of the Group and funding of any potential investments available to the Group in future.

Financial Review

For the six months ended 31 December 2018, the Group's turnover was approximately HK\$44,254,000, representing an increase of approximately HK\$23,878,000 or 117% as compared to the same period in the previous year (31 December 2017: approximately HK\$20,376,000). The increase was mainly due to the increase in turnover of insurance brokerage business.

Distribution costs for the six months ended 31 December 2018 was approximately HK\$8,188,000, representing a decrease of HK\$1,172,000 as compared to approximately HK\$9,360,000 for the six months ended 31 December 2017. The decrease was mainly due to the decrease in selling, distribution and marketing promotion expenses incurred for the business of insurance brokerage services.

Administrative expenses for the six months ended 31 December 2018 was approximately HK\$17,659,000, representing a decrease of approximately HK\$12,121,000 as compared to the same period in the previous period (31 December 2017: approximately HK\$29,780,000). The decrease was mainly due to decrease in computer expenses, traveling and entertainment expenses.

The finance costs represented interest on corporate bonds and promissory notes.

The Group recorded a loss of approximately HK\$11,837,000 for the six months ended 31 December 2018, representing a decrease of 37% as compared to the same period in the previous year (31 December 2017: approximately HK\$18,731,000).

Prospects

The Group is principally engaged in (i) sale of livestocks in the PRC; (ii) insurance brokerage business in Hong Kong; (iii) money lending business in Hong Kong; (iv) provision of assets management services in Hong Kong and (v) provision of information technology service in Philippines (discontinued on 31 December 2018) during the six months ended 31 December 2018.

The management of the Group is looking for business and investment opportunities that would generate long-term returns to the Shareholders.

Liquidity and Financial Resources

Cash and bank balances as at 31 December 2018 was approximately HK\$10,080,000 (30 June 2018: approximately HK\$10,436,000). At 31 December 2018, the Group's current ratio was 1.64 (30 June 2018: 1.82), based on the current assets of approximately HK\$346,950,000 and current liabilities of approximately HK\$212,082,000. The gearing ratio was approximately 1.93 as at 31 December 2018. (30 June 2018: 1.4). The gearing ratio is calculated as total liabilities divided by total equity.

Capital Structure

Details of the capital structure of the Company are set out in note 20 to the condensed consolidated interim financial statements.

Capital Commitments

As at 31 December 2018, the Group did not have any capital commitments.

Contingent Liabilities

As at 31 December 2018, the Directors are not aware of any material contingent liabilities.

Employees and Remuneration Policies

At 31 December 2018, the Group had 44 (31 December 2017: 40) full-time employees. Staff costs amounted to approximately HK\$10,724,000 for the six months ended 31 December 2018 (31 December 2017: approximately HK\$8,653,000). The Group's remuneration policy remained the same as detailed in the Company's 2018 annual report.

DIVIDEND

The directors do not recommend the payment of any dividend for the six months ended 31 December 2018 (31 December 2017: Nil).

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 Audit Committee currently comprises all the independent non-executive Directors, namely, Mr. Ng Chi Ho, Dennis (as chairman), Ms. Chan Sin Wa, Carrie, and Mr. Chung Shu Kun, Christopher.

The unaudited financial results for the six months ended 31 December 2018 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 31 December 2018, 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 31 December 2018, 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 31 December 2018, 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
Button Hill Limited (Note 2)	Beneficial owner	37,987,401 (L)	17.14%
Sino Ahead Holdings Limited (Note 3)	Interest in a controlled corporation	37,987,401 (L)	17.14%
Mr. Hui Chi Kwan (Note 3)	Interest in a controlled corporation	37,987,401 (L)	17.14%

Notes:

1. The Letter "L" – denotes a long position in shares.
2. The interest disclosed represents the corporate interest in 37,987,401 shares held by Button Hill Limited and Button Hill Limited is wholly owned by Sino Ahead Holdings Limited.
3. The interest disclosed represents the corporate interest in 37,987,401 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 December 2018.

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 31 December 2018, 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

Disposal

On 28 December 2018, 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 information technology services in the Philippines at an aggregate cash consideration of HK\$3.8 million. Details are set out in the announcements dated 28 December 2018. The transaction was completed on 31 December 2018.

EVENTS AFTER THE REPORTING PERIOD

The Group had no material event after the reporting period.

DIRECTORS’ INTERESTS IN COMPETING BUSINESS

As at 31 December 2018, 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 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 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 period ended 31 December 2018.

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 six months ended 31 December 2018.

By order of the Board

Chow Yik

Chairman

Hong Kong, 13 February 2019

As at the date of this report, the Board comprises Mr. Chow Yik and Mr. Leung King Fai as the executive directors; and 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.

The report will remain on the GEM website at www.hkgem.com on the “Latest Company Announcements” page for at least 7 days after its posting and on the website of the Company at <http://www.tricor.com.hk/web/service/08109>.