



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

2019 Third Quarterly Report



A Step Forward, A Leap for Life

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Given the 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.

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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 (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

THIRD QUARTERLY RESULTS

The board of directors (the “Board”) of Kirin Group Holdings Limited (the “Company”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the “Group”) for the three months and nine months ended 31 March 2019 together with the comparative unaudited condensed consolidated figures for the corresponding periods in 2018, as set out below:

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

For the three months and nine months ended 31 March 2019

	Notes	Three months ended 31 March		Nine months ended 31 March	
		2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited and restated)	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited and restated)
Continuing operations					
Revenue	3	22,607	10,298	66,861	30,674
Cost of sales and services		(12,206)	(2,611)	(39,364)	(8,650)
Other income		33	7	321	77
Gain on disposal of available-for-sale financial assets		–	250	–	250
Distribution costs		(167)	(3,417)	(8,355)	(12,777)
Share of (loss) profit of an associate		(1)	15	394	(172)
Impairment loss on loan receivables		–	–	(521)	–
Impairment loss on trade and other receivables		–	–	(88)	–
Administrative and other expenses		(8,330)	(15,760)	(25,989)	(45,540)
Finance cost		(7,270)	(8,781)	(20,535)	(26,222)
Loss before taxation		(5,334)	(19,999)	(27,276)	(62,360)
Taxation	4	(183)	–	(347)	–
Loss for the period		(5,517)	(19,999)	(27,623)	(62,360)
Discontinued operation					
Profit for the period from discontinued operation	5	–	1,593	10,269	25,223
Loss for the period		(5,517)	(18,406)	(17,354)	(37,137)

	Three months ended 31 March		Nine months ended 31 March	
	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited and restated)	(unaudited)	(unaudited and restated)
Other comprehensive income (expense):				
Item that may be reclassified subsequently to profit or loss:				
Exchange difference arising from translation of financial statements of foreign operation	195	282	702	(81)
Exchange reserve released upon disposal of subsidiaries	—	—	(803)	(8,703)
	<u>195</u>	<u>282</u>	<u>(101)</u>	<u>(8,784)</u>
Total comprehensive expense for the period	<u>(5,322)</u>	<u>(18,124)</u>	<u>(17,455)</u>	<u>(45,921)</u>
Loss for the period attributable to:				
Owners of the Company	(4,974)	(16,084)	(12,947)	(35,594)
Non-controlling interests	(543)	(2,322)	(4,407)	(1,543)
	<u>(5,517)</u>	<u>(18,406)</u>	<u>(17,354)</u>	<u>(37,137)</u>

	<i>Note</i>	Three months ended		Nine months ended	
		31 March		31 March	
		2019	2018	2019	2018
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(unaudited)	(unaudited and restated)	(unaudited)	(unaudited and restated)
Total comprehensive (expense) income for the period attributable to:					
Equity shareholders of the Company					
– continuing operations		(4,779)	(16,662)	(21,112)	(68,868)
– discontinued operation		–	860	8,064	24,490
		<u>(4,779)</u>	<u>(15,802)</u>	<u>(13,048)</u>	<u>(44,378)</u>
Non-controlling interests					
– continuing operations		(543)	(3,055)	(6,612)	(2,276)
– discontinued operation		–	733	2,205	733
		<u>(543)</u>	<u>(2,322)</u>	<u>(4,407)</u>	<u>(1,543)</u>
		<u>(5,322)</u>	<u>(18,124)</u>	<u>(17,455)</u>	<u>(45,921)</u>
		<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
			(Restated)		(Restated)
Loss per share					
From continuing and discontinued operations					
Basic and diluted	7	<u>(2.24 Cents)</u>	<u>(8.08 Cents)</u>	<u>(5.84 Cents)</u>	<u>(17.89 Cents)</u>
From continuing operations					
Basic and diluted		<u>(2.24 Cents)</u>	<u>(8.52 Cents)</u>	<u>(9.48 Cents)</u>	<u>(30.2 Cents)</u>

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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 money lending services, insurance brokerage services and assets management and securities brokerage service in Hong Kong and sales of livestocks in the People's Republic of China (the "PRC").

The unaudited condensed consolidated financial statements for the three months and nine months ended 31 March 2019 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 financial statements for the three months and nine months ended 31 March 2018 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).

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements for the three months and nine months ended 31 March 2019 have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”), the collective terms of which includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKAS”) and Interpretations (“Int”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and accounting principles generally accepted in Hong Kong. The unaudited condensed consolidated financial statements also comply with the applicable disclosure provisions of Chapter 18 of GEM Listing Rules. The unaudited condensed consolidated financial statements have been prepared on the historical cost basis.

The accounting policies adopted in the preparation of the unaudited condensed consolidated financial statements are consistent with those adopted in the annual report for the year ended 30 June 2018.

In the Period, the Group has adopted the following new standards and interpretation to HKFRSs which are pertinent to the Group’s operations and effective for accounting periods beginning 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 1 and HKAS 28	Annual Improvements 2014–2016 Cycle
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

The adoption of “HKFRS 9 “Financial Instruments” resulted in changes in accounting policies and adjustments to amounts recognised in the unaudited condensed consolidated financial statements, and the impact of the adoption “HKFRS 9 “Financial Instruments” and the new accounting policies were disclosed in Note 2.1 to the unaudited condensed consolidated interim financial statements for the six months ended 31 December 2018.

The adoption of the other new and amendments to standards has no material impact on the Group's results on the unaudited condensed consolidated financial statements for the nine months ended 31 March 2019.

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.

3. REVENUE AND SEGMENTS INFORMATION

During the nine months ended 31 March 2019, the operating segment regarding the information technology service was discontinued upon the disposal of a subsidiary, Red Rabbit International Technology, Inc., ("Red Rabbit"). Details are set out in notes 5(a) and 6(a).

During the nine months ended 31 March 2018, the operating segment regarding the energy saving service and sale of related products business was discontinued upon disposal of subsidiaries, Easy Union Holdings Limited ("Easy Union") and Hunttop Trading Limited ("Hunttop"), details of which are set out in notes 5(b) and 6(b).

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.

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

	Three months ended		Nine months ended	
	31 March		31 March	
	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited and restated)	(Unaudited)	(Unaudited and restated)
Insurance brokerage and related service income	17,343	5,933	47,439	18,676
Securities brokerage service income	2	–	4,397	–
Money lending service income	5,262	4,362	15,025	11,792
Sales of livestocks income	–	3	–	206
	<u>22,607</u>	<u>10,298</u>	<u>66,861</u>	<u>30,674</u>

4. TAXATION

(i) Overseas income tax

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

(ii) 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.

(iii) **Hong Kong profits tax**

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “Bill”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazette on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of qualifying corporations will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of corporations not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

During the nine months ended 31 March 2019, Hong Kong profits tax is calculated in accordance with the two-tiered profits tax rates regime. No income tax expenses incurred for the nine months ended 31 March 2018 as no assessable profit was generated.

5. DISCONTINUED OPERATION

- (a) On 27 December 2018, the Group entered into a sale and purchase agreement with an independent third party to dispose of its 51% 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 unaudited condensed consolidated financial statements as discontinued operations.

The profit for the period from the discontinued operation is analysed as follows:

	1/7/2018– 31/10/2018	1/7/2017– 31/3/2018
	HK\$’000	HK\$’000
	(Unaudited)	(Unaudited and restated)
Profit for the period	2,949	1,496
Gain on disposal of Red Rabbit (Note 6(a))	7,320	–
	10,269	1,496

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

	1/7/2018– 31/12/2018	1/7/2017– 31/3/2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited and restated)
Revenue	5,967	5,650
Cost of service	(1,200)	(953)
Distribution costs	(75)	–
Administrative and other expenses	(1,445)	(2,918)
	<u> </u>	<u> </u>
Profit before taxation from discontinued operation	3,247	1,779
Taxation	(298)	(283)
	<u> </u>	<u> </u>
Profit for the period from discontinued operation	<u>2,949</u>	<u>1,496</u>

- (b) On 31 October 2017, the Group completed to dispose the entire equity interest in Easy Union and Hunttop, which carried out all of the Group's energy saving service and sale of related products. The disposal was completed on 31 October 2017. Its results are presented in the condensed consolidated financial statements as a discontinued operation.

The profit for the period from the discontinued operation is analysed as follows:

	1/7/2017– 31/10/2017 HK\$'000 (Unaudited)
Profit for the period	845
Gain on disposal of Easy Union and Huntop <i>(Note 6(b))</i>	<u>22,882</u>
	<u><u>23,727</u></u>

The results of the energy saving service and sale of related products business for the period from 1 July 2017 to 31 October 2017, which have been included in the unaudited condensed consolidated statement of profit or loss and other comprehensive income, were as follows:

	1/7/2017– 31/10/2017 HK\$'000 (Unaudited)
Revenue	3,146
Cost of sales	(2,942)
Other income	744
Distribution costs	(14)
Administrative and other expenses	<u>(89)</u>
Profit for the period from discontinued operation	<u><u>845</u></u>

6. DISPOSAL OF SUBSIDIARIES

- (a) On 27 December 2018, the Group entered into an agreement to dispose of its 51% 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 a subsidiary	7,320
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Total consideration	3,800
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Satisfied by cash	300
Consideration receivable	3,500
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	3,800
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- (b) 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 Hunttop 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 assets and liabilities of Easy Union and Hunttop at the date of disposal were as follows:

	Easy Union	Hunttop	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
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)
Amounts due with group companies	(30,365)	(24,913)	<u>(55,278)</u>
Net liabilities 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			<u>22,882</u>
Total consideration, satisfied by cash			<u><u>1,200</u></u>

7. LOSS PER SHARE

For continuing and discontinued operations

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

	Three months ended		Nine months ended	
	31 March		31 March	
	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited and restated)	(Unaudited)	(Unaudited and restated)
Loss for the period attributable to the owners of the Company	<u>(4,974)</u>	<u>(16,084)</u>	<u>(12,947)</u>	<u>(35,594)</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>198,939</u>	<u>221,684</u>	<u>198,939</u>
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The comparative figures for the basic loss per share for the three months and nine months ended 31 March 2019 have been restated to take into account of the effect of the share consolidation and right issue completed during the period ended 31 March 2019 as if they had been taken place since the beginning of the comparative period.

For continuing operations

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

	Three months ended		Nine months ended	
	31 March		31 March	
	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited and restated)	(Unaudited)	(Unaudited and restated)
Loss for the period attributable to the owners of the Company	(4,974)	(16,084)	(12,947)	(35,594)
Less: profit for the period from discontinued operation	—	(860)	(8,064)	(24,490)
Loss for the purpose of basic and diluted loss per share from continuing operations	<u>(4,974)</u>	<u>(16,944)</u>	<u>(21,011)</u>	<u>(60,084)</u>

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

For discontinued operation

Basic and diluted earnings per share for the discontinued operation for the nine months ended 31 March 2019 is HK\$3.64 cents (2018: HK\$12.31 cents), 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 March 2019 (2018: profit of approximately HK\$24,490,000) and the denominators used are the same as those detailed above for both basic and diluted earnings per share.

Diluted earnings 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 nine months ended 31 March 2019 and 2018.

8. RESERVES

Condensed Consolidated Statement of Changes in Equity For the nine months ended 31 March 2019

	Attributable to equity shareholders of the Company						Total	Non-Controlling interests	Total equity
	Share capital	Share premium	Contributed Surplus	Translation reserve	Other reserve	Accumulated losses			
At 1 July 2017 (Audited)	63,338	253,563	-	9,428	30	(305,148)	21,211	671	21,882
Loss for the period	-	-	-	-	-	(35,594)	(35,594)	(1,543)	(37,137)
Exchange difference arising from translation of financial statements of foreign operations	-	-	-	(81)	-	-	(81)	-	(81)
Exchange reserve released upon disposal of subsidiaries	-	-	-	(8,703)	-	-	(8,703)	-	(8,703)
Total comprehensive expense for the period	-	-	-	(8,784)	-	(35,594)	(44,378)	(1,543)	(45,921)
Issue of shares, under the right issue net of expenses	158,346	60,013	-	-	-	-	218,359	-	218,359
At 31 March 2018 (Unaudited)	221,684	313,576	-	644	30	(340,742)	195,192	(872)	194,320
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)	-	-	-	-	-	(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	-	-	-	-	-	(12,947)	(12,947)	(4,407)	(17,354)
Exchange difference arising from translation of financial statements of foreign operations	-	-	-	702	-	-	702	-	702
Exchange reserve released upon disposal of subsidiaries	-	-	-	(803)	-	-	(803)	-	(803)
Total comprehensive expense for the period	-	-	-	(101)	-	(12,947)	(13,048)	(4,407)	(17,455)
Cancellation of paid-up capital	(220,576)	-	220,576	-	-	-	-	-	-
Reduction of share premium and transfer to contributed surplus	-	(313,576)	313,576	-	-	-	-	-	-
Disposal of a subsidiary	-	-	-	-	-	-	-	(7,191)	(7,191)
At 31 March 2019 (Unaudited)	1,108	-	534,152	118	30	(401,844)	133,564	(14,604)	118,960

MANAGEMENT DISCUSSION AND ANALYSIS

Insurance Brokerage Business

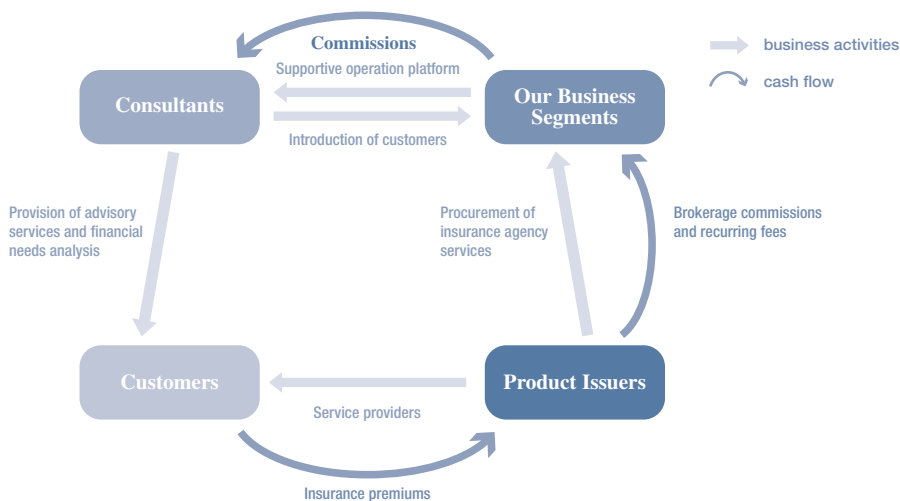
Since 2015, the Group decided to enter into the financial and insurance brokerage industries by way of acquisition of the entire issued capital of Kirin Financial Group Limited (“KFG”) and Kirin Finance Limited (“Kirin Finance”) which are principally engaged in insurance brokerage and money lending business respectively in Hong Kong.

The Directors consider that the transformation can generate long-term return to the Group and shareholders.

Kirin Wealth Management Limited (“KWM”), a subsidiary of KFG which is principally engaged in the provision of insurance brokerage services. KWM holds a license issued by Professional Insurance Brokers Association (“PIBA”). There are 35 back-office staff members and 72 consultants in the insurance brokerage and related services (the “Insurance Brokerage Business”).

Business model

The diagram below demonstrates the business model of the Insurance Brokerage Business:



Major Product Issuers

The Group had built up a network with not less than 30 products issuers. Major product issuers of the Insurance Brokerage Business are local branches of nationwide insurance companies.

The commission income paid by the major product issuers to the Group accounted for approximately 36%, 67%, 64% and 71% of the Group's revenue for the three years ended 30 June 2016, 2017 and 2018 and the nine months ended 31 March 2019 respectively.

Consultants

There are 72 consultants who are capable for providing insurance advisory services and financial needs analysis to the clients (the "Consultants"). The job duties of the Consultants are promotion, arrangement, and sale of the insurance plan provided by the product issuers. Most of the Consultants are licensed under Professional Insurance Brokers Association.

Insurance products

Traditional life insurance plans are the major insurance products promoted by KWM. Moreover, KWM also acts as an independent broker for general and investment-linked insurance products in the course of providing advisory services to the clients.

After-sales services

After-sale services are performed by the Consultants and the client servicing department of the Group to handle the clients' enquiries or complaints through telephone calls or e-mails.

In the mid-2018, the Group has built and installed our own after-sales service platform – customer relationship management system (the "CRM system"). In order to strengthen the relationship with the clients, the Consultants are able to keep track of the clients' information, enquiries, complaints and their own portfolio through the CRM system. As such, it allows the Consultants to follow up and response to the client's requests or enquiries on a 24/7 basis.

Prospects

During the nine months ended 31 March 2019, the revenue of Insurance Brokerage Business is approximately HK\$47,439,000 (2018: approximately HK\$18,676,000). The revenue has significantly increased 154% compared to the same periods in 2018 as the Directors considered that (i) the business strategy on marketing and promotion conducted previously has taken a positive effect during the nine months ended 31 March 2019; and (ii) more attractive rates were offered to the insurance brokers.

In the near future, we plan to further implement different strategies to strength the brand recognition and revenue stream of the Insurance Brokerage Business. To achieve our goals, we have established a professional and experienced management team to guide and manage the Consultants team. Moreover, a training department has established to provide regular training courses to the Consultants and they must participant the course arranged by us. Every quarter we will provide an in-house CPD course for the Consultants, which takes 2 – 3 hours of each course. The Consultants will further enhance their technology capabilities through our regular training course. For our training, we will provide update insurance brokers ethics and regulatory, mandatory provident fund update rules and regulations and also Anti Money Laundering and Combating the Financing of Terrorism in Hong Kong.

With the help of the multi-dimensional advertisements and promotions implemented from time to time, the Group will be benefited from having more market shares, expanding its customer base, building up reputation and goodwill in Hong Kong and Southern China. The brand of “Kirin Group” becomes more and more well-known and trustworthy. It is not only benefit to the Insurance Brokerage Business but also the Money Lending Business. Most importantly, the revenue and profit of the Group is in an upward trend.

In the future, the Group will continue to put efforts on marketing and may expand the brand building activities and business development in the Guangdong-Hong Kong-Macao Greater Bay Area.

Money Lending Business

Business Overview

The Company conducts its money lending business in Hong Kong (“Money Lending Business”) through its wholly-owned subsidiary, i.e. Kirin Finance. The Money Lending Business is principally providing personal loans to individual clients without securities.

The Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong) and the Money Lenders Regulations (Chapter 163A of the Laws of Hong Kong) (the “Statutes”) are the principal laws governing money lending businesses in Hong Kong. The Statutes stipulates that no person shall carry on business as a money lender without a licence under the Money Lenders Ordinance (“Money Lenders Licence”). Kirin Finance commenced its money lending business in 2015 after obtaining its Money Lenders Licence and have operated as a licensed money lender since then.

Kirin Finance provides clients with term loans for periods up to 18 months. Kirin Finance enters into loan agreement with its clients, which sets out, amongst other, date of the agreement, the parties, principal amount, interest rates, maturity date and events of default. Upon maturity, the loan may be renewed after assessment on the client’s ability to repay, funds on hand of Kirin Finance and the prevailing market sentiment.

During the nine months ended 31 March 2019, the Money Lending Business recorded revenue of approximately HK\$15,025,000 which represents an increase of approximately 27% as compared to the same period in the previous year (31 March 2018: approximately HK\$11,792,000). As disclosed in the Company’s 2019 Interim Report, the Money Lending Business recorded revenue of approximately HK\$9,763,000 for the six months ended 31 December 2018 which represents an increase of approximately 31% from the corresponding period in 2017.

Business Model

Kirin Finance generates revenue from interest received from the provision of personal loans to its individual clients with or without collateral or securities.

The Money Lending Business has rigorous assessment procedure on each loan application. Background check and credit assessment will be performed on the client by staff of financing department before granting the loan. Kirin Finance will only grant loans when it is satisfied with the recoverability of the loan after considering the financial strength and credibility of the client as well as the amount of loan to be granted.

Kirin Finance does not advertise the Money Lending Business in public media. Instead, clients are referred by the Insurance Brokerage Business, whilst the Loan Review & Approval Department is responsible for processing loan applications and managing credit exposure of Kirin Finance. The Directors believe that by the close interaction between different departments, Kirin Finance is able to process and grant loans to suitable clients in an expedited manner with competitive lending rates.

Internal Control

The Loan Review & Approval Department consists of the financial controller and executive director(s) of the Company. It is primarily responsible for monitoring the risks associated with this business segment. The primary risks faced by the Money Lending Business include credit risks in respect of the loan portfolio, liquidity risks in respect of working capital of Kirin Finance and regulatory and legal risks. Kirin Finance manages these risks through the following measures:

Credit assessment

Before granting loans to any client, credit assessment for loan applicants must be completed. In assessing their creditworthiness, Kirin Finance focuses primarily on the applicant's financial background, occupation, credit history, repayment history for returning clients, which help Kirin Finance to assess the client's repayment ability. Kirin Finance may also obtain credit history of loan applicants by credit search with external credit reporting agencies.

Since loans to be granted by Kirin Finance are unsecured in nature and impose higher credit risk on the Group, Kirin Finance will approve such loan only in circumstances where it is satisfied with the recoverability of the loan after considering the financial strength and credibility of the client as well as the amount of loan to be granted.

Risk disclosure

Before signing the loan agreement with the client, besides going through the terms in the loan agreement, staff of Kirin Finance will also draw client's attention to Part III and Part IV of the Money Lenders Ordinance, which relate to, amongst others, duty of money lender to give information to borrower, early payment by borrower and prohibition of excessive interest rates.

Credit policy

Kirin Finance approves credit line for each loan applicant on a case-by-case basis, which is largely up to its credit assessment results as well as the prevailing market conditions. Credit line stands for the maximum amount of loan which is allowed for a client in one lump sum or in installments. The higher the credit line, the more stringent will the approval process be.

Compliance with GEM Listing Rules

Before granting any loan to loan applicants, size tests calculation will be performed by the financial controller of the Company. Announcement will be made by the Company in accordance with GEM Listing Rules as and when appropriate.

Post-lending Monitoring

The Loan Review & Approval Department will conduct review on each outstanding loan every year. If any material deterioration in the client's financial position is identified, Kirin Finance may demand for immediate repayment. Kirin Finance will first negotiate with the client on repayment of the loan, if failed, legal proceedings against such client will be the last resort.

Prospects

The amount of loans for use in Hong Kong of all authorized institutions showed a moderate increase during the last couple of years. Besides banks and financial institutions, there are lots of licensed money lenders in Hong Kong, including Kirin Finance, which grant loans to loan applicants.

The Directors consider the industry entry barrier to be limited for the Money Lending Business in view of the lack of regulator. It is difficult for Kirin Finance to stand out among its competitors considering the keen competition brought by the large number of industry participants. Accordingly, the Company does not plan to devote its greatest resources to strength the marketing and promotion of the brand image of Kirin Finance as it will incur a very high marketing cost for the Group. Instead, Kirin Finance will (i) enhance its service to cater for clients' specific borrowing needs; (ii) continue to build up its reputation as a reliable and professional money lender in Hong Kong; and (iii) provide aggressive interest rates to attract more new clients. Kirin Finance may also consider granting loans with collaterals to mitigate and control its credit risks.

In view of the expected fluctuations in China and global market, the Company will maintain the status quo of the Money Lending Business and adopt a more cautious and prudent approach before granting loans to potential clients.

Securities brokerage services

Sang Woo (Kirin) Securities Limited ("Kirin Securities"), a subsidiary of the Company, holds licenses to carry out type 1 and type 4 regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong). This subsidiary provides securities brokerage services by acting as placing agent and joint lead manager for clients in the securities related business.

Kirin Securities acts as a placing agent or a sub-placing agent for companies listed on the Stock Exchange for their fund raising activities such as placing of new and/or existing shares, and debt securities. The placing service primarily generate fee and commission from equity and bond placing. The placing commission charged by Kirin Securities is subject to negotiation and is generally in line with market practice.

The Group had a plan to start securities business in 2016. In May 2017, the licenses of Kirin Securities were granted by the SFC and the Group has well equipped its trading system in 2018 and started to provide trading services to the clients. In a prudent manner, the Group does not provide margin financing for the time being. Having broad connection and rich experiences of the existing management, Kirin Securities started to act as a joint lead manager for an initial public offering (“IPO”) for the first time. The commission of the IPO is 8%, which brings approximately HK\$4,200,00 revenue to Kirin Securities. This transaction initiates a good start in the securities related business.

IT Business

Besides the factors disclosed in the 2018 Annual Report (i.e. uncertain political conditions and change in government policy in the Philippines), the Company decided to dispose of the target company engaging in the IT Business to streamline its business segments. On 27 December 2018, the company announced a disclosable transaction in relation to the disposal of interest in Red Rabbit International Technology, Inc. and it was completed on 31 December 2018. The Company intends to devote its resources to other business sector to find more investment opportunities with better return for its shareholders.

Livestock Business

The Company has strived hard to expand and develop the livestock business. However, since the outbreak of African swine fever, it has hit farms and the whole industry of livestock in Mainland China. Therefore, the livestock business has generated minimal revenue. In view of the outlook for the livestock industry being uncertain, the Company decided to gradually scale down the livestock business. During the nine months ended 31 March 2019, the livestock business did not record any revenue. As such, a scale down of the livestock business would only bring minimal impact to the Group.

Financial Review

For the nine months ended 31 March 2019, the Group’s turnover was approximately HK\$66,861,000, representing an increase of approximately HK\$36,187,000 or 118% as compared to the same period in the previous year (31 March 2018: approximately HK\$30,674,000). The increase was mainly due to the increase in turnover of insurance brokerage business and money lending business.

Distribution costs for the nine months ended 31 March 2019 was approximately HK\$8,355,000, representing a decrease of HK\$4,422,000 as compared to approximately HK\$12,777,000 for the nine months ended 31 March 2018. The significant decrease was mainly due to the Directors decided to reduce the distribution cost based on our business plan since the financial year 2020 to maximise the profit of the Group.

Administrative expenses for the nine months ended 31 March 2019 was approximately HK\$25,989,000, representing a decrease of approximately HK\$19,551,000 as compared to the same period in the previous period (31 March 2018: approximately HK\$45,540,000).

In order to maximise the profit of the Group, the Directors has strictly executed cost saving strategy since 1 July 2019, administrative expenses of approximately HK\$25,989,000 was recorded during the nine months ended 31 March 2019 (2018: approximately HK\$45,540,000). The significantly decrease was mainly due to reduction of entertainment, overseas travelling, depreciation and professional fees.

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

The Group recorded a loss of approximately HK\$17,354,000 for the nine months ended 31 March 2019, representing a decrease of 53% as compared to the same period in the previous year (31 March 2018: approximately HK\$37,137,000).

Capital Structure

Details of the capital structure of the Company are set out in note 8 to the unaudited condensed consolidated financial statements.

DIVIDEND

The directors do not recommend the payment of any dividend for the nine months ended 31 March 2019 (31 March 2018: Nil).

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 March 2019, 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 March 2019, 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 March 2019, 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 March 2019.

SHARE OPTION SCHEME

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

As at 31 March 2019, none of the Board, employees and other eligible persons of the Company on its subsidiaries were granted options to subscribe for the shares of the Company.

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 nine months ended 31 March 2019 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.

MAJOR EVENTS DURING THE PERIOD

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\$3,800,000. 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 March 2019, 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 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 GEM Listing Rules.

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 March 2019.

ADOPTED CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings ("Standard Dealings") set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company had also made specific enquiry of all Directors and all the Directors confirmed that they have complied with the Standard Dealings during the nine months ended 31 March 2019.

By order of the Board

Chow Yik

Chairman

Hong Kong, 10 May 2019

As at the date of this report, the Board comprises Mr. Chow Yik and Mr. Wang Hongtao as the executive directors; and Mr. Ng Chi Ho, Dennis, Ms. Chan Sin Wa, Carrie, Mr. Chung Shu Kun, Christopher and Mr. Wang Rongqian 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/webservice/08109>.