



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

# 2020

## First Quarterly 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.*

## FIRST QUARTERLY RESULTS

The board of directors (the “Board”) of Kirin Group Holdings Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the three months ended 30 September 2019 together with the comparative unaudited consolidated figures for the corresponding period in 2018, as set out below:

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

*For the three months ended 30 September 2019*

		<b>Three months ended</b>	
		<b>30 September</b>	
		<b>2019</b>	2018
	<i>Notes</i>	<b>HK\$'000</b>	<i>HK\$'000</i>
		<b>(unaudited)</b>	(unaudited and restated)
<b>Revenue</b>	3	<b>18,285</b>	19,996
Cost of sales and services		<b>(12,323)</b>	(16,090)
Other income		<b>2</b>	9
Distribution costs		<b>(339)</b>	(6,164)
Loss on disposal of a subsidiary, net	6b	<b>(33)</b>	–
Share of profit of an associate		<b>–</b>	313
Administrative expenses		<b>(11,787)</b>	(13,274)
Finance costs		<b>(8,131)</b>	(7,535)
		<hr/>	<hr/>
Loss before taxation from continuing operations		<b>(14,326)</b>	(22,745)
Taxation	4	<b>(567)</b>	–
		<hr/>	<hr/>
<b>Loss for the period from continuing operations</b>		<b>(14,893)</b>	(22,745)
<b>Discontinued operations</b>			
(Loss) profit for the period from discontinued operations	5	<b>(533)</b>	1,104
		<hr/>	<hr/>
<b>Loss for the period</b>		<b>(15,426)</b>	(21,641)
		<hr/>	<hr/>

	<b>Three months ended</b>	
	<b>30 September</b>	
<i>Note</i>	<b>2019</b>	<b>2018</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(unaudited)</b>	<b>(unaudited and restated)</b>
<b>Other comprehensive income (expense)</b>		
Items that may be reclassified subsequently to profit or loss:		
Exchange difference arising from translation of financial statements of foreign operations	(273)	(962)
Release of translations reserve upon disposal of subsidiaries	435	–
<b>Other comprehensive income (expense) for the period</b>	<u>162</u>	<u>(962)</u>
<b>Total comprehensive expenses for the period</b>	<u>(15,264)</u>	<u>(22,603)</u>
<b>Loss for the period attributable to:</b>		
– Equity shareholders of the Company	(14,489)	(15,830)
– Non-controlling interests	(937)	(5,811)
	<u>(15,426)</u>	<u>(21,641)</u>
<b>Total comprehensive expense for the period attributable to:</b>		
– continuing operations	(14,229)	(17,434)
– discontinued operation	(98)	642
	<u>(14,327)</u>	<u>(16,792)</u>
– Non-controlling interests		
– continuing operations	(937)	(6,429)
– discontinued operation	–	618
	<u>(937)</u>	<u>(5,811)</u>
	<u>(15,264)</u>	<u>(22,603)</u>
<b>Loss per share</b>		
From continuing and discontinued operations		
Basic and diluted	<u>(6.54) cents</u>	<u>(7.14) cents</u>
From continuing operations		
Basic and diluted	<u>(6.30) cents</u>	<u>(7.64) cents</u>

7



## **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 GEM of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

## **2. BASIS OF PRESENTATION AND ACCOUNTING POLICIES**

The unaudited condensed consolidated financial statements for the three months ended 30 September 2019 have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”), which also include Hong Kong Accounting Standards (“HKAS”) and Interpretations (“Int”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The unaudited condensed consolidated financial statements also comply with the applicable disclosure provisions of the GEM Listing Rules. The unaudited condensed consolidated financial statements have been prepared under the historical cost convention.

The accounting policies and methods of computation used in the preparation of the unaudited condensed consolidated financial statements are consistent with those used in the annual financial statements for the year ended 30 June 2019.

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

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

### 3. REVENUE AND SEGMENT INFORMATION

During the three months ended 30 September 2019, the operating segment regarding the sale of livestock was discontinued upon the disposal of a subsidiary, Cyber Leader Holdings Limited (“Cyber Leader”). Details are set out in notes 5(a) and 6(a).

Information was reported to the executive directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and performance assessment. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group. The Group is principally engaged in insurance brokerage service and related service, asset management and securities brokerage service and money lending service.

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

- (a) Insurance brokerage and related service;
- (b) Asset management and securities brokerage service; and
- (c) Money lending service.

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

	<b>Three months ended</b>	
	<b>30 September</b>	
	<b>2019</b>	2018
	<b>HK\$’000</b>	HK\$’000
	<b>(unaudited)</b>	(unaudited and restated)
Insurance brokerage and related services income	<b>13,866</b>	14,935
Asset management and securities brokerage service	–	233
Money lending service income	<b>4,419</b>	4,828
	<b>18,285</b>	19,996

## 4. TAXATION

### (i) Overseas income tax

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

### (ii) The Philippines income tax

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

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

### (iii) The PRC enterprise income tax

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

(iv) **Hong Kong profits tax**

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%.

For the three months ended 30 September 2019 and 2018, Hong Kong profits tax is calculated in accordance with the two-tiered profits tax rates regime.

**5. DISCONTINUED OPERATION**

- (a) On 16 September 2019, the Group entered into a sale and purchase agreement with an independent third party to dispose of its 100% equity interests in its subsidiary, Cyber Leader, which carried out all of the Group’s sales of livestocks. The disposal was completed on 16 September 2019, on which date control of the operations of sales of livestocks was passed to the acquirer. Its results are presented in these unaudited condensed consolidated financial statements as discontinued operations.

Loss for the period from the discontinued operation is analysed as follows:

	<b>1/7/2019– 31/8/2019</b>	<b>1/7/2018– 30/9/2018</b>
	<b>HK\$’000</b>	<b>HK\$’000</b>
	<b>(Unaudited)</b>	<b>(Unaudited and restated)</b>
Loss for the period	<b>(102)</b>	<b>(156)</b>
Loss on disposal of Cyber Leader ( <i>Note 6(a)</i> )	<b>(431)</b>	<b>–</b>
	<b>(533)</b>	<b>(156)</b>

The results of the business of sales of livestocks for the period from 1 July 2019 to 31 August 2019 (three months ended 30 September 2018), which have been included in the unaudited condensed consolidated statement of profit or loss and other comprehensive income, were as follows:

	<b>1/7/2019– 31/8/2019</b>	1/7/2018– 30/9/2018
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited and restated)
Administrative and other expenses	<u>(102)</u>	<u>(156)</u>
<b>Loss for the period from discontinued operation</b>	<b><u>(102)</u></b>	<b><u>(156)</u></b>

- (b) 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 Information Technology, Inc. (“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 results of the business of Information Technology for the period from 1 July 2018 to 30 September 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– 30/9/2018
	HK\$'000
	(Unaudited)
<b>Revenue</b>	3,023
Cost of services	(608)
Distribution costs	(76)
Administrative and other expenses	<u>(928)</u>
Profit before taxation from discontinued operation	1,411
Taxation	<u>(151)</u>
<b>Profit for the period from discontinued operation</b>	<b><u>1,260</u></b>

## 6. DISPOSAL OF SUBSIDIARIES

- (a) On 16 September 2019, the Group entered into an agreement to dispose of its 100% equity interest in Cyber Leader which carried out all of the Group's sales of livestock business at a cash consideration of HK\$100,000. The disposal was completed on 16 September 2019.

The assets and liabilities of Cyber Leader at the date of disposal were as follows:

	<b>Total</b>
	<i>HK\$'000</i>
Plant and equipments	3,621
Prepaid lease payment	2,320
Bank balances and cash	26
Other payables	(5,871)
	<hr/>
Net assets disposal of	96
Exchange reserve release upon disposal	435
Loss on disposal of a subsidiary ( <i>Note 5a</i> )	(431)
	<hr/>
Total consideration	100
	<hr/> <hr/>
Satisfied by cash	50
Consideration receivable	50
	<hr/>
	100
	<hr/> <hr/>

- (b) On 16 September 2019, the Group entered into an agreement to dispose of its 100% equity interest in Aritza Holdings Limited (“Aritza”) at a cash consideration of HK\$4,500,000. The disposal was completed on 16 September 2019.

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

	<b>Total</b> <i>HK\$'000</i>
Interest in an associate	4,550
Other payables	<u>(17)</u>
Net assets disposal of	4,533
Loss on disposal of a subsidiary	<u>(33)</u>
Total consideration	<u><u>4,500</u></u>
Satisfied by cash	500
Consideration receivable	<u>4,000</u>
	<u><u>4,500</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 30 September	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Loss for the period attributable to the owners of the Company	<u>(14,489)</u>	<u>(15,830)</u>
	'000	'000
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic loss per share	<u>221,684</u>	<u>221,684</u>

### 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 30 September	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited and restated)
Loss for the period attributable to the owners of the Company	(14,489)	(15,830)
Less: loss(profit) for the period from discontinued operation	<u>533</u>	<u>(1,104)</u>
Loss for the purpose of basic and diluted loss per share from continuing operations	<u>(13,956)</u>	<u>(16,934)</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 loss per share for the discontinued operation for the three months ended 30 September 2019 is HK\$0.24 cents (2018: earnings per share was HK\$0.50 cents), based on loss of approximately HK\$533,000 for the period attributable to the owners of the Company from the discontinued operation for the period ended 30 September 2019 (2018: profit of approximately HK\$1,104,000) 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 three months ended 30 September 2019 and 2018.

## 8. RESERVES

### UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 30 September 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			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 July 2018	221,684	313,576	-	219	30	(383,397)	152,112	(3,006)	149,106
Loss for the period	-	-	-	-	-	(15,830)	(15,830)	(5,811)	(21,641)
Exchange difference arising from translation of financial statements of foreign operations	-	-	-	(962)	-	-	(962)	-	(962)
Total comprehensive expenses for the period	-	-	-	(962)	-	(15,830)	(16,792)	(5,811)	(22,603)
Cancellation of paid-up capital (Notes a and b)	(220,576)	-	220,576	-	-	-	-	-	-
Reduction of share premium and transfer to contributed surplus (Note c)	-	(313,576)	313,576	-	-	-	-	-	-
At 30 September 2018	<u>1,108</u>	<u>-</u>	<u>534,152</u>	<u>(743)</u>	<u>30</u>	<u>(399,227)</u>	<u>135,320</u>	<u>(8,817)</u>	<u>(126,503)</u>
At 1 July 2019	1,108	-	534,152	(85)	30	(435,313)	99,892	(13,040)	86,852
Loss for the period	-	-	-	-	-	(14,489)	(14,489)	(937)	(15,426)
Exchange difference arising from translation of financial statements of foreign operations	-	-	-	(273)	-	-	(273)	-	(273)
Release of translation reserve upon disposal of subsidiaries (Note 6a)	-	-	-	435	-	-	435	-	435
Total comprehensive expenses for the period	-	-	-	162	-	(14,489)	(14,327)	(937)	(15,264)
At 30 September 2019	<u>1,108</u>	<u>-</u>	<u>534,152</u>	<u>77</u>	<u>30</u>	<u>(449,802)</u>	<u>85,565</u>	<u>(13,977)</u>	<u>71,588</u>

*Notes:*

- (a) 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.

- (b) 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.

- (c) 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.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

The Group was principally engaged in: (a) provision of insurance brokerage services in Hong Kong; (b) provision of money lending services in Hong Kong; and (c) provision of assets management and securities brokerage services in Hong Kong, whilst sale of livestock was discontinued in September 2019, during the three months ended 30 September 2019.

In 2015, the Group entered 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.

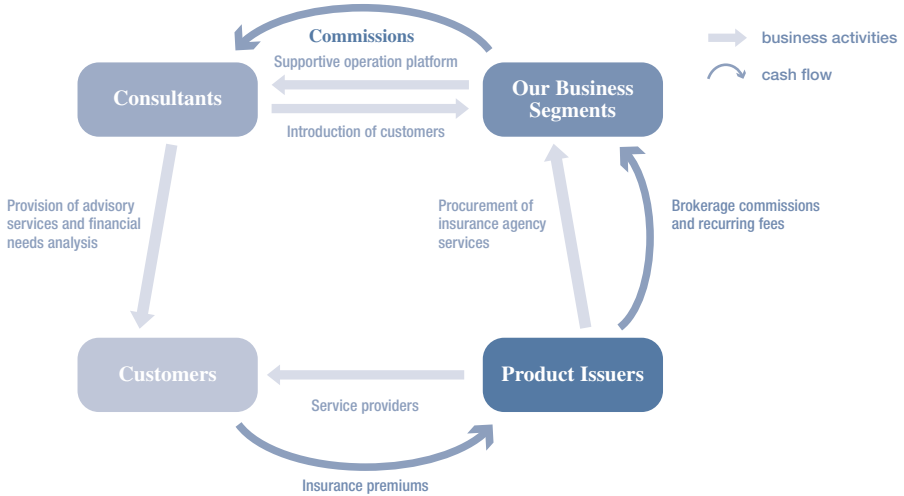
The Directors consider that the transformation can generate long-term return to the Group and shareholders.

#### Insurance Brokerage Business

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 Insurance Authority (“IA”). There are 35 back-office staff members and 64 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 39%, 68%, 64%, 76% and 70% of the Group's revenue for the four financial years ended 30 June 2016, 2017, 2018 and 2019 and the three months ended 30 September 2019 respectively.

## Consultants

There are 64 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 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 three months ended 30 September 2019, the revenue of Insurance Brokerage Business is approximately HK\$13,866,000 (2018: approximately HK\$14,935,000). The revenue has slightly decreased by approximately 7% compared to the same period in the previous year which was due to less attractive rates being offered to the insurance brokers.

In the near future, we plan to further implement different strategies to strengthen 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 in the courses 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 up-to-date insurance brokers ethics and regulatory, mandatory provident fund up-to-date 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 beneficial to the Insurance Brokerage Business but also the Money Lending Business.

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 engaged in the provision of 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 business in Hong Kong. The Statutes stipulate 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 has been operating 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 others, 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 three months ended 30 September 2019, the Money Lending Business recorded revenue of approximately HK\$4,419,000 which represents a decrease of approximately 8% as compared to the same period in the previous year (2018: approximately HK\$4,828,000).

## ***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.

## ***Credit assessment***

Before granting loans to any client, credit assessment for loan applicants must be completed. In assessing 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 granted in Hong Kong by all authorised 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 strengthen 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.

### **Assets management and securities brokerage services**

Sang Woo (Kirin) Securities Limited (“Kirin Securities”), a subsidiary of the Company, holds licences 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\$4,200,000 revenue to Kirin Securities during the year ended 30 June 2019. This transaction initiates a good start in the securities related business. Affected by the recession of Hong Kong Stock Market, there is no revenue generated from the assets management and securities brokerage services for the three months ended 30 September 2019 (2018: approximately HK\$233,000). The management is actively seeking for the opportunity to increase the income on the assets management and securities brokerage services.

## FINANCIAL REVIEW

For the three months ended 30 September 2019, the Group's turnover was approximately HK\$18,285,000, representing a decrease of approximately HK\$1,711,000 or 9% as compared to the same period in the previous year (2018: approximately HK\$19,996,000). The decrease was mainly due to less attractive rates being offered to the insurance brokers as mentioned in business overview.

Distribution costs for the three months ended 30 September 2019 was approximately HK\$339,000, representing a decrease of approximately HK\$5,825,000 as compared to approximately HK\$6,164,000 for the three months ended 30 September 2018. The significant decrease was mainly due to the execution of our business plan to control the distribution costs.

Administrative expenses for the three months ended 30 September 2019 was approximately HK\$11,787,000, representing a decrease of approximately HK\$1,487,000 as compared to the same period in the previous year (2018: approximately HK\$13,274,000). In order to maximise the profit of the Group, the Directors has strictly executed cost saving strategy since 1 July 2019 and the significant decrease was mainly due to reduction of entertainment, consultancy service fee, depreciation and professional fee.

The finance costs for the three months ended 30 September 2019 increased slightly by approximately 8% to approximately HK\$8,131,000, as compared to same period in the previous year (2018: approximately HK\$7,535,000). Increase in finance costs was mainly due to the increase of interest expenses on corporate bonds.

The Group recorded a loss of approximately HK\$15,426,000 for the three months ended 30 September 2019, representing a decrease of 29% as compared to the same period in the previous year (2018: approximately HK\$21,641,000).

## **CAPITAL STRUCTURE**

Other than as disclosed under the section “MAJOR EVENT DURING THE PERIOD”, the Company had no capital raising activity for the three months ended 30 September 2019.

## **DIVIDEND**

The directors do not recommend the payment of any dividend for the three months ended 30 September 2019 (2018: Nil).

## OTHER INFORMATION

### 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 30 September 2019, none of the Board, employees and other eligible persons of the Company or its subsidiaries were granted options to subscribe for the shares of the Company.

### DIRECTORS’ AND CHIEF EXECUTIVES’ INTERESTS OR SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OR DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATIONS

Save as disclosed below, as at 30 September 2019, none of the Directors or chief executives of the Company had any interests or 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 the Rules 5.46 to 5.68 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange:

#### Long position in the Shares

Name	Capacity/ Nature of interest	Number of ordinary shares held/ interested in	Percentage of interest in the Company
Mr. Wang Hongtao	Beneficial owner	315,000	0.14%



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

Other than as disclosed under the sections “Share Option Scheme” and “Directors’ and Chief Executives’ Interests or Short Positions in the Shares, Underlying Shares or Debentures of the Company or Any Associated Corporations” above, at no time during the three months ended 30 September 2019 was the Company or any of its subsidiaries, or any of its fellow subsidiaries, a party to any arrangement to enable the Directors or Chief Executives of the Company (including their spouses or children under 18 years of age) to have any right to subscribe for securities of the Company or any of its associated corporations as defined in the SFO or to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

## **SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS' INTEREST AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES**

As at 30 September 2019, according to the register kept by the Company pursuant to section 336 of SFO, and so far as is known to the Directors or chief executive of the Company, there is no person (other than a Director or a chief executive of the Company) had, or was deemed or taken to have, an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly interested in 5% or more of the nominal value of any class of share capital, including options in respect of such capital, carrying voting rights to vote in all circumstances at general meeting of any other member of the Group.

## **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 three months ended 30 September 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 16 September 2019, the Company and an independent third party (the "Purchaser") entered into a sale and purchase agreement pursuant to which the Company has agreed to sell and the Purchaser has agreed to acquire the entire 100% equity interest in Cyber Leader Holdings Limited, a wholly owned subsidiary of the Company, for a cash consideration of HK\$100,000.

## **EVENTS AFTER THE REPORTING PERIOD**

### **Supplemental placing agreement in relation to placing of convertible bonds under specific mandate**

On 4 June 2019, the Company proposes to offer for subscription, and China Rich Securities Limited (the "Placing Agent") has agreed to procure subscriptions for, up to HK\$171,000,000 3-year 2% unsecured non-redeemable convertible bonds to be issued by the Company in denomination of HK\$1,000,000 each with the benefit of and subject to the provisions of the CB Instrument (the "Convertible Bond") on a best-effort basis on the terms and subject to the conditions in the placing agreement dated 4 June 2019 entered into between the Company and the Placing Agent in relation to the Placing (the "Placing Agreement"). The placing of the convertible bonds has been approved by the shareholders of the Company at the special general meeting held on 17 July 2019 and it is in progress and not yet completed up to the reporting date.

On 30 October 2019, the Company and the Placing Agent entered into a supplemental placing agreement (the "Supplemental Placing Agreement") to revise and supplement the Placing Agreement to such extent and in such manner as set out below.

- (i) the number of Conversion Price shall be reduced from HK\$0.6 to HK\$0.4 per Conversion Share;
- (ii) the maximum number of Conversion Shares will be increased from 285,000,000 to 427,500,000;
- (iii) the Placing Period shall be extended to 15 January 2020;
- (iv) the Long Stop Date shall be put off to 3 February 2020;

- (v) another special general meeting of the Company shall have to be convened by the Company to revise the Specific Mandate or to grant a new specific mandate; and
- (vi) corresponding revisions shall have to be made to the CB Instrument.

Details are set out in the announcements and circular dated 4 June 2019, 2 July 2019, 17 July 2019 and 30 October 2019.

Save as disclosed above, the Group had no material event after the reporting period.

## **DIRECTORS' INTERESTS IN COMPETING BUSINESS**

As at 30 September 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 30 September 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 three months ended 30 September 2019.

By order of the Board  
**Chow Yik**  
*Chairman*

Hong Kong, 11 November 2019

*As at the date of this report, the Board comprises Mr. Chow Yik, Mr. Wang Hongtao and Mr. Wang Jinhan 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.*