



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

2020

Third Quarterly Report



A Step Forward, A Leap for Life.

CHARACTERISTICS OF 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 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 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.

This report, for which the directors (the “Directors”) of Kirin Group Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

THIRD QUARTERLY RESULTS

The board of directors (the “Board”) of Kirin Group Holdings Limited (the “Company”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the “Group”) for the three months and nine months ended 31 March 2020 together with the comparative unaudited condensed consolidated figures for the corresponding periods in 2019, as set out below:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months and nine months ended 31 March 2020

	Notes	Three months ended 31 March		Nine months ended 31 March	
		2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited and restated)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited and restated)
Continuing operations					
Revenue	3	10,539	22,607	38,202	66,861
Cost of sales and services		(4,846)	(12,206)	(22,616)	(39,364)
Other income		138	33	240	321
Distribution costs		(255)	(167)	(714)	(8,355)
Share of (loss)/profit of an associate		–	(1)	–	394
Impairment loss on loan receivables		–	–	–	(521)
Impairment loss on trade and other receivables		–	–	–	(88)
Loss on disposal of a subsidiary, net	6(c)	–	–	(33)	–
Administrative and other expenses		(5,344)	(8,172)	(26,826)	(25,523)
Finance costs		(5,835)	(7,270)	(21,726)	(20,535)
Loss before taxation		(5,603)	(5,176)	(33,473)	(26,810)
Taxation	4	(50)	(183)	(808)	(347)
Loss for the period from continuing operations		(5,653)	(5,359)	(34,281)	(27,157)
Discontinued operations					
(Loss)/profit for the period from discontinued operations	5	–	(158)	(533)	9,803
Loss for the period		(5,653)	(5,517)	(34,814)	(17,354)

	Three months ended 31 March		Nine months ended 31 March	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited and restated)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited and restated)
Other comprehensive income/ (expense) for the period				
<i>Items that may be reclassified subsequently to profit or loss:</i>				
Exchange difference arising from translation of financial statements of foreign operations	(77)	195	(350)	702
Exchange reserve released upon disposal of subsidiaries	—	—	435	(803)
	<u>(77)</u>	<u>195</u>	<u>85</u>	<u>(101)</u>
Total comprehensive expense for the period	<u>(5,730)</u>	<u>(5,322)</u>	<u>(34,729)</u>	<u>(17,455)</u>
Loss for the period attributable to				
– Equity shareholders of the Company	(4,757)	(4,974)	(31,736)	(12,947)
– Non-controlling interests	(896)	(543)	(3,078)	(4,407)
	<u>(5,653)</u>	<u>(5,517)</u>	<u>(34,814)</u>	<u>(17,354)</u>

	Notes	Three months ended 31 March		Nine months ended 31 March	
		2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited and restated)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited and restated)
Total comprehensive (expense)/income for the period attributable to:					
Equity shareholders of the Company					
– continuing operations		(4,834)	(4,621)	(31,118)	(20,646)
– discontinued operations		–	(158)	(533)	7,598
		<u>(4,834)</u>	<u>(4,779)</u>	<u>(31,651)</u>	<u>(13,048)</u>
Non-controlling interests					
– continuing operations		(896)	(543)	(3,078)	(6,612)
– discontinued operations		–	–	–	2,205
		<u>(896)</u>	<u>(543)</u>	<u>(3,078)</u>	<u>(4,407)</u>
		<u><u>(5,730)</u></u>	<u><u>(5,322)</u></u>	<u><u>(34,729)</u></u>	<u><u>(17,455)</u></u>
		HK\$	HK\$ (Restated)	HK\$	HK\$ (Restated)
Loss per share					
From continuing and discontinued operations					
Basic and diluted	7	<u><u>(2.11 cents)</u></u>	<u><u>(2.24 cents)</u></u>	<u><u>(14.07 cents)</u></u>	<u><u>(5.84 cents)</u></u>
From continuing operations					
Basic and diluted		<u><u>(2.11 cents)</u></u>	<u><u>(2.16 cents)</u></u>	<u><u>(13.84 cents)</u></u>	<u><u>(9.27 cents)</u></u>

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Kirin Group Holdings Limited (the “Company”) is a company incorporated in Bermuda with limited liability and its shares are listed on 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 Unit 3109, 31/F, 118 Connaught Road West, West District, Hong Kong. The Company acts as an investment holding company and its subsidiaries (the “Group”) are principally engaged in the provision of money lending services, insurance brokerage services, and assets management and securities brokerage services in Hong Kong.

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

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements for the three months and nine months ended 31 March 2020 (“Third Quarterly Financial Statements”) have been prepared in accordance with the applicable disclosure provisions of Chapter 18 of the GEM Listing Rules and with Hong Kong Accounting Standard (“HKAS”) 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 have been prepared on the historical cost basis except for certain financial instruments which are measured at fair values.

The accounting policies and methods of computation applied in preparation of the Third Quarterly Financial Statements are consistent with those applied in preparing the Group’s annual consolidated financial statements for the year ended 30 June 2019, except as described below.

In the current period, the Group has applied, for the first time, the following new and amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) which are effective for the Group’s financial year beginning 1 July 2019:

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle

Other than the impact of HKFRS 16 Leases as state below, the above new and revised HKFRSs have no significant financial effect on the unaudited condensed consolidated financial statements and there have been no significant changes to the accounting policies applied in the unaudited condensed consolidated financial statements.

Applies HKFRS 16.C8(b)(ii) transition (lease-by-lease basis)

As as 1 January 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities by applying HKFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

3. REVENUE AND SEGMENT INFORMATION

Information is 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 services, assets management and securities brokerage services, and money lending services in Hong Kong. Specifically, the Group’s reportable segments same as the operating segments under HKFRS 8 are as follows:

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

During the nine months ended 31 March 2020, the operation of sales of livestock was discontinued upon the disposal of a subsidiary, Cyber Leader Holdings Limited (“Cyber Leader”). Hence, certain comparative figures were restated so as to present the disposal of Cyber Leader. The segment information does not include any amounts for the discontinued operations, the details of which are set out in notes 5(b) and 6(b).

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

For the three months and nine months ended 31 March 2020 (Unaudited)

	Three months ended 31 March		Nine months ended 31 March	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Insurance brokerage and related services	5,771	17,343	25,714	47,439
Assets management and securities brokerage services	7	2	12	4,397
Money lending services	4,761	5,262	12,476	15,025
	<u>10,539</u>	<u>22,607</u>	<u>38,202</u>	<u>66,861</u>

4. TAXATION

Continuing operations

	Three months ended 31 March		Nine months ended 31 March	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Current tax	<u>(50)</u>	<u>(183)</u>	<u>(808)</u>	<u>(347)</u>

Tax charges on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

5. DISCONTINUED OPERATIONS

- (a) On 27 December 2018, Philippines Dragon Limited (“Philippines Dragon”), a direct wholly-owned subsidiary of the Company entered into a sale and purchase agreement with an independent third party to dispose of the entire equity interests in its subsidiary, Red Rabbit International Technology Inc. (“Red Rabbit”), a company incorporated in the Philippines which was principally engaged in the provision of information technology services (“Information Technology”). The disposal was completed on 31 December 2018 and the business of Information Technology was passed to the purchaser. Its results are presented in these condensed consolidated financial statements as discontinued operations.

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

	1/7/2018 – 31/12/2018 HK\$'000 (Audited)
Revenue	5,967
Cost of sales	(1,200)
Distribution costs	(75)
Administrative and other expenses	(1,445)
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Profit before taxation from discontinued operations	3,247
Taxation	(298)
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Profit after taxation from discontinued operations	2,949
Gain on disposal of a subsidiary after taxation (<i>Note 6(a)</i>)	7,320
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Profit for the period from discontinued operations	10,269

1/7/2018 –
31/12/2018
HK\$'000
(Audited)

Profit for the period from discontinued operations include the following:

Amortization	760
Depreciation	383
	<u> </u>

Other comprehensive income for the period from discontinued operations

Exchange differences on translation of discontinued operations	748
	<u> </u>

The cash flows of the discontinued operations are as follows:

Net cash outflow from operating activities	<u>(196)</u>
Total cash outflow	<u> </u>

The carrying amounts of assets and liabilities of Information Technology at the date of disposal are set out in note 6(a).

- (b) 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 livestock business. The disposal was completed on 16 September 2019 and the business of sales of livestock was passed to the purchaser. Its results are presented in these unaudited condensed consolidated financial statements as discontinued operations.

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

	1/7/2019 – 31/8/2019 <i>HK\$'000</i> (Unaudited)	1/7/2018 – 31/3/2019 <i>HK\$'000</i> (Unaudited and restated)
Loss for the period	(102)	(466)
Loss on disposal of Cyber Leader (<i>Note 6(b)</i>)	(431)	–
	<u>(533)</u>	<u>(466)</u>

The results of the business of sales of livestock for the period from 1 July 2019 to 31 August 2019, which have been included in the unaudited condensed consolidated statement of profit or loss and other comprehensive income were as follows:

	1/7/2019 – 31/8/2019 <i>HK\$'000</i> (Unaudited)	1/7/2018 – 31/3/2019 <i>HK\$'000</i> (Unaudited and restated)
Administrative and other expenses	(102)	(466)
Loss for the period from the discontinued operations	<u>(102)</u>	<u>(466)</u>

6. DISPOSAL OF SUBSIDIARIES

- (a) On 27 December 2018, Philippines Dragon entered into an agreement to dispose of the entire equity interests in Red Rabbit which was principally engaged in 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> (Audited)
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)
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Net assets disposal of	16,907
Non-controlling interests	(7,201)
Exchange reserve release upon disposal	(793)
Amounts due with the Group assigned and waived	(12,433)
Gain on disposal of a subsidiary (<i>Note 5(a)</i>)	7,320
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Total consideration	3,800
	<hr/> <hr/>
Satisfied by cash	300
Consideration receivable	3,500
	<hr/>
	3,800
	<hr/> <hr/>
Net cash inflow arising from disposal:	
Cash consideration	300
Less: Bank balances and cash disposed of	(21)
	<hr/>
	279
	<hr/> <hr/>

The consideration receivable was settled in cash by the purchaser subsequent before 30 June 2019.

The cash flows of the discontinued operation of Red Rabbit for the six months ended 31 December 2018 are set out in note 5(a).

- (b) On 16 September 2019, the Group entered into an agreement to dispose of its 100% equity interests in Cyber Leader which carried out all of the Group's sales of livestocks 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:

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

The consideration receivable was settled in cash by the purchasers subsequently before 31 December 2019.

- (c) On 16 September 2019, the Group entered into an agreement to dispose of its 100% equity interests in Aritza Holdings Limited (“Aritza”), an immediate holding company of One PR Limited, 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:

	Total <i>HK\$'000</i> (Unaudited)
Interests 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

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	
	2020	2019	2020	2019
	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>(4,757)</u>	<u>(4,974)</u>	<u>(31,736)</u>	<u>(12,947)</u>
	'000	'000	'000	'000

Number of shares

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

	<u>225,485</u>	<u>221,684</u>	<u>225,485</u>	<u>221,684</u>
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The diluted loss per share is equal to the basic loss per share as there were no dilutive potential ordinary shares outstanding during the nine months ended 31 March 2020 (2019: Nil).

The comparative figures for the basic loss per share for the three months and nine months ended 31 March 2019 are restated to take into account of the effect of the share consolidation completed during the period ended 31 March 2020 as if they had been taken place since the beginning of the comparative period.

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	
	2020	2019	2020	2019
	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	(4,757)	(4,974)	(31,736)	(12,947)
Less: (profit)/loss for the period from discontinued operations	—	158	533	(7,598)
Loss for the purpose of basic and diluted loss per share from continuing operations	<u>(4,757)</u>	<u>(4,816)</u>	<u>(31,203)</u>	<u>(20,545)</u>

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

Discontinued operations

Basic and diluted loss per share for the discontinued operation for the nine months ended 31 March 2020 is HK\$0.24 cents (31 March 2019: gain of approximately HK\$3.43 cents per share), 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 31 March 2020 (31 March 2019: profit of approximately HK\$7,598,000) and the denominators used are the same as those detailed above for both basic and diluted earnings/(loss) per share.

Diluted loss per share was the same as the basic 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 2020 and 2019.

8. RESERVES

Condensed Consolidated Statement of Changes in Equity

For the nine months ended 31 March 2020

	Attributable to equity shareholders of the Company						Total HK\$'000	Non- controlling interests HK\$'000	Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000	Translation reserve HK\$'000	Other reserve HK\$'000	Accumulated losses HK\$'000			
At 1 July 2018 (Audited and adjusted)	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
Release of translation reserve 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
At 30 June 2019 (Audited) and 1 July 2019	1,108	-	534,152	(85)	30	(435,313)	99,892	(13,040)	86,852
Issue of new share upon conversion of convertible notes	76	5,984	-	-	-	-	6,060	-	6,060
Loss for the period	-	-	-	-	-	(31,736)	(31,736)	(3,078)	(34,814)
Exchange difference arising from translation of financial statements of foreign operations	-	-	-	(350)	-	-	(350)	-	(350)
Release of translation reserve upon disposal of subsidiaries	-	-	-	435	-	-	435	-	435
Total comprehensive income/(expense) for the period	76	5,984	-	85	-	(31,736)	(25,591)	(3,078)	(28,669)
At 31 March 2020 (Unaudited)	1,184	5,984	534,152	-	30	(467,049)	74,301	(16,118)	58,183

MANAGEMENT DISCUSSION AND ANALYSIS

The Company is an investment holding company and the Group is principally engaged in the provision of (a) insurance brokerage and related services; (b) assets management and securities brokerage services; and (c) money lending services in Hong Kong during the nine months ended 31 March 2020.

Business Review

Insurance brokerage and related services

The turnover of the insurance brokerage and related services decreased by approximately 45.8% to approximately HK\$25,714,000 (31 March 2019: approximately HK\$47,439,000). The decrease in turnover was mainly due to (i) keen competition among the competitors in the industry; and (ii) the worsened local economy as a result of political unrest in Hong Kong and the negative impacts from the outbreak of novel coronavirus disease (the “COVID-19 Outbreak”), less customers are willing to purchase insurance and financial products since June 2019.

The Company will continue to explore overseas markets including but not limited to Japan, Philippines and Thailand for the geographical expansion of its business.

Assets management and securities brokerage services

In view of the limited financial resources of the Group and the recent unfavourable economic and political environment in Hong Kong, the Company will not allocate any resources into the asset management business. This segment did not generate any revenue for the nine months ended 31 March 2020.

As the capital market has slowed down in placing activities within the period under review, securities brokerage business recorded a revenue of approximately HK\$12,000.

Money lending services

The money lending services of the Company recorded a revenue of approximately HK\$12,476,000 (31 March 2019: approximately HK\$15,025,000) which represents a decrease of approximately 17% from the corresponding period in 2019. The decrease in revenue was mainly attributable to the decrease in loan receivables as at 31 March 2020.

The Company will continue with its marketing campaign so as to achieve a bigger market share in the money lending industry notwithstanding the unfavourable market conditions.

Financial Review

For the nine months ended 31 March 2020, the Group's turnover was approximately HK\$38,202,000, representing a decrease of approximately HK\$28,659,000 or 42.9% as compared with the same period in the previous year (31 March 2019: approximately HK\$66,861,000). The decrease was mainly due to the decrease in turnover of the segments of insurance brokerage and securities brokerage which were affected by the unfavourable market environment.

Distribution costs for the nine months ended 31 March 2020 was approximately HK\$714,000, representing a decrease of approximately HK\$7,641,000 as compared with approximately HK\$8,355,000 for the nine months ended 31 March 2019. The decrease was mainly due to the decrease in selling, distribution and marketing promotion expenses incurred for the business of insurance brokerage services.

Administrative and other expenses for the nine months ended 31 March 2020 was approximately HK\$26,826,000, representing an increase of approximately HK\$1,303,000 as compared with the same period in the previous year (31 March 2019: approximately HK\$25,523,000). The increase was mainly due to the increase in legal and professional fees, travelling and entertainment expenses.

The finance costs represented interest on corporate bonds and interest on lease liabilities.

The Group recorded a loss before taxation of approximately HK\$33,473,000 for the nine months ended 31 March 2020, representing an increase of 24.8% as compared with the same period in the previous year (31 March 2019: loss approximately HK\$26,810,000).

Prospects

Hong Kong's economy is expected to enter into a negative economic growth cycle which arises from the Sino-US trade disputes and the political unrest in Hong Kong since June 2019. In addition, with the COVID-19 Outbreak in Hong Kong since early 2020, the Group expects that Hong Kong's economy will further deteriorate and worsen. As the Group's principal business activities are geographically focused in Hong Kong, these unfavourable conditions would inevitably bring negative impacts to the Group's business. Hence, the Group anticipates that the growth of the Group will lose its momentum. In view of the difficulties facing ahead, the management of the Group will strive to look for new business and investment opportunities in order to migrate its geographical risks and diversify its business risks.

In order to diversify the business risks and the sources of income of the Group, Ample Gaint Investment Limited (“Ample Gaint”), a wholly-owned subsidiary of the Group has entered into a non-legally binding memorandum of understanding with M-Shine Movies (Asia) Limited (“M-Shine”) in March 2020. The principal activities of M-Shine and its subsidiaries are the provision of entertainment services to the internet platforms and multi-channel networks businesses, organizing cultural activities, TV episodes production and advertising services in the People’s Republic of China. With the advance development and extensive use of internet services, internet entertainment is one of the trendy and most popular entertainment channels in the world. The Group believes the collaboration between the Group and M-Shine will provide driving force for the continual growth of the Group.

DIVIDEND

The Directors do not recommend the payment of any dividend for the nine months ended 31 March 2020 (31 March 2019: HK\$Nil).

AUDIT COMMITTEE

The Company has established an audit committee (the “Audit Committee”) with written terms of reference, for the purpose of reviewing and providing supervision over the Group’s financial reporting process and internal controls.

The Audit Committee currently comprises of 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 2020 have been reviewed by the Audit Committee, who was of the opinion that the preparation of such financial results had complied with the applicable accounting standards and requirements and adequate disclosure had 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.

DISCLOSURE OF INTERESTS

A. 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 2020, the interests or short positions of each Director and chief executive of the Company 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 (the "SFO")), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including 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.

Long position in the ordinary shares of the Company

Name of Director	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Mr. Wang Hongtao	Beneficial owner	495,000 (Long position)	0.21%
Mr. Zhou Wenjun ("Mr. Zhou") (note 1)	Interest of spouse	4,320,000 (Long position)	1.95%

Note 1: These 4,320,000 Shares are beneficially owned by Ms. Wang Guo Feng ("Ms. Wang"), being the spouse of Mr. Zhou. Mr. Zhou is therefore deemed to be interested in 4,320,000 Shares held by Ms. Wang under the SFO.

Save as disclosed above, as at 31 March 2020, none of the Directors and chief executive of the Company had or was deemed to have any interests or short positions in any shares, debentures or underlying shares of the Company and its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors, to be notified to the Company and the Stock Exchange.

B. Substantial shareholders' interests and short positions in the Shares, debentures and underlying shares of the Company

As at 31 March 2020, the Directors and the chief executive of the Company were not aware of any person (other than the Directors or chief executive of the Company the interests of which were disclosed above) who had an interest or short position in the securities of the Company that were required to be entered in the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO.

Directors' and chief executives' rights to acquire shares or debt securities

Save as disclosed above and in the paragraph headed "Share Option Scheme" below, as at 31 March 2020, 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.

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

As at 31 March 2020, none of the Directors, employees and other eligible persons of the Company on its subsidiaries were granted options to subscribe for the shares of the Company.

MAJOR EVENTS DURING THE REPORTING 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 interests in Cyber Leader, a wholly-owned subsidiary that carried out the Group’s sales of livestocks business at a cash consideration of HK\$100,000. The disposal was completed on 16 September 2019.

On 16 September 2019, the Company and an independent third party entered into a sale and purchase agreement to dispose of its 100% equity interests in Aritza at a cash consideration of HK\$4,500,000. The disposal was completed on 16 September 2019.

The Company and China Rich Securities Limited (the “Placing Agent”) entered into a placing agreement and a supplemental placing agreement on 4 June 2019 and 30 October 2019 respectively, pursuant to which the Placing Agent has conditionally agreed, on a best effort basis, to procure subscriptions for 2% coupon convertible bonds up to the principal amount of HK\$171,000,000 due on the third anniversary of the first issue date (the “Placing”), entitling the holders thereof the rights to convert 427,500,000 conversion shares of HK\$0.005 each in the share capital of the Company at an initial conversion price of HK\$0.4 (subject to adjustment). The Placing was subsequently completed on 20 January 2020 and the gross proceeds from the Placing is HK\$6,060,000. Details of which are set out in the announcements of the Company dated 4 June 2019, 30 October 2019 and 20 January 2020.

On 25 March 2020, Ample Gaint, a wholly-owned subsidiary of the Company, as subscriber, and M-Shine, as issuer, entered into a non-legally binding memorandum of understanding, pursuant to which, it is proposed that Ample Gaint (or its nominee) will subscribe for 150,000 subscription shares to be allotted and issued by M-Shine, representing 60% of the share capital of M-Shine as enlarged by the allotment and issue of the subscription shares. The aggregate subscription price is preliminary agreed to be HK\$6,000,000, whereas the exact amount and the manner of settlement are to be more specifically provided under the formal agreement. Details of which are set out in the announcement of the Company dated 25 March 2020.

EVENTS AFTER THE REPORTING PERIOD

The Company has entered into a placing agreement dated 11 May 2020 with a placing agent, pursuant to which the placing agent has conditionally agreed to place, on a best effort basis, up to 30,000,000 new shares to not less than six independent placees at a price of HK\$0.3 per new share. Details of which are set out in the announcement of the Company dated 11 May 2020.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the nine months ended 31 March 2020, none of the directors or the controlling shareholders or their respective associates (as defined in the GEM Listing Rules) of the Group had any interest in any business which competes or may compete with the business of the Group.

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 principles of the corporate governance policies of the Company emphasises a quality Board, sound internal controls, and transparency and accountability to all shareholders. The Company has applied the principles and code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 15 to the GEM Listing Rules.

Code provision A.4.1 provides that non-executive Directors should be appointed for specific term, subject to re-election. The Company has deviated from the provision as 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 the Directors ought to be committed to representing the long time interest of the Company's shareholders. The Company believes that 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 the independent Non-executive Directors' offices.

Save as disclosed above, the Company has complied with all applicable code provisions as set out in the CG code during the nine months ended 31 March 2020.

CODE OF CONDUCT REGARDING 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 (the “Standard Dealings”) as 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 2020.

By order of the Board

Chow Yik

Chairman

Hong Kong, 14 May 2020

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/web/service/08109>.