



萬隆控股集團有限公司
Ban Loong Holdings Limited

(Incorporated in Bermuda with limited liability)
(Stock Code: 30)

2019/2020
INTERIM REPORT



CORPORATION INFORMATION

BOARD OF DIRECTORS

Executive Directors:

Mr. Wang Minghui (*Chairman*)

Mr. Chow Wang (*Deputy Chairman & Chief Executive Officer*)

Mr. Yin Pinyao

Mr. Chu Ka Wa (*Chief Financial Officer*)

Mr. Wang Zhaoqing (*Chief Operating Officer*)

Non-Executive Director:

Mr. Fong For

Independent Non-Executive Directors:

Mr. Jiang Zhi

Mr. Leung Ka Kui, Johnny

Ms. Wong Chui San, Susan

COMMITTEES

Audit Committee:

Ms. Wong Chui San, Susan (*Chairman*)

Mr. Jiang Zhi

Mr. Leung Ka Kui, Johnny

Remuneration Committee:

Mr. Leung Ka Kui, Johnny (*Chairman*)

Mr. Jiang Zhi

Ms. Wong Chui San, Susan

Mr. Chow Wang

Mr. Chu Ka Wa

Nomination Committee:

Mr. Wang Minghui (*Chairman*)

Mr. Jiang Zhi

Mr. Leung Ka Kui, Johnny

Ms. Wong Chui San, Susan

Mr. Chow Wang

COMPANY SECRETARY

Ms. Li Wing Sze

AUTHORIZED REPRESENTATIVES

Mr. Chow Wang

Mr. Chu Ka Wa

REGISTERED OFFICE

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

PRINCIPAL PLACE OF BUSINESS

Room 2709-10, 27/F

China Resources Building

No. 26 Harbour Road

Wanchai, Hong Kong

AUDITOR

HLB Hodgson Impey Cheng Limited

REGISTRAR

Computershare Hong Kong Investor Services Limited

18th Floor, Hopewell Centre

183 Queen's Road East

Hong Kong

SOLICITORS

Cheung & Choy

Lawrence Chan & Co.

WEBSITE

www.0030hk.com



The board of directors (the “Board”) of Ban Loong Holdings Limited (the “Company”) is pleased to present the unaudited interim results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 September 2019, together with selected explanatory notes and comparative figures for the corresponding period in last year as follows:

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

For the six months ended 30 September 2019

	<i>Notes</i>	For the six months ended 30 September 2019 HK\$ (unaudited)	For the six months ended 30 September 2018 HK\$ (unaudited)
Revenue	4	710,500,522	330,030,786
Cost of sales		(657,127,681)	(287,811,952)
Gross profit		53,372,841	42,218,834
Other income, gains and losses		342,620	881,306
Share of result of an associate		(100,587)	(119,842)
Selling and distribution expenses		(622,134)	(618,737)
General and administrative expenses		(20,830,565)	(17,964,466)
Finance costs	5	(2,495,798)	(2,325,000)
Profit before tax	6	29,666,377	22,072,095
Income tax expenses	7	(6,530,747)	(3,495,229)
Profit for the period		23,135,630	18,576,866
Other comprehensive expense for the period			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translating foreign operation		(11,982,893)	(16,418,000)
Total comprehensive income for the period		11,152,737	2,158,866

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

For the six months ended 30 September 2019

	For the six months ended 30 September 2019 HK\$ (unaudited)	For the six months ended 30 September 2018 HK\$ (unaudited)
Profit/(loss) for the period attributable to:		
Owners of the Company	23,138,501	18,581,972
Non-controlling interests	(2,871)	(5,106)
	23,135,630	18,576,866
Total comprehensive income/(expense) for the period attributable to:		
Owners of the Company	11,155,608	2,163,972
Non-controlling interests	(2,871)	(5,106)
	11,152,737	2,158,866
Earnings per share		
– Basic and diluted (HK cents)	0.36	0.34

Notes

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2019

	Notes	As at 30 September 2019 HK\$ (unaudited)	As at 31 March 2019 HK\$ (audited)
Non-current assets			
Property, plant and equipment	10	3,743,930	3,964,173
Right-of-use assets		13,744,245	–
Loan receivable	12	726,695	820,311
Deferred tax asset		304,567	260,918
Investment in an associate		277,490	412,717
		<u>18,796,927</u>	<u>5,458,119</u>
Current assets			
Inventories		17,255,492	–
Trade receivables	11	22,161,446	82,262,278
Loan and interest receivables	12	523,592,161	475,114,381
Other receivables, deposits and prepayments	13	420,522,874	231,147,014
Amount due from a shareholder		7,191,167	–
Bank balances and cash		31,655,824	74,664,169
		<u>1,022,378,964</u>	<u>863,187,842</u>
Current liabilities			
Trade and other payables	14	22,844,012	14,953,908
Contract liabilities		146,504,476	15,009,993
Tax payable		13,085,126	5,298,410
Bonds	15	68,829,000	68,429,000
Lease liabilities		9,338,715	–
		<u>260,601,329</u>	<u>103,691,311</u>
Net current assets		<u>761,777,635</u>	<u>759,496,531</u>
Total assets less current liabilities		<u>780,574,562</u>	<u>764,954,650</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

As at 30 September 2019

	<i>Note</i>	As at 30 September 2019 HK\$ (unaudited)	As at 31 March 2019 HK\$ (audited)
Non-current liability			
Lease liabilities		4,467,175	–
Net assets		776,107,387	764,954,650
Capital and reserves			
Share capital	16	64,481,522	64,481,522
Reserves		710,703,856	699,548,248
Equity attributable to owners of the Company		775,185,378	764,029,770
Non-controlling interests		922,009	924,880
Total equity		776,107,387	764,954,650



UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGE IN EQUITY

For the six months ended 30 September 2019

	Attributable to owners of the Company						Non-controlling interests	Total
	Share capital	Share premium	Capital redemption reserve	Exchange reserve	Accumulated losses	Sub-total		
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$		
At 1 April 2019 (audited)	64,481,522	988,278,817	176,000	(404,817)	(288,501,752)	764,029,770	924,880	764,954,650
Profit/(loss) for the period	-	-	-	-	23,138,501	23,138,501	(2,871)	23,135,630
Other comprehensive expense for the period:								
Exchange differences arising on translating foreign operation	-	-	-	(11,982,893)	-	(11,982,893)	-	(11,982,893)
Total comprehensive (expense)/income for the period	-	-	-	(11,982,893)	23,138,501	11,155,608	(2,871)	11,152,737
At 30 September 2019 (unaudited)	64,481,522	988,278,817	176,000	(12,387,710)	(265,363,251)	775,185,378	922,009	776,107,387
At 1 April 2018 (audited)	54,481,522	819,478,817	176,000	11,855,407	(329,859,825)	556,131,921	462,749	556,594,670
Profit/(loss) for the period	-	-	-	-	18,581,972	18,581,972	(5,106)	18,576,866
Other comprehensive expense for the period:								
Exchange differences arising on translating foreign operation	-	-	-	(16,418,000)	-	(16,418,000)	-	(16,418,000)
Total comprehensive (expense)/income for the period	-	-	-	(16,418,000)	18,581,972	2,163,972	(5,106)	2,158,866
At 30 September 2018 (unaudited)	54,481,522	819,478,817	176,000	(4,562,593)	(311,277,853)	558,295,893	457,643	558,753,536

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2019

	For the six months ended 30 September 2019 HK\$ (unaudited)	For the six months ended 30 September 2018 HK\$ (unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Net cash used in operating activities	(26,134,651)	(102,495,229)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	1,065,971	–
Repayment of loan to an independent third party	(3,502,342)	(2,552,075)
Purchases of property, plant and equipment	(1,416,337)	(906,773)
Bank interest received	15,674	–
Net cash used in investing activities	(3,837,034)	(3,458,848)
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(1,925,000)	(1,925,000)
Advanced to a shareholder	(7,191,167)	–
Net cash used in financing activities	(9,116,167)	(1,925,000)
Net decrease in cash and cash equivalents	(39,087,852)	(107,879,077)
Cash and cash equivalents at beginning of the period	74,664,169	144,042,321
Effect of foreign exchange rate changes	(3,920,493)	(16,487,087)
Cash and cash equivalents at end of the period, represented by bank balance and cash	31,655,824	19,676,157



NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENT

For the six months ended 30 September 2019

1. GENERAL INFORMATION

Ban Loong Holdings Limited (the “Company”) is incorporated in Bermuda and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The address of the registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The address of its principal place of business is Room 2709-10, 27/F., China Resources Building, No.26 Harbour Road, Wanchai, Hong Kong.

The principal activity of the Company is an investment holding company. The Company’s subsidiaries (together with the Company collectively referred to as the “Group”) are principally engaged in money lending business and trading of goods and commodities.

The unaudited condensed consolidated financial statements are presented in Hong Kong dollars (“HK\$”), which is also the functional currency of the Company.

2. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements (the “Interim Financial Statements”) have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with Hong Kong Accounting Standard (the “HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

The interim financial report has been prepared in accordance with same accounting policies adopted in the 2019 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2020 annual financial statements. Details of any changes in accounting policies are set out in note 3.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgement, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2019 for the preparation of the Group’s unaudited condensed consolidated financial statements:

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

Except as described below, the application of the new and amendments to HKFRSs in the current period has had no material impact on the Group’s financial performance and positions for the current and prior periods and/or on the disclosures set out in these unaudited condensed consolidated financial statements.

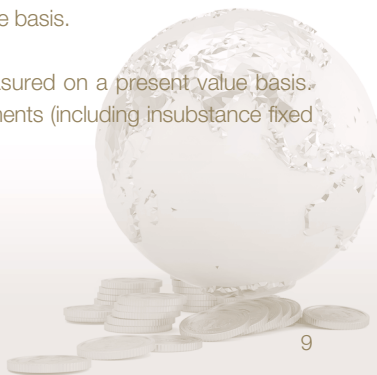
HKFRS 16 Leases

The Group leases various offices and carparks. Rental contracts are typically made for fixed periods. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the 2019 financial year, payments made under operating leases were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 April 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset’s useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of fixed payments (including in substance fixed payments).



3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

HKFRS 16 Leases (Continued)

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise small items of office furniture.

The Group has adopted HKFRS 16 from 1 April 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the simplified transition approach in the standard. The reclassifications and the adjustments arising from the new leasing standards are therefore recognised in the opening balance sheet on 1 April 2019.

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as “operating leases” under the principles of HKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as of 1 April 2019 in each territory or region where the lease assets are located.

The Group elected the modified retrospective approach for the application of HKFRS 16 as lessee and recognised the cumulative effect of initial application without restating comparative information.

4. REVENUE AND SEGMENT INFORMATION

Information reported to the directors of the Company, being the chief operating decision maker (“CODM”), for the purpose of resources allocation and assessment of segment performance focus on types of goods or services delivered or provided. The directors of the Company have chosen to organise the Group around differences in products and services. No operating segments identified by the CODM have been aggregated in arriving at the reporting segments of the Group.

Specifically, the Group’s reporting and operating segments under HKFRS 8 are as follows:

- (i) Money lending segment engages in the provision of financing services; and
- (ii) Trading segment engages in the trading of goods and commodities.

4. REVENUE AND SEGMENT INFORMATION *(Continued)*

Segment revenues and results

The following is an analysis of the Group's revenue and results from continuing operations by reportable and operating segments:

For the six months ended 30 September 2019

	Money lending HK\$ (unaudited)	Trading HK\$ (unaudited)	Total HK\$ (unaudited)
Revenue	43,606,961	666,893,561	710,500,522
Gross profit	43,606,961	9,765,880	53,372,841
Segment profit	32,820,202	2,621,746	35,441,948
Unallocated corporate income, gains and losses			57,772
Unallocated corporate expenses			(3,337,545)
Finance costs			(2,495,798)
Profit before tax			29,666,377



4. REVENUE AND SEGMENT INFORMATION *(Continued)*

Segment revenues and results *(Continued)*

For the six months ended 30 September 2018

	Money lending HK\$ (unaudited)	Trading HK\$ (unaudited)	Total HK\$ (unaudited)
Revenue	<u>34,171,611</u>	<u>295,859,175</u>	<u>330,030,786</u>
Gross profit	<u>34,171,611</u>	<u>8,047,223</u>	<u>42,218,834</u>
Segment profit	<u>33,068,055</u>	<u>2,752,777</u>	<u>35,820,832</u>
Unallocated corporate expenses			(11,423,737)
Finance costs			<u>(2,325,000)</u>
Profit before tax			<u>22,072,095</u>

Segment profit before tax represents the profit earned from each segment without allocation of directors' fee, certain bank interest income, loss on disposal of motor vehicle, certain general and administrative expenses, share of result of an associate and finance costs. This is the measure reported to the CODM for the purposes of resources allocation and performance assessment.

4. REVENUE AND SEGMENT INFORMATION *(Continued)*

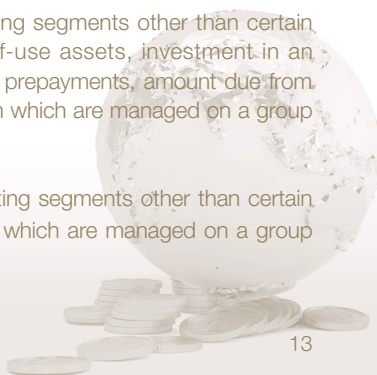
Segment assets and liabilities

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

	As at 30 September 2019 HK\$ (unaudited)	As at 31 March 2019 HK\$ (audited)
Segment assets		
Money lending	539,550,317	496,750,029
Trading	474,072,328	321,728,118
Unallocated corporate assets	27,553,246	50,167,814
	<hr/>	<hr/>
Consolidated assets	1,041,175,891	868,645,961
	<hr/>	<hr/>
Segment liabilities		
Money lending	12,432,237	4,855,194
Trading	165,153,617	19,762,015
Unallocated corporate liabilities	87,482,650	79,074,102
	<hr/>	<hr/>
Consolidated liabilities	265,068,504	103,691,311
	<hr/>	<hr/>

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

- all assets are allocated to reportable and operating segments other than certain property, plant and equipment, certain right-of-use assets, investment in an associate, certain other receivables, deposits and prepayments, amount due from a shareholder and certain bank balances and cash which are managed on a group basis.
- all liabilities are allocated to reportable and operating segments other than certain other payables, bonds and certain lease liabilities which are managed on a group basis.



5. FINANCE COSTS

	For the six months ended 30 September 2019 HK\$ (unaudited)	For the six months ended 30 September 2018 HK\$ (unaudited)
Effective interest expense on bonds (<i>note 15</i>)	2,325,000	2,325,000
Interest expenses on lease liabilities	170,798	–
	<u>2,495,798</u>	<u>2,325,000</u>

6. PROFIT BEFORE TAX

Profit before tax is arrived at after charging:

	For the six months ended 30 September 2019 HK\$ (unaudited)	For the six months ended 30 September 2018 HK\$ (unaudited)
Cost of inventories recognised as expense	657,127,681	287,811,952
Loss on disposal of motor vehicle	48,949	–
Depreciation of property, plant and equipment	521,660	751,665
Depreciation of right-of-use assets	3,873,693	–
Minimum lease payment under operating leases in respect of land and buildings	3,029,830	2,314,776
	<u>3,029,830</u>	<u>2,314,776</u>

7. INCOME TAX EXPENSES

	For the six months ended 30 September 2019 HK\$ (unaudited)	For the six months ended 30 September 2018 HK\$ (unaudited)
Current tax:		
– The People’s Republic of China (“the PRC”) Enterprises Income Tax (“ELT”)	270,208	299,757
– Hong Kong Profits Tax	6,304,188	3,195,472
	6,574,396	3,495,229
Deferred tax	(43,649)	–
	6,530,747	3,495,229

- (a) 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 gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2,000,000 of assessable profits of qualifying corporations will be taxed at 8.25%, and assessable profits above HK\$2,000,000 will be taxed at 16.5%. The assessable 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%. The Group is subject to Hong Kong Profit Tax at a rate of 16.5% for the six months ended 30 September 2019 and 2018.
- (b) Under the Law of the PRC on the EIT and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.



8. EARNINGS PER SHARE

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

	For the six months ended 30 September 2019 HK\$ (unaudited)	For the six months ended 30 September 2018 HK\$ (unaudited)
Profit for the period attributable to owners of the Company for the purpose of basic and diluted profit per share	23,138,501	18,581,972
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	6,448,152,160	5,448,152,160

9. DIVIDEND

No dividend was paid or proposed during the six months ended 30 September 2019 and 2018, nor has any dividend been proposed since the end of the reporting periods.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2019, the Group acquired property, plant and equipment with a cost of HK\$1,416,337 (six months ended 30 September 2018: HK\$906,773).

Motor vehicle included in the property, plant and equipment with a carrying amount of HK\$1,114,920 was disposed of by the Group during the six months ended 30 September 2019 (six months ended 30 September 2018: HK\$Nil) for cash proceeds of HK\$1,065,971 (six months ended 30 September 2018: HK\$Nil), resulting a net loss on disposal of HK\$48,949 (six months ended 30 September 2018: HK\$Nil).

11. TRADE RECEIVABLES

	As at 30 September 2019 HK\$ (unaudited)	As at 31 March 2019 HK\$ (audited)
Trade receivables	22,184,775	82,707,321
Less: Allowance for expected credit losses	(23,329)	(445,043)
	22,161,446	82,262,278

Trade receivables in relation to trading of goods and commodities are having an average credit period of 90 days (31 March 2019: 90 days).

The following is an ageing analysis of the Group's receivables (before provision for expected credit loss) presented based on the invoice date, which approximates the respective revenue recognition dates, at the end of the reporting period:

	As at 30 September 2019 HK\$ (unaudited)	As at 31 March 2019 HK\$ (audited)
0-90 days	22,184,775	82,707,321

At the end of the reporting period, none of the Group's trade receivables was past due but not impaired at the end of the reporting period for which the Group has not provided for impairment loss as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collaterals for receivables above.



12. LOAN AND INTEREST RECEIVABLES

	As at 30 September 2019 HK\$ (unaudited)	As at 31 March 2019 HK\$ (audited)
Loan receivables		
Secured	371,684,117	381,202,454
Unsecured	145,308,510	89,417,034
	516,992,627	470,619,488
Interest receivables	7,912,767	5,634,007
	524,905,394	476,253,495
Less: Allowance for expected credit losses	(586,538)	(318,803)
	524,318,856	475,934,692

The maturity profile of the loan receivables (before allowance for expected credit loss) at the end of the reporting period, analysed by the maturity date, is as follows:

	As at 30 September 2019 HK\$ (unaudited)	As at 31 March 2019 HK\$ (audited)
Within one year	516,265,932	469,799,177
Two to five years	726,695	820,311
	516,992,627	470,619,488
Carrying amount analysed for reporting purpose		
Current assets	523,592,161	475,114,381
Non-current assets	726,695	820,311
	524,318,856	475,934,692

12. LOAN AND INTEREST RECEIVABLES *(Continued)*

The secured and unsecured loans advanced to the customers arising under the Group's money lending business had an average loan period of 60 days to 5 years (31 March 2019: 45 days to 5 years). The loans provided to customers bore fixed interest rate ranging from 1% – 2.4% per month (31 March 2019: 1% – 2.5%), depending on the individual credit evaluations of the borrowers. These evaluations focus on the borrowers' financial background, individual credit rating, current ability to pay, and take into account information specific to the borrowers as well as the guarantees and/or security from the borrowers. The loans provided to borrowers are repayable in accordance with the loan agreement, in which interest portion will be repaid in monthly basis while the principal amounts are repayable on maturity.

The following is an aged analysis of loan and interest receivables, presented based on the dates which loans are granted to borrowers and interests are accrued.

	As at 30 September 2019 HK\$ (unaudited)	As at 31 March 2019 HK\$ (audited)
Within 90 days	95,798,118	314,814,705
91-180 days	123,725,094	100,582,440
181-365 days	303,855,017	59,519,059
Over 365 days	940,627	1,019,488
	524,318,856	475,934,692

The Group's financing advances to customers included in the loan receivables are due as of the due dates specified in respective loan agreements. At 30 September 2019 and 31 March 2019, all the loan and interest receivables are neither past due nor impaired and represented loans granted to borrowers without recent history of default.



13. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	As at 30 September 2019 HK\$ (unaudited)	As at 31 March 2019 HK\$ (audited)
Other receivables	99,939,669	22,060,811
Deposits	3,106,997	2,198,603
Prepayments	317,476,208	206,887,600
	<u>420,522,874</u>	<u>231,147,014</u>

14. TRADE AND OTHER PAYABLES

	As at 30 September 2019 HK\$ (unaudited)	As at 31 March 2019 HK\$ (audited)
Trade payables	5,903,345	592,272
Other payables and accrued charges	16,940,667	14,361,636
	<u>22,844,012</u>	<u>14,953,908</u>

15. BONDS

At the end of the current interim periods, the Group had outstanding unsecured corporate bonds with aggregate principal of HK\$70,000,000 (31 March 2019: HK\$70,000,000) with the following major terms:

Issue price:	100% of the principal amount
Interest:	5.5% per annum payable semi-annually in arrear
Maturity:	7 years from date of issuance unless early redeemed
Early redemption options:	<ul style="list-style-type: none"> – The holder can request for early redemption after the fourth anniversary from the issue date up to the maturity date at a redemption amount of 80% of the outstanding principal; and – The Group can early redeem the bonds after the fifth anniversary from the issue date up to the maturity date at a redemption amount of 100% of the outstanding principal.

The movements of the bonds are set out below:

	For the six months ended 30 September 2019 HK\$ (unaudited)	For the year ended 31 March 2019 HK\$ (audited)
Carrying amount at the beginning of the period/year	68,429,000	67,629,000
Effective interest charge for the period/year (<i>note 5</i>)	2,325,000	4,650,000
Interest payable/paid	(1,925,000)	(3,850,000)
	68,829,000	68,429,000
Carrying amount at the end of the period/year	68,829,000	68,429,000
Less: Bonds repayable after one year shown under non-current liabilities	–	–
	68,829,000	68,429,000
Current portion (<i>Note</i>)	68,829,000	68,429,000

15. BONDS (Continued)

The Company's bonds carry interest at effective interest rate of 7.22% (31 March 2018: 7.22%) per annum.

Note: The repayment obligations of the Company under the instruments of the Bonds is guaranteed by Jun Qiao Limited ("Jun Qiao"). Under the terms of the subscription agreements in relation to the Bonds, to the extent which is legally permissible, the Company and Jun Qiao undertook to continue to maintain its interests in the all the mining assets held by Jun Qiao and its subsidiaries ("Jun Qiao Group"), including mining structure and plant and equipment, prepaid lease payment, mining right and reserves and exploration right, and prepayments for exploration and evaluation activities (the "Mining Assets") and not to dispose of, transfer or sell any of the Mining Assets until the maturity of the Bonds, unless the consent of the majority of the bondholders is obtained. The directors of the Company considered that the Group does not have an unconditional right to defer settlement of the Bonds for at least 12 months after the reporting period and hence classified the Bonds as current liabilities.

16. SHARE CAPITAL

	No. of shares	Amount HK\$
Authorised:		
Ordinary shares of HK\$0.01 each	<u>20,000,000,000</u>	<u>200,000,000</u>
As at 1 April 2019 (audited) and 30 September 2019 (unaudited)	<u>6,448,152,160</u>	<u>6,448,152,160</u>

17. RELATED PARTY TRANSACTIONS

Key management compensation amounted to HK\$1,967,000 for the six months ended 30 September 2019 (six months ended 30 September 2018: HK\$1,884,000).

18. EVENTS AFTER THE REPORTING PERIOD

On 14 October 2019 (after trading hours), the Company entered into the Subscription Agreement with Yunnan Baiyao Group Co., Ltd. (“Yunnan Baiyao Group”), pursuant to which the Company has conditionally agreed to issue, and Yunnan Baiyao Group has conditionally agreed to subscribe for, the Convertible Bonds in the principal amount of HK\$730,000,000 for the subscription price which is equivalent to the principal amount.

Based on the initial Conversion Price of HK\$0.258 per Conversion Share and assuming there is no other change in the issued share capital of the Company between now and the full conversion of the Convertible Bonds, 2,829,457,364 Conversion Shares will be allotted and issued by the Company upon exercise in full of the conversion rights attaching to the Convertible Bonds, representing: (a) approximately 43.88% of the existing issued share capital of the Company; and (b) approximately 30.50% of the issued share capital of the Company as enlarged by the issue of the 2,829,457,364 Conversion Shares. The initial Conversion Price of HK\$0.258 per Share: (i) represents a discount of approximately 0.77% to the closing price of HK\$0.260 per Share as quoted on the Stock Exchange on the date of signing of the Subscription Agreement; and (ii) is equivalent to the average closing price of HK\$0.258 per Share as quoted on the Stock Exchange for the five trading days immediately prior to the date of signing of the Subscription Agreement. The gross proceeds and net proceeds from the Subscription amount to approximately HK\$730,000,000 and HK\$728,000,000, respectively. The Company intends to apply the net proceeds from the Subscription for the business development, research, investments, acquisitions and other opportunities of hemp and CBD related businesses.

The Completion of the Subscription is subject to, amongst other things, the obtaining of the approval of the independent shareholders of the Company at a special general meeting (“SGM”) to be held by the Company. Further announcement(s) will be made as regards the date of the SGM and its voting results in due course.

19. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to current period’s presentation.



MANAGEMENT DISCUSSION AND ANALYSIS

Operating Results

The financial results of Ban Loong Holdings Limited (the “Company”) and its subsidiaries (the “Group”) for the six months ended 30 September 2019 were highlighted as follows:

- Revenue during the six months ended 30 September 2019 was HK\$710.5 million, representing an increase of approximately 115.3% from HK\$330.0 million in previous interim period. The increase was mainly attributable to the combined effect of (i) increase in income from money lending segment due to the increase in demand of loans from the Group’s money lender customers; and (ii) increase in income from trading segment mainly due to the increase in purchase orders placed by the Group’s trading customers.
- Gross profit amounted to HK\$53.4 million during the six months ended 30 September 2019, representing an increase of 26.5% from HK\$42.2 million in previous interim period. Gross profit margin was 7.5% in current interim period, while the gross profit margin was 12.8% in previous interim period. The decrease in profit margin was due to the larger increase in revenue of the trading segment (with lower profit margin) as compared to the money lending segment (with higher profit margin).
- Profit of the Group for the six months ended 30 September 2019 increased to approximately HK\$23.1 million, representing an increase of approximately 24.2% from approximately HK\$18.6 million in previous interim period. The profit in current interim period was mainly due to the increase in the revenue and profit from money lending segment.

For the detailed financial results of each operating segment, please refer to the note 4 of the notes to the unaudited condensed consolidated financial statements.

Interim Dividend

The Board did not propose an interim dividend for the six months ended 30 September 2019 (2018: Nil).

Business Review

During the six months ended 30 September 2019, the Group's operations are divided into two identifiable business segments, namely, the money lending segment and the trading segment. The money lending segment refers to the money lending business engaged in Hong Kong by Ban Loong Finance Company Limited ("Ban Loong Finance"), a wholly-owned subsidiary of the Company which is a licensed money lender in Hong Kong. The trading segment refers to (i) the trading of goods and commodities in China by Wan Long Xing Ye Commercial Trading (Shenzhen) Limited (萬隆興業商貿(深圳)有限公司) ("Wan Long Xing Ye"), a wholly-owned subsidiary of the Company; and (ii) the trading of goods and commodities in Hong Kong by Wan Long Xing Ye Commercial Trading (Hong Kong) Limited ("Wan Long Xing Ye HK") and Ban Loong Hemp Technology Limited ("Ban Loong Hemp"), wholly-owned subsidiaries of the Company.

The money lending segment

Ban Loong Finance is a money lender licensed to carry out money lending business in Hong Kong. Its business primarily focuses in the area of short-term personal and corporate loans. To maintain credit control efficiency, Ban Loong Finance does not currently conduct business at retail level. Potential borrowers were sought from the social and business networks of the management and marketing team. Our money lending business is managed by a team of experienced personnel including loan officers and reviewing officers and other management members having sound financial and business knowledge. To safeguard assets of the Group, the management and credit control team will review and assess the credit risk of each loan application carefully to ensure recoverability of each lending. Generally speaking, borrowers would be requested to pay interest monthly, in order to facilitate the management's continual monitoring of the financial stability of borrowers. The Company has put in place clear credit policies, guidelines, controls and procedures covering the entire life cycle of each loan transaction, which are summarized as follows:

- (1) Assessment of application: Our management and staff will conduct background checking and know-your-client (KYC) procedures over the applying borrowers. Individual borrowers are invited to our office to conduct personal meetings with our loan officer to understand their financial needs and their repayment plans. For corporate borrowers, our loan officer may interview the applicant and, if necessary, visit the office of the applicant to understand their business scale and nature. The loan officer will report the results of the meeting to the reviewing officer as a part of the loan approval process.



- (2) Loan approval: Based on the application, the loan officer will make a recommendation on the loan size, term and interest rate based on the results of the background checking stage. Factors taking into account in considering the loan application include: (a) the Group's assessment on the financial means of the applicant, both in terms of annual income and asset base; (b) the macro-economy and the latest trend of interest rate; and (c) the availability of personal guarantee and/or provision of collateral to fortify the repayment obligations. The proposal will be submitted to the reviewing officer of the department. For renewal applications of old customers, the customer interview procedure will be proceeded as usual but the background checking and KYC procedures are simplified. In addition to the assessment factors for new customers, the result of any renewal applications from old customers will also rely on their past repayment records. If the loan application is approved, the loan officer will prepare the full legal documentation of the loan, guarantee and asset pledge with the assistance of external legal advisers. Once the loan is properly documented and executed, the loan officer will report to the reviewing officer and the management to prepare for the loan drawdown.
- (3) Ongoing account maintenance: The loan officer will provide continuous monitoring of the loan repayments and regularly review if there is any change of situation, and will report to the reviewing officer from time to time.
- (4) Repayment collection: The loan officer will make phone calls and text messages to borrowers to remind them of repayment schedules. In the event of repayment delay or default, the loan officer will instruct legal advisers to issue demand letters and commence legal proceedings if necessary.

During the six months ended 30 September 2019, the business performance of the money lending segment was summarized below:

– Aggregate amount of lending	HK\$67.6 million (2018: HK\$133.6 million)
– Total number of lending	13 (2018: 17)
– Range of effective annual percentage rate (“APR”)	12%-28.8% (2018: 12%-28.8%)
– Weighted average APR	18.04% (2018: 17.43%)

During the six months ended 30 September 2019, revenue generated from the segment, contributed essentially by interest received and accrued, increased from approximately HK\$34.2 million in previous interim period to approximately HK\$43.6 million.

Trading segment

During the six months ended 30 September 2019, the Group's trading business in China generated revenue of approximately HK\$536.7 million (2018: HK\$271.3 million), and the Group's trading business in Hong Kong generated revenue of approximately HK\$130.2 million (2018: HK\$24.5 million).

In the past, our trading business principally involved the trading of food raw materials such as sugar and edible oil. The Company tries to minimize its stock-up period, such that the storage risk and cost are also kept to the minimum. In order to reduce our risk exposure and cost, our trading business adopts the purchase-to-order (PTO) strategy to the maximum extent possible. Ideally, if we receive a definitive and legally-binding purchase order (PO) from our customer for pre-fixed product type and specifications and pre-agreed supply quantity, unit price and delivery date, we would then obtain price quotations from one or several suppliers with suitable product type and lowest price to match the PO. If the matching exercise gives rise to a profitable trading opportunity, we would accept the customer PO and place a supplier PO to our selected supplier to meet the demand. After arranging with both the customer and supplier sides, the Company would issue product collection notice to the supplier's warehouse, and issue delivery instructions to transportation agent to arrange for product delivery. Payments of products are normally settled by customers under permitted credit periods. Occasionally, the demand of our trading business would also be managed by purchase demand projection provided by our trading customers for specified periods in good-faith and no-commitment basis. Purchase demand projections would, unless withdrawn or altered, be turned into binding purchase orders when the lead time required between the order placement and the required delivery date approaches.

The Group has been exploring opportunities to diversify into new businesses. Since as early as 2017 and 2018, the Group has already diversified the product range of its trading business from edible oil and sugar to include also cosmetics and personal care products. For certain new product lines, the Company adopts a mixed purchase-to-stock (PTS) model and targets to maintain a modest inventory level. Through the business network of our suppliers and customers of cosmetics and personal care products, the Group became aware of the worldwide trend of the legalization and the consumer use in commercialized scale of cannabidiol ("CBD"), one of the naturally occurring non-psychoactive cannabinoids found in hemp. In contrast to tetrahydrocannabinol ("THC") which is the key psychoactive cannabinoids in cannabis plants, CBD exhibits no effects indicative of abuse or dependence potential and no evidence of public health-related problems according to a report published by the World Health Organization ("WHO") in 2018. Realizing the market potential of CBD, the Group commenced its international trading business of CBD isolate in 2019. Due to the familiarity of the Group with suppliers and customers of cosmetics and personal care products, our sales were initially targeted for brand owners and manufacturers of non-medicine personal care products.



Due to the novelty of the CBD market and as a matter of prudence, the Group conducted legal research and retained legal advisers to advise us on the legal position before carrying out CBD related business operations and activities in various jurisdictions. Product samples were sent to reputable testing laboratories to ensure that all CBD products distributed by the Group complied with the international standard of less than 0.2% to 0.3% THC. The staff and the legal advisers of the Group also consulted with relevant government authorities to ensure the lawful shipment and import and export clearance. Since the commencement of the CBD trading business in May 2019, the Group has generated revenue of approximately HK\$1,017,000 with minimal profit from its CBD trading business. While the monetary sum of the pilot sales is insignificant as compared to the business scale of the Group, this signifies the successful outcome of many months of effort of our staff, consultants and advisors in clearing the legal and logistics route of importing and exporting CBD.

Simultaneously with the launch of our CBD trading business, the Group has conducted detailed research on the supply and demand of the various production cycles of CBD ranging from hemp cultivation, extraction and its application in consumer products. Based on the Company's understanding, the demand of CBD is strong in developed countries and in particular, the United States, calling for the demand to import from other countries. Due to the high cultivation and production costs in these developed countries, there exists a business opportunity to set up cultivated land and extraction facilities in developing countries where cultivation of hemp is legalized while farming and production costs are relatively low. After gaining experience through the pilot operation on CBD trading for six months now and the conducting of market researches on hemp cultivation and extraction for almost one year, the Company is now well positioned to enter the whole industry chain of hemp covering the upstream, midstream and downstream production cycles and ranging from cultivation, extraction, mass production, testing, product development of medical and non-medical uses, and the research and development of cultivation and extraction technologies. The Company has engaged advisers and consultants to assist us on the design and construction of the hemp cultivation and extraction facilities and to explore other cooperation and acquisition opportunities relating to hemp and CBD businesses.

GENERAL AND ADMINISTRATIVE EXPENSES

During the six months ended 30 September 2019, the Group's general and administrative expenses (which mainly comprises legal and professional fees, salaries, directors' fees and office rentals) amounted to approximately HK\$20.8 million (2018: HK\$18 million), which were 15.56% higher than that in previous interim period principally due to the increased operating costs including staff cost and professional fee as a result of the increase in size of the Group's business during current period as compared with that in previous interim period.

FINANCE COSTS

During the six months ended 30 September 2019, the Group's finance costs of HK\$2.5 million was approximately the same as previous interim period. The finance costs were mainly due to interest incurred on bonds issued in previous interim period.

INCOME TAX EXPENSES

During the six months ended 30 September 2019, income tax expenses amounting to HK\$6.5 million (2018: HK\$3.5 million) were incurred. The increase in the income tax expenses is principally due to the increase of profit generated from the money lending segment during current interim period.

EARNINGS PER SHARE

During the six months ended 30 September 2019, the basic and diluted earnings per share amounted to 0.36 HK cents, which was increased from 0.34 HK cents in previous interim period.

TRADE RECEIVABLES

The Group's trade receivables as at 30 September 2019 amounted to approximately HK\$22.2 million representing a decrease of approximately HK\$60.1 million as compared with the trade receivables of approximately HK\$82.3 million as at 31 March 2019. The decrease was mainly due to the early settlement by customers of trading segment during the period. The management did not foresee any recoverability problem as most of the amount has been settled after the period end date but before the date of this report. The management will constantly review the ageing and credit standing of customers to monitor the recoverability of trade receivables.



OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

The breakdown of other receivables, deposits and prepayments were as follows:

	As at 30 September 2019 HK\$	As at 31 March 2019 HK\$
Other receivables	99,939,669	22,060,811
Deposits	3,106,997	2,198,603
Prepayment	317,476,208	206,887,600
	420,522,874	231,147,014

The other receivables included advances to suppliers and potential suppliers who are independent third parties in the amount of HK\$99,939,669 (31 March 2019: HK\$22,060,811), of which HK\$30,689,511 was either used for prepayment of the Group's orders or refunded in full to the Company (without interest) subsequent to the end of the reporting period. The remaining balances were not material to the Group.

FINANCIAL POSITION

The Group's unaudited condensed consolidated statement of financial position remained solid. Shareholders' equity increased from approximately HK\$765.0 million to HK\$776.1 million. Total assets increased by 19.8% to HK\$1,041.2 million mainly due to the increase in right-of-use assets and other receivables, deposits and prepayments during the period. Net assets increased by 1.45% from HK\$765.0 million to HK\$776.1 million primarily due to the total comprehensive income recorded during the period.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2019, the Group's cash and cash equivalents amounted to approximately HK\$31.7 million (31 March 2019: HK\$74.7 million).

As at 30 September 2019, the Group had outstanding unsecured 5.5% per-annum 7-years (due between January and July 2021) corporate bonds (the "Bonds") with aggregate principal sum of HK\$70 million. The repayment obligations of the Company under the instruments of the Bonds are guaranteed by Jun Qiao Limited ("Jun Qiao"). Under the terms of the subscription agreements in relation to the Bonds, to the extent which is legally permissible, the Company and Jun Qiao undertook to continue to maintain its interests in the mining assets (the "Mining Assets") owned by Jun Qiao and its subsidiaries (the "Jun Qiao Group") and not to dispose of, transfer or sell any of the Mining Assets until the maturity of the Bonds, unless the consent of the majority of the bondholders is obtained. Due to the purported transfer of 90% equity of Yin Di Mining to Henan Guiyuan and related incidents as disclosed in the Company's announcements dated 15 January 2017, 22 January 2017 and 1 February 2017 (the "Incidents"), the Company deconsolidated the De-consolidated Subsidiaries. As a matter of prudent treatment, the Bonds were classified as current liabilities.

At 31 January 2019, the Group entered into a sale and purchase agreement to dispose of its 60% shareholding in Jun Qiao to an independent third party for a cash consideration of HK\$100,000 together with a 30% proportionate sharing of the compensation, after costs, from the legal actions commenced by the Group in seeking to recover the Mining Assets. Jun Qiao is an investment holding company whose principal assets are its investments in the De-consolidated Subsidiaries. The Disposal was completed on 25 February 2019.

	As at 30 September 2019	As at 31 March 2019
Current ratio (current assets/current liabilities)	3.9 times	8.3 times
Gearing ratio (total liabilities/total assets)	25%	12%

The Group's liquidity remains healthy. Nevertheless, as the Company is still keen on looking for strategic investment to diversify its business operation, additional financing might be required when suitable investment opportunity was identified. The management will assess and consider various possible fund raising alternatives to strengthen the capital base and financial position of the Company and to maintain sufficient working capital to support its future operational and investment needs.



SHARE CAPITAL AND FUND RAISING ACTIVITIES

As at 30 September 2019, the total number of issued ordinary shares of the Company was 6,448,152,160 shares (31 March 2019: 6,448,152,160 shares).

The Company entered into the Subscription Agreement with Yunnan Baiyao Group Co., Ltd (“Yunnan Baiyao Group”) on 14 October 2019, pursuant to which the Company has conditionally agreed to issue, and Yunnan Baiyao Group has conditionally agreed to subscribe for, the Convertible Bonds in the principal amount of HK\$730,000,000 for the subscription price which is equivalent to the principal amount.

Based on the initial Conversion Price of HK\$0.258 per Conversion Share and assuming there is no other change in the issued share capital of the Company between now and the full conversion of the Convertible Bonds, 2,829,457,364 Conversion Shares will be allotted and issued by the Company upon exercise in full of the conversion rights attaching to the Convertible Bonds, representing: (a) approximately 43.88% of the existing issued share capital of the Company; and (b) approximately 30.50% of the issued share capital of the Company as enlarged by the issue of the 2,829,457,364 Conversion Shares. The initial Conversion Price of HK\$0.258 per Share: (i) represents a discount of approximately 0.77% to the closing price of HK\$0.260 per Share as quoted on the Stock Exchange on the date of signing of the Subscription Agreement; and (ii) is equivalent to the average closing price of HK\$0.258 per Share as quoted on the Stock Exchange for the five trading days immediately prior to the date of signing of the Subscription Agreement. The gross proceeds and net proceeds from the Subscription amount to approximately HK\$730,000,000 and HK\$728,000,000, respectively. The Company intends to apply the net proceeds from the Subscription for the business development, research, investments, acquisitions and other opportunities of hemp and CBD related businesses.

The completion of the Subscription is subject to, amongst other things, the obtaining of the approval of the independent shareholders of the Company at a special general meeting (the “SGM”) to be held by the Company. Further announcement(s) will be made as regards the date of the SGM and its voting results in due course.

ACTUAL USE OF PROCEEDS OF PAST EQUITY FUND-RAISING ACTIVITIES

The Company entered into the subscription agreement with Yunnan Baiyao Holdings Co., Ltd (“Yunnan Baiyao Holdings”) on 20 August 2018, pursuant to which the Company agreed to issue and allot 1,000,000,000 Shares to Yunnan Baiyao Holdings (the “2018 Share Subscription”) at the subscription price of HK\$0.18 per Share. The 2018 Share Subscription was completed on 22 November 2018, raising gross proceeds and net proceeds in the amounts of approximately HK\$180 million and HK\$178.8 million, respectively.

At the time of 2018 Share Subscription, the Company intended to apply the net proceeds: (a) as to approximately HK\$40 million for the Group’s trading business in China; (b) as to approximately HK\$40 million for the Group’s trading business in Hong Kong; (c) as to approximately HK\$52.5 million for the Group’s personal care product business; (d) as to approximately HK\$28.8 million for the Group’s corporate expenses, including HK\$12.4 million for the payment of salaries and remuneration of management and staff, HK\$3.8 million for the payment of bond interest, HK\$4.2 million for rental expenses, HK\$5 million for professional fees and HK\$3.4 million for business development budgets of the Group; and (e) as to approximately HK\$17.5 million for the Group’s general working capital.

Up to 30 September 2019, the net proceeds of the 2018 Share Subscription were fully utilized as follows: (a) HK\$80 million being utilized for the Group’s trading business in Hong Kong and China as intended; (b) HK\$52.5 million being fully utilized for the Group’s personal care product business as intended; (c) HK\$28.8 million being utilized for the Group’s corporate expenses as intended; and (d) HK\$17.5 million being utilized for the Group’s general working capital as intended.

EVENTS AFTER THE REPORTING PERIOD

Details of the events after the reporting period for the period are set out in note 18 to the unaudited condensed consolidated financial statements.

PLEDGE OF ASSETS

As at 30 September 2019, no assets of the Group were pledged to secure general banking facilities granted to the Group.

CAPITAL COMMITMENTS

As at 30 September 2019, the Group had no material capital commitments.

CONTINGENT LIABILITIES

As at 30 September 2019, the Group had no material contingent liabilities.



FOREIGN EXCHANGE EXPOSURE

Most of the Group's assets and liabilities are either denominated in Hong Kong dollars or Renminbi, and most of the Group's cash balances are deposited in Hong Kong dollars or Renminbi with banks in Hong Kong and the PRC. Certain portions of the Group's sales, purchases and expenses were denominated in foreign currencies which exposed the Group to foreign currency risk. The Group currently does not have a foreign currency hedging policy as the foreign currency risk is considered not significant. However, the management will continue to closely monitor the Group's foreign exchange risk exposure and may consider hedging significant foreign exchange exposure if and when necessary.

COMMODITY PRICE RISK

The price of commodity products is influenced by international and domestic market prices and changes in global supply and demand for such products. Both the international and domestic market price of commodities as well as the volatility of their supply and demand are beyond the control of the Company. Therefore, the volatility of commodity price may affect the revenue and comprehensive income of the Group. The Group did not engage in nor enter into any trading contracts and price arrangements to hedge the risk of volatility of commodity prices.

EMPLOYEE REMUNERATION POLICY

As at 30 September 2019, the Group had 29 employees (31 March 2019: 27 employees). For the six months ended 30 September 2019, the total salaries, commissions, incentives and all other staff related costs amounted to approximately to HK\$6.2 million (2018: HK\$6.1 million). Our remuneration policies are in line with prevailing market practices and formulated on the basis of the performance and experience of individual employees. Apart from basic salaries, other staff benefits included provident funds, life insurance and medical assistance benefit. The Company may also grant share options to eligible employees to motivate their performance and contribution to the Group.

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

For the six months ended 30 September 2019, the Group did not have any significant investments, acquisitions or disposals.

PROSPECTS

Money lending business

During and subsequent to the six months ended 30 September 2019, the Group continued to make new loans or renew matured loans with existing customers. Loan renewals had the benefits of deeper understanding of customer background and repayment records, and streamlined procedures on legal documentation and approval process. The management is of the view that the money lending segment will continue to provide a constant cash inflow to the Group.

As disclosed in the Company's announcement dated 27 September 2018, the Company responded to the changes in interest rate and monetary policy by fine-tuning its development pace of the money lending business. The Company will continue to take a pragmatic approach in its money lending business to adapt to the market environment and the money supply market and to counteract market challenges from time to time. The management expects the money lending segment will still be one of the major revenue and profit contributors of the Group in the coming years.

Trading segment

In previous years, the trading segment of the Group successfully diversified its trading goods categories from refined edible oil and cosmetic products to sugar and personal care products. This year, through the business network of our suppliers and customers of cosmetics and personal care products, the Group became aware of the worldwide trend of the legalization and the consumer use in CBD and commenced its international trading business of CBD isolate. Due to the familiarity of the Group with suppliers and customers of cosmetics and personal care products, our sales were initially targeted for brand owners and manufacturers of non-medicine personal care products.

The Company has formulated business plans to enter the whole industry chain of hemp covering the upstream, midstream and downstream production cycles and ranging from cultivation, extraction, mass production, testing, product development of medical and non-medical uses, and the research and development of cultivation and extraction technologies. In order to finance the Company's development of its hemp and CBD related business, the Company entered into a subscription agreement with Yunnan Baiyao Group in relation to the issue of convertible bonds in the principal amount of HK\$730 million. Further details of the subscription were set out in the Company's announcement dated 14 October 2019.

Other

The management always believes that it is in the best interest of the Company and its shareholders to diversify the Group's business portfolio. The Company will continue to identify appropriate potential investment opportunities.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's securities during current interim period and the Company has not redeemed any of its securities during the period.



DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 September 2019, the interests and short positions of the directors and chief executives and their associates in the shares, underlying shares and debenture of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO"), or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for the Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

Names of Directors	Capacity	Number of Shares held (long position)	Percentage of the issued share capital of the Company
Chow Wang	Beneficial owner	495,404,000	7.68%
Fong For	Beneficial owner	349,068,000	5.41%

Save as disclosed above, as at 30 September 2019, none of the Directors or Chief Executive of the Company had any interest or short position in any shares, underlying shares or debenture of the Company or any of its associated corporations (within meaning of the SFO) which (a) 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 Directors have taken or deemed to have under such provisions of SFO) or (b) were required pursuant to section 352 of the SFO, to be entered in the register referred to therein; or which (c) were required, pursuant to the Model Code to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSON'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 September 2019, the following persons and entities (other than a director or chief executive of the Company) had an interest or short position in the shares and underlying shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Names of Shareholders	Capacity	Number of Shares held (long position)	Percentage of the issued share capital of the Company
Yunnan Baiyao Group Co., Ltd	Beneficial owner	1,908,025,360	29.59%

Other than disclosed above, as at 30 September 2019, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Board, the Group had during the six months ended 30 September 2019 complied with the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange, except for the following deviation:

Code Provision A.2.1

Under the Code Provision A.2.1, the roles of chairman and chief executive should be separate and should not be performed by the same individual. From 23 January 2017 onwards, the roles of chairman and chief executive of the Company were performed by Mr. Chow Wang.

The Board considered that vesting the roles of chairman of the Board and chief executive of the Company in the same individual was beneficial to the business prospects and management of the Company. The Board was nevertheless reviewing this structure from time to time and would consider the segregation of the two roles at the appropriate time.

With the appointment of Mr. Wang Minghui as an executive Director and the Chairman of the Company on 12 September 2019, Mr. Chow Wang was re-designated as the Deputy Chairman of the Company. Following this re-designation, the Company considers that it is in compliance of Code Provision A.2.1.



Code Provision A.4.1

Code provision A.4.1 stipulates that non-executive directors should be appointed for a specific term and subject to re-election. The non-executive Director and independent non-executive Directors were not appointed for a specific term, but are subject to retirement by rotation at least once every three years and re-election at the annual general meetings of the Company in accordance with the provisions of the Company's bye-laws. The management experience, expertise and commitment of the re-electing Directors will be considered by the nomination committee of the Company before their re-election proposals are put forward to Shareholders. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices regarding Directors' appointment are no less exacting than those in the CG Code.

Code Provision A.6.7

Code provision A.6.7 stipulates that independent non-executive directors and other non-executive directors should attend general meeting to gain and develop a balanced understanding of the views of shareholders. During the six months ended 30 September 2019, the Company held one annual general meeting on 27 September 2019 (the "2019 AGM"). Certain non-executive Directors and the independent non-executive Directors were unable to attend the 2019 AGM due to other business commitment. However, views expressed by shareholders at general meetings are recorded and circulated for discussion by all directors regardless of attendance. The Company will plan its dates of meetings in advance to facilitate Directors' attendance.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from the share option scheme disclosed in the section "SHARE OPTION SCHEME" below, at no time during the period was the Company, or any of its subsidiaries, a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of the Company or any other body corporate and neither the Directors nor any of their spouses or children under 18 years of age, had any right to subscribe for shares or debt securities of the Company, or had exercised any such rights during the period under review.

SHARE OPTION SCHEME

The new share option scheme of the Company was adopted on 30 September 2013 (the "New Option Scheme"). Pursuant to the Option Scheme, the directors are authorized to grant options to any executive or non-executive directors, any executives and employees and those persons who have contributed or will contribute to the Group as incentive schemes and rewards. Apart from the New Option Scheme, the Company did not adopt any other share option scheme. During the period under review, no options were granted or exercised under the New Option Scheme.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the full set of the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by the Directors. The prohibitions on securities dealing and disclosure requirements in the Model Code also apply to the Group’s senior management and persons who are privy to price sensitive information of the Group. All Directors confirmed to the Company that they have complied with the Model Code during the period under review and up to the date of publication of this report.

BOARD DIVERSITY POLICY

With an aim to achieve diversity on the Board, the Board has approved and adopted a Board Diversity Policy (the “Policy”) and revision to the terms of reference of the nomination committee of the Company (the “Nomination Committee”) to ensure the appropriate implementation of the Policy. The Policy was made with a view to achieve a sustainable and balanced development of the Company, through the invitation and selection of different talents to join the Board having due regard to the importance of Board diversity.

The Company is committed to established procedures of candidates’ selection based on a range of diversity perspectives including gender, age, cultural background, ethnicity, educational background, professional experience, skills and knowledge.

NOMINATION COMMITTEE

The Nomination Committee of the Company was established with specific terms of reference, whose purposes include the reviewing of the Board composition, advising the Board on the appointment and succession planning of Directors and assessing the independence of independent non-executive Directors. As at the date of this report, the Nomination Committee consists of two executive Directors, namely, Mr. Wang Minghui (Chairman) and Mr. Chow Wang and three independent non-executive Directors, namely, Mr. Jiang Zhi, Mr. Leung Ka Kui, Johnny and Ms. Wong Chui San, Susan. The Company has adopted a nomination policy for Directors, details of which has been disclosed in the annual report of the Company for the year ended 31 March 2019.

REMUNERATION COMMITTEE

The remuneration committee of the Company (the “Remuneration Committee”) was set up by the Board with specific terms of reference, whose purposes include the reviewing of the remuneration of Directors and the remuneration policies of the Group. Currently, the Remuneration Committee consists of two executive Directors, namely, Mr. Chow Wang and Mr. Chu Ka Wa and three independent non-executive Directors, namely, Mr. Leung Ka Kui, Johnny (Chairman), Mr. Jiang Zhi and Ms. Wong Chui San, Susan.



AUDIT COMMITTEE AND REVIEW OF ACCOUNTS

The Audit Committee of the Company (the “Audit Committee”) was established by the Board with specific terms of reference, whose purposes include the reviewing of the accounting principles and practices adopted by the Group and discussing auditing, internal control, risk management and financial reporting matters. The Audit Committee currently comprising three independent non-executive Directors, namely, Ms. Wong Chui San, Susan (Chairman), Mr. Jiang Zhi and Mr. Leung Ka Kui, Johnny. The Audit Committee has reviewed the unaudited interim financial statements of the Group for the six months ended 30 September 2019.

CHANGES IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of Directors subsequent to the date of the 2019 Annual Report are set out as follows:

1. Mr. Wang Minghui and Mr. Yin Pinyao were appointed as executive Directors;
2. Mr. Wang Minghui was appointed as the Chairman of the Company, and Mr. Chow Wang was re-designated as the Deputy Chairman;
3. Mr. Wang Minghui was appointed as the chairman of the Nomination Committee of the Company in replacement of Mr. Chow Wang;
4. Mr. Chu Ka Wa ceased to be a member of the Nomination Committee.

All of the above change of the Board of Directors of the Company were effective from 12 September 2019.

Save as disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

By Order of the Board

Chow Wang

Deputy Chairman and Chief Executive Officer