

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



HUA LONG JIN KONG COMPANY LIMITED

華隆金控有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 1682)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2018

ANNUAL RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Hua Long Jin Kong Company Limited (the “**Company**”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 March 2018 with the comparative figures for the previous year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2018

	Note	2018 HK\$'000	2017 HK\$'000
Revenue	2	184,829	80,992
Cost of sales		(163,820)	(75,968)
Gross profit		21,009	5,024
Other income		4,365	606
Net foreign exchange gains/(losses)		413	(45)
Selling and distribution costs		–	(1,164)
Administrative expenses		(17,767)	(15,864)
Finance costs		(19)	–
Profit/(loss) before taxation		8,001	(11,443)
Income tax expenses	4	(6)	–
Profit/(loss) and total comprehensive income/(expense) for the year attributable to owners of the Company	5	7,995	(11,443)
Profit/(loss) per share	7		
Basic (HK cents)		1.426	(2.20)
Diluted (HK cents)		1.424	(2.20)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2018

	Notes	2018 HK\$'000	2017 HK\$'000
Non-current asset			
Plant and equipment		1,500	–
Current assets			
Inventories		119,060	–
Trade receivables	8	36,961	3,037
Short-term loan and loan interest receivable		8,362	–
Deposits, prepayments and other receivables		21,078	30,699
Amount due from a former subsidiary		–	3,105
Tax recoverable		468	880
Bank balances and cash		76,146	2,509
		262,075	40,230
Current liabilities			
Trade payables	9	139,518	2,801
Other payables, accruals and deposit received		4,310	1,230
Amount due to immediate holding company		–	20,462
Amounts due to directors		–	8,657
Tax payable		1,467	1,200
Finance lease payable – current portion		112	–
		145,407	34,350
Net current assets		116,668	5,880
Total assets less current liabilities		118,168	5,880
Non-current liabilities			
Finance lease payable		368	–
		368	–
Net assets		117,800	5,880
Capital and reserves			
Share capital		6,559	5,198
Reserves		111,241	682
Total equity		117,800	5,880

NOTES:

1. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) for the first time in the current year:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised losses
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014-2016 Cycle

The amendments to HKAS 7 require an entity to make disclosures that aim to enable users of financial statements to evaluate changes in liabilities arising from financing activities. Other than such additional disclosures, the application of the amendments has not had any material effect on the consolidated financial statements.

The amendments to HKAS 12 clarify when unrealised losses on a debt instrument measured at fair value would give rise to a deductible temporary difference and how to evaluate whether sufficient future taxable profits are available to utilise a deductible temporary difference. The application of the amendments has not had any material effect on the consolidated financial statements.

Annual improvements to HKFRSs (2014-2016 cycle) include an amendment to HKFRS 12 that clarifies that, when an entity’s interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) is classified (or included in a disposal group that is classified) as held for sale in accordance with HKFRS 5 Non-current Assets held for Sale and Discontinued operations, it is not required to disclose summarised financial information for that subsidiary, joint venture or associate, as required by HKFRS 12 Disclosure of Interests in Other Entities.

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

New and amendments to HKFRSs in issue but not yet effective

The Group has not applied any of the following new HKFRSs, amendments to HKFRSs and new interpretations (“new and revised HKFRSs”) that have been issued but are not yet mandatorily effective:

HKFRS 9	Financial Instruments ¹
HKFRS 15 and amendments to HKFRS 15	Revenue from Contracts with Customers ¹
HKFRS 16	Leases ²
HKFRS 17	Insurance Contracts ⁴
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions ¹
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts ¹
Amendments to HKFRS 9	Prepayment Features with Negative Compensation ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 40	Transfers of Investment Property ¹

Amendments to HKFRSs	Annual Improvements to HKFRS Standards 2014- 2016 Cycle ¹
HK(IFRIC) Interpretation 22	Foreign Currency Transactions and Advance Consideration ¹
HK(IFRIC) Interpretation 23	Uncertainty over Income Tax Treatments ²

¹ Effective for annual periods beginning on or after 1 January 2018

² Effective for annual periods beginning on or after 1 January 2019

³ Effective date not yet determined

⁴ Effective for annual periods beginning on or after 1 January 2021

HKFRS 9 Financial Instruments

HKFRS 9 has introduced new requirements for a) classification and measurement of financial assets, b) impairment of financial assets and c) general hedge accounting.

With regards to the classification and measurement of financial assets, financial assets that are within the scope of HKFRS 9 are subsequently measured at either amortised cost or fair value. Debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of each of the subsequent accounting periods. All other financial assets are measured at fair value at the end of each of the subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income (“FVTOCI”). All other debt instrument financial assets and equity investments are measured at their fair value at the end of subsequent accounting periods with changes in fair value recognized in profit or loss, except that the Group may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is neither held for trading nor being contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 applies) in other comprehensive income, with only dividend income generally recognised in profit or loss and the cumulative fair value changes will not be reclassified to profit or loss upon derecognition of the investment.

With regards to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of such changes in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability’s credit risk are not subsequently reclassified to profit or loss. This differs from the accounting treatment under HKAS 39, whereby the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is recognised in profit or loss.

With regards to impairment of financial assets, HKFRS 9 has adopted an expected credit loss model, as opposed to the incurred credit loss model required under HKAS 39. In general, the adoption of the expected credit loss model will require the Group to assess at each reporting date whether there is a significant increase in credit risk of its financial assets since initial recognition and to recognise loss allowance equal to the lifetime or 12-month expected credit losses depending on whether or not there is a significant increase in credit risk.

With regards to the general hedge accounting requirements, HKFRS 9 retains the three types of hedge accounting mechanisms currently available in HKAS 39. HKFRS 9 will provide greater flexibility as to the types of transactions eligible for hedge accounting, specifically by broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an ‘economic relationship’. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about the Group’s risk management activities have also been introduced.

HKFRS 9 contains specific transitional provisions for (a) classification and measurement of financial assets; (b) impairment of financial assets; and (c) hedge accounting, which will be adopted by the Group when it applies HKFRS 9 in the year ending 31 December 2018.

The amendments to HKFRS 9 Prepayment Features with Negative Compensation mainly clarify and provide additional guidance as to when a debt instrument financial asset with a prepayment option would satisfy the ‘solely payment of principal and interest’ test.

The expected credit loss model may result in early provision of credit losses which are not yet incurred in relation to the Group’s financial assets at amortised cost. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

HKFRS 15 “Revenue from Contracts with Customers”

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 “Revenue”, HKAS 11 “Construction Contracts” and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

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

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when ‘control’ of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued Clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company anticipate that the application of HKFRS 15 in the future may have an impact on the amounts reported in respect of the Group’s garment sourcing activities that are currently recognised on a gross basis as the Group is acting as a principal. In addition, the

application of HKFRS 15 in the future may result in more disclosures in the consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the financial effect until the directors completed a detailed review.

HKFRS 16 “Leases”

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 “Leases” and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, operating lease payments are presented as operating cash flows. Upon the application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing and operating cash flows respectively by the Group.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 March 2018, the Group has non-cancellable operating lease commitments of approximately HK\$7,887,000. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above.

Except as described above, the directors of the Company anticipate that the application of the other new and amendments to HKFRSs in issue but not yet effective will have no material impact on the Group’s consolidated financial statements.

2. REVENUE

The Group’s revenue represents mainly the amounts received and receivable for sourcing of garment products, less sales returns and allowances.

3. SEGMENT INFORMATION

Information reported internally to the directors of the Group (chief operating decision maker) for the purpose of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided.

Specifically, the Group's reportable and operating segments under HKFRS 8 are as follows:

- garment sourcing
- provision of finance

The Group's reportable segments are strategic business units that operate different activities. They are managed separately because each business has different market and requires different marketing strategies.

Segment revenues reported below represents revenue generated from external customers. There were no intersegment sales for both years.

Segment result represents the profit/(loss) generated by each segment without allocation of corporate income and central administration costs including directors' emoluments, share based payment, finance costs and income tax expense. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

For the year ended 31 March 2017, other than revenue analysis by customers, the chief operating decision maker assesses the operating performance of the Group as a whole as the Group is primarily engaged in garment sourcing. No other discrete information is provided to the chief operating decision maker. Accordingly, no further segment information is presented for the year ended 31 March 2017.

Segment revenues and results

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

For the year ended 31 March 2018

	Garment sourcing HK\$'000	Provision of finance HK\$'000	Total HK\$'000
Revenue	184,767	62	184,829
Segment results	16,168	33	16,201
Unallocated other revenue and gains			4,200
Unallocated administrative and other expenses			(12,381)
Profit from operations			8,020
Finance costs			(19)
Profit before taxation			8,001

Segment assets and liabilities

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

As at 31 March 2018

	Garment sourcing HK\$'000	Provision of finance HK\$'000	Total HK\$'000
Segment assets	242,460	8,362	250,822
Unallocated corporate assets			<u>12,753</u>
Consolidated assets			<u>263,575</u>
Segment liabilities	141,908	5	141,913
Unallocated corporate liabilities			<u>3,862</u>
Consolidated liabilities			<u>145,775</u>

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

- all assets are allocated to operating segments other than unallocated corporate assets (mainly comprising certain of deposits, payments and other receivables); and
- all liabilities are allocated to operating segments other than unallocated corporate liabilities (mainly comprising certain of accruals and other payables and finance lease payable).

Geographical information

The Group's operation is mainly located in China, Hong Kong and the United States of America (the "USA").

The Group's revenue from external customers by location of customers is detailed below:

	2018 HK\$'000	2017 HK\$'000
China	154,651	–
USA	17,330	65,343
Canada	11,003	15,649
Mexico	936	–
Hong Kong	909	–
	184,829	80,992

Information about major customers

Revenue from customers contributing to over 10% of the Group's total annual revenue are as follows:

	2018 HK\$'000	2017 HK\$'000
Customer A	75,383	N/A
Customer B	71,960	N/A
Customer C	23,218	N/A
Customer D	N/A	65,066
Customer E	N/A	12,819

note: Revenue from Customer A, B and C contributed less than 10% of the Group's total annual revenue for the year ended 31 March 2017.

4. INCOME TAX EXPENSES

	2018 HK\$'000	2017 HK\$'000
Hong Kong Profits Tax		
– current year	6	–
– overprovision in prior years	–	–
	6	–

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the year ended 31 March 2018.

No provision for Hong Kong Profits Tax has been made in the financial statements for the year ended 31 March 2017 as the assessable profit has been wholly absorbed by tax losses brought forward.

Operations in USA and PRC suffer loss for both years and hence, no tax was provided.

The income tax expenses for the year can be reconciled to profit/(loss) before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	2018 HK\$'000	2017 HK\$'000
Profit/(loss) before taxation	8,001	(11,443)
Tax expenses/(credit) at Hong Kong Profits		
– Tax rate of 16.5%	1,320	(1,888)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(53)	–
Tax effect of expenses not deductible for tax purpose	46	423
Tax effect of income not taxable for tax purpose	(2,993)	(46)
Tax effect of temporary difference not recognised	(64)	–
Tax effect of tax losses not recognised	1,750	1,783
Utilisation of tax losses previously not recognised	–	(272)
Income tax expenses for the year	6	–

At the end of the reporting period, the Group had unused tax losses of approximately HK\$36,415,000 (2017: approximately HK\$34,650,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the unused tax losses due to the unpredictability of future profit streams. The unrecognised tax losses may be carried forward indefinitely.

5. PROFIT/(LOSS) FOR THE YEAR

	2018 HK\$'000	2017 HK\$'000
Profit/(loss) for the year has been arrived at after charging:		
Auditor's remuneration		
– audit services	500	1,168
– non-audit services	103	375
Directors' remuneration	3,101	3,880
Other staff costs		
– salaries and wages	4,367	3,038
– retirement benefit scheme contributions	156	110
<hr/>		
Total staff costs	7,624	7,028
<hr/>		
Depreciation of plant and equipment	185	–
Sampling expenses (included in selling and distribution costs)	–	1,089
and after crediting:		
Interest income (included in other income)	164	114
<hr/>		

The cost of inventories recognised as an expense approximates the cost of sales as disclosed in the consolidated statement of profit or loss and other comprehensive income for both years.

6. DIVIDEND

No final/interim dividend was paid or proposed for the year ended 31 March 2018, nor has any dividend been proposed since the end of the reporting period (2017: Nil).

7. PROFIT/(LOSS) PER SHARE

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

	2018 HK\$'000	2017 HK\$'000
Profit/(loss)		
Profit/(loss) for the year attributable to owners of the Company for the purpose of basic profit/(loss) per share	8,001	(11,443)
<hr/>		
	2018	2017
Number of shares		
Weighted average number of ordinary shares for the purpose of basic profit/(loss) per share	561,260,151	519,777,000
<hr/>		
Weighted average number of ordinary shares for the purpose of diluted profit/(loss) per share	561,776,554	519,777,000
<hr/>		

Diluted earnings per share assumed the exercise of the share options since the average share price of the Company is higher than the exercise price for the year ended 31 March 2018.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume exercise of share options.

For the year ended 31 March 2017, diluted loss per share was same as basic loss per share as there were no potential dilutive ordinary shares outstanding during the year.

8. TRADE RECEIVABLES

The Group allows its trade customers a credit period of 30 to 150 days. The following is an aged analysis of trade receivables presented based on the invoice dates at the end of each reporting period:

	2018 HK\$'000	2017 HK\$'000
0 – 30 days	28,332	144
31 – 60 days	1,665	2,783
61 – 90 days	3,743	110
91 – 120 days	78	–
Over 120 days	3,143	–
<hr/>		
	36,961	3,037
<hr/>		

9. TRADE PAYABLES

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	2018 HK\$'000	2017 HK\$'000
0 – 60 days	139,494	120
61 – 90 days	24	621
Over 90 days	–	2,060
	<hr/> 139,518 <hr/>	<hr/> 2,801 <hr/>

BUSINESS REVIEW

The Group is principally engaged in (i) the garment sourcing management business; and (ii) provision of financial services which include, among others, asset management, finance lease, pawn and money lending business.

(i) The garment sourcing management business

Over the past decade, all businesses around the world have experienced unprecedented drastic change from technology advancements and geopolitical volatility. Companies in a wide spectrum of industries had to create new business models and reshape themselves. Traditionally, the main types of customers for the Group's garment sourcing management business were brand owners/operators, outlets, department stores and supermarket chains. In the past few years, as the consumption pattern changed, consumers would spend more of their income on mobile electronics, personal services and rentals, while their expenditure on garments and accessories dropped significantly. In addition, online sales also severely hit the traditional retail industry. The proliferation of e-commerce and the price competition as intensified by both pure digital players and fully vertical retailers put our industry on the brink of considerable change. In a moment when garment consumption has slack in most markets around the world, the fast growth of digital and vertical retailers marked a corresponding loss of market share for other channels and numerous other companies. Meanwhile, global investment had slowed down and trade flows became sluggish. The operating performance of garment customers in the United States and Canada continued to deteriorate, as reflected mainly by the general decline of same-store sales, the general decrease or even loss of net profits, and the high gearing ratio, which led to the decline of net assets and operating difficulties. Some of them even had to shut down their large retail stores, realize their real assets and plunged into liquidity crisis. As affected by such, the Group also suffered a serious business setback. In order to prevent the sales receivables, which have already been shrinking, from turning into bad debts, it is necessary to change the composition of the customers.

During the period under review, the global economy as a whole showed a mild recovery as evidenced by its continuous expansion with moderate inflation in general. The United States, Eurozone and Japanese economies continued to improve, while emerging market overall economies grew faster. In addition, the start of Brexit process in the United Kingdom and the conclusion of the general election in the United States has significantly reduced the uncertainty about global policy, providing a boost to investment and consumption sentiments. As a year for deepening supply-side structural reforms, last year, China's economy demonstrated its growth resilience. The national economy saw steady and better-than-expected improvement and continued to unleash its vitality, dynamics and potentials. The obviously enhanced

stability, coordination and sustainability allowed the economy to achieve a stable and healthy development. According to the preliminary calculations of the National Bureau of Statistics, China's annual gross domestic product (GDP) exceeded RMB82 trillion, representing a year-on-year growth rate of 6.9% based on comparable pricing. Consumption was the major driver for economic growth. The globalization over the past decades reaped results of large middle-class consumption and an enlarging market, eventually a contribution of consumer expenditures to GDP growth of 58.8%.

The Group has implemented strategies to expand its geographical coverage for garment sourcing management business, in particular of China where the spending power is increasingly stronger. By conducting diversified garment sourcing management business in more geographical locations, the Group has reduced the proportion of business revenue generated from Canada and the United States, which once were the Group's main export destinations. At the same time, the Group continued to expand its network of suppliers to include more diversified garment products so as to broaden its product base.

In October 2017, the Group entered into a long-term supply agreement for its garment sourcing management business with Hangzhou Welfull Group Co., Ltd (杭州匯孚集團有限公司). Welfull Group Co., Ltd (formerly known as Zhejiang Provincial Second Light Industry Enterprises Group Imp. & Exp. Co., Ltd* (浙江省二輕企業集團進出口有限公司)) is a large-scale Zhejiang province-based enterprise. Welfull Group Co., Ltd has a wide business scope and comprehensive product offerings, among which the main export items are garments and textiles, as well as bags, hardware tools, furniture, building materials, leisure goods, craft gifts, toys and groceries, electronic and electrical apparatus, and machinery and equipment etc. Welfull Group Co., Ltd has a brand industrial export base which covers 50,000 square meters in Deqing County of Zhejiang Province. Its ASART (艾詩雅特) brand is named as a "China Well-known Trademark", and was successively recognised as Zhejiang Brand Name Products, Zhejiang Famous Brand and Zhejiang Export Brand name Products. Welfull Group Co., Ltd, as a supplier of the Group, provides with the Group stable supply of products on a long-term basis, which helps the Group to expand its product range and diversify its client mix.

(ii) Provision of financial services which include, among others, asset management, finance lease, pawn and money lending business.

The board (the "Board") of directors (the "Directors") of the Company, from time to time, reviews its existing operations and explores other business opportunities with a view to diversify the Group's business. The Board is pleased to announce that the Group commenced a new business segment of financial services which includes asset management, finance lease, pawn and money lending business. Over the past year, with the continuous advancement of technological innovation, fintech companies have rapidly developed themselves as important players in financial sector.

Against this backdrop, the Group gathered our efforts to accelerate our strategic layout in mainland China market, further enriching the Group's product offerings and improving its financial service system, in a bid to promptly enhance the Group's business scale and seize the domestic market. The Board considers that the demand for financial services is significant and the industry is vibrant in China and Hong Kong. The Board is of the view that the new business activities will provide a good opportunity for the Group to diversify its revenue stream, which is expected to benefit the Company and its shareholders as a whole.

In December 2017, Linglong (Hangzhou) Asset Management Limited* (玲隆(杭州)資產管理有限公司) was established by the Company in the PRC as its wholly-owned subsidiary. This new subsidiary is principally engaged in investment management, investment consultancy, industry investment, financial management (excluding the provision of finance deposit, finance guarantee, discretionary account

management services, unless otherwise approved by relevant regulatory authorities), corporate management consultancy and economic information consultancy.

Due to the reasons set out above, during the period under review, revenue amounted to approximately HK\$184,829,000, among which: revenue from the garment sourcing management business amounted to approximately HK\$184,767,000, representing an increase of approximately 128.13% (2017: approximately HK\$80,992,000); gross profit margin was approximately 11.37%, representing a growth of approximately 5.17% (2017: approximately 6.20%); revenue from the money lending business amounted to approximately HK\$62,000 (2017: nil); other gain amounted to approximately HK\$4,365,000 (2017: approximately HK\$606,000), mainly due to certain directors have waived their unclaimed fees for current period and prior years and MPF refund; foreign exchange gain/(loss) amounted to approximately HK\$413,000 (2017: approximately HK\$(45,000)), mainly due to the appreciation of RMB during the period; selling and distribution costs was nil (2017: approximately HK\$1,164,000), and such decrease was mainly attributable to the passing on of such costs to customers; administrative expenses amounted to approximately HK\$17,767,000, representing an increase of approximately 12.00% (2017: approximately HK\$15,864,000), mainly as a result of the increase in manpower due to the Group's business development and the expansion of new businesses; profit/(loss) and total comprehensive income/(expense) attributable to the owners of the Company was approximately HK\$7,995,000 (2017: approximately HK\$(11,443,000)).

PROSPECTS AND DEVELOPMENT PLAN

According to the latest "World Economic Outlook" issued by the International Monetary Fund, global economic growth in 2018 is projected at around 3.7%. Major economies such as the Eurozone, Japan, China and the United States are all expected to grow. At the same time, the European Central Bank has adjusted its economic growth forecast for the Eurozone to 2.3%, 0.5 percentage point higher than before. Such figures show that the market is positive about the global economic development for this year. However, issues including the fiscal and monetary policies implemented by the United States, geopolitical risks in North Korea and the Middle East, and trade protectionism will remain the major concerns on global economic growth.

In China, it is expected that the central government will continue to deepen its supply-side reforms and further implement various deleveraging measures so as to mitigate financial risks and maintain a steady economic growth rate.

Looking forward, the Group will endeavour to raise the level of operations for the two principal businesses with the goal to boost the Group's performance to a new height.

As to the garment sourcing management business, as there is no sign indicating a slowdown in the rise of costs like raw material and wages and the limitations of environmental resources are more intense, brand owners around the world are switching their sourcing to low-cost countries such as Vietnam, Bangladesh and India. The Group is actively looking for other reliable suppliers and clients and is approaching old clients, in order to enable the Group to provide a diversified garment sourcing management business. Simultaneously, the Group has accordingly explored a new business model, through which the Group strives to deliver good return for shareholders riding on the "Internet +" business development trend. In May 2018, the Group formed two joint ventures in the PRC, namely, Hangzhou Huameng Culture Media Co., Ltd.* (杭州華夢文化傳媒有限公司) ("**Hangzhou Huameng**") and Hangzhou Zhuxing Culture Broadcasting Co., Ltd.* (杭州築星文化傳播有限公司) ("**Hangzhou Zhuxing**"). The equity interest of the two joint ventures is held by the Group as to 51% and 60%, respectively. Hangzhou Huameng is principally engaged in the sales and marketing of garments through O2O (Online-to-Offline entities) marketing model, such as through conducting live video broadcast on live streaming platforms of online

shopping websites (the “**O2O Garment Sales Industry**”). Hangzhou Zhuxing is principally engaged in the provision of solutions for retail industry through advertisement design and production in the PRC, corporate brand identity design and marketing planning (the “**Retail Solutions Industry**”).

As to the provision of financial services business, apart from the asset management business as mentioned above, in January and March 2018, the Group respectively completed its acquisition of the entire equity interests in Guozan Finance Leasing (Shenzhen) Co., Ltd* (國贊融資租賃(深圳)有限公司) (“**Guozan Finance**”) and was granted a money lending licence by the Licensing Court (as defined in the Money Lenders Regulations (Chapter 163 of the Laws of Hong Kong)) in respect of Hua Long Finance Holdings Company Limited, a wholly-owned subsidiary of the Group. Meanwhile, the Group is taking active steps for the application of pawnbroker licence in China. Last September, Hong Kong Monetary Authority announced it encourages the introduction of virtual banking in Hong Kong. Z Holding Group Co., Ltd (支氏控股集團) which is owned by Mr. Zhi Hua, the Group’s controlling shareholder, has several years of experiences in the operation and management as well as operating team and network in this business and other financial field. Therefore, the Group has the intention to introduce the technology and management team of Z Holding Group Co., Ltd for operating virtual banking, and conduct study as to licensing requirement of the virtual banking licence.

EVENTS AFTER REPORTING PERIOD

Subsequent to the end of the reporting period, the following events took place:

In May 2018, 浙江旺誠進出口有限公司 (Zhejiang Wangcheng Import and Export Co., Ltd.*, “**Zhejiang Wangcheng**”), an indirect wholly-owned subsidiary of the Company, formed two joint ventures in the PRC, with one and three other independent third part(ies) (the “**JV Partners**”), respectively. Zhejiang Wangcheng contributed RMB510,000 and RMB600,000 in cash to the registered capital of, representing 51% and 60% of the equity interests in the two joint ventures respectively. The contributions were financed by the internal resources of the Group.

Accordingly, the two joint ventures became subsidiaries of the Company, the results of which will be consolidated into the financial statements of the Group. The profit or loss of each of the joint ventures shall be shared among Zhejiang Wangcheng and the respective JV Partners in accordance with the proportion of their respective equity interest in the joint ventures.

Further details of this transaction are set out in the Company’s announcement dated 31 May 2018.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2018, the Group had total assets of approximately HK\$263,575,000 (at 31 March 2017: approximately HK\$40,230,000) (including cash and bank balances of approximately HK\$76,146,000 (at 31 March 2017: approximately HK\$2,509,000)) which were financed by current liabilities of approximately HK\$145,407,000 (at 31 March 2017: approximately HK\$34,350,000), long-term liability of approximately HK\$368,000 (at 31 March 2017: Nil) and shareholders’ equity of approximately HK\$117,800,000 (at 31 March 2017: approximately HK\$5,880,000).

The Group generally services its debts primarily through cash generated from its operations. As at 31 March 2018, the liquidity ratio, represented by a ratio between current assets over current liabilities, was 1.80:1 (at 31 March 2017: 1.17:1), the gearing ratio of the Group, defined as a ratio between total debts over total assets, was 1:1.81 (at 31 March 2017: 1:1.17). The controlling shareholder of the Group, Mr. Zhi Hua, has promised to provide all necessary financial support to the Group. The Group also approach

other strategic investors to invest in the Company to cope with the financial needs of the Company. Therefore, the directors of the Company believe that the Group has sufficient fund for developing existing business.

FOREIGN EXCHANGE AND RISK MANAGEMENT

The Group's working capital is mainly financed through internal generated cash flows, placement of new shares in October 2017 and subscription of new shares in November 2017 as general capital. The management of the Group regularly monitors the funding requirements of the Group to support its normal operations and its development plans. Most of the Group's cash balances were deposits in US\$, HK\$ and RMB with major global financial institutions and most of the Group's monetary assets, revenues, monetary liabilities and payments were held in US\$, HK\$ and RMB.

Foreign exchange risks arising from sales and purchases transacted in different currencies may be managed by the Group through the use of foreign exchange forward contracts. Pursuant to the Group's policy in place, foreign exchange forward contracts or any other financial derivative contracts may be entered into by the Group for hedging purpose. The Group had not entered into any financial derivative contracts throughout the year ended 31 March 2018 and had no outstanding financial derivative contracts as at 31 March 2018.

CAPITAL EXPENDITURE AND COMMITMENTS

During the year ended 31 March 2018, the Group did not have any material investment in plant and equipment.

As at 31 March 2018, the Group had no commitment (as at 31 March 2017: Nil) in respect of acquisition of new machineries and no significant capital commitments.

As at the date of this announcement, the Group had no plan for any material investment or capital assets.

CHARGES ON ASSETS

As at 31 March 2018, the Group had no pledged assets (As at 31 March 2017: Nil).

CONTINGENT LIABILITIES

As at 31 March 2018, the Group did not have any material contingent liabilities (As at 31 March 2017: Nil).

DIVIDEND

The Board has resolved not to declare any final dividend for the year ended 31 March 2018 (for the year ended 31 March 2017: Nil).

EMPLOYEE INFORMATION

As at 31 March 2018, the Group employed approximately 15 employees (excluding Directors). The total salaries and related costs (including the Directors' fees and labour cost) amounted to approximately HK\$7,624,000 (2017: approximately HK\$7,028,000). The Group offers its employees competitive remuneration schemes which are generally structured with reference to market terms and individual

qualifications. Salaries and wages are normally reviewed annually based on performance appraisals and other relevant factors. In addition, bonuses are normally paid to those eligible based on the Group's and individual's performance. During the year ended 31 March 2018, except for Mr. Gao Zhiyin, Mr. Gao zhiping, Mr. shi Jiguo, Mr. Ma Ming and Mr. Feng Chen, there were no arrangements under which other Director waived or agreed to waive any emoluments.

The Company maintains the Share Option Scheme, pursuant to which share options may be granted to selected eligible participants including employees of the Group, with a view to providing those eligible participants with appropriate incentive to contribute to the success of the Group.

SHARE OPTION SCHEME

The Company conditionally adopted the Share Option Scheme on 2 June 2010 which became effective upon the Company's shares were listed on the Stock Exchange on 5 October 2010. The purpose of the Share Option Scheme is to provide incentives and rewards to eligible participants, including eligible Directors, eligible employees and any other eligible persons, for their contributions to the Group.

Subject to the terms and conditions of the Share Option Scheme, the total number of Shares Options which may be issued upon the exercise of all options granted under the Share Option Scheme and any other share option schemes of the Company shall be re-set at 10% of the Shares in issue as at the date of the approval of the limit as "refreshed".

An aggregate number of shares granted on 16 January 2018 under the Share Option Scheme was 22,068,000 shares, representing approximately 4.25% of the issued share capital of the Company as at the date the Company obtained a fresh approval from its shareholders in an annual general meeting held on 29 September 2017. Details of the share options of the Company granted, exercised, lapsed and cancelled pursuant to the Share Option Scheme during the year ended 31 March 2018 were as follows:

Name of Grantee	Date of grant	Exercise Price (HK\$)	Exercise period	Vesting period	Number of shares issuable under the share options				
					As at 1 April 2017	Grant during the year	Exercised during the year	Lapsed/cancelled during the year	As at 31 March 2018
Directors									
Mr. Lam Kai Yeung	16/1/2018	0.854	16/01/2018-	16/01/2018-	–	5,192,000	–	–	5,192,000
		per share	15/1/2028	15/1/2028					
Mr. Ma Jun	16/1/2018	0.854	16/01/2018-	16/01/2018-	–	1,000,000	–	–	1,000,000
		per share	15/1/2028	15/1/2028					
Other participants in aggregate	16/1/2018	0.854	16/01/2018-	16/01/2018-	–	15,876,000	–	–	15,876,000
		per share	15/1/2028	15/1/2028					

The Share Option Scheme will remain in force for a period of ten years from the date of its adoption (i.e. 15 January 2028).

None of the share options granted under the Share Option Scheme had been exercised throughout the year ended 31 March 2018 and as at the date of this announcement.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the year, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

CORPORATE GOVERNANCE PRACTICES

The Company had complied with all the code provisions (“**Code Provisions**”) under the Corporate Governance Code throughout the year ended 31 March 2018, except for the following deviations:

Code Provision A.6.7 which stipulates, among others, that independent non-executive Directors and other non-executive Directors should attend general meetings. Due to other business engagement, Mr. Feng Chen, a retired Director, and Mr. Lau Chi Kit, a resigned independent non-executive Director, was unable to attend the 2017 AGM.

Under Code Provision C.2.5, the Group should have an internal audit function. However, due to the size of the Group and for cost effectiveness consideration, the Group currently does not have an internal audit function. Instead, the Audit Committee has a review on the internal control system annually. The review covers major financial, operational controls in rotation basis and also the risk management functions. No significant deficiency was identified under current period's review and the systems were operating effectively and adequately. The Group continues to review the need for an internal audit function annually.

AUDIT COMMITTEE AND COMPLIANCE WITH LISTING RULES

The Audit Committee currently comprises three independent non-executive Directors, namely Dr. Lam Lee G. (chairman), Mr. Li Hui and Mr. Chau On Ta Yuen. It was established by the Board on 8 September 2010 and its duties are clearly defined in its revised written terms of reference which have been prepared and adopted according to the Code Provisions. The revised terms of reference of Audit Committee can be found in the websites of the Stock Exchange and the Company.

The Group's operations are mainly carried out by the Company's subsidiaries in Hong Kong and PRC while the Company itself is listed on the Stock Exchange.

To the best of our knowledge and save for disclosed below, during the year ended 31 March 2018, there was no material breach of or non-compliance by the Group with the applicable laws and regulations that have a significant impact on the business and operation of the Group.

Mr. Lam Kai Yeung resigned as an independent non-executive Director with effect from 1 May 2017, details of which were disclosed in the Company's announcement dated 1 May 2017.

Following the resignation of Mr. Lam Kai Yeung, the number of independent non-executive Directors fell below the minimum number as required under Rule 3.10(1) of the Listing Rules and the number of members of the Audit Committee fell short of the requirement under Rule 3.21 of the Listing Rules.

Following the appointment of Mr. Li Hui as an independent non-executive Director and a member of the Audit Committee with effect from 17 May 2017, the Company has recompiled with the requirements of

Rule 3.10(1) and Rule 3.21 of the Listing Rules, details of which were disclosed in the Company's announcement dated 17 May 2017.

Save as disclosed above, the Board had complied with the requirements of Rules 3.10(1) and 3.10(2) of the Listing Rules in relation to the appointment of a minimum of three independent non-executive Directors and at least one independent non-executive Director, the chairman of the Audit Committee, having appropriate professional accounting or financial management experience.

The Audit Committee provides an important link between the Board and the Company's external auditor in matters coming within the scope of the Group's audit. It also reviews the annual and interim results of the Company prior to recommending them to the Board for approval, the effectiveness of the external and internal audit and of internal controls and risk evaluation.

During the year ended 31 March 2018, the Audit Committee has convened two meetings and conducted the following major work:

- reviewed the interim and annual reports of the Company together with the external auditor and management of the Company;
- reviewed the audit plans and findings of the external auditor of the Company as well as development in accounting standards and its effects on the Group;
- reviewed the effectiveness of the internal control system together with the external auditor of the Company; and
- made recommendations to the Board on the appointment and re-appointment of the external auditor.

There was no disagreement between the Board's and the Audit Committee's view on the selection, appointment and resignation of external auditor.

The Audit Committee has reviewed the Group's audited consolidated financial statements for the year ended 31 March 2018 with the management and the external auditor of the Company and recommended its adoption by the Board.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has established a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transaction by Directors of Listed Issuers (the "**Model Code**"). Having made specific enquiries to the Directors, all Directors confirmed that they had complied with the required standard set out in the Model Code during the year ended 31 March 2018.

By Order of the Board
Hua Long Jin Kong Company Limited
Zhi Hua
Chairman

Hong Kong, 25 June 2018

As at the date of this announcement, the Board comprises Mr. Zhi Hua, Mr. Lam Kai Yeung and Mr. Ma Chun as executive Directors; Mr. Li Hui, Mr. Chau On Ta Yuen and Dr. Lam Lee G. as independent non-executive Directors; and Mr. Chan Kin as non-executive Director

* *For identification purposes only*