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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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

UNAUDITED INTERIM RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Hua Long Jin Kong Company Limited (the “**Company**” or “**Hua Long Jin Kong**”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries from time to time (collectively, the “**Group**”) for the six months ended 30 September 2018 (the “**Period**”) together with the comparative figures for the previous corresponding period.

The interim results of the Group have been reviewed by the Company’s auditor, Pan-China (H.K.) CPA Limited, in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”). The interim results of the Group have also been reviewed by the audit committee of the Company (the “**Audit Committee**”).

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2018

	<i>NOTES</i>	For the six months ended	
		30 September	
		2018	2017
		HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Revenue	3	110,944	74,791
Cost of sales		<u>(103,879)</u>	<u>(67,740)</u>
Gross profit		7,065	7,051
Other income		262	31
Other gains	4	4,927	3,327
Selling and distribution costs		(912)	–
Administrative expenses		(7,254)	(7,306)
Finance costs		<u>(12)</u>	<u>(5)</u>
Profit before tax		4,076	3,098
Income tax expense	5	<u>–</u>	<u>–</u>
Profit for the period attributable to owners of the Company	6	<u>4,076</u>	<u>3,098</u>
Other Comprehensive income, net of income tax			
Items that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of overseas operations		350	–
Release of translation reserve upon disposal of subsidiaries		<u>3</u>	<u>–</u>
Other comprehensive income for the period		<u>353</u>	<u>–</u>
Total Comprehensive income for the period attributable to owners of the Company		<u>4,429</u>	<u>3,098</u>
Earnings per share	8		
Basic (<i>HK cents</i>)		0.62	0.60
Diluted (<i>HK cents</i>)		<u>0.62</u>	<u>0.60</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2018

		30 September 2018 <i>HK\$'000</i> (unaudited)	31 March 2018 <i>HK\$'000</i> (audited)
	<i>NOTES</i>		
Non-current assets			
Property, plant and equipment	9	1,381	1,500
Current assets			
Inventories		563	119,060
Trade receivables	10	4,551	36,961
Short-term loan and loan interest receivables	11	32,817	8,362
Deposits, prepayments and other receivables		88,629	21,078
Amount due from former subsidiaries		8,414	–
Tax recoverable		–	468
Bank balances and cash		18,300	76,146
		153,274	262,075
Current liabilities			
Trade payables	12	3,032	139,518
Other payables, accruals and deposits received		27,519	4,310
Tax payable		1,200	1,467
Obligation under finance lease		112	112
		31,863	145,407
Net current assets		121,411	116,668
Total assets less current liabilities		122,792	118,168
Non-current liabilities			
Obligation under finance lease		311	368
Net assets		122,481	117,800
Capital and reserves			
Share capital	13	6,559	6,559
Reserves		115,922	111,241
Total equity		122,481	117,800

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) as well as 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 “Stock Exchange”).

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange goods.

Except described below, the accounting policies and methods of computation used in these condensed consolidated financial statements for the six months ended 30 September 2018 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2018.

Application of new and revised Hong Kong Financial Reporting Standards (“HKFRSs”)

In the current interim period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations (“new HKFRSs”) issued by the HKICPA, which are mandatorily effective for the annual period beginning on or after 1 April 2018 for the preparation of the Group’s condensed consolidated financial statements:

HKFRS 9	Financials Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

The application of the above amendments to HKFRSs, except for HKFRS 9, has no material effect on the amounts reported in the condensed consolidated financial statements and/or disclosures set out in the condensed consolidated financial statements.

HKFRS 9 Financial Instruments

HKFRS 9 replaces HKAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 April 2018, bringing together all three aspects of the accounting for financial instruments: (1) classification and measurement; (2) impairment; and (3) hedge accounting. The adoption of HKFRS 9 from 1 April 2018 has resulted in changes in accounting policies of the Group and the amounts recognised in the interim condensed consolidated financial statements.

(i) *Classification and measurement of financial instruments*

The following tables summarise the impact of transition to HKFRS 9 on accumulated losses at 1 April 2018:

Accumulated losses	<i>HK\$ '000</i>
Accumulated losses as at 31 March 2018	(10,107)
Recognition of expected credit loss on trade receivables	(143)
Recognition of expected credit loss on short-term loan and loan interest receivables	<u>(42)</u>
Restated balance as at 1 April 2018 (Unaudited)	<u><u>(10,292)</u></u>

Under HKFRS 9, except for certain trade receivables (that the trade receivables do not contain a significant financing component in accordance with HKFRS 15), an entity shall, at initial recognition, measure a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (“FVTPL”), transaction costs. A financial asset is classified as: (i) financial assets at amortised cost; (ii) financial assets at fair value through other comprehensive income (“FVTOCI”); or (iii) financial assets at FVTPL. The classification of financial assets under HKFRS 9 is generally based on two criteria: (i) the business model under which the financial asset is managed; and (ii) its contractual cash flow characteristics (the “solely payments of principal and interest” criterion, also known as “SPPI criterion”). Under HKFRS 9, embedded derivatives are no longer required to be separated from a host financial asset. Instead, the hybrid financial instrument is assessed as a whole for the classification.

The following table summarises the original measurement categories under HKAS 39 and the new measurement categories under HKFRS 9 for each class of the Group's financial assets as at 1 April 2018:

Financial assets	Original classification under HKAS 39	New classification under HKFRS 9	Carrying amounts as at 31 March 2018 under HKAS 39 HK\$ '000	Carrying amounts as at 1 April 2018 under HKFRS 9 HK\$ '000
Trade receivables	Loans and receivables	Amortised cost	36,961	36,818
Deposits and other receivables	Loans and receivables	Amortised cost	20,053	20,053
Short-term loan and loan interest receivables	Loans and receivables	Amortised cost	8,362	8,320
Bank balances and cash	Loans and receivables	Amortised cost	76,146	76,146

(ii) Impairment of financial assets

HKFRS 9 replaces the “incurred loss” model in HKAS 39 with the Expected Credit Loss (“ECL”) model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognizes ECLs earlier than under the “incurred loss” accounting model in HKAS 39.

HKFRS 9 requires the Group to recognise ECL for financial assets at amortised costs (including trade receivables, deposits and other receivables, short-term loan and loan interest receivables, and bank balances and cash). Cash and cash equivalents are subject to ECL model but the impairment is immaterial for the current period.

Financial assets measured at fair value, including equity securities measured at FVTPL and equity securities designated at FVTOCI, are not subject to the ECL assessment.

Measurement of ECLs

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has elected to measure loss allowances for trade and other receivables using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For short-term loan and loan interest receivables, as the contractual maturity dates are within 12 months or less, the 12-month ECLs equal to the lifetime ECLs.

For financial assets subject to ECL impairment, the carrying amounts in accordance with HKAS 39 have been remeasured upon transition to HKFRS 9 on 1 April 2018. The reconciliation of the carrying amounts in accordance with HKAS 39 and HKFRS 9 is as follows:

	HKAS 39		HKFRS 9
	carrying		carrying
	amounts as at	Remeasurement	amounts as at
	31 March 2018	(ECL allowance)	1 April 2018
	<i>HK\$ '000</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i>
Trade receivables	36,961	(143)	36,818
Deposits and other receivables	20,053	–	20,053
Short-term loan and loan interest receivables	8,362	(42)	8,320
Bank balances and cash	76,146	–	76,146
	<u>76,146</u>	<u>–</u>	<u>76,146</u>

The Group has not applied the new or revised HKFRSs that have been issued but are not yet effective for the accounting period of these financial statements. The Group has already commenced an assessment of the impact of these new or revised HKFRSs but is not yet in a position to state whether these new or revised HKFRSs would have a significant impact on its results of operation and financial position.

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

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 six months ended 30 September 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 six months ended 30 September 2017.

Segment revenues and results

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

For the six months ended 30 September 2018

	Garment sourcing <i>HK\$ '000</i>	Provision of finance <i>HK\$ '000</i>	Total <i>HK\$ '000</i>
Revenue	109,951	993	110,944
Segment results	3,865	554	4,419
Unallocated other gains			4,885
Unallocated administrative and other expenses			(5,216)
Profit from operations			4,088
Finance costs			(12)
Profit before tax			4,076

4. OTHER GAINS

		For the six months ended 30 September	
	<i>NOTE</i>	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Net foreign exchange gain		42	2
Gain on disposal of subsidiaries	14	4,885	–
Waive of directors' remuneration for			
– Current period		–	1,283
– Prior years		–	2,042
		4,927	3,327

5. INCOME TAX EXPENSE

No provision for income tax expense is made for both periods since there was no assessable profits for both periods.

There is no significant unprovided deferred taxation for the reporting periods or at the end of the reporting periods.

6. PROFIT FOR THE PERIOD

	For the six months ended 30 September	
	2018	2017
	HK\$'000	HK\$'000
Profit for the period has been arrived at after charging (crediting):		
Directors' remuneration	1,151	2,102
Other staff costs	1,941	1,485
	<u>3,092</u>	<u>3,587</u>
Total staff costs		
	<u>3,092</u>	<u>3,587</u>
Cost of inventories sold	103,879	67,740
Depreciation of property, plant and equipment	243	15
Bank interest income (included in other income)	(32)	(28)
	<u>(32)</u>	<u>(28)</u>

7. DISTRIBUTIONS

No dividends were paid, declared or proposed during the current interim period. The directors of the Company have determined that no dividend will be paid in respect of the current interim period.

8. EARNINGS PER SHARE

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

	For the six months ended 30 September	
	2018	2017
	HK\$'000	HK\$'000
Earnings		
Profit for the period attributable to owners of the Company for the purposes of basic earnings per share	4,076	3,098

	For the six months ended 30 September	
	2018	2017
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	655,927,000	519,777,000

Diluted earnings per share for the six months ended 30 September 2018 is equal to the basic earnings per share because the exercise prices of the Company's share options were higher than the average market price for the period and is therefore considered as anti-dilutive.

For the six months ended 30 September 2017, diluted loss per share was same as basic loss per share as there were no potential dilutive ordinary shares outstanding during the period.

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2018, the Group had:

- (i) spent approximately HK\$125,000 (2017: HK\$1,368,000) on additions to property, plant and equipment; and
- (ii) not disposed any (2017: Nil) property, plant and equipment.

As at 30 September 2018, the Group had property, plant and equipment of approximately HK\$508,000 (at 31 March 2018: HK\$554,000) which was held under finance lease.

10. 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 date at the end of each reporting period:

	30 September	31 March
	2018	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 – 30 days	3,697	28,332
31 – 60 days	854	1,665
61 – 90 days	–	3,743
91 – 120 days	–	78
Over 120 days	–	3,143
	<hr/>	<hr/>
	4,551	36,961
	<hr/> <hr/>	<hr/> <hr/>

11. SHORT-TERM LOAN AND LOAN INTEREST RECEIVABLES

	30 September 2018 HK\$'000	31 March 2018 HK\$'000
Short-term loan receivables-unsecured		
– Principal	32,930	8,300
– Interest	302	62
Less: Allowance for ECLs on short-term loans and loan interest receivables	<u>(415)</u>	<u>–</u>
	<u>32,817</u>	<u>8,362</u>

As at 30 September 2018, the short-term loan receivables were unsecured, interest-bearing at 12% to 18% per annum and repayable within next twelve months. Short-term loan receivables were guaranteed by independent third parties.

12. TRADE PAYABLES

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

	30 September 2018 HK\$'000	31 March 2018 HK\$'000
0 – 30 days	3,032	139,494
31 – 60 days	<u>–</u>	<u>24</u>
	<u>3,032</u>	<u>139,518</u>

13. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 April 2017	900,000,000	9,000
Increase in authorised capital (<i>note i</i>)	<u>9,100,000,000</u>	<u>91,000</u>
As at 31 March 2018 and 30 September 2018	<u><u>10,000,000,000</u></u>	<u><u>100,000</u></u>
Issued and fully paid:		
At 1 April 2017	519,777,000	5,198
Issue of shares pursuant to placement of shares (<i>note ii</i>)	32,200,000	322
Subscription of new shares (<i>note iii</i>)	<u>103,950,000</u>	<u>1,039</u>
As at 31 March 2018 and 30 September 2018	<u><u>655,927,000</u></u>	<u><u>6,559</u></u>

All shares rank pari passu in all respects.

Notes:

- (i) On 13 November 2017, the authorised share capital of the Company was increased from HK\$9,000,000 to HK\$100,000,000 by the creation of the additional 9,100,000,000 new shares of HK\$0.01 each. These new shares ranked pari passu in all respects with the existing shares.
- (ii) On 13 October 2017, the Company issued a total of 32,200,000 new shares as a result of the placing. Net proceeds of approximately HK\$29,400,000 were raised. Details of the placing are set out in the announcement of the Company dated 20 September 2017 and 13 October 2017.
- (iii) On 30 November 2017, the Company entered into a subscription agreement with an independent third party for the placing and subscription of 103,950,000 new ordinary shares of the Company at a subscription price of HK\$0.7 per share. Net proceeds of approximately HK\$72,520,000 were raised. The subscription was completed on 29 December 2017. Details of the subscription are set out in the Company's announcement dated 30 November 2017, 21 December 2017 and 29 December 2017 respectively.

14. DISPOSAL OF SUBSIDIARIES

During the six months ended 30 September 2018, the Group disposed of Best Keen International Limited, together with its subsidiaries (the “Disposal Group”), which carried out garment sourcing operation.

Analysis of assets and liabilities over which control was lost

Disposal Group

	<i>HK\$'000</i>
Current assets	
Trade receivables	3,500
Other receivables	47
Bank balances	79
	<hr/>
	3,626
	<hr/>
Current liabilities	
Other payables	(20)
Amount due to Hua Long Jin Kong	(8,494)
	<hr/>
	(8,514)
	<hr/>
Net liabilities disposed of	(4,888)
Release of translation reserve upon disposal of subsidiaries	3
Consideration received	–
	<hr/>
Gain on disposal	4,885
	<hr/> <hr/>

15. EVENTS AFTER THE END OF THE REPORTING PERIOD

The significant events took place subsequent to the end of the reporting period are as below:

Reference are made to the announcement and the circular of the Company dated 4 October 2018 and 20 November 2018 respectively. Terms used hereinafter shall have the same meaning as defined in the above announcements and circular.

On 4 October 2018, the WFOE entered into the VIE Agreements with the OPCO and the PRC Equity Owners. Through the VIE Agreements, the WFOE will have effective control over the finance and operation of the OPCO and will enjoy the entire economic interests and benefits generated by the OPCO. Upon the entry of the VIE Agreements, the financial results of the OPCO will be consolidated into the consolidated financial statements of the Group and the OPCO will be a wholly-owned subsidiary of the Company.

Details of the VIE Agreements are set out in the announcement and circular of the Company dated 4 October 2018 and 20 November 2018 respectively.

Save as disclosed above, there were no other significant events took place subsequent to the end of the reporting period.

MANAGEMENT DISCUSSION AND ANALYSIS

The Board is pleased to announce the unaudited consolidated results of the Group for the six months ended 30 September 2018 (the “Period”).

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.

Garment sourcing management business

Over the past several years, 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.

The Group has implemented strategies to expand its geographical coverage for garment sourcing management business, in particular in the PRC 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.

Provision of financial services

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 Group has commenced a new business segment of financial services which includes asset management, finance lease, pawn and money lending business. Currently, 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. The Group has completed the acquisition of the entire equity interests of a company principally engaged in financial leasing business, purchasing lease assets from domestic and overseas markets and lease transaction consultation and guarantee in the PRC and is taking active steps for the application of pawnbroker licence in the PRC.

During the period under review, revenue amounted to approximately HK\$110,944,000, among which: revenue from the garment sourcing management business amounted to approximately HK\$109,951,000, representing an increase of approximately 47.01% (2017: approximately HK\$74,791,000); Gross profit margin was approximately 5.52%, representing a decrease of approximately 3.91% (2017: approximately 9.43%); revenue from the money lending business amounted to approximately HK\$993,000 (2017: nil). Other income amounted to approximately HK\$262,000, representing a increase of approximately 745.16% (2017: approximately HK\$31,000), which was mainly attributable to the rental income and cargo claims. Other gains amounted to approximately HK\$4,927,000, representing an increase of approximately 48.09% (2017: approximately HK\$3,327,000), which was mainly attributable to the gain on disposal of subsidiaries. Selling and distribution costs amounted to approximately HK\$912,000 (2017: nil), and such incurrence was mainly due to the subsidiaries started business in the PRC. Administrative expenses amounted to approximately HK\$7,254,000 (2017: approximately HK\$7,306,000). Total comprehensive income for the period attributable to the owners of the Company amounted to approximately HK\$4,429,000, representing an increase of approximately 42.96% (2017: approximately HK\$3,098,000).

With the booming of the Fintech market, the Group sees the opportunities and intends to become one of the pioneers entering into the P2P Financing industry. The Directors consider that the P2P Financing Information Business would provide an opportunity for the Group to explore the possibility of the P2P Financing industry as well as to deepen the reach of the Group in the financial services business segment. The Directors are of the view that P2P Financing Information Business is a business with growth potential, and as Internet securities continue to improve in recent years, financial products transacted over the Internet will continue to gain popularity due to the convenience and privacy it provides.

On 4 October 2018 (after trading hours), Linglong (Hangzhou) Asset Management Co., Ltd.* (玲隆(杭州)資產管理有限公司) (the “WFOE”), an indirect wholly-owned subsidiary of the Company entered into the VIE Agreements with Hangzhou Huazhiying Investment Management Co., Ltd.* (杭州華之贏投資管理有限公司) (the “OPCO”) and the persons with the PRC nationality who hold the entire equity interest of the OPCO (the “PRC Equity Owners”). Through the VIE Agreements, the WFOE will have effective control over the finance and operation of the OPCO and will enjoy the entire economic interests and benefits generated by the OPCO. Upon the entry of the VIE Agreements, the financial results of the OPCO will be consolidated into the consolidated financial statements of the Group and the OPCO will become a wholly-owned subsidiary of the Company. The purpose of the Group to adopt the VIE Structure is to enable the Group to provide the profitable internet information service* (經營性互聯網信息服務) indirectly through the OPCO, thereby deepening the Group’s access to the business segment of financial services as well as widening the Group’s customer base to cover the P2P Financing customers in the PRC. However, due to the foreign ownership restrictions under the PRC Laws as outlined above, the Group was not able to engage in the profitable internet information service directly without first adopting the VIE Structure.

PROSPECTS

Looking forward, the Group will endeavor 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, the global economy is not stable due to the trade war between the PRC and the United States of America, The Group will continue to implement strategies to expand its geographical coverage for garment sourcing management business, in particular in the PRC where the spending power is increasingly stronger.

As to the provision of financial services business, The Group will continue to deepen the business segment of financial services, especially the P2P business. Since early 2018, the PRC regulators have started to clamp down the scams and risky behaviors in the consumer financing market and tighten the control over P2P financing business by implementing certain financial deleveraging measures, leading to a decrease in fund supply and increase in financing cost. According to the statistical data released by the National Committee of Experts on the Internet Financial Security Technology (國家互聯網金融安全技術專家委員會), the number of P2P platforms in the PRC decreased by 685 to 2,835 as at 30 June 2018 when compared to that as at 31 December 2017. We concur with the views of the Directors that the aforementioned regulatory trend does not signify an overall collapse in the P2P industry in the PRC, and P2P platforms with sound business practices and effective risk control system can actually benefit from the new regulatory environment which brings greater clarity and certainty to the market supervision and contributes to a more positive and benign development of the P2P financing industry. The elimination of risky and defective P2P platforms will improve the overall image of the consumer financing industry and enhance the confidence of both P2P borrowers and lenders.

Given the increasing credit needs of Chinese individuals and enterprise, coupled with the ineffectiveness and low penetration of traditional financial institutions serving these needs, the Directors believe that there is still great demands and considerable potential in the P2P financing market in the PRC in the foreseeable future, and the P2P platforms which survive the regulatory crisis will be able to embrace more business opportunities. According to the statistical data released by a P2P platform information website, namely Wangdai Zhijia* (網貸之家), the transaction amount of P2P platform increased by approximately 36% from approximately RMB2,064 billion in 2016 to approximately RMB2,805 billion in 2017, which was followed by a decrease by approximately 21% from approximately RMB1,395 billion in the first half of 2017 to RMB1,100 billion in the first half of 2018. As noted from the aforementioned statistical data and advised by the management of the Company, although there existed a decrease in the transaction amount in the first half of 2018 as compared to that of 2017, which was mainly attributable to the recent series of tightened regulatory actions, we believe that there is room for the OPCO Group to achieve growth in its business in future given the recent market demand of P2P financing is substantially larger than the existing operation scale of the OPCO Group.

FINANCIAL REVIEW

Liquidity and Financial Resources

As at 30 September 2018, the Group had total assets of approximately HK\$154,655,000 (at 31 March 2018: approximately HK\$263,575,000) (including bank balances and cash of approximately HK\$18,300,000 (at 31 March 2018: approximately HK\$76,146,000)) which were financed by current liabilities of approximately HK\$31,863,000 (at 31 March 2018: approximately HK\$145,407,000), long-term liability of approximately HK\$311,000 (at 31 March 2018: approximately HK\$368,000) and shareholders' equity of approximately HK\$122,481,000 (at 31 March 2018: approximately HK\$117,800,000).

The Group generally services its debts primarily through cash generated from its operations. As at 30 September 2018, the liquidity ratio, represented by a ratio between current assets over current liabilities, was 4.81:1 (at 31 March 2018: 1.80:1), the gearing ratio of the Group, defined as the ratio between total debts over total assets, was 1:4.81 (at 31 March 2018: 1:1.81). The controlling shareholder of the Group, Rosy Lane International Limited, 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 believe that the Group has sufficient fund for developing its existing business.

Foreign Exchange and Risk Management

The Group's working capital is mainly financed through internally generated cash flows and recent placement of new shares in October and December 2017 as general working capital. The management of the Group regularly monitors the funding requirements of the Group to support its operations and its development plans. Most of the Group's cash balances were deposits in US\$, HK\$ and RMB in 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 transaction in different currencies can be managed by the Group through the using foreign exchange hedge contracts. Pursuant to the Group's current policy, foreign exchange hedge contracts or any other financial derivatives contracts can be entered into by the Group for hedging purpose. The Group has not entered into any financial derivative contract during the Period under review and had no outstanding financial derivative contracts as at 30 September 2018.

Capital Expenditure and Commitments

During the Period, the Group did not have any material investment in property, plant and equipment.

As at 30 September 2018, the Group had no commitment (as at 31 March 2018: 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 on capital assets.

Charges on Assets

As at 30 September 2018, the Group had no pledged assets (at 31 March 2018: Nil).

Contingent Liabilities

The Group did not have any contingent liabilities as at 30 September 2018 (at 31 March 2018: Nil).

Important events affecting the Group after the reporting period

On 4 October 2018 (after trading hours), Linglong (Hangzhou) Asset Management Co., Ltd.* (玲隆(杭州)資產管理有限公司) (the “WFOE”), an indirect wholly-owned subsidiary of the Company entered into the VIE Agreements with Hangzhou Huazhiying Investment Management Co., Ltd.* (杭州華之贏投資管理有限公司) (the “OPCO”) and the persons with the PRC nationality who hold the entire equity interest of the OPCO (the “PRC Equity Owners”). Through the VIE Agreements, the WFOE will have effective control over the finance and operation of the OPCO and will enjoy the entire economic interests and benefits generated by the OPCO. Upon the entry of the VIE Agreements, the financial results of the OPCO will be consolidated into the consolidated financial statements of the Group and the OPCO will become a wholly-owned subsidiary of the Company. Each of the PRC Equity Owners and the OPCO is a connected person of the Company pursuant to Chapter 14A of the Listing Rules. Accordingly, the transactions contemplated under the VIE Agreements constitute connected transactions and continuing connected transactions of the Company. As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the transactions contemplated under the VIE Agreements is exceeds 5%, the transactions contemplated under the VIE Agreements are subject to the announcement, shareholders’ approval, reporting and annual review requirements under Chapter 14A of the Listing Rules.

A circular containing, among other things, (i) details about the VIE Structure, (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders, (iii) a letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders, and (iv) the notice convening the extraordinary general meeting (the “SGM”) have been despatched to the Shareholders on 20 November 2018. The Company will convene the SGM regarding of the VIE transaction on 10 December 2018.

For the details, please refer to the announcements of the Company dated 4 October 2018 the circular of the Company dated 20 November 2018.

Save as disclosed above, there were no other important events affecting the Group since 30 September 2018 and up to the date of this announcement.

Significant investments, material acquisitions and disposals

For the six months ended 30 September 2018, save as disclosed in this announcement, there were no material investments, material acquisition and disposal of subsidiaries, associates and joint ventures by the Group.

Employee Information

As at 30 September 2018, the Group employed approximately 17 employees (excluding the Directors). 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 the individual's performance. The Group incurred staff costs (excluding Directors' remuneration) of approximately HK\$1,941,000 for the six months ended 30 September 2018. The Group encourages its staffs to attend training courses which can achieve self-improvement and enhance their skill and knowledge.

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.

As at 30 September 2018, there were a total of 22,068,000 outstanding share options under the Company's share option scheme. During the period, no share options were granted, exercised, cancelled or lapsed under the share option scheme.

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 September 2018 (for the six months ended 30 September 2017: Nil).

SHARE OPTION SCHEME

The Company conditionally adopted the Share Option Scheme on 2 June 2010. The annual general meeting held on 28 September 2018 approved the refreshment of the scheme limit under the Share Option Scheme of the Company. 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. The Share Option Scheme will remain in force for a period of ten years from the date of its adoption.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries had purchased, redeemed or sold any of the Company's listed securities during the Period.

CORPORATE GOVERNANCE CODE

The Company had complied with all the code provisions ("Code Provisions") under the Corporate Governance Code throughout the Period.

AUDIT COMMITTEE AND REVIEW OF FINANCIAL INFORMATION

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. The Audit Committee's duties are clearly defined in its written terms of reference which have been prepared and adopted according to the Code Provisions.

The Audit Committee has reviewed, with the Company's external auditor, the unaudited interim financial statements of the Group for the six months ended 30 September 2018 including the accounting principles and practices adopted by the Group and this announcement of interim results.

In addition, the external auditor of the Company has reviewed the unaudited interim results for the six months ended 30 September 2018 in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

NOMINATION COMMITTEE

The Nomination Committee currently comprises one executive Director, namely Mr. Zhi Hua (chairman) and two independent non-executive Directors, namely Mr. Chau On Ta Yuen and Dr. Lam Lee G. It was established on 19 March 2012 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 Nomination Committee can be found in the websites of the Stock Exchange and the Company.

REMUNERATION COMMITTEE

The Remuneration Committee currently comprises two independent non-executive Directors, namely Mr. Chau On Ta Yuen (chairman) and Dr. Lam Lee G. and one executive Director, namely Mr. Zhi Hua. 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 Remuneration Committee can be found in the websites of the Stock Exchange and the Company.

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. Having made specific enquiries with the Directors, all Directors confirmed that they had complied with the required standard set out in the Model Code during the Period.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group's business is mainly conducted by subsidiaries of the Company in Hong Kong, the United States and the PRC, and the Company itself is listed on the Stock Exchange. To the best of our knowledge and save for disclosed below, during the Period, 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.

CHANGE IN INFORMATION OF DIRECTORS

Upon specific enquiry by the Company and following confirmations from the Directors, save as set out below, there is no change in the information of the Directors required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

Dr. Lam Lee G. (“Dr. Lam”)

Save as disclosed on the annual report 2018 of the Company, Dr. Lam was appointed as an independent non-executive director of Hsin Chong Group Holdings Limited (新昌集團控股有限公司) (stock code: 404) and Mingfa Group (International) Company Limited (明發集團(國際)有限公司) (stock code: 846) on 17 May 2018 and 1 September 2018, respectively, the companies listed on the Main Board of the Stock Exchange. He was appointed as an independent non-executive director of China Medical (International) Group Co., Ltd. (中國醫療(國際)集團有限公司) (stock code: 51B) on 14 May 2018, a company is listed on the Singapore Stock Exchange.

He resigned as an independent non-executive director of Vietnam Equity Holding (stock code: 3MS) on 28 February 2018, the company's shares are listed on the Stuttgart Stock Exchange; resigned as an independent non-executive director of Rowsley Limited (stock code: A50) on 25 April 2018, the shares of which are listed on the Singapore Stock Exchange; resigned as independent non-executive director of Xi'an Haitiantian Holdings Company Limited (西安海天天實業股份有限公司) (stock code: 8227) on 23 July 2018, the shares of which are listed on GEM of the Stock Exchange.

Mr. Lam Kai Yeung (“Mr. Lam”)

Save as disclosed on the annual report 2018 of the Company, Mr. Lam was re-designated from an independent non-executive director to an executive director of Sunway International Holdings Limited (stock code: 0058) on 31 July 2018, a company listed on the Main Board of the Stock Exchange.

APPRECIATION

In closing, on behalf of the Board, I would like to take this opportunity to express my sincere thanks and gratitude to our management team and employees for their commitments, hard work and loyalty to the Group during the Period.

I would also like to extend my deepest thanks to our customers, bankers, business partners and Shareholders for their continual support.

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

Hong Kong, 29 November 2018

As at the date of this announcement, the Board comprises Mr. Zhi Hua, Mr. Lam Kai Yeung and Mr. Ma Jun 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 a non-executive Director.