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華邦金融控股有限公司

Huabang Financial Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 3638)

**INTERIM RESULTS FOR THE SIX MONTHS
ENDED 30 SEPTEMBER 2019**

The board of Directors (the “Board”) of Huabang Financial Holdings Limited (the “Company”) is pleased to announce the following unaudited interim condensed consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 September 2019 (“Current Period”) together with the unaudited comparative figures for the corresponding periods in 2018 (“Last Corresponding Period”) as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Unaudited	
		Six months	
		ended 30 September	
		2019	2018
		HK\$'000	HK\$'000
	<i>Notes</i>		
Revenue	4	377,499	391,866
Cost of sales	5	<u>(359,209)</u>	<u>(362,245)</u>
Gross profit		18,290	29,621
Selling expenses	5	(235)	(252)
General and administrative expenses	5	(22,919)	(20,913)
Expected credit loss on financial assets, net	5	(2,712)	(1,591)
Other gains		<u>1,368</u>	<u>1,644</u>
Operating (loss)/profit		(6,208)	8,509
Share of loss of an investment accounted for using equity method		(406)	–
Finance costs	6	<u>(3,158)</u>	<u>(1,839)</u>
(Loss)/profit before income tax		(9,772)	6,670
Income tax expense	7	<u>(413)</u>	<u>(1,216)</u>
(Loss)/profit attributable to equity holders of the Company		<u>(10,185)</u>	<u>5,454</u>
(Loss)/earnings per share attributable to equity holders of the Company			
Basic and diluted	8	<u>HK(0.23) cents</u>	<u>HK0.13 cents</u>
Attributable to:			
Owners of the Company		(10,428)	5,454
Non-controlling interest		<u>243</u>	<u>–</u>
		<u>(10,185)</u>	<u>5,454</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited	
	Six months	
	ended 30 September	
	2019	2018
	HK\$'000	HK\$'000
Comprehensive income		
(Loss)/profit for the period	(10,185)	5,454
Other comprehensive income		
Currency translation differences	<u>(878)</u>	<u>(376)</u>
Total comprehensive income attributable to equity holders of the Company	<u><u>(11,063)</u></u>	<u><u>5,078</u></u>
Attributable to:		
Owners of the Company	(11,306)	5,078
Non-controlling interest	<u>243</u>	<u>—</u>
	<u><u>(11,063)</u></u>	<u><u>5,078</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		Unaudited 30 September 2019 <i>HK\$'000</i>	Audited 31 March 2019 <i>HK\$'000</i>
	<i>Notes</i>		
ASSETS			
Non-current assets			
Property, plant and equipment	<i>10</i>	281,711	287,763
Intangible assets	<i>10</i>	53,875	54,495
Investment accounted for using equity method		5,999	30,000
Deposits, prepayments and other receivables	<i>12</i>	688	915
Deferred tax assets		<u>7,931</u>	<u>8,292</u>
		<u>350,204</u>	<u>381,465</u>
Current assets			
Inventories		4,246	–
Loan receivables	<i>11</i>	122,560	15,204
Account receivables	<i>12</i>	225,002	193,004
Deposits, prepayments and other receivables	<i>12</i>	49,951	2,364
Financial assets at fair value through profit or loss		596	786
Income tax recoverable		2,410	1,552
Bank balances held on behalf of clients		59,743	17,837
Pledged deposits at bank		40,512	–
Cash and cash equivalents		<u>123,530</u>	<u>201,704</u>
		<u>628,550</u>	<u>432,451</u>
Total assets		<u>978,754</u>	<u>813,916</u>
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	<i>15</i>	3,654	3,654
Other reserves		552,536	574,549
Retained earnings		<u>46,691</u>	<u>57,119</u>
		<u>602,881</u>	<u>635,322</u>
Non-controlling interest		<u>4,065</u>	<u>–</u>
Total equity		<u>606,946</u>	<u>635,322</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

		Unaudited	Audited
		30 September	31 March
		2019	2019
	<i>Notes</i>	HK\$'000	HK\$'000
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		<u>232</u>	<u>310</u>
		<u>232</u>	<u>310</u>
Current liabilities			
Account payables	<i>13</i>	57,947	17,834
Other payables and accrued expenses	<i>13</i>	2,590	2,452
Contract liabilities		1,475	358
Bank borrowings	<i>14</i>	308,019	156,513
Current income tax liabilities		<u>1,545</u>	<u>1,127</u>
		<u>371,576</u>	<u>178,284</u>
Total liabilities		<u>371,808</u>	<u>178,594</u>
Total equity and liabilities		<u>978,754</u>	<u>813,916</u>
Net current assets		<u>256,974</u>	<u>254,167</u>
Total assets less current liabilities		<u>607,178</u>	<u>635,632</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Unaudited
Attributable to equity holders of the Company

	Other reserves											Non-controlling interest	Total Equity	
	Share capital	Share premium	Employee share-based compensation reserve	Merger reserve	Capital reserve	Statutory reserve	Exchange reserve	Share held under the share award	Share repurchase reserve	Sub total	Retained earnings			
	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000
				Note (a)	Note (b)	Note (c)								
For 6 months ended 30 September 2018														
Balance as at 1 April 2018	3,408	354,518	22,882	50,374	2,480	1,042	3,943	-	-	435,239	100,394	539,041	-	539,041
Impact of adopting HKFRS 9	-	-	-	-	-	-	-	-	-	-	(2,304)	(2,304)	-	(2,304)
Impact of adopting HKFRS 15	-	-	-	-	-	-	-	-	-	-	(13,017)	(13,017)	-	(13,017)
Adjusted balance as at 1 April 2018	3,408	354,518	22,882	50,374	2,480	1,042	3,943	-	-	435,239	85,073	523,720	-	523,720
Comprehensive income														
Profit for the period	-	-	-	-	-	-	-	-	-	-	5,454	5,454	-	5,454
Other comprehensive income														
Currency translation differences	-	-	-	-	-	-	(376)	-	-	(376)	-	(376)	-	(376)
Total comprehensive income	-	-	-	-	-	-	(376)	-	-	(376)	5,454	5,078	-	5,078
Transaction with owners														
Issuance of shares by Placing	250	150,005	-	-	-	-	-	-	-	150,005	-	150,255	-	150,255
Employees share option scheme – value of employee services	-	-	1,541	-	-	-	-	-	-	1,541	-	1,541	-	1,541
Share repurchased and yet to be cancelled	-	-	-	-	-	-	-	-	(456)	(456)	-	(456)	-	(456)
Balance as at 30 September 2018	3,658	504,523	24,423	50,374	2,480	1,042	3,567	-	(456)	585,953	90,527	680,138	-	680,138
For 6 months ended 30 September 2019														
Balance as at 1 April 2019	3,654	502,332	14,955	50,374	2,480	1,042	3,861	(495)	-	574,549	57,119	635,322	-	635,322
Comprehensive income														
Loss for the period	-	-	-	-	-	-	-	-	-	-	(10,428)	(10,428)	243	(10,185)
Other comprehensive income														
Currency translation differences	-	-	-	-	-	-	(878)	-	-	(878)	-	(878)	-	(878)
Total comprehensive income	-	-	-	-	-	-	(878)	-	-	(878)	(10,428)	(11,306)	243	(11,063)
Transaction with owners														
Partial disposal of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	3,822	3,822
Purchase of shares under share award scheme	-	-	-	-	-	-	-	(21,135)	-	(21,135)	-	(21,135)	-	(21,135)
Balance as at 30 September 2019	3,654	502,332	14,955	50,374	2,480	1,042	2,983	(21,630)	-	552,536	46,691	602,881	4,065	606,946

Notes:

(a) Merger reserve

The Group's merger reserve represents the difference between the share capital of the Company and the aggregate amount of share capital of other companies now comprising the Group, after elimination of intra-group investments.

(b) Capital reserve

The Group's capital reserve represents deemed contribution by the Controlling Shareholders as a shareholder acquired the remaining non-controlling interests of a subsidiary and contributed to the Group at no cost prior to 1 April 2011.

(c) Statutory reserve

The Company's subsidiary in the People's Republic of China (the "PRC") is required to transfer 10% of its profit after income tax calculated in accordance with the PRC accounting standards and regulations to the statutory reserve until the balance reaches 50% of its respective registered capital, where further transfers will be at its directors' discretion. The statutory reserve can be used to offset prior years' losses, if any, and may be converted into share capital by issuing new shares to equity holders of the PRC subsidiary in proportion to their existing shareholding or by increasing the par value of the shares currently held by them, provided that the remaining balance of the statutory reserve after such issue is no less than 25% of share capital of the PRC subsidiary.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited	
	Six months	
	ended 30 September	
	2019	2018
	HK\$'000	HK\$'000
Net cash used in operating activities	(148,714)	(16,311)
Net cash used in investing activities	(56,656)	(207,734)
Net cash generated from financing activities	<u>127,213</u>	<u>232,906</u>
Net (decrease)/increase in cash and cash equivalents	(78,157)	8,861
Cash and cash equivalents as at 1 April	201,704	200,254
Effect of foreign exchange rates changes on cash and cash equivalents	<u>(17)</u>	<u>128</u>
Cash and cash equivalents as at 30 September	<u><u>123,530</u></u>	<u><u>209,243</u></u>

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. GENERAL INFORMATION

Huabang Financial Holdings Limited was incorporated in the Cayman Islands on 23 February 2011 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company's shares are listed on the Main Board of the Stock Exchange ("Main Board").

The Company is an investment holding company. The Group is principally engaged in (i) computer and peripheral products business, (ii) financial services business and (iii) money lending business (the "Business").

This interim condensed consolidated financial information has not been audited.

2. BASIS OF PREPARATION

The interim condensed consolidated financial information has been prepared in accordance with the applicable disclosure requirements of the Rules Governing the Listing of Securities of the Stock Exchange (the "Listing Rules") and with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The interim condensed consolidated financial information are presented in Hong Kong Dollars ("HK\$") which is the same as the functional currency of the Company.

3. ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 March 2019, except for the adoption of new and revised standards beginning on 1 April 2019.

The adoption of the new and revised HKFRSs has had no significant effect on the interim condensed consolidated financial information and there have been no significant changes to the accounting policies applied in the interim condensed consolidated financial information.

The Group has not applied new and revised standards, amendments or interpretations that have been issued but are not yet effective. The Group is currently assessing the impact of the adoption of such new and revised standards, amendments or interpretations to the Group but is yet to be in a position to state whether they would have any material financial impact on the Group's results of operations and financial position.

4. REVENUE AND SEGMENT INFORMATION

The chief operating decision-maker has been identified as the executive directors of the Company ("CODM"). The CODM reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segment based on these reports.

During the year ended 31 March 2019, the Group has changed the structure of its internal organisation in a manner that changes the compositions of its reportable segments by combining corporate finance advisory business and securities brokerage business. The CODM considers that the Group has three operating and reporting segments which are (i) computer and peripheral products business, (ii) financial services business (including securities brokerage business and advisory services business) and (iii) money lending business. As a result, the corresponding information for the six months ended 30 September 2018 has been restated.

The CODM assesses the performance of the operating segments based on adjusted operating profit/(loss). Expenses, where appropriate, are allocated to operating segments with reference to revenue contributions of the respective segments. Unallocated expenses are not included in the result for each operating segment that is reviewed by the CODM.

Segment assets consist primarily of intangible assets, inventories, account receivables, loan receivables, interest receivables, deposits, prepayments and other receivables, financial assets at fair value through profit or loss, bank balances held on behalf of clients and other assets. They exclude property, plant and equipment, deferred tax assets, cash and cash equivalents, income tax recoverable and other unallocated assets, which are managed centrally. Segment liabilities consist primarily of account payables, allocated bank borrowings where appropriate, allocated other payables and accrued expenses where appropriate and contract liabilities where appropriate. They exclude deferred tax liabilities, current income tax liabilities and other unallocated liabilities, which are managed centrally.

	Unaudited			
	For the six months ended 30 September 2019			
	Computer and peripheral products business HK\$'000	Financial services business HK\$'000	Money lending business HK\$'000	Total HK\$'000
Revenue from external customers	368,311	4,266	4,922	377,499
Cost of sales from external customers	<u>(359,209)</u>	<u>–</u>	<u>–</u>	<u>(359,209)</u>
	9,102	4,266	4,922	18,290
Selling expenses	(235)	–	–	(235)
General and administrative expenses	(5,909)	(5,284)	(185)	(11,378)
Expected credit loss on financial assets, net	78	(2,121)	(669)	(2,712)
Other gains	928	379	–	1,307
Finance costs	<u>(1,747)</u>	<u>–</u>	<u>–</u>	<u>(1,747)</u>
Adjusted operating profit/(loss)	<u>2,217</u>	<u>(2,760)</u>	<u>4,068</u>	<u>3,525</u>
Unallocated expenses				<u>(13,297)</u>
Loss before income tax				(9,772)
Income tax expense				<u>(413)</u>
Loss for the period				<u>(10,185)</u>

Unaudited
For the six months ended 30 September 2018 (Restated)

	Computer and peripheral products business	Financial services business	Money lending business	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue from external customers	372,185	16,467	3,214	391,866
Cost of sales from external customers	<u>(362,245)</u>	<u>–</u>	<u>–</u>	<u>(362,245)</u>
	9,940	16,467	3,214	29,621
Selling expenses	(233)	–	–	(233)
General and administrative expenses	(3,119)	(9,669)	(195)	(12,983)
Other gains	600	738	–	1,338
Finance costs	<u>(737)</u>	<u>–</u>	<u>–</u>	<u>(737)</u>
Adjusted operating profit	<u>6,451</u>	<u>7,536</u>	<u>3,019</u>	<u>17,006</u>
Unallocated expenses				<u>(10,336)</u>
Profit before income tax				6,670
Income tax expense				<u>(1,216)</u>
Profit for the period				<u>5,454</u>

Interest revenue of HK\$8,881,000 (Last Corresponding Period: HK\$7,901,000) was included in revenue from external customers, contributed by money lending business segment of HK\$4,922,000 (Last Corresponding Period: HK\$3,214,000) and securities brokerage business segment of HK\$3,959,000 (Last Corresponding Period: HK\$4,687,000), respectively.

The following tables present segment assets, segment liabilities and capital expenditure as at 30 September 2019 and 31 March 2019.

	Unaudited			
	As at 30 September 2019			
	Computer and peripheral products business HK\$'000	Financial services business HK\$'000	Money lending business HK\$'000	Total HK\$'000
Segment assets	<u>323,775</u>	<u>234,529</u>	<u>127,909</u>	<u>686,213</u>
Segment liabilities	<u>227,375</u>	<u>58,135</u>	<u>–</u>	<u>285,510</u>
Capital expenditure	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
	Audited			
	As at 31 March 2019			
	Computer and peripheral products business HK\$'000	Financial services business HK\$'000	Money lending business HK\$'000	Total HK\$'000
Segment assets	<u>284,420</u>	<u>167,239</u>	<u>30,448</u>	<u>482,107</u>
Segment liabilities	<u>73,915</u>	<u>18,212</u>	<u>–</u>	<u>92,127</u>
Capital expenditure	<u>12,089</u>	<u>79</u>	<u>–</u>	<u>12,168</u>

The reconciliations of segment assets to total assets and segment liabilities to total liabilities are provided as follows:

	Unaudited	Audited
	As at	As at
	30 September	31 March
	2019	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Segment assets	686,213	482,107
Cash and cash equivalents	5,141	15,569
Property, plant and equipment	270,273	275,378
Deposits, prepayments and other receivables	787	1,018
Deferred tax assets	7,931	8,292
Investment accounted for using equity method	5,999	30,000
Income tax recoverable	2,410	1,552
	<hr/>	<hr/>
Total assets	978,754	813,916
	<hr/> <hr/>	<hr/> <hr/>
Segment liabilities	285,510	92,127
Deferred tax liabilities	232	310
Bank borrowings	83,317	84,610
Current income tax liabilities	1,545	1,127
Other unallocated liabilities	1,204	420
	<hr/>	<hr/>
Total liabilities	371,808	178,594
	<hr/> <hr/>	<hr/> <hr/>

Majority of the Group's revenue were derived from in Hong Kong.

5. EXPENSES BY NATURE

Expenses included in cost of sales, selling expenses, and general and administrative expenses are analysed as follows:

	Unaudited	
	Six months ended 30 September	
	2019	2018
	HK\$'000	HK\$'000
Cost of inventories sold	359,209	362,245
Auditor's remuneration	687	751
Depreciation of property, plant and equipment	5,884	4,153
Amortization of intangible assets	620	620
Legal and professional fees	1,616	855
Employee benefit expenses	8,247	8,268
Equity-settled share option expenses	–	1,541
Operating lease rentals of premises	1,599	1,537
Building management fee	1,036	785
Services fee for broker supplies system	668	669
Expected credit loss on financial assets, net:		
– Loan receivables	644	(223)
– Cash client receivables	2,121	2,283
– Trade receivable	(78)	(456)
– Interest receivable	25	(13)
Others	2,797	1,986
Total	<u>385,075</u>	<u>385,001</u>

6. FINANCE COSTS

	Unaudited	
	Six months ended 30 September	
	2019	2018
	HK\$'000	HK\$'000
Finance costs		
– Interest expenses on bank borrowings	<u>3,158</u>	<u>1,839</u>

7. INCOME TAX EXPENSE

	Unaudited	
	Six months ended 30 September	
	2019	2018
	HK\$'000	HK\$'000
Current income tax		
– Hong Kong profits tax	130	1,820
Deferred income tax		
– Hong Kong profits tax	<u>283</u>	<u>(604)</u>
	<u>413</u>	<u>1,216</u>

The Group is subject to both Hong Kong profits tax and PRC corporate income tax.

Hong Kong profits tax has been provided for at the rate of 16.5% for the periods on the estimated assessable profits arising in or derived from Hong Kong.

The subsidiary in the PRC is subjected to PRC corporate income tax at the rate of 25% for the periods. No PRC corporate income tax has been provided as the PRC subsidiary has no assessable profits for the periods.

8. LOSS/EARNINGS PER SHARE

The calculation of basic loss per share (Last Corresponding Period: basic earnings per share) is based on the loss attributable to the equity holders of the Company for the Current Period of approximately HK\$10,185,000 (Last Corresponding Period: profit of approximately HK\$5,454,000) and of the weighted average number of approximately 4,363,028,951 (Last Corresponding Period: 4,191,241,180) ordinary shares in issue during the Current Period.

Diluted loss per share (Last Corresponding Period: diluted earnings per share) were same as the basic loss per share (Last Corresponding Period: basic earnings per share) as there were no potential dilutive ordinary shares in existence during the reporting periods.

9. DIVIDENDS

The Board does not recommend any interim dividend for the Current Period (Last Corresponding Period: nil).

10. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

During the Current Period, there was no expenditures incurred for property, plant and equipment (Last Corresponding Period: approximately HK\$240,738,000) and no additions for intangible assets (Last Corresponding Period : nil).

Also, during the Current Period, the Group disposed of certain property, plant and equipment with the aggregate carrying amount of approximately HK\$104,000 (Last Corresponding Period : approximately HK\$53,000) which resulting in a loss on disposal of approximately HK\$99,000 (Last Corresponding Period : gain of approximately HK\$115,000).

11. LOAN RECEIVABLES

	Unaudited 30 September 2019 HK\$'000	Audited 31 March 2019 HK\$'000
Loan receivables	130,300	22,300
Less: provision for impairment	(7,740)	(7,096)
Loan receivables, net	<u>122,560</u>	<u>15,204</u>

The Group's loan receivables, which arise from its money lending business in Hong Kong, are denominated in Hong Kong dollars, unsecured, bear fixed interest rate, and repayable within one year from the dates of inception of the loan agreements.

12. ACCOUNT RECEIVABLES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	Unaudited 30 September 2019 HK\$'000	Audited 31 March 2019 HK\$'000
Non-current		
Prepayment for leasehold improvements	–	227
Other non-current deposits	483	483
Other assets	205	205
	<hr/>	<hr/>
Total deposits, prepayments and other receivables presented as non-current assets	688	915
	<hr/> <hr/>	<hr/> <hr/>
Current		
Trade receivables (Note)	117,089	123,227
Cash client receivables	142,663	101,721
Due from clearing house	–	763
	<hr/>	<hr/>
	259,752	225,711
Less: Impairment	(34,750)	(32,707)
	<hr/>	<hr/>
Total account receivables presented as current assets	225,002	193,004
	<hr/> <hr/>	<hr/> <hr/>
Prepayments	355	872
Deposits and other receivables	44,938	861
Interest receivables	5,212	1,160
	<hr/>	<hr/>
	50,505	2,893
Less: Impairment	(554)	(529)
	<hr/>	<hr/>
Total deposits, prepayments and other receivables presented as current assets	49,951	2,364
	<hr/> <hr/>	<hr/> <hr/>
Total account receivables, deposits, prepayments and other receivables	275,641	196,283
	<hr/> <hr/>	<hr/> <hr/>

Account receivables, deposits, prepayments and other receivables are denominated in the following currencies:

	Unaudited 30 September 2019 HK\$'000	Audited 31 March 2019 HK\$'000
HK\$	155,119	73,217
RMB	288	307
US\$	120,234	122,759
	<hr/>	<hr/>
	275,641	196,283
	<hr/> <hr/>	<hr/> <hr/>

Note:

The aging analysis of relevant trade receivables based on invoice date is as follows:

	Unaudited 30 September 2019 HK\$'000	Audited 31 March 2019 HK\$'000
1 – 30 days	25,361	62,386
31 – 60 days	53,446	60,841
61 – 90 days	<u>38,282</u>	<u>–</u>
	117,089	123,227
Less: Impairment	<u>(703)</u>	<u>(781)</u>
	<u>116,386</u>	<u>122,446</u>

The Group generally grants credit periods up to 60 days to the customers of trading business.

13. ACCOUNT PAYABLES, OTHER PAYABLES AND ACCRUED EXPENSES

	Unaudited 30 September 2019 HK\$'000	Audited 31 March 2019 HK\$'000
Account payables:		
Cash client payables (Note a)	57,801	17,834
Due to cleaning house (Note b)	<u>146</u>	<u>–</u>
Total account payables	<u>57,947</u>	<u>17,834</u>
Other payables and accrued expenses:		
Accrued expenses	2,516	2,386
Other payables	<u>74</u>	<u>66</u>
Total other payables and accrued expenses	<u>2,590</u>	<u>2,452</u>
Total account payables, other payables and accrued expenses	<u>60,537</u>	<u>20,286</u>

Note:

- (a) The settlement terms of payables arising from securities business are normally two to three days after trade date or specific terms agreed. The majority of the cash client payables are unsecured, non-interest-bearing and repayable on demand, except where certain balances represent trades pending settlement or cash received from clients for their trading activities under the normal course of business.
- (b) In presenting the amounts due to Hong Kong Securities Clearing Company Limited (“HKSCC”), the Group has offset the gross amount of the account receivables from and the gross amount of the account payables to HKSCC.

14. BANK BORROWINGS

The maturities of the bank borrowings at the respective dates of the statement of financial position in accordance with the scheduled repayment dates are as follows:

	Unaudited 30 September 2019 HK\$'000	Audited 31 March 2019 HK\$'000
Within one year	196,448	42,756
Between one and two years	4,861	4,950
Between two and five years	15,596	15,733
Over five years	91,114	93,074
	<u>308,019</u>	<u>156,513</u>

Bank borrowings of the Group are denominated in the following currencies:

	Unaudited 30 September 2019 HK\$'000	Audited 31 March 2019 HK\$'000
HK\$	246,662	148,710
US\$	61,357	7,803
	<u>308,019</u>	<u>156,513</u>

15. SHARE CAPITAL

Authorised shares:

As at 30 September 2019, the total authorised number of ordinary shares is 96,000 million shares (31 March 2019: 96,000 million shares) with a par value of HK\$0.0008333 per share (31 March 2019: HK\$0.0008333 per share).

	Unaudited 30 September 2019		Audited 31 March 2019	
	Number of shares '000	Amount HK\$'000	Number of shares '000	Amount HK\$'000
Issued and fully paid:				
Ordinary shares				
At beginning of the period	4,384,782	3,654	4,089,492	3,408
Share issued by placing (<i>Note</i>)	–	–	300,510	250
Share repurchased and cancelled	–	–	(5,220)	(4)
	<u>4,384,782</u>	<u>3,654</u>	<u>4,384,782</u>	<u>3,654</u>
At end of the period	<u>4,384,782</u>	<u>3,654</u>	<u>4,384,782</u>	<u>3,654</u>

Note:

On 31 July 2018, the Company issued 300,510,000 ordinary shares of HK\$0.0008333 each at price of HK\$0.5 each through placement for an aggregate consideration of HK\$150,255,000.

16. COMMITMENTS

(a) Operating lease commitments

The Group leases an office property under an operating lease arrangement, with the lease negotiated for terms of two years. The future aggregate minimum lease payments for the office property under non-cancellable operating lease are as follows:

	Unaudited 30 September 2019 <i>HK\$'000</i>	Audited 31 March 2019 <i>HK\$'000</i>
Not later than 1 year	474	1,895
Later than 1 year and not later than 5 years	<u>—</u>	<u>—</u>
	<u>474</u>	<u>1,895</u>

(b) Capital commitments

In addition to the operating lease commitments detailed in note (a) above, the Group had the following capital commitments at the end of the reporting period:

	Unaudited 30 September 2019 <i>HK\$'000</i>	Audited 31 March 2019 <i>HK\$'000</i>
Contracted, but not provided for:		
Investment accounted for using equity method	10,000	10,000
Investment in subsidiary	3,978	—
Leasehold improvements	1,833	1,833
Office equipment	<u>32</u>	<u>80</u>
	<u>15,843</u>	<u>11,913</u>

BUSINESS REVIEW AND PROSPECT

The Group was principally engaged in (i) computer and peripheral products business and (ii) financial services business.

(i) Computer and peripheral products business

The Group operates in the computer and peripheral products industry which is dynamic and competitive and there have been constant changes in new technologies in the industry. During the period under review, the global economy remained fragile and challenging and the overall market competition remained intensive. Attributed to these market conditions, the Group effectively made good use of business and management strategies and appropriate inventory management to reduce the risk arising from the rapid changes of the market. The Group's overall revenue in the business segment of computer and peripheral products decrease from approximately HK\$372.2 million to approximately HK\$368.3 million during the period under review. In view of such market conditions, the Group continuously keeps on tight control of its operations. The Group focused on enhancing operation efficiency and implementing various cost control measures. The Group also managed to further enhance its long term and close business relationships with suppliers and customers. The Group continues to monitor the market trends and takes prompt and appropriate actions to adjust our business strategies and allocates resources effectively under different market conditions.

(ii) Financial services business

The financial services business that the Group operates mainly includes (i) financial services business comprising securities brokerage services and advisory services business; and (ii) money lending business.

Financial services business

During the period under review, the global economic and financial market continued to fluctuate and the China's economic slowdown which brought uncertainties to the overall business environment. For the Current Period, the Group recorded a revenue of approximately HK\$4.3 million and an operating loss of approximately HK\$2.8 million in the business segment of financial services business.

Money lending business

The Group engaged in money lending business through an indirect wholly-owned subsidiary of the Company, which holds a money lender licence under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong) to carry out money lending business in Hong Kong. The Group is able to engage in the provision of loan financing including but not limited to personal loans and business loans under the scope of Money Lenders Ordinance, Chapter 163 of the Laws of Hong Kong. The Group recorded an increase in total revenue of this business segment from approximately HK\$3.2 million in Last Corresponding Period to approximately HK\$4.9 million for the Current Period. The Group continued to make efforts to develop the money lending business. Even though the market competition of the money lending industry in Hong Kong is increasing and also the uncertain external business environment, the loan demand in Hong Kong remains robust during recent years. The Group continued to make efforts to develop the money lending business and the Group believes that the money lending business will have a promising prospect.

LOOKING AHEAD

Looking ahead, the management are confident with the future development of the Group. The Group will continue to adhere to our principle of steady development, and positively cope with any challenges and capture suitable opportunities. The Group will continue to dedicate to exploiting new business opportunities in other sectors from time to time, such as other financial services sectors, insurance sectors or other business sectors, in order to further diversify and broaden revenue sources of the Group and generate fabulous returns and long-term values for the Shareholders.

FINANCIAL REVIEW

Revenue and Gross Profit Margin

Revenue by business segments for the Group's revenue for the Current Period is as follows:

- Computer and peripheral products business: approximately HK\$368.3 million, being a decrease of approximately HK\$3.9 million when compared to the Last Corresponding Period of approximately HK\$372.2 million
- Financial services business: approximately HK\$4.3 million, being a decrease of approximately HK\$12.2 million when compared to the Last Corresponding Period of approximately HK\$16.5 million
- Money lending business: approximately HK\$4.9 million, being an increase of approximately HK\$1.7 million when compared to the Last Corresponding Period of approximately HK\$3.2 million

The Group's total revenue for the period was approximately HK\$377.5 million, being a decrease of approximately HK\$14.4 million when compared to the Last Corresponding Period of approximately HK\$391.9 million. The decrease was mainly attributable to decrease in revenue derived from computer and peripheral products business and financial services business, which was partially offset by the increase in revenue contribution from money lending business.

Gross profit margin for the period was approximately 4.8% (Last Corresponding Period: approximately 7.6%). Decrease in gross profit margin was mainly caused by the relatively lower gross profit margin earned from computer and peripheral products business and lower gross profit earned from financial services business for the period.

Selling Expenses

The decrease in selling expenses by approximately HK\$0.02 million was mainly due to the decrease in testing fee.

General and Administrative Expenses

General and administrative expenses for the period increased by approximately HK\$2.0 million from the Last Corresponding Period, which was mainly due to the increase in depreciation of property, plant and equipment, legal and professional fees, entertainment and building management fee which was partially offset by the decrease in share option expenses.

Expected Credit Loss on Financial Assets

The Group has adopted HKFRS 9 to replace HKAS 39 for annual periods beginning on or after 1 April 2018. Adoption of HKFRS 9 resulted in charge of expected credit loss on financial assets of approximately HK\$2.7 million for the Current Period.

Other Gains

The Group's other gains for the Current Period was approximately HK\$1.4 million, being a decrease of approximately HK\$0.2 million when compared to the other gains in Last Corresponding Period of approximately HK\$1.6 million. The decrease was mainly due to loss on disposal of property, plant and equipment and the decrease in handling fee income, which was partially offset by the increase in bank interest income and exchange gains during the period.

Finance Costs

Finance costs for the period was approximately HK\$3.2 million, being an increase of approximately HK\$1.4 million when compared to the Last Corresponding Period of approximately HK\$1.8 million. The increase was mainly attributable to more bank interest expenses being incurred due to the increase in bank borrowings during the Current Period.

Income Tax

Income tax expense for the period was approximately HK\$0.4 million (Last Corresponding Period: approximately HK\$1.2 million), the change was mainly due to the decrease in deferred tax assets and assessable profits for the period.

(Loss)/Profit Attributable to Equity Holders of the Company

The loss attributed to equity holders of the Company amounted to approximately HK\$10.2 million (Last Corresponding Period: profit attributable to equity holders of the Company of approximately HK\$5.5 million), resulted in a basic loss per share of HK0.23 cent (Last Corresponding Period: basic earnings per share HK0.13 cent) and diluted loss per share of HK0.23 cent (Last Corresponding Period: diluted earnings per share HK0.13 cent).

Inventories, Loan Receivables and Account Receivables

The Group has enhanced the inventory control policy to manage business risks associated with its principal activities. Inventories as at 30 September 2019 was approximately HK\$4.2 million (31 March 2019: nil). The overall inventories turnover days remained fairly stable for the Current Period.

As at 30 September 2019, the Group's loan receivables amounted to HK\$122.6 million, which arise from its money lending business in Hong Kong, are all repayable within one year from the dates of inception of the loan agreements and an impairment allowance of approximately HK\$0.6 million was provided for the Current Period.

The Group continues to closely monitor the settlements from its customers on a going basis to manage the credit risk from time to time. The Group's account receivables increased by approximately HK\$32.0 million, from approximately HK\$193.0 million as at 31 March 2019 to approximately HK\$225.0 million as at 30 September 2019. The Group recorded an expected credit loss on trade receivables and cash client receivables of approximately HK\$2.0 million for the Current Period.

Liquidity, Financial Resources and Treasury Policy

The Group maintained a solid financial position during the period. As at 30 September 2019, cash and cash equivalents of the Group amounted to approximately HK\$123.5 million (31 March 2019: approximately HK\$201.7 million), and the Group's net assets amounted to approximately HK\$606.9 million (31 March 2019: approximately HK\$635.3 million). As at 30 September 2019, there was approximately HK\$308.0 million outstanding bank borrowings balance (31 March 2019: approximately HK\$156.5 million). As at 30 September 2019, the current ratio was approximately 1.7 (calculated by dividing the total current assets by total current liabilities).

The Group has adopted a prudent treasury policy and thus maintained a healthy liquidity position throughout the period. The Group strives to reduce credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

The Group's financial resources are sufficient to support its business operations.

Capital Structure and Fund Raising Activities

The capital of the Company comprises only ordinary shares.

No fund raising activities conducted by the Company during the Current Period.

As at 30 September 2019, the number of ordinary shares of the Company in issue and fully paid was 4,384,782,000.

Capital Commitments

Other than disclosed in Note 16(b) to the interim condensed consolidated financial information in this report, the Group had no other capital commitments as at 30 September 2019.

Pledge of Assets

As at 30 September 2019, the Group has pledged the properties with carrying values of approximately HK\$268.5 million (31 March 2019: approximately HK\$273.2 million) to secure general banking facilities granted to the Group.

Foreign Currency Exposure

The Group exposes to certain foreign currency risk primarily with respect to Renminbi ("RMB") and United States dollar ("US\$") as most of the transactions are denominated in Hong Kong dollar ("HK\$"), RMB and US\$. The Group is exposed to foreign exchange risk primarily through expenses transactions that are denominated in currencies other than the functional currencies of the group companies. During the period, the Group generated a foreign exchange gain of approximately HK\$0.6 million (Last Corresponding Period: approximately HK\$0.5 million). The Group manages its exposures to foreign currency transactions by monitoring the level of foreign currency receipts and payments and ensures that the net exposure to foreign exchange risk is kept to an acceptable level. During the period, the Group has not used any forward exchange contract to hedge against foreign exchange risk as management considers its exposure as not significant. The Group will continue to manage the net exposure of foreign exchange risk to keep at an acceptable level from time to time.

Contingent Liabilities

The Group did not have any significant contingent liabilities as at 30 September 2019 and 31 March 2019.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the Current Period.

PURCHASE, SALES OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the Current Period, the trustee of the share award scheme adopted by the Company on 14 March 2019, pursuant to the terms of the rules and trust deed of the share award scheme, purchased on the Stock Exchange a total of 41,484,000 ordinary shares of the Company at a total consideration of approximately HK\$21,135,000.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Current Period.

CORPORATE GOVERNANCE CODE

The Board is committed to achieving high standards of corporate governance to safeguard the interest of the Company's shareholders and to enhance corporate value and accountability. During the Current Period, the Company has applied the principles and complied with the applicable code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules, except in relation to CG Code provisions A.2.1, as more particularly described below.

CG Code provision A.2.1

Code provision A.2.1 stipulates that the roles of Chairman and CEO should be separate and should not be performed by the same individual. The division of responsibilities between the Chairman and CEO should be clearly established and set out in writing. The current Chairman and CEO of the Company is Mr. George Lu. The Board believes that vesting the roles of both Chairman and CEO in the same person will not impair the balance of power and authority between the Directors and the management of the Company. Mr. George Lu has extensive experience in the industry which is beneficial and of great value to the overall development of the Company. The Board is of the view that although the Chairman is also the CEO, the balance of power and authority is ensured by the operation of the Board, which comprises experienced individuals and meets from time to time to discuss issues affecting operation of the Company. The Board also believes that the current structure is conducive to strong and consistent leadership, enabling the Company to make and implement decisions promptly and efficiently.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company had adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings according to the Model Code for Securities Transactions by Directors of Listed Issues (the "Model Code") as set out in Appendix 10 to the Listing Rules. The Company had made specific enquiries of all Directors and was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by Directors during the Current Period.

REVIEW OF FINANCIAL INFORMATION

The audit committee of the Company (the “Audit Committee”) has reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters, including a review of the unaudited condensed consolidated interim financial statements for the interim period with the Directors. The Audit Committee comprises three independent Non-Executive Directors, namely Mr. Loo Hong Shing Vincent, Mr. Zhu Shouzhong and Mr. Li Huaqiang.

PUBLICATION

The interim results announcement of the Company for the Current Period is published on the websites of the Stock Exchange and our Company respectively. The interim report will be dispatched to the shareholders of the Company and made available on the websites of the Stock Exchange and the Company respectively in due course.

By order of the Board
Huabang Financial Holdings Limited
George Lu
Chairman & Chief Executive Officer

Hong Kong, 20 November 2019

As at the date of this announcement, the Executive Director of the Company is Mr. George Lu; the Non-Executive Director of the Company is Mr. Pang Chung Fai Benny; and the independent Non-Executive Directors of the Company are Mr. Loo Hong Shing Vincent, Mr. Li Huaqiang and Mr. Zhu Shouzhong.