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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 2020**

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 2020 (“Current Period”) together with the unaudited comparative figures for the corresponding periods in 2019 (“Last Corresponding Period”) as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2020

		Unaudited Six months ended 30 September	
	Note	2020 HK\$'000	2019 HK\$'000
Revenue	4	427,398	377,499
Cost of sales		<u>(394,801)</u>	<u>(359,209)</u>
Gross profit		32,597	18,290
Selling expenses		(585)	(235)
General and administrative expenses		(20,040)	(22,919)
Expected credit loss on financial assets, net	5	(4,480)	(2,712)
Other income and gains, net		<u>1,963</u>	<u>1,368</u>
Operating profit/(loss)		9,455	(6,208)
Finance costs	6	(4,169)	(3,158)
Share of net loss of associates accounted for using equity method		<u>(1,468)</u>	<u>(406)</u>
Profit/(loss) before income tax	7	3,818	(9,772)
Income tax expense	8	<u>(1,572)</u>	<u>(413)</u>
Profit/(loss) for the period		<u>2,246</u>	<u>(10,185)</u>
Attributable to:			
Owners of the Company		1,473	(10,428)
Non-controlling interests		<u>773</u>	<u>243</u>
		<u>2,246</u>	<u>(10,185)</u>
Earnings/(loss) per share attributable to owners of the Company			
Basic	9	HK0.03 cent	HK(0.23) cent
Diluted	9	HK0.03 cent	HK(0.23) cent

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2020

	Unaudited	
	Six months	
	ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
Profit/(loss) for the period	2,246	(10,185)
Other comprehensive income/(expense)		
<i>Item that may be subsequently reclassified to profit or loss</i>		
Currency translation differences	<u>244</u>	<u>(878)</u>
Total comprehensive income/(expense) for the period	<u>2,490</u>	<u>(11,063)</u>
Attributable to:		
Owners of the Company	1,717	(11,306)
Non-controlling interests	<u>773</u>	<u>243</u>
	<u>2,490</u>	<u>(11,063)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2020

		Unaudited	Audited
		30 September	31 March
		2020	2020
	<i>Note</i>	HK\$'000	HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment	11	270,536	276,293
Intangible assets	11	52,634	53,254
Interests in associates		6,303	7,762
Deposits, prepayments and other receivables	13	691	691
Deferred tax assets		8,198	7,378
		<u>338,362</u>	<u>345,378</u>
		-----	-----
Current assets			
Inventories		17,444	60,884
Loan receivables	12	186,442	179,447
Account receivables	13	302,125	282,976
Deposits, prepayments and other receivables	13	21,885	19,581
Financial assets at fair value through profit or loss		306	285
Income tax recoverable		492	1,047
Bank balances held on behalf of clients		13,627	13,741
Pledged bank deposits		41,133	40,915
Cash and cash equivalents		72,722	117,682
		<u>656,176</u>	<u>716,558</u>
		-----	-----
Total assets		<u>994,538</u>	<u>1,061,936</u>
EQUITY			
Share capital	16	3,654	3,654
Other reserves		537,875	537,631
Retained earnings		79,154	77,681
		<u>620,683</u>	<u>618,966</u>
Total equity attributable to owners of the Company		620,683	618,966
Non-controlling interests		8,230	7,957
		<u>628,913</u>	<u>626,923</u>
		-----	-----
Total equity		<u>628,913</u>	<u>626,923</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 30 September 2020

		Unaudited 30 September 2020 <i>HK\$'000</i>	Audited 31 March 2020 <i>HK\$'000</i>
	<i>Note</i>		
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		<u>627</u>	<u>840</u>
		<u>627</u>	<u>840</u>
Current liabilities			
Account payables	<i>14</i>	25,492	83,616
Other payables and accrued expenses	<i>14</i>	1,716	1,725
Contract liabilities		3,219	1,197
Bank borrowings	<i>15</i>	327,590	342,754
Income tax payables		<u>6,981</u>	<u>4,881</u>
		<u>364,998</u>	<u>434,173</u>
Total liabilities		<u>365,625</u>	<u>435,013</u>
Total equity and liabilities		<u>994,538</u>	<u>1,061,936</u>
Net current assets		<u>291,178</u>	<u>282,385</u>
Total assets less current liabilities		<u>629,540</u>	<u>627,763</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2020

Unaudited
Attributable to owners of the Company

	Other reserves											Non-controlling interests	Total equity
	Share capital	Share premium	Employee share-based compensation reserve	Merger reserve	Capital reserve	Statutory reserve	Exchange reserve	Shares held for share award scheme	Sub total	Retained earnings	Total		
	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 2019													
Balance as at 1 April 2019	<u>3,654</u>	<u>502,332</u>	<u>14,955</u>	<u>50,374</u>	<u>2,480</u>	<u>1,042</u>	<u>3,861</u>	<u>(495)</u>	<u>574,549</u>	<u>57,119</u>	<u>635,322</u>	<u>-</u>	<u>635,322</u>
(Loss)/profit for the period	-	-	-	-	-	-	-	-	-	(10,428)	(10,428)	243	(10,185)
Other comprehensive income													
Currency translation differences	-	-	-	-	-	-	(878)	-	(878)	-	(878)	-	(878)
Total comprehensive (expenses)/income	-	-	-	-	-	-	(878)	-	(878)	(10,428)	(11,306)	243	(11,063)
Disposal of interests in a subsidiary without losing control	-	-	-	-	-	-	-	-	-	-	-	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	<u>3,654</u>	<u>502,332</u>	<u>14,955</u>	<u>50,374</u>	<u>2,480</u>	<u>1,042</u>	<u>2,983</u>	<u>(21,630)</u>	<u>552,536</u>	<u>46,691</u>	<u>602,881</u>	<u>4,065</u>	<u>606,946</u>
For 6 months ended 30 September 2020													
Balance as at 1 April 2020	<u>3,654</u>	<u>502,332</u>	<u>-</u>	<u>50,374</u>	<u>2,480</u>	<u>1,042</u>	<u>3,033</u>	<u>(21,630)</u>	<u>537,631</u>	<u>77,681</u>	<u>618,966</u>	<u>7,957</u>	<u>626,923</u>
Profit for the period	-	-	-	-	-	-	-	-	-	1,473	1,473	773	2,246
Other comprehensive income													
Currency translation differences	-	-	-	-	-	-	244	-	244	-	244	-	244
Total comprehensive income	-	-	-	-	-	-	244	-	244	1,473	1,717	773	2,490
Dividends paid to non-controlling shareholder	-	-	-	-	-	-	-	-	-	-	-	(500)	(500)
Balance as at 30 September 2020	<u>3,654</u>	<u>502,332</u>	<u>-</u>	<u>50,374</u>	<u>2,480</u>	<u>1,042</u>	<u>3,277</u>	<u>(21,630)</u>	<u>537,875</u>	<u>79,154</u>	<u>620,683</u>	<u>8,230</u>	<u>628,913</u>

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 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

For the six months ended 30 September 2020

	Unaudited	
	Six months	
	ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
Net cash flows used in operating activities	(25,334)	(148,714)
Net cash flows generated from/(used in) investing activities	247	(56,656)
Net cash flows (used in)/generated from financing activities	<u>(19,833)</u>	<u>127,213</u>
Net decrease in cash and cash equivalents	(44,920)	(78,157)
Cash and cash equivalents as at 1 April	117,682	201,704
Effect of foreign exchange rate changes	<u>(40)</u>	<u>(17)</u>
Cash and cash equivalents as at 30 September	<u><u>72,722</u></u>	<u><u>123,530</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 and (ii) financial services 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"). It should be read in conjunction with the annual financial statements for the year ended 31 March 2020, prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

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 interim condensed consolidated financial information are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 March 2020, except for the adoption of new and amended standards as set out below.

- (a) The following amendments to standards are mandatory for the first time for the financial period beginning 1 April 2020 and currently relevant to the Group:

Amendments to HKFRS 3 (Revised)	Definition of a Business
Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKAS 39, HKFRS 7 and HKFRS 9	Hedge accounting
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting

The adoption of the above amendments to standards and conceptual framework 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.

- (b) The following new standards and amendments to standards have been issued but are not effective for the financial period beginning 1 April 2020 and have not been early adopted by the Group:

		Effective for annual periods on or after
HKFRS 17	Insurance Contracts	1 January 2021
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to HKFRS 16	Covid-19 Related Rent Concessions	1 June 2020
Amendments to HKFRS 3	Reference to the Conceptual Framework	1 January 2022
Amendments to HKAS 16	Property, Plant and Equipment - Proceeds before Intended Use	1 January 2022
Amendments to HKAS 37	Onerous Contracts - Cost of Fulfilling a Contract	1 January 2022
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020	1 January 2022

The Group is currently assessing the impact of the adoption of such new and amendments to standards 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 2020, the Group has changed the structure of its internal organisation in a manner that changes the compositions of its reportable segments by combining financial services business and money lending business. The CODM considers that the Group has two operating and reporting segments which are (i) computer and peripheral products business and (ii) financial services business (including money lending business, advisory services business and securities brokerage business). As a result, the corresponding information for the six months ended 30 September 2019 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, allocated deposits, prepayments and other receivables where appropriate, financial assets at fair value through profit or loss, pledged bank deposits, cash and cash equivalents where appropriate and bank balances held on behalf of clients. They exclude interests in associates, property, plant and equipment, deferred tax assets, 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 contracts liabilities. They exclude deferred tax liabilities, income tax payables and other unallocated liabilities, which are managed centrally.

	Unaudited		
	For the six months ended 30 September 2020		
	Computer and peripheral products business HK\$'000	Financial services business HK\$'000	Total HK\$'000
Revenue from external customers	403,843	23,555	427,398
Cost of sales from external customers	<u>(394,801)</u>	<u>–</u>	<u>(394,801)</u>
	9,042	23,555	32,597
Selling expenses	(585)	–	(585)
General and administrative expenses	(4,457)	(3,862)	(8,319)
Expected credit loss on financial assets, net	(324)	(4,156)	(4,480)
Other income and gains, net	680	1,002	1,682
Finance costs	<u>(2,115)</u>	<u>–</u>	<u>(2,115)</u>
Adjusted operating profit	<u><u>2,241</u></u>	<u><u>16,539</u></u>	<u>18,780</u>
Share of net loss of associates accounted for using equity method			(1,468)
Finance costs			(2,054)
Unallocated expenses			<u>(11,440)</u>
Profit before income tax			3,818
Income tax expense			<u>(1,572)</u>
Profit for the period			<u><u>2,246</u></u>

Unaudited
For the six months ended 30 September 2019
(restated)

	Computer and peripheral products business <i>HK\$'000</i>	Financial services business <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue from external customers	368,311	9,188	377,499
Cost of sales from external customers	<u>(359,209)</u>	<u>–</u>	<u>(359,209)</u>
	9,102	9,188	18,290
Selling expenses	(235)	–	(235)
General and administrative expenses	(5,909)	(5,469)	(11,378)
Expected credit loss on financial assets, net	78	(2,790)	(2,712)
Other income and gains, net	928	379	1,307
Finance costs	<u>(1,747)</u>	<u>–</u>	<u>(1,747)</u>
Adjusted operating profit	<u>2,217</u>	<u>1,308</u>	3,525
Share of net loss of associates accounted for using equity method			(406)
Finance costs			(1,411)
Unallocated expenses			<u>(11,480)</u>
Loss before income tax			(9,772)
Income tax expense			<u>(413)</u>
Loss for the period			<u>(10,185)</u>

Interest revenue of HK\$23,299,000 (Last Corresponding Period: HK\$8,881,000) was included in revenue from external customers, wholly contributed by financial services business segment.

The following table presents segment assets and segment liabilities.

	Unaudited		
	As at 30 September 2020		
	Computer and peripheral products business <i>HK\$'000</i>	Financial services business <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment assets	<u>243,279</u>	<u>473,624</u>	<u>716,903</u>
Segment liabilities	<u>343,574</u>	<u>14,184</u>	<u>357,758</u>
Capital expenditure	<u>–</u>	<u>29</u>	<u>29</u>
	Audited		
	As at 31 March 2020		
	Computer and peripheral products business <i>HK\$'000</i>	Financial services business <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment assets	<u>317,823</u>	<u>457,219</u>	<u>775,042</u>
Segment liabilities	<u>333,011</u>	<u>14,059</u>	<u>347,070</u>
Capital expenditure	<u>171</u>	<u>8</u>	<u>179</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
	2020	2020
	HK\$'000	HK\$'000
Segment assets	716,903	775,042
Cash and cash equivalents	1,330	4,357
Property, plant and equipment	260,555	265,514
Deposits, prepayments and other receivables	757	836
Deferred tax assets	8,198	7,378
Interests in associates	6,303	7,762
Income tax recoverable	492	1,047
	<u> </u>	<u> </u>
Total assets	994,538	1,061,936
	<u> </u>	<u> </u>
Segment liabilities	357,758	347,070
Deferred tax liabilities	627	840
Bank borrowings	–	82,014
Income tax payables	6,981	4,881
Other unallocated liabilities	259	208
	<u> </u>	<u> </u>
Total liabilities	365,625	435,013
	<u> </u>	<u> </u>

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

5. EXPECTED CREDIT LOSS ON FINANCIAL ASSETS, NET

	Unaudited	
	Six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
Loan receivables	5	644
Cash client receivables	4,135	2,121
Trade receivables	325	(78)
Interest receivables	15	25
	<u> </u>	<u> </u>
	4,480	2,712
	<u> </u>	<u> </u>

6. FINANCE COSTS

Unaudited
Six months ended 30 September
2020 **2019**
HK\$'000 *HK\$'000*

Finance costs

– Interest expenses on bank borrowings 4,169 3,158

7. PROFIT/(LOSS) BEFORE INCOME TAX

Profit/(loss) before income tax has been arrived at after charging/(crediting):

Unaudited
Six months ended 30 September
2020 **2019**
HK\$'000 *HK\$'000*

Cost of inventories sold	394,923	359,209
Auditor's remuneration	614	687
Depreciation of property, plant and equipment	5,827	5,884
Amortisation of intangible assets	620	620
Legal and professional fees	2,492	1,616
Employee benefit expenses	7,101	8,247
Short-term lease rentals of premises	265	1,599
Building management fees	743	1,036
Service fees for broker supplied systems	700	668
Reversal of impairment of inventories	<u>(122)</u>	<u>–</u>

8. INCOME TAX EXPENSE

Unaudited
Six months ended 30 September
2020 **2019**
HK\$'000 *HK\$'000*

Current income tax		
– Hong Kong profits tax	2,605	130
Deferred income tax	<u>(1,033)</u>	<u>283</u>
	<u>1,572</u>	<u>413</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 subsidiaries in the PRC are 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 subsidiaries have no assessable profits for the periods.

9. EARNINGS/LOSS PER SHARE

The calculation of basic earnings per share (Last Corresponding Period: basic loss per share) is based on the profit attributable to owners of the Company for the Current Period of approximately HK\$1,473,000 (Last Corresponding Period: loss of approximately HK\$10,428,000) and of the weighted average number of approximately 4,342,038,000 (Last Corresponding Period: 4,363,028,951) ordinary shares in issue during the Current Period.

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

10. DIVIDENDS

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

11. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

During the Current Period, there was additions of approximately HK\$29,000 for property, plant and equipment (Last Corresponding Period: nil) and no additions for intangible assets (Last Corresponding Period: nil).

Also, during the Current Period, there was no disposal of property, plant and equipment (Last Corresponding Period: aggregate carrying amount of approximately HK\$104,000) which resulting in no gain/loss on disposal (Last Corresponding Period: loss of approximately HK\$99,000).

12. LOAN RECEIVABLES

	Unaudited 30 September 2020 HK\$'000	Audited 31 March 2020 HK\$'000
Loan receivables	194,530	187,530
Less: Impairment	(8,088)	(8,083)
Loan receivables, net	<u>186,442</u>	<u>179,447</u>

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

13. ACCOUNT RECEIVABLES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	Unaudited 30 September 2020 HK\$'000	Audited 31 March 2020 HK\$'000
Non-current		
Other non-current deposits	486	486
Other assets	<u>205</u>	<u>205</u>
Total deposits, prepayments and other receivables presented as non-current assets	<u>691</u>	<u>691</u>
Current		
Trade receivables (Note)	102,886	98,450
Cash client receivables	231,917	219,503
Due from clearing house	<u>8,578</u>	<u>1,819</u>
	343,381	319,772
Less: Impairment	<u>(41,256)</u>	<u>(36,796)</u>
Total account receivables presented as current assets	<u>302,125</u>	<u>282,976</u>
Prepayments	446	691
Deposits and other receivables	9,717	10,295
Interest receivables	<u>12,315</u>	<u>9,173</u>
	22,478	20,159
Less: Impairment	<u>(593)</u>	<u>(578)</u>
Total deposits, prepayments and other receivables presented as current assets	<u>21,885</u>	<u>19,581</u>
Total account receivables, deposits, prepayments and other receivables	<u>324,701</u>	<u>303,248</u>

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

	Unaudited 30 September 2020 HK\$'000	Audited 31 March 2020 HK\$'000
HK\$	213,047	195,551
RMB	77	74
US\$	<u>111,577</u>	<u>107,623</u>
	<u>324,701</u>	<u>303,248</u>

Note:

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

	Unaudited 30 September 2020 HK\$'000	Audited 31 March 2020 HK\$'000
1 – 30 days	7,154	11,084
31 – 60 days	14,894	40,369
61 – 90 days	27,795	31,624
Over 90 days	<u>53,043</u>	<u>15,373</u>
	102,886	98,450
Less: Impairment	<u>(593)</u>	<u>(268)</u>
	<u>102,293</u>	<u>98,182</u>

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

14. ACCOUNT PAYABLES, OTHER PAYABLES AND ACCRUED EXPENSES

	Unaudited 30 September 2020 HK\$'000	Audited 31 March 2020 HK\$'000
Trade payables	11,682	69,932
Cash client payables (Note a)	13,716	13,591
Due to cleaning house (Note b)	<u>94</u>	<u>93</u>
Total account payables	<u>25,492</u>	<u>83,616</u>
Accrued expenses	1,486	1,651
Other payables	<u>230</u>	<u>74</u>
Total other payables and accrued expenses	<u>1,716</u>	<u>1,725</u>
Total account payables, other payables and accrued expenses	<u>27,208</u>	<u>85,341</u>

Notes:

- (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.

15. BANK BORROWINGS

	Unaudited 30 September 2020 HK\$'000	Audited 31 March 2020 HK\$'000
Variable-rate bank borrowings:		
– Secured	327,590	313,109
– Unsecured	<u>–</u>	<u>29,645</u>
	<u>327,590</u>	<u>342,754</u>
Analysed for reporting purposes:		
– Current liabilities	<u>327,590</u>	<u>342,754</u>

The maturities of the bank borrowings that contain repayable on demand clause in accordance with the scheduled repayment dates are as follows:

	Unaudited 30 September 2020 HK\$'000	Audited 31 March 2020 HK\$'000
Within one year	220,111	233,708
Between one and two years	4,479	5,061
Between two and five years	103,000	16,128
Over five years	<u>–</u>	<u>87,857</u>
	<u>327,590</u>	<u>342,754</u>

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

	Unaudited 30 September 2020 HK\$'000	Audited 31 March 2020 HK\$'000
HK\$	237,880	276,689
US\$	<u>89,710</u>	<u>66,065</u>
	<u>327,590</u>	<u>342,754</u>

16. SHARE CAPITAL

Authorised shares:

As at 30 September 2020, the total authorised number of ordinary shares is 96,000 million shares (31 March 2020: 96,000 million shares) with a par value of HK\$0.0008333 per share (31 March 2020: HK\$0.0008333 per share).

	Unaudited 30 September 2020		Audited 31 March 2020	
	Number of shares '000	Amount HK\$'000	Number of shares '000	Amount HK\$'000
Issued and fully paid:				
At the beginning and end of period/year	<u>4,384,782</u>	<u>3,654</u>	<u>4,384,782</u>	<u>3,654</u>

17. COMMITMENTS

Capital commitments

The Group had the following capital commitments at the end of the reporting period:

	Unaudited 30 September 2020 HK\$'000	Audited 31 March 2020 HK\$'000
Contracted, but not provided for:		
Leasehold improvements	1,606	1,606
Office equipment	<u>32</u>	<u>32</u>
	<u>1,638</u>	<u>1,638</u>

MANAGEMENT DISCUSSION AND ANALYSIS

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

During the period under review, the global market has been sluggish and volatile due to the ongoing China-U.S. trade war, the outbreak of novel coronavirus (“COVID-19”) and the global economic slowdown. 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. The industry was challenging and the overall market competition was intensive during the period under review. 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 well-established relationship with vendors, customers, business network and competent management team enable the Group to overcome these challenges. The Group’s overall revenue in the business segment of computer and peripheral products increased accordingly during the period under review, increased from approximately HK\$368.3 million to approximately HK\$403.8 million, representing an increment of approximately 9.6%. 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 segment that the Group operates mainly includes securities brokerage business, advisory services business and money lending business. For the Current Period, the Group recorded an overall revenue of approximately HK\$23.6 million (Last Corresponding Period: approximately HK\$9.2 million) and an operating profit of approximately HK\$16.5 million (Last Corresponding Period: approximately HK\$1.3 million) for the business segment of financial services business.

The global economic and financial market continued to fluctuate and the China's economic slowdown which brought uncertainties to the overall business environment. During the period under review, the Group recorded a revenue of approximately HK\$14.1 million (Last Corresponding Period: approximately HK\$4.3 million) and an operating profit of approximately HK\$7.3 million (Last Corresponding Period: operating loss of approximately HK\$1.0 million) respectively in respect of the Group's securities brokerage business. The revenue was nil (Last Corresponding Period: nil) and the Group recorded an operating loss of approximately HK\$0.1 million (Last Corresponding Period: approximately HK\$1.8 million) respectively in respect of the Group's advisory services business.

During the period under review, 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 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 a revenue of approximately HK\$9.5 million (Last Corresponding Period: approximately HK\$4.9 million) and an operating profit of approximately HK\$9.3 million (Last Corresponding Period: approximately HK\$4.1 million) in respect of the Group's money lending business.

LOOKING AHEAD

The outbreak of COVID-19 epidemic has buffeted global economy. However, most countries around the world have introduced measures to fight against the COVID-19 pandemic and stimulate economic growth. The Group will continue to closely monitor the development of COVID-19 on the industries the Group operates in, and plan proactively to its impact on the financial position and operating results of the Group.

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 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\$403.8 million, being an increase of approximately HK\$35.5 million when compared to the Last Corresponding Period of approximately HK\$368.3 million
- Financial services business (including advisory services business, securities brokerage business and money lending business): approximately HK\$23.6 million, being an increase of approximately HK\$14.4 million when compared to the Last Corresponding Period of approximately HK\$9.2 million

The Group's total revenue for the Current Period was approximately HK\$427.4 million, being an increase of approximately HK\$49.9 million when compared to the Last Corresponding Period of approximately HK\$377.5 million. The increase was mainly attributable to increase in revenue derived from computer and peripheral products business.

Gross profit margin for the Current Period was approximately 7.6% (Last Corresponding Period: approximately 4.8%). Increase in gross profit margin was mainly caused by higher revenue contribution from financial services business for the Current Period.

Selling Expenses

The increase in selling expenses by approximately HK\$0.4 million was mainly due to the increase in employee benefit expenses.

General and Administrative Expenses

General and administrative expenses for the Current Period decreased by approximately HK\$2.9 million from the Last Corresponding Period, which was mainly due to the decrease in employee benefit expenses of approximately HK\$1.4 million and short-term lease rentals of premises of approximately HK\$1.3 million.

Expected Credit Loss on Financial Assets

The increase in expected credit loss on financial assets by approximately HK\$1.8 million was mainly attributable to the increase in expected credit loss incurred from cash client receivables.

Other Income and Gains

The Group's other income and gains for the Current Period was approximately HK\$2.0 million, being an increase of approximately HK\$0.6 million when compared to the Last Corresponding Period of approximately HK\$1.4 million. The increase was mainly due to the increase in other handling fee income and the decrease in unrealised loss on the change in fair value of equity investments at fair value through profit or loss which was partially offset by the increase in exchange loss during the Current Period.

Finance Costs

Finance costs for the Current Period was approximately HK\$4.2 million, being an increase of approximately HK\$1.0 million when compared to the Last Corresponding Period of approximately HK\$3.2 million. The increase was mainly attributable to more bank loans drawdown when compared to the Last Corresponding Period.

Income Tax Expense

Income tax expense for the Current Period was approximately HK\$1.6 million (Last Corresponding Period: approximately HK\$0.4 million). The change was mainly due to the increase in the assessable profits for the Current Period.

Profit/(Loss) for the Period

Profit for the Current Period increased to approximately HK\$2.2 million from loss of approximately HK\$10.2 million for the Last Corresponding Period.

Profit/(Loss) for the Period Attributable to Owners of the Company

The profit for the Current Period attributed to owners of the Company amounted to approximately HK\$1.5 million (Last Corresponding Period: loss attributable to owners of the Company of approximately HK\$10.4 million), resulted in a basic earnings per share for the Current Period of HK0.03 cent (Last Corresponding Period: basic loss per share HK0.23 cent) and diluted earnings per share for the Current Period of HK0.03 cent (Last Corresponding Period: diluted loss per share HK0.23 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 2020 was approximately HK\$17.4 million (31 March 2020: HK\$60.9 million). The overall inventories turnover days remained healthy and reasonable for the period under review.

As at 30 September 2020, the Group's loan receivables amounted to approximately HK\$186.4 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\$8.1 million as at 30 September 2020.

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\$19.1 million, from approximately HK\$283.0 million as at 31 March 2020 to approximately HK\$302.1 million as at 30 September 2020. The Group recorded an expected credit loss on trade receivables and cash client receivables of approximately HK\$0.3 million and approximately HK\$4.1 million respectively for the Current Period.

Liquidity, Financial Resources, Working Capital and Treasury Policy

The Group maintained a solid financial position during the Current Period. As at 30 September 2020, cash and cash equivalents of the Group amounted to approximately HK\$72.7 million (31 March 2020: approximately HK\$117.7 million), and the Group's net assets amounted to approximately HK\$628.9 million (31 March 2020: approximately HK\$626.9 million). As at 30 September 2020, there was approximately HK\$327.6 million outstanding bank borrowings balance (31 March 2020: approximately HK\$342.8 million).

As at 30 September 2020, non-current assets of the Group amounted to approximately HK\$338.4 million (31 March 2020: approximately HK\$345.4 million), the Group's current assets amounted to approximately HK\$656.2 million (31 March 2020: approximately HK\$716.6 million), and net current assets as at 30 September 2020 amounted to approximately HK\$291.2 million (31 March 2020: approximately HK\$282.4 million). As at 30 September 2020, the current ratio was approximately 1.8 (31 March 2020: 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 2020 and 31 March 2020, the number of ordinary shares of the Company in issued and fully paid was 4,384,782,000.

Capital Commitments

Other than disclosed in note 17 to the consolidated financial information in this announcement, the Group had no other capital commitments as at 30 September 2020.

Pledge of Assets

As at 30 September 2020, the Group has pledged the properties with carrying values of approximately HK\$259.1 million (31 March 2020: approximately HK\$263.8 million) to secure general banking facilities granted to the Group.

As at 30 September 2020, the Group's bank borrowings of approximately HK\$80.1 million (31 March 2020: approximately HK\$80.2 million) are secured by pledged bank deposits of approximately HK\$41.1 million (31 March 2020: approximately HK\$40.9 million).

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 Current Period, the Group generated a foreign exchange loss of approximately HK\$0.2 million (Last Corresponding Period: gain of approximately HK\$0.6 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 Current Period, the Group has not used any forward exchange contract to hedge against foreign exchange risk as management considers its exposure is 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 2020 and 31 March 2020.

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

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 interim condensed consolidated financial information 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 2020

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.