



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 Report 2017

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

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 2017 (“Current Period”) together with the unaudited comparative figures for the corresponding periods in 2016 (“Last Corresponding Period”) as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Unaudited Six months ended 30 September	
	Notes	2017 HK\$'000	2016 HK\$'000
Revenue	4	305,061	452,400
Cost of sales	6	(278,608)	(436,814)
Gross profit		26,453	15,586
Selling expenses	6	(411)	(753)
General and administrative expenses	6	(17,215)	(8,343)
Other income/(loss)		319	(208)
Operating profit		9,146	6,282
Gain on disposal of equity interests in an investment accounted for using equity method		–	6,736
Share of loss of investment accounted for using equity method		–	(842)
Finance costs	5	(80)	(1,123)
Profit before income tax		9,066	11,053
Income tax expense	7	(1,675)	(1,341)
Profit attributable to equity holders of the Company		7,391	9,712
Earnings per share attributable to equity holders of the Company			
Basic and diluted	8	HK0.19 cents	HK0.28 cents

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE
INCOME**

	Unaudited	
	Six months	
	ended 30 September	
	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Comprehensive income		
Profit for the period	7,391	9,712
Other comprehensive income		
Currency translation differences	<u>162</u>	<u>(151)</u>
Total comprehensive income attributable to equity holders of the Company	<u><u>7,553</u></u>	<u><u>9,561</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		Unaudited 30 September 2017 <i>HK\$'000</i>	Audited 31 March 2017 <i>HK\$'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment	<i>10</i>	44,830	45,894
Intangible assets	<i>10</i>	5,958	6,162
Deposits and prepayments – non-current portion		30,196	30,196
Deferred tax assets		3,799	2,413
		84,783	84,665
Current assets			
Inventories		4,329	494
Loan receivables	<i>11</i>	70,400	70,400
Trade and other receivables	<i>12</i>	107,339	102,917
Income tax recoverable		4,343	3,364
Cash and cash equivalents		162,637	152,189
		349,048	329,364
Total assets		433,831	414,029
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	<i>14</i>	3,214	3,214
Other reserves		323,846	315,428
Retained earnings		98,574	91,183
Total equity		425,634	409,825

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

		Unaudited	Audited
		30 September	31 March
		2017	2017
<i>Notes</i>		<i>HK\$'000</i>	<i>HK\$'000</i>
LIABILITIES			
Current liabilities			
Trade payables	<i>13</i>	2,345	–
Other payables and accrued expenses	<i>13</i>	2,467	3,043
Current income tax liabilities		3,385	1,161
		<u>8,197</u>	<u>4,204</u>
Total liabilities		<u>8,197</u>	<u>4,204</u>
Total equity and liabilities		<u>433,831</u>	<u>414,029</u>
Net current assets		<u>340,851</u>	<u>325,160</u>
Total assets less current liabilities		<u>425,634</u>	<u>409,825</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Unaudited
Attributable to equity holders of the Company

	Other reserves									
	Share capital	Share premium	Employee share-based compensation reserve	Merger reserve	Capital reserve	Statutory reserve	Exchange reserve	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
				Note (a)	Note (b)	Note (c)				
For 6 months ended 30 September 2016										
Balance as at 1 April 2016	2,939	99,814	-	50,374	2,480	1,042	3,753	157,463	105,077	265,479
Comprehensive income										
Profit for the period	-	-	-	-	-	-	-	-	9,712	9,712
Other comprehensive income										
Currency translation differences	-	-	-	-	-	-	(151)	(151)	-	(151)
Total comprehensive income	-	-	-	-	-	-	(151)	(151)	9,712	9,561
Balance as at 30 September 2016	2,939	99,814	-	50,374	2,480	1,042	3,602	157,312	114,789	275,040
For 6 months ended 30 September 2017										
Balance as at 1 April 2017	3,214	243,749	14,260	50,374	2,480	1,042	3,523	315,428	91,183	409,825
Comprehensive income										
Profit for the period	-	-	-	-	-	-	-	-	7,391	7,391
Other comprehensive income										
Currency translation differences	-	-	-	-	-	-	162	162	-	162
Total comprehensive income	-	-	-	-	-	-	162	162	7,391	7,553
Transaction with owners										
Employees share option scheme - value of employee services	-	-	8,256	-	-	-	-	8,256	-	8,256
Balance as at 30 September 2017	3,214	243,749	22,516	50,374	2,480	1,042	3,685	323,846	98,574	425,634

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	
	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash generated from operating activities	10,047	8,884
Net cash generated from investing activities	123	124
Net cash used in financing activities	<u>(80)</u>	<u>(105,651)</u>
Net increase /(decrease) in cash and cash equivalents	10,090	(96,643)
Cash and cash equivalents as at 1 April	152,189	205,655
Effect of foreign exchange rates changes on cash and cash equivalents	<u>358</u>	<u>(158)</u>
Cash and cash equivalents as at 30 September	<u><u>162,637</u></u>	<u><u>108,854</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 Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") from 9 September 2013 (the "Listing") up to 29 March 2016 and on Main Board of the Stock Exchange ("Main Board") since 30 March 2016.

The Company is an investment holding company. The Group is principally engaged in (i) computer and peripheral products business, (ii) money lending business, and (iii) provision of corporate finance advisory services (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").

3. ACCOUNTING POLICIES

The accounting policies adopted in preparing the interim condensed consolidated financial information are consistent with those adopted in the preparation of the Group's annual financial statements for the year ended 31 March 2017, except for the adoption of the new and revised Hong Kong Financial Reporting Standards (the "New and Revised HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the HKICPA that have become effective for accounting period beginning on 1 April 2017.

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.

3. ACCOUNTING POLICIES (Continued)

The interim condensed consolidated financial information have been prepared under historical basis.

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

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.

The CODM considers that the Group has three single operating and reporting segments which are (i) computer and peripheral products business, (ii) money lending business, and (iii) provision of corporate finance advisory services.

The Group’s 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 Group’s CODM.

Segment assets consist primarily of intangible assets, inventories, trade receivables, loan receivables, interest receivables, deposits, prepayments and other receivables and other assets. They exclude property, plant and equipment, deferred income tax assets, cash and cash equivalents, income tax recoverable and other unallocated assets, which are managed centrally. Segment liabilities consist primarily of trade payables, other payables and accrued expenses. They exclude current income tax and other unallocated liabilities, which are managed centrally.

For the Last Corresponding Period, the CODM considers that the Group had only one single operating and reporting segment which is computer and peripheral products business.

The revenue reported to the CODM is measured in a manner consistent with that in the consolidated income statement and is categorised according to the nature of businesses.

4. REVENUE AND SEGMENT INFORMATION (Continued)

Unaudited				
For the six months ended 30 September 2017				
	Computer and peripheral products business <i>HK\$'000</i>	Money lending business <i>HK\$'000</i>	Provision of corporate finance advisory services <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue	290,069	5,347	9,645	305,061
Cost of sales	(278,608)	–	–	(278,608)
Selling expenses	11,461 (352)	5,347 –	9,645 –	26,453 (352)
General and administrative expenses	(3,960)	(222)	(1,614)	(5,796)
Other income	387	–	1	388
Finance costs	(80)	–	–	(80)
Adjusted operating profit	<u>7,456</u>	<u>5,125</u>	<u>8,032</u>	<u>20,613</u>
Unallocated expenses				(11,547)
Profit before income tax				<u>9,066</u>

The following tables present segment assets and segment liabilities as at 30 September 2017 and 31 March 2017.

Unaudited				
As at 30 September 2017				
	Computer and peripheral products business <i>HK\$'000</i>	Money lending business <i>HK\$'000</i>	Provision of corporate finance advisory services <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment assets	<u>224,545</u>	<u>86,949</u>	<u>33,645</u>	<u>345,139</u>
Segment liabilities	<u>4,698</u>	<u>–</u>	<u>38</u>	<u>4,736</u>

4. REVENUE AND SEGMENT INFORMATION (Continued)

	Audited As at 31 March 2017			
	Computer and peripheral products business <i>HK\$'000</i>	Money lending business <i>HK\$'000</i>	Provision of corporate finance advisory services <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment assets	<u>219,645</u>	<u>76,613</u>	<u>25,527</u>	<u>321,785</u>
Segment liabilities	<u>2,873</u>	<u>6</u>	<u>94</u>	<u>2,973</u>

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

	Unaudited As at 30 September 2017 <i>HK\$'000</i>	Audited As at 31 March 2017 <i>HK\$'000</i>
Segment assets	345,139	321,785
Cash and cash equivalents	908	1,050
Property, plant and equipment	43,847	44,666
Deposits, prepayments and other receivables	35,795	40,751
Deferred tax assets	3,799	2,413
Income tax recoverable	4,343	3,364
Total assets	<u>433,831</u>	<u>414,029</u>
Segment liabilities	4,736	2,973
Current income tax liabilities	3,385	1,161
Other unallocated liabilities	76	70
Total liabilities	<u>8,197</u>	<u>4,204</u>

Majority of the Group's sales were carried out in Hong Kong.

5. FINANCE COSTS

Unaudited
Six months ended 30 September
2017 2016
HK\$'000 *HK\$'000*

Finance costs

– Interest expenses on bank borrowings	80	1,123
----------------------------------------	-----------	--------------

6. 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
2017 2016
HK\$'000 *HK\$'000*

Cost of inventories sold	278,608	437,076
Auditor's remuneration	691	559
Depreciation of property, plant and equipment	1,064	1,276
Amortization of intangible assets	204	–
Legal and professional fees	624	605
Employee benefit expenses	4,850	5,015
Share option expenses	8,256	–
Reversal of impairment of inventory	–	(663)
Operating lease rentals of premises	84	261
Building management fee	281	282
Others	1,572	1,499
	<hr/>	<hr/>
Total	296,234	445,910

7. INCOME TAX EXPENSE

	Unaudited	
	Six months ended 30 September	
	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current income tax		
– Hong Kong profits tax	3,062	1,373
Deferred income tax		
– Hong Kong profits tax	(1,387)	(32)
	<u>1,675</u>	<u>1,341</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. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to the equity holders of the Company for the Current Period of approximately HK\$7,391,000 (Last Corresponding Period: HK\$9,712,000) and of the weighted average number of approximately 3,856,560,000 (Last Corresponding Period: 3,526,560,000 (*Note*)) ordinary shares in issue during the Current Period.

Diluted earnings per share were same as the basic earnings per share as there were no potential dilutive ordinary shares in existence during the reporting periods.

Note: The weighted average number of ordinary shares in issue and basic earnings per share have taken into account the effect of the Share Subdivision that took place on 5 May 2016 (see Note 14).

9. DIVIDENDS

	Unaudited	
	Six months ended 30 September	
	2017	2016
	HK\$'000	HK\$'000
Proposed interim dividend	<u> —</u>	<u> 19,283</u>

No interim dividend for the Current Period was proposed.

Pursuant to the resolution passed at the meeting of the Board on 14 November 2016, the Board declared an interim dividend for the Last Corresponding Period of HK\$0.005 per ordinary share totaling HK\$19,282,800. This interim dividend declared after the end of the Last Corresponding Period has not been recognised as a liability in the interim condensed consolidated financial information for the Last Corresponding Period. The interim dividend was paid in December 2016.

10. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

During the Current Period, there was no expenditures incurred for property, plant and equipment and intangible assets (Last Corresponding Period: approximately HK\$172,000 and HK\$1,697,000 respectively).

Also, during the Current Period, the Group disposed of certain property, plant and equipment with the aggregate carrying amount of approximately HK\$7,000 (Last Corresponding Period: approximately HK\$951,000) which resulting in a gain on disposal of approximately HK\$54,000 (Last Corresponding Period: approximately HK\$134,000 loss).

11. LOAN RECEIVABLES

	Unaudited	Audited
	30 September	31 March
	2017	2017
	HK\$'000	HK\$'000
Loan receivables	70,400	70,400
Less: provision for impairment	<u> —</u>	<u> —</u>
Loan receivables, net	<u>70,400</u>	<u>70,400</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. No provision for impairment of loan receivables has been made during the Current Period (31 March 2017: same).

11. LOAN RECEIVABLES (Continued)

A maturity profile of the loan receivable as at the end of the reporting periods, based on the maturity date, net of provision, is as follows:

	Unaudited 30 September 2017 HK\$'000	Audited 31 March 2017 HK\$'000
Current – within one year	<u>70,400</u>	<u>70,400</u>

12. TRADE AND OTHER RECEIVABLES

	Unaudited 30 September 2017 HK\$'000	Audited 31 March 2017 HK\$'000
Trade receivables	96,247	88,660
Less: provision for impairment	<u>(183)</u>	<u>(183)</u>
Trade receivables, net	96,064	88,477
Other receivables, deposits and prepayments	<u>11,275</u>	<u>14,440</u>
Total trade and other receivables	<u>107,339</u>	<u>102,917</u>

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

	Unaudited 30 September 2017 HK\$'000	Audited 31 March 2017 HK\$'000
1 – 30 days	74,598	62,870
31 – 60 days	20,589	25,601
61 – 90 days	779	–
Over 90 days	<u>281</u>	<u>189</u>
	96,247	88,660
Less: provision for impairment	<u>(183)</u>	<u>(183)</u>
	<u>96,064</u>	<u>88,477</u>

For new customers (which we have less than three months business relationship), we generally require payment upon delivery and do not provide any credit period. For existing customers, we, upon internal approval, generally grant credit periods of up to 60 days (31 March 2017: same).

13. TRADE PAYABLES, OTHER PAYABLES AND ACCRUED EXPENSES

	Unaudited 30 September 2017 HK\$'000	Audited 31 March 2017 HK\$'000
Trade payables	<u>2,345</u>	–
Other payables and accrued expenses:		
Accrued expenses	1,594	2,009
Receipt in advance	846	1,013
Other payables	<u>27</u>	<u>21</u>
	<u>2,467</u>	<u>3,043</u>
Total	<u><u>4,812</u></u>	<u><u>3,043</u></u>

The aging analysis of the trade payables based on invoice date is as follows:

	Unaudited 30 September 2017 HK\$'000	Audited 31 March 2017 HK\$'000
1 – 30 days	2,345	–
31 – 60 days	–	–
61 – 90 days	–	–
Over 90 days	–	–
	<u>2,345</u>	<u>–</u>

14. SHARE CAPITAL

Authorised shares:

As at 30 September 2017, the total authorised number of ordinary shares is 96,000 million shares (31 March 2017: same) with a par value of HK\$0.0008333 per share (31 March 2017: same). On 6 May 2016, the Company effected a subdivision of shares whereby each ordinary shares was subdivided into twelve ordinary shares of HK\$0.0008333 each.

	Unaudited 30 September 2017		Audited 31 March 2017	
	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	3,856,560	3,214	293,880	2,939
Effect of share subdivision	-	-	3,232,680	-
Share issued by placing (<i>Note</i>)	-	-	330,000	275
	<u>-</u>	<u>-</u>	<u>330,000</u>	<u>275</u>
At end of the period	<u>3,856,560</u>	<u>3,214</u>	<u>3,856,560</u>	<u>3,214</u>

Note:

On 24 October 2016, the Company issued 330,000,000 ordinary shares of HK\$0.0008333 each at price of HK\$0.46 each through placement for an aggregate consideration of approximately HK\$151,800,000.

15. CAPITAL COMMITMENTS

No capital expenditure of the Group was noted as at 30 September 2017 and 31 March 2017.

16. CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at 30 September 2017 and 31 March 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECT

The Group was principally engaged in (i) computer and peripheral products business; (ii) money lending business; and (iii) provision of corporate finance advisory services. During the period under review, the Group continued to keep on tight control of its operations and focused on enhancing operation efficiency and implementing various cost control measures. The management continued to devote substantial efforts in improving the overall operating profit of the Group and maintaining a healthy and strong balance sheet by various possible ways, such as improving the inventory management and trade receivables control and putting effort to significantly reduce the level of finance costs. The Group will continue to monitor the market trends and take prompt and appropriate actions to adjust our business strategies and allocate resources effectively under different market conditions.

In order to enhance long-term growth of the Group and create substantial value to the Shareholders, the Group is dedicated to continuously exploiting possibilities of new scope of businesses to further expand its business presence in the financial services sector. On 3 September 2017, the Company entered into a term sheet (the “Term Sheet”) in relation to a proposed acquisition, pursuant to which the Group intended to acquire approximately 44.9% of the issued share capital of a target company. The target company, together with its subsidiaries (the “Target Group”), is one of the largest insurance groups in Israel, which is primarily engaged in the business of providing life insurance, long-term savings, pension funds, provident funds, health insurance and non-life insurance products in Israel. The Group is now conducting a due diligence review on the operation, financial, legal and other affairs of the Target Group. If the Group proceeds with such proposed acquisition, it will enter into a definitive legally binding sale and purchase agreement with the seller in respect of the proposed acquisition. There is no binding agreement in relation to the proposed acquisition has been entered into by the Group and the seller as at the date of this report. Details of which please refer to the announcements of the Company dated 4 September 2017 and 20 October 2017.

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

During the period under review, the Group has three business segments, being

- (a) computer and peripheral products business;
- (b) money lending business; and
- (c) provision of corporate finance advisory services.

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

- Computer and peripheral products business: approximately HK\$290.1 million, representing 95.1% of revenue
- Money lending business: approximately HK\$5.3 million, representing 1.7% of revenue
- Provision of corporate finance advisory services: approximately HK\$9.6 million, representing 3.2% of revenue

The Group's total revenue for the Current Period was approximately HK\$305.1 million, being a decrease of approximately HK\$147.3 million when compared to the Last Corresponding Period of approximately HK\$452.4 million. The decrease was mainly attributable to decrease in revenue derived from computer and peripheral products business due to unfavorable market conditions and increasing competitive among the business segment, which was partially offset by the revenue contribution from the Group's new business segments on money lending business and provision of corporate finance advisory services.

Gross profit margin for the Current Period was approximately 8.7% (Last Corresponding Period: 3.4%). Increase in gross profit margin was mainly caused by the relatively higher gross profit margin earned from computer and peripheral products business and the new business segments for the Current Period.

Selling expenses decreased by approximately 45.4% from the Last Corresponding Period mainly due to the decrease in freight and transportation expenses incurred and the decrease in employee benefit expenses following the enhancement of organizational structure in previous year.

General and administrative expenses for the Current Period increased by approximately HK\$8.9 million from the Last Corresponding Period, which was mainly due to recognition of equity-settled share-based payments of approximately HK\$8.2 million (Last Corresponding Period: nil) relating to the granting of share options to the Directors and certain employees of the Group last year. This item was non-cash expense in nature and did not have any impact to the Group's cash flow position.

Excluding such equity-settled share-based payments of approximately HK\$8.2 million, general and administrative expenses for the Current Period remained fairly stable when compared with the Last Corresponding Period.

Increase in other income for the Current Period was mainly due to the increase in exchange gain in foreign currency translation.

The profit attributable to equity holders of the Company for the Current Period amounted to approximately HK\$7.4 million (Last Corresponding Period: approximately HK\$9.7 million), represented a 23.9% decrease from that of the Last Corresponding Period.

The Group has enhanced the inventory control policy to manage business risks associated with its principal activities. Inventories as at 30 September 2017 was approximately HK\$4.3 million (31 March 2017: approximately HK\$0.5 million). The overall inventories turnover days remained fairly stable for the Current Period.

The Group continues to closely monitor the settlements from its customers on a going basis to ensure the credit risk is minimized at a reasonable and acceptable level from time to time. The Group's trade receivables increased by approximately HK\$7.6 million, from approximately HK\$88.5 million as at 31 March 2017 to approximately HK\$96.1 million as at 30 September 2017. The overall trade receivables turnover days remained fairly stable for the Current Period. As at 30 September 2017, the Group's loan receivables amounted to HK\$70.4 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 no provision for impairment of loan receivables has been made during the Current Period.

Liquidity, Financial Resources and Capital Structure

The Group maintained a solid financial position during the periods. As at 30 September 2017, cash and cash equivalents of the Group amounted to approximately HK\$162.6 million (31 March 2017: approximately HK\$152.2 million), and the Group's net assets amounted to approximately HK\$425.6 million (31 March 2017: approximately HK\$409.8 million). There was no bank borrowings as at 30 September 2017 and 31 March 2017. The Group's liquidity position was well-managed during the periods.

As at 30 September 2017, the Group was at a healthy financial position as there were sufficient cash and cash equivalents with no bank borrowings (that is net cash position). 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.

The capital of the Company comprises only ordinary shares. By an ordinary resolution passed at an extraordinary general meeting on 5 May 2016, the Company effected a subdivision of its shares whereby every issued and unissued ordinary shares of HK\$0.01 each were subdivided into twelve new ordinary shares ("Subdivided Shares") of HK\$0.0008333 each (the "Share Subdivision"). Following the Share Subdivision which became effective on 6 May 2016, the Company's authorised share capital was divided from 8,000,000,000 shares of HK\$0.01 each into 96,000,000,000 Subdivided Shares of HK\$0.0008333 each, of which 3,526,560,000 ordinary shares were in issue and fully paid as at the date of the subdivision.

Capital Commitments

As at 30 September 2017 and 31 March 2017, there was no significant capital commitment.

Pledge of Assets

As at 30 September 2017 and 31 March 2017, the Group has pledged the properties with carrying values of approximately HK\$43.2 million and HK\$43.9 million, respectively, 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 sales, purchases, capital expenditure and expenses transactions that are denominated in currencies other than the functional currencies of the group companies. 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 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 2017 and 31 March 2017.

INTERIM DIVIDEND

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

USE OF PROCEEDS

On 9 September 2013 (the “Listing Date”), the Company completed the placing of 69,000,000 shares of par value of HK\$0.01 each at an issue price of HK\$0.90 per share. The net proceeds from the placing were approximately HK\$36 million. The actual use of proceeds up to 31 March 2017 and the revised schedule of the plan for the use of proceeds had been disclosed in the annual report 2017 and annual report 2016 respectively of the Company. As at 30 September 2017, net proceeds of HK\$7.1 million had been applied.

During the Current Period, the net proceeds had been applied as follows:

	Intended use of proceeds for the six months ended 30 September 2017	Actual use of proceeds for the six months ended 30 September 2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
Increase market share	1,380	243
Strengthen R&D and design capability	8,464	79
Enhance quality control and improve production capability	560	18
General working capital	600	600
	<hr/>	<hr/>
Total:	11,004	940
	<hr/> <hr/>	<hr/> <hr/>

The Directors will constantly evaluate the Group’s business plan and may change or modify plans against the changing market condition to attain sustainable business growth of the Group. All the unutilised balances have been placed in licensed banks in Hong Kong.

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

As at 30 September 2017, the interests of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or were required pursuant to section 352 of the SFO, to be entered in the register referred to therein, or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Long positions in ordinary shares of the Company

Name of Director	Capacity/nature of interest	Number of issued ordinary shares held	Approximate percentage of issued share capital (Note 4)
Mr. George Lu	Interest of controlled corporation (Note 1)	2,366,384,000	61.36
	Beneficial owner (Note 1)	85,000,000	2.20
Mr. Lau Wan Po	Beneficial owner (Note 3)	100,000,000	2.59
Ms. Lau Wing Sze	Interest of controlled corporation (Note 2)	4,320,000	0.11
	Beneficial owner (Note 2)	61,536,000	1.60
Mr. Loo Hong Shing Vincent	Beneficial owner (Note 3)	1,500,000	0.04
Mr. Pang Chung Fai Benny	Beneficial owner (Note 3)	1,500,000	0.04
Mr. Shin Yick Fabian	Beneficial owner (Note 3)	1,500,000	0.04

- (1) Forever Star Capital Limited (“Forever Star”) has beneficial interests in a total of 2,366,384,000 shares. Each of Mr. George Lu and Ms. Shen Wei, husband and wife, holds 50% interest in Forever Star respectively. Therefore, both of them are deemed to be interested in all the shares which are beneficially owned by Forever Star. The 85,000,000 underlying shares of the Company related to share options granted by the Company to Mr. George Lu.
- (2) The 4,320,000 shares were registered in the name of Nice Rate Limited, a company incorporated in the British Virgin Islands, the entire issued share capital of which is held by Ms. Lau Wing Sze. Ms. Lau Wing Sze is also the beneficial owner of total 61,536,000 shares. Among these 61,536,000 shares, 42,600,000 shares are related to share options granted by the Company to Ms. Lau Wing Sze.
- (3) These interests are underlying shares of the Company in respect of share options granted by the Company to each of Mr. Lau Wan Po, Mr. Loo Hong Shing Vincent, Mr. Pang Chung Fai Benny and Mr. Shin Yick Fabian.
- (4) The percentage holding is calculated based on the issued share capital of the Company as at 30 September 2017 comprising 3,856,560,000 shares.

SUBSTANTIAL SHAREHOLDERS’ AND OTHER PERSONS’ INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 September 2017, so far as it was known by or otherwise notified to any Directors or the chief executive of the Company, the following interest of which would fall to be disclosed under Division 2 and 3 of part XV of the SFO, or the particulars of the corporations or persons (other than a Director or the chief executive of the Company) which had 5% or more interests in the shares and the underlying shares as recorded in the register kept under section 336 of the SFO were as follows:

Long positions in ordinary shares of the Company

Name	Nature of interest	Number of shares held	Approximate percentage of issued share capital
Forever Star Capital Limited	Beneficial owner (<i>Note 1</i>)	2,366,384,000	61.36
Mr. George Lu	Beneficial owner (<i>Note 2</i>)	85,000,000	2.20
Ms. Shen Wei	Interest of spouse (<i>Note 2</i>)	85,000,000	2.20
China Goldjoy Securities Limited	Custodian	346,912,000	8.99

Note 1: Forever Star Capital Limited has beneficial interests in a total of 2,366,384,000 shares. Each of Mr. George Lu and Ms. Shen Wei holds 50% interest in Forever Star Capital Limited respectively.

Note 2: These 85,000,000 underlying shares of the Company related to share options granted by the Company to Mr. George Lu. Ms. Shen Wei is the spouse of Mr. George Lu.

Note 3: According to the information available to the Company, China Goldjoy Securities Limited is a custodian of total 346,912,000 shares.

Save as disclosed above, the Company had not been notified by any persons (other than Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall under the provisions of Divisions 2 and 3 of Part XV of the SFO to be disclosed to the Company, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

SHARE OPTION SCHEME

On 21 August 2013 (“the date of adoption”), the Company conditionally approved a share option scheme (the “Share Option Scheme”) under which options will be granted to eligible persons to subscribe for shares of the Company at subscription price which should not be less than the highest of (i) the closing price of the Company’s shares as stated in the Stock Exchange’s daily quotation sheets on the date of grant, which must be a trading day (“Offer Date”); (ii) the average closing price of the Company’s shares as stated in the Stock Exchange’s daily quotation sheets for the five trading days immediately preceding the Offer Date; and (iii) the nominal value of the Company’s shares, provided that for the purpose of calculating the subscription price, where the Company has been listed for less than five trading days, the issue price shall be used as the closing price for any business day falling within the period before listing.

On 21 December 2016, the Group announced the granting of a total of 288,000,000 share options to selected employees and directors under the Share Option Scheme. The exercise price of the granted options is HK\$0.55 per share. No share options were exercised or forfeited for the Current Period.

As at 30 September 2017, options to subscribe for an aggregate of 288,000,000 shares granted to the Directors and employees pursuant to the Scheme remained outstanding, details of which are as follows:

Type of participants	Date of grant	Exercisable period	Exercise price	Outstanding as at 1 April 2017	Exercise during the period	Lapsed during the period	Outstanding as at 30 September 2017
Directors							
Mr. George Lu	24 February 2017	24 February 2017 to 20 December 2019	HK\$0.55	28,333,333	-	-	28,333,333
		21 December 2017 to 20 December 2019	HK\$0.55	28,333,333	-	-	28,333,333
		21 December 2018 to 20 December 2019	HK\$0.55	28,333,334	-	-	28,333,334
Mr. Lau Wan Po	21 December 2016	21 December 2016 to 20 December 2019	HK\$0.55	33,333,333	-	-	33,333,333
		21 December 2017 to 20 December 2019	HK\$0.55	33,333,333	-	-	33,333,333
		21 December 2018 to 20 December 2019	HK\$0.55	33,333,334	-	-	33,333,334
Ms. Lau Wing Sze	21 December 2016	21 December 2016 to 20 December 2019	HK\$0.55	14,200,000	-	-	14,200,000
		21 December 2017 to 20 December 2019	HK\$0.55	14,200,000	-	-	14,200,000
		21 December 2018 to 20 December 2019	HK\$0.55	14,200,000	-	-	14,200,000
Mr. Pang Chung Fai Benny	21 December 2016	21 December 2016 to 20 December 2019	HK\$0.55	500,000	-	-	500,000
		21 December 2017 to 20 December 2019	HK\$0.55	500,000	-	-	500,000
		21 December 2018 to 20 December 2019	HK\$0.55	500,000	-	-	500,000

Type of participants	Date of grant	Exercisable period	Exercise price	Outstanding as at 1 April 2017	Exercise during the period	Lapsed during the period	Outstanding as at 30 September 2017
Directors							
Mr. Loo Hong Shing Vincent	21 December 2016	21 December 2016 to 20 December 2019	HK\$0.55	500,000	-	-	500,000
		21 December 2017 to 20 December 2019	HK\$0.55	500,000	-	-	500,000
		21 December 2018 to 20 December 2019	HK\$0.55	500,000	-	-	500,000
Mr. Shin Yick Fabian	21 December 2016	21 December 2016 to 20 December 2019	HK\$0.55	500,000	-	-	500,000
		21 December 2017 to 20 December 2019	HK\$0.55	500,000	-	-	500,000
		21 December 2018 to 20 December 2019	HK\$0.55	500,000	-	-	500,000
Employees	21 December 2016	21 December 2016 to 20 December 2019	HK\$0.55	18,633,333	-	-	18,633,333
		21 December 2017 to 20 December 2019	HK\$0.55	18,633,333	-	-	18,633,333
		21 December 2018 to 20 December 2019	HK\$0.55	18,633,334	-	-	18,633,334
				<u>288,000,000</u>	<u>-</u>	<u>-</u>	<u>288,000,000</u>

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

During the Current Period, neither the Company, nor any of its subsidiaries purchased, redeemed or sold 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 condensed consolidated interim financial statements for the interim period with the Directors. The Audit Committee comprises three independent Non-Executive Directors, namely Mr. Shin Yick Fabian, Mr. Lam Allan Loc and Mr. Loo Hong Shing Vincent.

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

Hong Kong, 20 November 2017

As at the date of this report, the Executive Directors of the Company are Mr. George Lu, Mr. Lau Wan Po, Mr. Pang Chung Fai Benny and Ms. Lau Wing Sze; and the independent Non-Executive Directors of the Company are Mr. Loo Hong Shing Vincent, Mr. Shin Yick Fabian, Mr. Mu Binrui and Mr. Lam Allan Loc.