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萬隆控股集團有限公司
Ban Loong Holdings Limited

(incorporated in Bermuda with limited liability)

(Stock Code: 30)

UNAUDITED INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

The board (the “Board”) of directors (the “Directors”) of Ban Loong Holdings Limited (the “Company”) is pleased to present the unaudited interim results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 September 2020, together with selected explanatory notes and comparative figures for the corresponding period in last year as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2020

		For the six months ended 30 September 2020 HK\$ (unaudited)	For the six months ended 30 September 2019 HK\$ (unaudited)
Revenue	4	614,479,742	710,500,522
Cost of sales		(564,591,319)	(657,127,681)
Gross profit		49,888,423	53,372,841
Other income, gains and losses		1,306,617	57,772
Impairment losses (recognised) reversed under expected credit loss model, net		(387,122)	284,848
Share of result of an associate		(16,512)	(100,587)
Selling and distribution expenses		(307,696)	(622,134)
General and administrative expenses		(23,476,725)	(20,830,565)
Finance costs	5	(2,447,683)	(2,495,798)
Profit before tax	6	24,559,302	29,666,377
Income tax expenses	7	(5,039,615)	(6,530,747)
Profit for the period		19,519,687	23,135,630

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME (Continued)**

For the six months ended 30 September 2020

	For the six months ended 30 September 2020 HK\$ (unaudited)	For the six months ended 30 September 2019 HK\$ (unaudited)
Other comprehensive income (expense) for the period		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translating foreign operation	<u>7,870,005</u>	<u>(11,982,893)</u>
Total comprehensive income for the period	<u>27,389,692</u>	<u>11,152,737</u>
Profit for the period attributable to:		
Owners of the Company	19,518,473	23,138,501
Non-controlling interests	<u>1,214</u>	<u>(2,871)</u>
	<u>19,519,687</u>	<u>23,135,630</u>
Total comprehensive income for the period attributable to:		
Owners of the Company	27,388,478	11,155,608
Non-controlling interests	<u>1,214</u>	<u>(2,871)</u>
	<u>27,389,692</u>	<u>11,152,737</u>
Earnings per share		
– Basic and diluted (HK cents)	8	
	<u>0.30</u>	<u>0.36</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2020

		As at 30 September 2020 <i>HK\$</i> (unaudited)	As at 31 March 2020 <i>HK\$</i> (audited)
Non-current assets			
Property, plant and equipment	<i>10</i>	3,006,138	3,350,687
Right-of-use assets		8,580,018	13,225,040
Investment in an associate		211,738	228,250
Loan receivable	<i>12</i>	449,544	562,274
Deferred tax asset		528,631	359,954
		12,776,069	17,726,205
 Current assets			
Inventories		3,591,593	13,394,914
Trade receivables	<i>11</i>	47,032,173	22,800,777
Loan and interest receivables	<i>12</i>	528,483,067	531,302,686
Other receivables, deposits and prepayments	<i>13</i>	352,144,517	364,320,021
Amount due from a shareholder		12,670,144	10,425,788
Bank balances and cash		6,391,962	7,027,960
		950,313,456	949,272,146
 Current liabilities			
Trade and other payables	<i>14</i>	37,109,712	45,638,191
Contract liabilities		6,922,047	23,683,820
Lease liabilities		3,800,295	8,313,293
Tax payable		12,597,078	14,357,969
Bonds	<i>15</i>	69,629,000	69,229,000
		130,058,132	161,222,273
 Net current assets		820,255,324	788,049,873
 Total assets less current liabilities		833,031,393	805,776,078

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(Continued)

As at 30 September 2020

		As at	As at
		30 September	31 March
		2020	2020
	<i>Note</i>	HK\$	HK\$
		(unaudited)	(audited)
Non-current liability			
Lease liabilities		<u>4,912,720</u>	<u>5,047,097</u>
Net assets		<u>828,118,673</u>	<u>800,728,981</u>
Capital and reserves			
Share capital	<i>16</i>	64,481,522	64,481,522
Reserves		<u>762,715,728</u>	<u>735,327,250</u>
Equity attributable to owners of the Company		827,197,250	799,808,772
Non-controlling interests		<u>921,423</u>	<u>920,209</u>
Total equity		<u>828,118,673</u>	<u>800,728,981</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGE IN EQUITY

For the six months ended 30 September 2020

	Attributable to owners of the Company					Sub-total HK\$	Non- controlling interests HK\$	Total HK\$
	Share capital HK\$	Share premium HK\$	Capital redemption reserve HK\$	Exchange reserve HK\$	Accumulated losses HK\$			
At 1 April 2020 (audited)	64,481,522	988,278,817	176,000	(14,199,348)	(238,928,219)	799,808,772	920,209	800,728,981
Profit for the period	-	-	-	-	19,518,473	19,518,473	1,214	19,519,687
Other comprehensive income for the period:								
Exchange differences arising on translating foreign operation	-	-	-	7,870,005	-	7,870,005	-	7,870,005
Total comprehensive income for the period	-	-	-	7,870,005	19,518,473	27,388,478	1,214	27,389,692
At 30 September 2020 (unaudited)	64,481,522	988,278,817	176,000	(6,329,343)	(219,409,746)	827,197,250	921,423	828,118,673
At 1 April 2019 (audited)	64,481,522	988,278,817	176,000	(404,817)	(288,501,752)	764,029,770	924,880	764,954,650
Profit/(loss) for the period	-	-	-	-	23,138,501	23,138,501	(2,871)	23,135,630
Other comprehensive expense for the period:								
Exchange differences arising on translating foreign operation	-	-	-	(11,982,893)	-	(11,982,893)	-	(11,982,893)
Total comprehensive (expense)/income for the period	-	-	-	(11,982,893)	23,138,501	11,155,608	(2,871)	11,152,737
At 30 September 2019 (unaudited)	64,481,522	988,278,817	176,000	(12,387,710)	(265,363,251)	775,185,378	922,009	776,107,387

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENT

For the six months ended 30 September 2020

1. GENERAL INFORMATION

The Company is incorporated in Bermuda and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The address of the registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. Yunnan Baiyao Group Co., Limited (“Yunnan Baiyao Group”) is a substantial shareholder of the Company. The address of its principal place of business is Room 2709-10, 27/F., China Resources Building, No. 26 Harbour Road, Wanchai, Hong Kong.

The principal activity of the Company is an investment holding company. The Group is principally engaged in money lending business and trading of goods and commodities.

The unaudited condensed consolidated financial statements are presented in Hong Kong dollars (“HK\$”), which is also the functional currency of the Company.

2. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements (the “Interim Financial Statements”) have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with Hong Kong Accounting Standard (the “HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2020 for the preparation of the Group’s unaudited condensed consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform
Amendment to HKFRS 16	COVID-19-Related Rent Concessions (early adopted)

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

Impacts of application on Amendments to HKAS 1 and HKAS 8 “Definition of Material”

The amendments provide a new definition of material that states “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.” The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current period had no impact on the unaudited condensed consolidated financial statements.

4. REVENUE AND SEGMENT INFORMATION

Information reported to the Directors, being the chief operating decision maker (“CODM”), for the purpose of resources allocation and assessment of segment performance focus on types of goods or services delivered or provided. The Directors have chosen to organise the Group around differences in products and services. No operating segments identified by the CODM have been aggregated in arriving at the reporting segments of the Group.

Specifically, the Group’s reporting and operating segments under HKFRS 8 are as follows:

- (i) Money lending segment engages in the provision of financing services; and
- (ii) Trading segment engages in the trading of goods and commodities.

4. REVENUE AND SEGMENT INFORMATION (Continued)

Segment revenues and results

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

For the six months ended 30 September 2020

	Money lending <i>HK\$</i> (unaudited)	Trading <i>HK\$</i> (unaudited)	Total <i>HK\$</i> (unaudited)
Revenue	<u>43,327,740</u>	<u>571,152,002</u>	<u>614,479,742</u>
Gross profit	<u>43,327,740</u>	<u>6,560,683</u>	<u>49,888,423</u>
Segment profit	<u>41,592,724</u>	<u>490,235</u>	<u>42,082,959</u>
Unallocated corporate income, gains and losses			1,306,617
Unallocated corporate expenses			(16,386,351)
Finance costs			<u>(2,443,923)</u>
Profit before tax			<u>24,559,302</u>

For the six months ended 30 September 2019

	Money lending <i>HK\$</i> (unaudited)	Trading <i>HK\$</i> (unaudited)	Total <i>HK\$</i> (unaudited)
Revenue	<u>43,606,961</u>	<u>666,893,561</u>	<u>710,500,522</u>
Gross profit	<u>43,606,961</u>	<u>9,765,880</u>	<u>53,372,841</u>
Segment profit	<u>42,472,824</u>	<u>2,055,187</u>	<u>44,528,011</u>
Unallocated corporate income, gains and losses			57,772
Unallocated corporate expenses			(12,423,608)
Finance costs			<u>(2,495,798)</u>
Profit before tax			<u>29,666,377</u>

Segment results represents the profit earned from each segment without allocation of directors' fee, certain bank interest income, loss on disposal of motor vehicle, certain general and administrative expenses, share of result of an associate and finance costs. This is the measure reported to the CODM for the purposes of resources allocation and performance assessment.

4. REVENUE AND SEGMENT INFORMATION (Continued)

Segment assets and liabilities

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

	As at 30 September 2020 <i>HK\$</i> (unaudited)	As at 31 March 2020 <i>HK\$</i> (audited)
Segment assets		
Money lending	530,420,759	534,227,942
Trading	402,810,420	401,709,937
Unallocated corporate assets	29,858,346	31,060,472
	<hr/> 963,089,525	<hr/> 966,998,351
Consolidated assets		
	As at 30 September 2020 <i>HK\$</i> (unaudited)	As at 31 March 2020 <i>HK\$</i> (audited)
Segment liabilities		
Money lending	10,656,324	12,781,214
Trading	39,551,217	69,770,783
Unallocated corporate liabilities	84,763,311	83,717,373
	<hr/> 134,970,852	<hr/> 166,269,370
Consolidated liabilities		

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

- all assets are allocated to reportable and operating segments other than certain property, plant and equipment, certain right-of-use assets, investment in an associate, certain other receivables, deposits and prepayments, amount due from a shareholder and certain bank balances and cash which are managed on a group basis.
- all liabilities are allocated to reportable and operating segments other than certain other payables, bonds and certain lease liabilities which are managed on a group basis.

5. FINANCE COSTS

	For the six months ended 30 September 2020 HK\$ (unaudited)	For the six months ended 30 September 2019 HK\$ (unaudited)
Effective interest expense on bonds (<i>note 15</i>)	2,325,000	2,325,000
Interest expenses on lease liabilities	<u>122,683</u>	<u>170,798</u>
	<u>2,447,683</u>	<u>2,495,798</u>

6. PROFIT BEFORE TAX

Profit before tax is arrived at after charging:

	For the six months ended 30 September 2020 HK\$ (unaudited)	For the six months ended 30 September 2019 HK\$ (unaudited)
Cost of inventories recognised as expense	564,591,319	657,127,681
Loss on disposal of motor vehicle	–	48,949
Depreciation of property, plant and equipment	629,306	521,660
Depreciation of right-of-use assets	4,661,961	3,873,693
Expenses relating to short-term lease	<u>262,601</u>	<u>98,400</u>

7. INCOME TAX EXPENSES

	For the six months ended 30 September 2020 HK\$ (unaudited)	For the six months ended 30 September 2019 HK\$ (unaudited)
Current tax:		
– The People’s Republic of China (“the PRC”) Enterprises Income Tax (“EIT”)	239,871	270,208
– Hong Kong Profits Tax	4,968,421	6,304,188
	5,208,292	6,574,396
Deferred tax	(168,677)	(43,649)
	5,039,615	6,530,747

- (a) On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “Bill”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2,000,000 of assessable profits of qualifying corporation will be taxed at 8.25%, and assessable profits above HK\$2,000,000 will be taxed at 16.5%. The assessable profits of corporations not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Accordingly, starting from 2018, the Hong Kong Profits Tax of the qualifying group entity is calculated at 8.25% on the first HK\$2,000,000 of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2,000,000. For the remaining subsidiaries of the Group in Hong Kong, they are subject to 16.5% of the estimated assessable profits under Hong Kong Profits Tax.

- (b) Under the Law of the PRC on the EIT and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% during the six months ended 30 September 2020 and 2019.

8. EARNINGS PER SHARE

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

	For the six months ended 30 September 2020 HK\$ (unaudited)	For the six months ended 30 September 2019 HK\$ (unaudited)
Profit for the period attributable to owners of the Company for the purpose of basic and diluted earnings per share	<u>19,518,473</u>	<u>23,138,501</u>
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	<u>6,448,152,160</u>	<u>6,448,152,160</u>

9. DIVIDEND

No dividend was paid or proposed during the six months ended 30 September 2020 and 2019, nor has any dividend been proposed since the end of the reporting periods.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2020, the Group acquired property, plant and equipment with a cost of HK\$269,841 (six months ended 30 September 2019: HK\$1,416,337).

Motor vehicle included in the property, plant and equipment with a carrying amount of HK\$1,114,920 was disposed of by the Group during the six months ended 30 September 2019 for cash proceeds of HK\$1,065,971, resulting a net loss on disposal of HK\$48,949.

11. TRADE RECEIVABLES

	As at 30 September 2020 HK\$ (unaudited)	As at 31 March 2020 HK\$ (audited)
Trade receivables	47,275,172	23,036,149
Less: Allowance for expected credit losses	(242,999)	(235,372)
	<u>47,032,173</u>	<u>22,800,777</u>

Trade receivables in relation to trading of goods and commodities are having an average credit period of 90 days (31 March 2020: 90 days).

The following is an ageing analysis of the Group's trade receivables (before provision for expected credit loss) presented based on the invoice date, which approximates the respective revenue recognition dates, at the end of the reporting period:

	As at 30 September 2020 HK\$ (unaudited)	As at 31 March 2020 HK\$ (audited)
0-90 days	<u>47,275,172</u>	<u>23,036,149</u>

At the end of the reporting period, none of the Group's trade receivables was past due but not impaired at the end of the reporting period for which the Group has not provided for impairment loss as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collaterals for the trade receivables above.

12. LOAN AND INTEREST RECEIVABLES

	As at 30 September 2020 <i>HK\$</i> (unaudited)	As at 31 March 2020 <i>HK\$</i> (audited)
Loan receivables		
Secured	326,333,439	342,369,052
Unsecured	178,866,872	176,015,612
	<u>505,200,311</u>	<u>518,384,664</u>
Interest receivables	25,438,455	14,539,340
	<u>530,638,766</u>	<u>532,924,004</u>
Less: Allowance for expected credit losses	(1,706,155)	(1,059,044)
	<u>528,932,611</u>	<u>531,864,960</u>

The maturity profile of the loan receivables (before allowance for expected credit loss) at the end of the reporting period, analysed by the maturity date, is as follows:

	As at 30 September 2020 <i>HK\$</i> (unaudited)	As at 31 March 2020 <i>HK\$</i> (audited)
Within one year	504,750,767	517,822,390
Two to five years	449,544	562,274
	<u>505,200,311</u>	<u>518,384,664</u>
Carrying amount of loan and interest receivables analysed for reporting purpose:		
Current assets	528,483,067	531,302,686
Non-current assets	449,544	562,274
	<u>528,932,611</u>	<u>531,864,960</u>

12. LOAN AND INTEREST RECEIVABLES (Continued)

The secured and unsecured loans advanced to the customers arising under the Group's money lending business had an average loan period of 3 years to 5 years (31 March 2020: 30 days to 5 years). The loans provided to customers bore fixed interest rate ranging from 1% – 2.4% per month (31 March 2020: 1% – 2.4% per month), depending on the individual credit evaluations of the borrowers. These evaluations focus on the borrowers' financial background, individual credit rating, current ability to pay, and take into account information specific to the borrowers as well as the guarantees and/or security from the borrowers. The loans provided to borrowers are repayable in accordance with the loan agreement, in which interest portion will be repaid in monthly basis while the principal amounts are repayable on maturity.

The following is an aged analysis of loan and interest receivables, presented based on the dates which loans are granted to borrowers and interests are accrued.

	As at 30 September 2020 <i>HK\$</i> (unaudited)	As at 31 March 2020 <i>HK\$</i> (audited)
Within 90 days	132,848,877	284,275,687
91-180 days	89,648,712	71,538,755
181-365 days	305,614,711	175,194,594
Over 365 days	820,311	855,924
	<u>528,932,611</u>	<u>531,864,960</u>

The Group's financing advances to customers included in the loan receivables are due as of the due dates specified in respective loan agreements. At 30 September 2020 and 31 March 2020, all the loan and interest receivables are neither past due nor impaired and represented loans granted to creditworthy borrowers without recent history of default.

13. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	As at 30 September 2020 <i>HK\$</i> (unaudited)	As at 31 March 2020 <i>HK\$</i> (audited)
Other receivables	6,733,626	15,883,490
Deposits	3,626,372	3,588,277
Prepayments	341,784,519	344,848,254
	<u>352,144,517</u>	<u>364,320,021</u>

14. TRADE AND OTHER PAYABLES

	As at 30 September 2020 <i>HK\$</i> (unaudited)	As at 31 March 2020 <i>HK\$</i> (audited)
Trade payables	28,428,226	42,556,625
Other payables and accrued charges	<u>8,681,486</u>	<u>3,081,566</u>
	<u>37,109,712</u>	<u>45,638,191</u>

15. BONDS

As at 30 September 2020, the Group had outstanding unsecured corporate bonds with aggregate principal of HK\$70,000,000 (31 March 2020: HK\$70,000,000) with the following major terms:

Issue price:	100% of the principal amount
Interest:	5.5% per annum payable semi-annually in arrear
Maturity:	7 years from date of issuance unless early redeemed
Early redemption options:	<ul style="list-style-type: none">– The holder can request for early redemption after the fourth anniversary from the issue date up to the maturity date at a redemption amount of 80% of the outstanding principal; and– The Group can early redeem the bonds after the fifth anniversary from the issue date up to the maturity date at a redemption amount of 100% of the outstanding principal.

15. BONDS (Continued)

The movements of the bonds are set out below:

	For the six months ended 30 September 2020 HK\$ (unaudited)	For the year ended 31 March 2020 HK\$ (audited)
Carrying amount at the beginning of the period/year	69,229,000	68,429,000
Effective interest charge for the period/year	2,325,000	4,650,000
Interest payable/paid	(1,925,000)	(3,850,000)
	<hr/>	<hr/>
Carrying amount at the end of the period/year	69,629,000	69,229,000
Less: Bonds repayable after one year shown under non-current liabilities	–	–
	<hr/>	<hr/>
Current portion (<i>Note</i>)	69,629,000	69,229,000
	<hr/>	<hr/>

The Company's bonds carry interest at effective interest rate of 7.22% (31 March 2020: 7.22%) per annum.

Note: The repayment obligations of the Company under the instruments of the Bonds is guaranteed by Jun Qiao Limited ("Jun Qiao"). Under the terms of the subscription agreements in relation to the Bonds, to the extent which is legally permissible, the Company and Jun Qiao undertook to continue to maintain its interests in the all the mining assets held by Jun Qiao and its subsidiaries ("Jun Qiao Group"), including mining structure and plant and equipment, prepaid lease payment, mining right and reserves and exploration right, and prepayments for exploration and evaluation activities (the "Mining Assets") and not to dispose of, transfer or sell any of the Mining Assets until the maturity of the Bonds, unless the consent of the majority of the bondholders is obtained. The Directors considered that the Group does not have an unconditional right to defer settlement of the Bonds for at least 12 months after the reporting period and hence classified the Bonds as current liabilities.

16. SHARE CAPITAL

	No. of shares	Amount HK\$
Authorised:		
Ordinary shares of HK\$0.01 each	20,000,000,000	200,000,000
	<hr/>	<hr/>
As at 1 April 2020 (audited) and 30 September 2020 (unaudited)	6,448,152,160	64,481,522
	<hr/>	<hr/>

17. RELATED PARTY TRANSACTIONS

Key management compensation amounted to HK\$2,194,200 for the six months ended 30 September 2020 (six months ended 30 September 2019: HK\$1,967,000).

18. EVENTS AFTER THE REPORTING PERIOD

The Company entered into a subscription agreement with Yunnan Baiyao Group on 14 October 2019, as supplemented by supplemental agreements dated 31 December 2019, 30 April 2020, 31 July 2020, 10 September 2020 and 28 October 2020 respectively entered into between the parties (together with the subscription agreement dated 14 October 2019, collectively the “Subscription Agreement”). Pursuant to the Subscription Agreement, the Company has conditionally agreed to issue, and Yunnan Baiyao Group has conditionally agreed to subscribe for, through its trustee, Shanghai International Trust Corp., Ltd., convertible bonds (the “Convertible Bonds”) to be issued by the Company in the aggregate principal amount of HK\$500,000,000 (the “Subscription”).

The completion of the Subscription took place on 30 October 2020 in accordance with the terms and conditions of the Subscription Agreement. Under the Subscription, Convertible Bonds with an aggregate principal amount of HK\$500,000,000 have been issued to Shanghai International Trust Corp., Ltd., which subscribes and holds the Convertible Bonds on behalf of and as a trustee of Yunnan Baiyao Group. Yunnan Baiyao Group remains as the beneficial owner of the Convertible Bonds.

19. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to current period’s presentation.

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATING RESULTS

The financial results of the Group for the Reporting Period were highlighted as follows:

- Revenue during the six months ended 30 September 2020 (the “Reporting Period”) was HK\$614.5 million, representing a decrease of approximately 13.5% from HK\$710.5 million for the six months ended 30 September 2019 (the “Corresponding Period”). The decrease was mainly attributable to decrease in revenue of trading segment as a result of COVID-19 pandemic.
- Gross profit amounted to HK\$49.9 million during the Reporting Period, representing a decrease of 6.6% from HK\$53.4 million in the Corresponding Period. Gross profit margin was 8.1% in the Reporting Period, while the gross profit margin was 7.5% in the Corresponding Period. The slight increase in the gross profit margin was attributable to the stable performance of money lending segment.
- Profit of the Group for the Reporting Period decreased to HK\$19.5 million, representing a decrease of 15.6% from HK\$23.1 million in the Corresponding Period. The decrease in profit in the Reporting Period was mainly due to decrease in gross profit and increase in general and administrative expenses.

For the detailed financial results of each operating segment, please refer to note 4 of the notes to the unaudited condensed consolidated financial statements.

INTERIM DIVIDEND

The Board did not propose an interim dividend for the Reporting Period (2019: Nil).

BUSINESS REVIEW

During both the Reporting Period and the Corresponding Period, the Group has two identifiable business segments, namely, the money lending segment and the trading segment. The money lending segment refers to the money lending business engaged in Hong Kong by Ban Loong Finance Company Limited (“Ban Loong Finance”), a wholly-owned subsidiary of the Company which is a licensed money lender in Hong Kong. The trading segment refers to (i) the trading of goods and commodities in the People’s Republic of China (“PRC”) by Wan Long Xing Ye Commercial Trading (Shenzhen) Limited (萬隆興業商貿(深圳)有限公司) (“Wan Long Xing Ye”), a wholly-owned subsidiary of the Company; (ii) the trading of goods and commodities in Hong Kong by Wan Long Xing Ye Commercial Trading (Hong Kong) Limited (“Wan Long Xing Ye HK”) a wholly-owned subsidiary of the Company and (iii) the trading of Cannabidiol (CBD) products by Ban Loong Hemp Technology Limited (“Ban Loong Hemp”), a wholly-owned subsidiary of the Company.

The money lending segment

Ban Loong Finance is a money lender licensed to carry out money lending business in Hong Kong. Its business primarily focuses in the area of short-term personal and corporate loans. To maintain credit control efficiency, Ban Loong Finance does not currently conduct business at retail level. Potential borrowers were sought from the social and business networks of the management and marketing team. Our money lending business is managed by a team of experienced personnel including loan officers and reviewing officers and other management members having sound financial and business knowledge. To safeguard assets of the Group, the management and credit control team will review and assess the credit risk of each loan application carefully to ensure recoverability of each lending. Generally speaking, borrowers would be requested to pay interest monthly, in order to facilitate the management’s continual monitoring of the financial stability of borrowers. The Company has put in place clear credit policies, guidelines, controls and procedures covering the entire life cycle of each loan transaction, which are summarised as follows:

- (1) **Assessment of application:** Our management and staff will conduct background checking and know-your-client (KYC) procedures over the applying borrowers. Individual borrowers are invited to our office to conduct personal meetings with our loan officer to understand their financial needs and their repayment plans. For corporate borrowers, our loan officer may interview the applicant and, if necessary, visit the office of the applicant to understand their business scale and nature. The loan officer will report the results of the meeting to the reviewing officer as a part of the loan approval process.

- (2) Loan approval: Based on the application, the loan officer will make a recommendation on the loan size, term and interest rate based on the results of the background checking stage. Factors taking into account in considering the loan application include: (a) the Group’s assessment on the financial means of the applicant, both in terms of annual income and asset base; (b) the macro-economy and the latest trend of interest rate; and (c) the availability of personal guarantee and/or provision of collateral to fortify the repayment obligations. The proposal will be submitted to the reviewing officer of the department. For renewal applications of old customers, the customer interview procedure will be proceeded as usual but the background checking and KYC procedures are simplified. In addition to the assessment factors for new customers, the result of any renewal applications from old customers will also depend on their past repayment records. If the loan application is approved, the loan officer will prepare the full legal documentation of the loan, guarantee and asset pledge with the assistance of external legal advisers. Once the loan is properly documented and executed, the loan officer will report to the reviewing officer and the management to prepare for the loan drawdown.
- (3) Ongoing account maintenance: The loan officer will provide continuous monitoring of the loan repayments and regularly review if there is any change of situation, and will report to the reviewing officer from time to time.
- (4) Repayment collection: The loan officer will make phone calls and text messages to borrowers to remind them of repayment schedules. In the event of repayment delay or default, the loan officer will instruct legal advisers to issue demand letters and commence legal proceedings if necessary.

During the Reporting Period, the business performance of the money lending segment was summarised below:

– Aggregate amount of lending	HK\$2.3 million (2019: HK\$67.6 million)
– Total number of lending	2 (2019: 13)
– Range of effective annual percentage rate (“APR”)	12%-28.8% (2019: 12%-28.8%)
– Weighted average APR	18.37% (2019: 18.04%)

The Group’s money lending business has been generating steady income for and continued to contribute a constant cash inflow to the Group. During the Reporting Period, the revenue and segment profit generated from the money lending business were approximately HK\$43.3 million and HK\$41.6 million, representing approximately 7.1% of the Group’s revenue and 98.8% of the Group’s total segment profit (before unallocated corporate income, gains and losses, unallocated corporate expenses and finance costs).

Trading segment

The trading business has been the major source of income of the Group. During the Reporting Period, the revenue and segment profit generated from the trading business were approximately HK\$571.2 million and HK\$0.5 million, representing approximately 92.9% of the Group's revenue and 1.2% of the Group's total segment profit (before unallocated corporate income and gain, unallocated corporate expenses and finance cost). In previous years, the trading segment of the Group successfully diversified its trading goods categories from refined edible oil and cosmetics products to sugar and personal care products. Through the business network of the suppliers and customers of cosmetics and personal care products, the Group became aware of the worldwide trend of the legalisation and the consumer use in CBD and commenced its international trading business of CBD isolate. Due to the familiarity of the Group with suppliers and customers of cosmetics and personal care products, the sales were initially targeted for brand owners and manufacturers of non-medicine personal care products. The Group has formulated business plans to enter the whole industry chain of hemp covering the upstream, midstream and downstream production cycles and ranging from cultivation, extraction, mass production, testing, product development of medical and non-medical uses, and the research and development of cultivation and extraction technologies. In order to finance the Group's development of its hemp and CBD related business, the Group entered into the Subscription Agreement with Yunnan Baiyao Group in relation to the issue of the Convertible Bonds. The Directors always believe that it is in the best interest of the Group and its shareholders to diversify the Group's business portfolio. The Group will continue to identify appropriate potential investment opportunities.

GENERAL AND ADMINISTRATIVE EXPENSES

During the Reporting Period, the Group's general and administrative expenses was approximately HK\$23.5 million (2019: HK\$20.8 million). The increase was due to the increase in staff cost and professional fee.

FINANCE COSTS

The finance costs were effective interest expense on bonds and interest expenses on lease liabilities. The finance costs remained stable at HK\$2.4 million and HK\$2.5 million the Reporting Period and the Corresponding Period respectively.

INCOME TAX EXPENSES

Income tax expenses decreased by HK\$1.5 million from HK\$6.5 million for the Corresponding Period to HK\$5.0 million for the Reporting Period. The decrease in the income tax expenses is principally due to the decrease in assessable profit of the money lending segment during the Reporting Period.

EARNINGS PER SHARE

The basic and diluted earnings per share amounted to 0.30 HK cents and 0.36 HK cents as at 30 September 2020 and 2019 respectively.

FINANCIAL POSITION

The Group's unaudited condensed consolidated statement of financial position remained solid. Shareholders' equity increased from approximately HK\$800.7 million for the year ended 31 March 2020 to HK\$828.1 million for the Reporting Period. Total assets slightly decreased by 0.4% to HK\$963.0 million for the Reporting Period from HK\$967.0 million for the year ended 31 March 2020. Net assets increased by 3.4% from HK\$800.7 million for the year ended 31 March 2020 to HK\$828.1 million for the Reporting Period. The increase was primarily due to the comprehensive income recorded during the Reporting Period.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2020, the Group's cash and cash equivalents amounted to approximately HK\$6.4 million (31 March 2020: HK\$7.0 million).

As at 30 September 2020, the Group had outstanding unsecured 5.5% per-annum 7-years (due between January and July 2021) corporate bonds (the "Bonds") with aggregate principal sum of HK\$70 million. The repayment obligations of the Company under the instruments of the Bonds are guaranteed by Jun Qiao. Under the terms of the subscription agreements in relation to the Bonds, to the extent which is legally permissible, the Company and Jun Qiao undertook to continue to maintain its interests in the mining assets (the "Mining Assets") owned by the Jun Qiao Group and not to dispose of, transfer or sell any of the Mining Assets until the maturity of the Bonds, unless the consent of the majority of the bondholders is obtained. Due to the purported transfer of 90% equity of Tong Bai County Yin Di Mining Company Limited ("Yin Di Mining") to Henan Guiyuan Industry Co., Ltd. and related incidents as disclosed in the Company's announcements dated 15 January 2017, 22 January 2017 and 1 February 2017 (the "Incidents"), the Company deconsolidated the Yin Di Mining and its subsidiary. As a matter of prudent treatment, the Bonds were classified as current liabilities.

	As at 30 September 2020	As at 31 March 2020
Current ratio (current assets/current liabilities)	7.31 times	5.89 times
Gearing ratio (total liabilities/total assets)	14%	17%

The Group's debtor's turnover period was 28 days for the Reporting Period as compared to 12 days for the year ended 31 March 2020. The increase was mainly because the revenue of trading business in Hong Kong in second quarter of the Reporting Period was higher than the year ended 31 March 2020.

The creditors' turnover period was 18 days for the Reporting Period as compared with 24 days for the year ended 31 March 2020. Creditors' turnover period improved which was due to the more timely repayment of the amounts due to our suppliers during the current period.

The inventories' turnover period was 2 days for the Reporting Period as compared with 7 days for the year ended 31 March 2020. Inventory control was always one of the primary tasks of the Group's management team to maintain the liquidity and healthy financial position of the Group.

The Group's liquidity remains healthy. Nevertheless, as the Company is still keen on looking for strategic investment to diversify its business operation, additional financing might be required when suitable investment opportunity was identified. The management will assess and consider various possible fund raising alternatives to strengthen the capital base and financial position of the Company and to maintain sufficient working capital to support its future operational and investment needs.

SHARE CAPITAL AND FUND RAISING ACTIVITIES

As at 30 September 2020, the total number of issued ordinary shares of the Company was 6,448,152,160 shares (31 March 2020: 6,448,152,160 shares).

The Company entered into the Subscription Agreement with Yunnan Baiyao Group on 14 October 2019. Pursuant to the Subscription Agreement and the Supplemental Subscription Agreements, the Company has conditionally agreed to issue, and Yunnan Baiyao Group has conditionally agreed to subscribe for, through its trustee, Shanghai International Trust Corp., Ltd., the Convertible Bonds.

The completion of the Subscription took place on 30 October 2020 in accordance with the terms and conditions of the Subscription Agreement. Under the Subscription, the Convertible Bonds have been issued to Shanghai International Trust Corp., Ltd., which subscribes and holds the Convertible Bonds on behalf of and as a trustee of Yunnan Baiyao Group. Yunnan Baiyao Group remains as the beneficial owner of the Convertible Bonds.

Based on the initial conversion price of HK\$0.258 per conversion share and assuming there is no other change in the issued share capital of the Company between the date of this announcement and the full conversion of the Convertible Bonds, 1,937,984,496 conversion shares will be allotted and issued by the Company upon exercise in full of the conversion rights attaching to the Convertible Bonds, representing: (a) approximately 30.05% of the existing issued share capital of the Company; and (b) approximately 23.11% of the issued share capital of the Company as enlarged by the issue of the 1,937,984,496 Conversion Shares.

The gross proceeds and net proceeds from the Subscription amount to approximately HK\$500 million and HK\$498 million, respectively. The Company intends to apply the net proceeds from the Subscription for the following:

	Business segment	<i>HK\$'million</i>
Expansion of existing trading business in cosmetics and personal care products	Trading	100
Expansion of CBD-based cosmetics and personal care product trading business	Trading	90
Purchase of CBD isolate inventory for trading purpose	Trading	20
Setting up of hemp cultivation and extraction facilities for vertical expansion of CBD trading business	Manufacturing and trading	70
Expansion of CBD-related target business	Trading	40
Expansion of existing money lending business	Money Lending	50
Repayment of bonds issued by the Company	–	70
Working capital for the financial year ending 31 March 2021	–	58
		<hr/>
Total		498

EVENTS AFTER THE REPORTING PERIOD

Details of the events after the reporting period for the period are set out in note 18 to the unaudited condensed consolidated financial statements.

PLEDGE OF ASSETS

As at 30 September 2020, no assets of the Group were pledged to secure general banking facilities granted to the Group.

CAPITAL COMMITMENTS

As at 30 September 2020, the Group had no material capital commitments.

CONTINGENT LIABILITIES

As at 30 September 2020, the Group had no material contingent liabilities.

FOREIGN EXCHANGE EXPOSURE

Most of the Group's assets and liabilities are either denominated in Hong Kong dollars or Renminbi, and most of the Group's cash balances are deposited in Hong Kong dollars or Renminbi with banks in Hong Kong and the PRC. Certain portions of the Group's sales, purchases and expenses were denominated in foreign currencies which exposed the Group to foreign currency risk. The Group currently does not have a foreign currency hedging policy as the foreign currency risk is considered not significant. However, the management will continue to closely monitor the Group's foreign exchange risk exposure and may consider hedging significant foreign exchange exposure if and when necessary.

COMMODITY PRICE RISK

The price of commodity products is influenced by international and domestic market prices and changes in global supply and demand for such products. Both the international and domestic market price of commodities as well as the volatility of their supply and demand are beyond the control of the Company. Therefore, the volatility of commodity price may affect the revenue and comprehensive income of the Group. The Group did not engage in nor enter into any trading contracts and price arrangements to hedge the risk of volatility of commodity prices.

EMPLOYEE REMUNERATION POLICY

For the Reporting Period, the Group had 31 employees (31 March 2020: 29 employees). For the Reporting Period, the total salaries, commissions, incentives and all other staff related costs amounted to approximately to HK\$7.5 million (2019: HK\$6.2 million). Our remuneration policies are in line with prevailing market practices and formulated on the basis of the performance and experience of individual employees. Apart from basic salaries, other staff benefits included provident funds, life insurance and medical assistance benefit. The Company may also grant share options to eligible employees to motivate their performance and contribution to the Group.

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

For the Reporting Period, the Group did not have any significant investments, acquisitions or disposals.

PROSPECTS

Money lending business

During and subsequent to the Reporting Period, the Group continued to make new loans or renew matured loans with existing customers. Loan renewals had the benefits of deeper understanding of customer background and repayment records, and streamlined procedures on legal documentation and approval process. The management is of the view that the money lending segment will continue to provide a constant cash inflow to the Group.

In order to strengthen the Group's market position in the money lending industry, the Group intends to improve its brand awareness and the Group's presence within the industry by intensifying its sales effort through securing additional customers and expanding its sales network. The Directors are of the view that only by expanding the outreach to more potential customers, the Group would be able to be made known to the targeted customers, such as high net-worth customers and corporate customers. With an intensified marketing strategy, the Group would be able to raise the awareness of the Group's name as a provider of financing, and in turn the targeted customers would also be aware of the Group's market presence. As such the Group intends to expand the market outreach through advertising on television and printed publication, expansion of marketing team and reserve for new customers.

Trading segment

In previous years, the trading segment of the Group successfully diversified its trading goods categories from refined edible oil and cosmetic products to sugar and personal care products.

Leveraged on the Company's accumulated experience and expertise in trading cosmetics and personal care products by procuring products from cosmetics and personal care product brands and supplying them to e-commerce platforms (the "E-commerce Platform") and other traders of cosmetics and personal care products, the Group has been looking out for opportunities to expand its product portfolio. On 3 April 2020, the Company was appointed as the authorised distributor of products of natural body care, skin care and home spa products under a brand of Thailand on an e-commerce platform.

Going forward, as part of its business strategies, the Group intends to continue (i) to enhance the cosmetics and personal care products brand portfolio of the Group; and (ii) to intensify its efforts in expanding the suppliers network, in terms of nature of products, origins of import, and securing additional customers and sales network.

Through the business network of the suppliers and customers of cosmetics and personal care products, the Group became aware of the worldwide trend of the legalisation and the consumer use in commercialised scale of CBD, one of the naturally occurring non-psychoactive cannabinoids found in hemp. In contrast to tetrahydrocannabinol (THC) which is the key psychoactive cannabinoids in cannabis plants, CBD exhibits no effects indicative of abuse or dependence potential and no evidence of public health-related problems according to the Cannabidiol (CBD) Critical Review Report published by the Expert Committee on Drug Dependence of the World Health Organization (“WHO”) in 2018 (“WHO Report”). In Western developed countries such as Canada, the United States, part of Europe and the United Kingdom, CBD is used in cosmetics and skincare products such as anti-inflammatory masks.

As a natural progression and part of the expansion plan of the Group as an authorised supplier on the E-commerce Platform, the Group intends to operate an online retail shop on the E-commerce Platform to sell cosmetics and personal care products to end consumers, which include products with and without CBD content for customers in the PRC. The Group has also implemented a policy for the sales arrangement on the E-Commerce Platform which restricts delivery of the sales orders to destinations within the PRC only. The Group has also confirmed with the E-Commerce Platform that such restriction was allowed on the E-Commerce Platform. The Group has further confirmed the legality of such arrangement with its PRC legal advisers in respect of the legality of sale of cosmetics and personal care products with CBD content on the E-commerce Platform and it was confirmed that as long as the destinations of delivery of the relevant products with CBD content was in the PRC, such operation was legal and in compliance with the relevant laws and regulations in the PRC.

In view of the increase of global demand in cosmetics and personal care products incorporated with CBD content, the Directors are of the view that there is potential in the PRC market for cosmetics and personal care products incorporated with CBD content and the expansion of the Group into such market will be beneficial to its business operations and financial performance in the long run.

Other

The management always believes that it is in the best interest of the Company and its shareholders to diversify the Group’s business portfolio. The Company will continue to identify appropriate potential investment opportunities.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's securities during the Reporting Period and the Company has not redeemed any of its securities.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Board, the Group had during the Reporting Period complied with the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Listing Rules, except for the following deviation:

Code Provision A.4.1

Code provision A.4.1 stipulates that non-executive Directors should be appointed for a specific term and subject to re-election. The non-executive Director and independent non-executive Directors were not appointed for a specific term, but are subject to retirement by rotation at least once every three years and re-election at the annual general meetings of the Company in accordance with the provisions of the Company's bye-laws. The management experience, expertise and commitment of the re-electing Directors will be considered by the nomination committee of the Company before their re-election proposals are put forward to Shareholders. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices regarding Directors' appointment are no less exacting than those in the CG Code.

Code Provision A.6.7

Code provision A.6.7 stipulates that independent non-executive Directors and other non-executive Directors should attend general meeting to gain and develop a balanced understanding of the views of shareholders. During the Reporting Period, the Company held one annual general meeting on 28 September 2020 (the "2020 AGM") and one special general meeting on 28 September 2020 (the "2020 SGM"). Due to COVID-19 pandemic, certain non-executive Director and the independent non-executive Directors could not come to Hong Kong to attend the 2020 AGM and 2020 SGM. However, views expressed by shareholders at general meetings are recorded and circulated for discussion by all Directors regardless of attendance. The Company will plan its dates of meetings in advance to facilitate Directors' attendance.

SHARE OPTION SCHEME

The new share option scheme of the Company was adopted on 30 September 2013 (the “New Option Scheme”). Pursuant to the New Option Scheme, the Directors are authorised to grant options to any executive or non-executive Directors, any executives and employees and those persons who have contributed or will contribute to the Group as incentive schemes and rewards. Apart from the New Option Scheme, the Company did not adopt any other share option scheme. During the period under review, no options were granted or exercised under the New Option Scheme.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the full set of the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the “Model Code”) as the code of conduct regarding securities transactions by the Directors. The prohibitions on securities dealing and disclosure requirements in the Model Code also apply to the Group’s senior management and persons who are privy to price sensitive information of the Group. All Directors confirmed to the Company that they have complied with the Model Code during the period under review and up to the date of publication of this announcement.

BOARD DIVERSITY POLICY

With an aim to achieve diversity on the Board, the Board has approved and adopted a Board Diversity Policy (the “Policy”) and revision to the terms of reference of the nomination committee of the Company (the “Nomination Committee”) to ensure the appropriate implementation of the Policy. The Policy was made with a view to achieve a sustainable and balanced development of the Company, through the invitation and selection of different talents to join the Board having due regard to the importance of Board diversity.

The Company is committed to established procedures of candidates’ selection based on a range of diversity perspectives including gender, age, cultural background, ethnicity, educational background, professional experience, skills and knowledge.

NOMINATION COMMITTEE

The Nomination Committee was established with specific terms of reference, whose purposes include the reviewing of the Board composition, advising the Board on the appointment and succession planning of Directors and assessing the independence of independent non-executive Directors. As at the date of this announcement, the Nomination Committee consists of two executive Directors, namely, Mr. Wang Minghui (Chairman) and Mr. Chow Wang and three independent non-executive Directors, namely, Mr. Jiang Zhi, Mr. Leung Ka Kui, Johnny and Ms. Wong Chui San, Susan. The Company has adopted a nomination policy for Directors, details of which has been disclosed in the annual report of the Company for the year ended 31 March 2020.

REMUNERATION COMMITTEE

The remuneration committee of the Company (the “Remuneration Committee”) was set up by the Board with specific terms of reference, whose purposes include the reviewing of the remuneration of Directors and the remuneration policies of the Group. Currently, the Remuneration Committee consists of two executive Directors, namely, Mr. Chow Wang and Mr. Chu Ka Wa and three independent non-executive Directors, namely, Mr. Leung Ka Kui, Johnny (Chairman), Mr. Jiang Zhi and Ms. Wong Chui San, Susan.

AUDIT COMMITTEE AND REVIEW OF ACCOUNTS

The audit committee of the Company (the “Audit Committee”) was established by the Board with specific terms of reference, whose purposes include the reviewing of the accounting principles and practices adopted by the Group and discussing auditing, internal control, risk management and financial reporting matters. The Audit Committee currently comprising three independent non-executive Directors, namely, Ms. Wong Chui San, Susan (Chairman), Mr. Jiang Zhi and Mr. Leung Ka Kui, Johnny. The Audit Committee has reviewed the unaudited interim financial statements of the Group for the Reporting Period.

By Order of the Board
Ban Loong Holdings Limited
Chow Wang
Deputy Chairman and Chief Executive Officer

Hong Kong, 27 November 2020

As at the date of this announcement, the Board of the Company comprises:

Executive Directors:

Mr. Wang Minghui (*Chairman*)

Mr. Chow Wang (*Deputy Chairman & Chief Executive Officer*)

Mr. Yin Pinyao

Mr. Chu Ka Wa (*Chief Financial Officer*)

Mr. Wang Zhaoqing (*Chief Operating Officer*)

Non-executive Director:

Mr. Fong For

Independent Non-executive Directors:

Mr. Jiang Zhi

Mr. Leung Ka Kui, Johnny

Ms. Wong Chui San, Susan