Tou Rong Chang Fu Group Limited
投融長富集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 850)

UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

UNAUDITED INTERIM RESULTS

The Board of Directors (the "Board") of Tou Rong Chang Fu Group Limited (the "Company") is pleased to present the unaudited interim results for the six months ended 30 September 2019 of the Company and its subsidiaries (together, the "Group"), together with the comparative figures for the last corresponding financial period.

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2019

(Expressed in Hong Kong dollars)

	Notes	(Unaudited) 30 September 2019 HK$'000	(Unaudited) 30 September 2018 HK$'000
Revenue	4	**13,993**	82,356
Cost of sales		**(1,268)**	(33,001)
Gross profit		**12,725**	49,355
Other gains/(losses), net	5	**26,102**	(29,200)
Reversal of allowance/(allowance) for credit losses on trade receivables		**752**	(54,770)
Reversal of allowance for credit losses on loans receivable		**410**	3,969
Selling and distribution costs		**(657)**	(4,160)
Administrative expenses		**(45,792)**	(40,846)
Operating loss		**(6,460)**	(75,652)
Finance income	6	**197**	354
Finance costs	6	**(34,778)**	(32,573)
Loss before taxation		**(41,041)**	(107,871)
Income tax credit/(expense)	7	**46**	(663)
Loss for the period		**(40,995)**	(108,534)
Loss for the period attributable to:			
Owners of the Company		**(39,980)**	(107,526)
Non-controlling interests		**(1,015)**	(1,008)
		(40,995)	(108,534)
Loss per share *(HK cents)*	8		
Basic and diluted		**(0.45)**	(1.20)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2019

(Expressed in Hong Kong dollars)

	(Unaudited) **30 September** **2019** ***HK$'000***	(Unaudited) 30 September 2018 *HK$'000*
Loss for the period	**(40,995)**	(108,534)
Other comprehensive expense:		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	**(4,530)**	(16,673)
Other comprehensive expense for the period	**(4,530)**	(16,673)
Total comprehensive expense for the period	**(45,525)**	(125,207)
Total comprehensive expense attributable to:		
Owners of the Company	**(44,486)**	(123,345)
Non-controlling interests	**(1,039)**	(1,862)
	(45,525)	(125,207)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2019

(Expressed in Hong Kong dollars)

	Notes	(Unaudited) 30 September 2019 HK$'000	(Audited) 31 March 2019 HK$'000
Assets			
Non-current assets			
Property, plant and equipment		**25,245**	30,512
Investment properties		**21,555**	101,656
Right-of-use assets		**10,253**	–
Intangible assets		**68,692**	77,628
Interests in associates		**–**	–
Prepayments, deposits and other receivables		**44,243**	49,500
Financial assets at fair value through other comprehensive income		**1,952**	1,952
Financial assets at fair value through profit or loss		**2,401**	2,401
		174,341	263,649
Current assets			
Inventories		**223**	223
Trade receivables	*10*	**488,843**	516,200
Loans receivable	*11*	**72,588**	62,351
Prepayments, deposits and other receivables		**72,793**	50,718
Financial assets at fair value through profit or loss		**11,547**	4,653
Current income tax recoverable		**5,100**	2,967
Client trust bank balances		**9,958**	4,839
Cash and cash equivalents		**64,301**	82,768
		725,353	724,719
Total assets		**899,694**	988,368

	Notes	(Unaudited) 30 September 2019 HK$'000	(Audited) 31 March 2019 HK$'000
Equity and liabilities			
Equity attributable to owners of the Company			
Share capital		**89,679**	89,679
Reserves		**40,653**	85,139
		130,332	174,818
Non-controlling interests		**(7,753)**	(6,714)
Total equity		**122,579**	168,104
Liabilities			
Non-current liabilities			
Deferred tax liabilities		**421**	421
Lease liabilities		**6,476**	–
Bonds		**647,978**	650,821
		654,875	651,242
Current liabilities			
Trade payables	*12*	**31,267**	49,613
Accruals and other payables		**40,077**	52,629
Lease liabilities		**4,120**	–
Bank borrowings		**–**	32,182
Current income tax liabilities		**867**	867
Bonds		**45,909**	33,731
		122,240	169,022
Total liabilities		**777,115**	820,264
Total equity and liabilities		**899,694**	988,368

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 GENERAL INFORMATION

Tou Rong Chang Fu Group Limited (the "Company") is a limited liability company incorporated in the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and the principal place of business of the Company are Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and 21st Floor, 80 Gloucester Road, Wan Chai, Hong Kong, respectively.

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are trading of commodities and chemical products, property investment, money lending business, securities brokerage, asset management, insurance brokerage and the exploitation and sale of crude oil. The Company and its subsidiaries are referred to as the "Group".

The condensed consolidated interim financial information is presented in Thousands of Hong Kong Dollars ("HK$'000"), unless otherwise stated. This condensed consolidated interim financial information has been approved by the Board of Directors on 22 November 2019.

2 BASIS OF PREPARATION

The condensed consolidated interim financial information of the Group has been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (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 condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 March 2019, which have been prepared in accordance with Hong Kong Financial Reporting Standards (the "HKFRS").

3 PRINCIPAL ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 March 2019, as described in those annual financial statements.

(a) New standard, interpretation, and amendments to existing standards adopted in current period

Standards	Subject
HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Feature with Negative Compensation
Amendments to HKAS 19	Employee Benefits: Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term interests in an Associate or Joint Venture
Amendments to HKFRSs	Annual Improvements 2015-2017 Cycle

Except for described in Note 3(c), the application of the new standard, interpretation and amendments to HKFRSs in the current period has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these condensed consolidated interim financial information.

(b) Amendments to existing standards have been issued but are not effective and have not been early adopted

Standards	Subject	Effective for annual period beginning on or after
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
Amendments to HKAS 1 and HKAS 8	Amendments to Definition of "Material"	1 January 2020

The Group is assessing the impacts of these amendments to existing standards and will apply them once they are effective.

(c) Change in accounting policy

HKFRS 16, "Leases"

The Group has applied HKFRS 16 for the first time in the current period. HKFRS 16 superseded HKAS 17 "Leases" ("HKAS 17"), and the related interpretations.

(i) Key changes in accounting policies resulting from application of HKFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of HKFRS 16.

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the financial statements would not differ materially from individual leases within the portfolio.

Non-lease components are separated from lease component on the basis of their relative stand-alone prices.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of apartment and office equipment that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

Right-of-use assets

Except for short-term leases, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the condensed consolidated statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 “Financial Instruments” (“HKFRS 9”) and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;

- variable lease payments that depend on an index or a rate;

- amounts expected to be paid under residual value guarantees;

- the exercise price of a purchase option reasonably certain to be exercised by the Group; and

- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the standalone price for the increase in scope and any appropriate adjustments to that standalone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Taxation

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

As a lessor

Allocation of consideration to components of a contract

Effective on 1 April 2019, the Group applies HKFRS 15 "Revenue from Contracts with Customers" ("HKFRS 15") to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

Refundable rental deposits

Refundable rental deposits received are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

Lease modifications

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

(ii) Transition and summary of effects arising from initial application of HKFRS 16

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 "Determining whether an Arrangement contains a Lease" and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 April 2019. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- relied on the assessment of whether leases are onerous by applying HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets" as an alternative of impairment review;

- elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;

- excluded initial direct costs from measuring the right-of-use assets at the date of initial application;

- applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment; and

- used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

On transition, the Group has made the following adjustments upon application of HKFRS 16.

As at 1 April 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities adjusted by any prepaid or accrued lease payments by applying HKFRS 16.C8(b)(ii) transition.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. 2.75% of the weighted average incremental borrowing rate is applied by the relevant group entities.

	At 1 April 2019 *HK$'000*
Operating lease commitments disclosed as at 31 March 2019	5,160
Lease liabilities discounted at relevant incremental borrowing rate	4,918
Less: Recognition exemption – short-term leases and low-value leases	(775)
Lease liability relating to operating lease recognised upon application of HKFRS 16 and lease liabilities as at 1 April 2019	4,143
Analysed as:	
Current	1,361
Non-current	2,782
	4,143

The carrying amount of right-of-use assets as at 1 April 2019 comprises the following:

	Right-of-use assets
	HK$'000
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	4,143
By class:	
Land and building	4,143

As a lessor

In accordance with the transitional provisions in HKFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated.

- Upon application of HKFRS 16, new lease contracts entered into but commence after the date of initial application relating to the same underlying assets under existing lease contracts are accounted as if the existing leases are modified as at 1 April 2019. The application has had no impact on the Group's condensed consolidated statement of financial position at 1 April 2019. However, effective 1 April 2019, lease payments relating to the revised lease term after modification are recognised as income on straight-line basis over the extended lease term.

- Before application of HKFRS 16, refundable rental deposits received were considered as rights and obligations under leases to which HKAS 17 applied. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right-of-use assets and were adjusted to reflect the discounting effect at transition.

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 April 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 March 2019	**Adjustments**	**Carrying amounts under HKFRS 16 at 1 April 2019**
	HK$'000	*HK$'000*	*HK$'000*
Non-current assets			
Right-of-use assets	–	4,143	4,143
Current liabilities			
Lease liabilities	–	1,361	1,361
Non-current liabilities			
Lease liabilities	–	2,782	2,782

Note:

For the purpose of reporting cash flows from operating activities under indirect method for the six months ended 30 September 2019, movements in working capital have been computed based on opening statement of financial position as at 1 April 2019 as disclosed above.

4 REVENUE AND SEGMENT INFORMATION

The executive directors of the Company have been regarded as the chief operating decision maker ("CODM"). The Group's operating segments, based on information reported to the CODM for the purpose of resource allocation and performance assessment, are as follows:

- Trading of commodities, chemical products and petroleum products ("Commodity trading");
- Exploitation and sale of crude oil ("Crude oil");
- Leasing of investment properties ("Property investment");
- Money lending, securities brokerage and asset management business ("Financial services"); and
- Others.

The Group also carries out business as insurance brokerage and service contract. The CODM, after reviewing for qualitative factors such as the business activities, economic and legal characteristics of the business and quantitative factors such as the financial performance of the business, has accordingly determined that the insurance brokerage and service contract did not qualify as reportable operating segments, and their financial information is included in "Others".

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment results represent the loss made or profit earned by each segment without allocation of incomes or expenses which are not recurring in nature and unrelated to the Group's operating performance, including interest income on bank deposits, central management fee income, central administration costs, directors' emoluments, (loss)/gain on fair value changes of financial assets at FVTPL, gain on disposal of a subsidiary and interest expenses.

The CODM also reviews the earnings/loss before net finance income and costs, income tax expense, depreciation and amortisation, unallocated other income less expenses and non-controlling interests ("EBITDA" or "LBITDA") of the Group. Accordingly, EBITDA or LBITDA is also presented.

For the purposes of monitoring segment performances and allocating resources among segments, all assets are allocated to operating segments other than interests in associates, financial assets at FVTPL, financial assets at FVTOCI, cash and bank balances and other corporate assets.

The CODM reviews the segment assets for the purposes of resource allocation and performance assessment, an analysis of the Group's liabilities is not regularly reviewed by the CODM and hence, the relevant information is not presented accordingly.

(a) Segment revenue and results

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

(i) For the six months ended 30 September 2019 (unaudited)

	Commodity trading HK$'000 (Note (ii))	Crude oil HK$'000	Property investment HK$'000	Financial services HK$'000	Others HK$'000	Total HK$'000
Revenue from contracts with customers within scope of HKFRS 15						
External and total revenue recognised at point in time						
– on a gross basis	–	–	–	2,012	1,426	3,438
– on a net basis *(note (iii))*	3,277	–	–	–	–	3,277
	3,277	–	–	2,012	1,426	6,715
Revenue not within scope of HKFRS 15						
Loan interest income	–	–	–	6,291	–	6,291
Rental income	–	–	987	–	–	987
	3,277	–	987	8,303	1,426	13,993
Segment EBITDA/(LBITDA)	3,760	(1,062)	671	1,743	(933)	4,179
Segment depreciation and amortisation	(290)	(5,603)	(697)	(118)	(2,083)	(8,791)
Segment results	3,470	(6,665)	(26)	1,625	(3,016)	(4,612)
Unallocated expenses						(1,848)
Interest income on bank deposits						197
Interest expenses						(34,778)
Loss before taxation						(41,041)

(ii) For the six months ended 30 September 2018 (unaudited)

	Commodity trading *HK$'000*	Crude oil *HK$'000*	Property investment *HK$'000*	Financial services *HK$'000*	Others *HK$'000*	Total *HK$'000*
Revenue from contracts with customers within scope of HKFRS 15						
External and total revenue recognized at point in time						
– on a gross basis	34,811	–	–	2,444	1,310	38,565
– on a net basis *(note (iii))*	28,735	–	–	–	–	28,735
	63,546	–	–	2,444	1,310	67,300
Revenue not within scope of HKFRS 15						
Loan interest income	–	–	–	13,498	–	13,498
Rental income	–	–	1,558	–	–	1,558
	63,546	–	1,558	15,942	1,310	82,356
Segment EBITDA/(LBITDA)	(50,782)	(1,236)	(638)	11,778	(1)	(40,879)
Segment depreciation and amortisation	(316)	(742)	(1,134)	(110)	(2,083)	(4,385)
Segment results	(51,098)	(1,978)	(1,772)	11,668	(2,084)	(45,264)
Unallocated expenses						(30,388)
Interest income on bank deposits						354
Interest expenses						(32,573)
Loss before taxation						(107,871)

(iii) Performance obligations for contracts with customers

The Group sells commodities and chemical products to customers. The performance obligation is to arrange for the provision of commodities as the Group did not obtain the control over the goods before passing on to customers taking into consideration indicator such as the Group is not exposed to inventory risk, although the Group still exposes to credit risk in these sales transactions.

(b) Segment assets

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

	(Unaudited) As at 30 September 2019 *HK$'000*	(Audited) As at 31 March 2019 *HK$'000*
Segment assets		
Commodity trading	**535,847**	546,928
Crude oil	**74,929**	85,484
Property investment	**21,593**	101,855
Financial services	**87,424**	75,935
Others	**8,764**	10,992
Total segment assets	**728,557**	821,194
Unallocated	**171,137**	167,174
Total assets	**899,694**	988,368

5 OTHER GAINS/(LOSSES), NET

	(Unaudited) Six months ended 30 September 2019	(Unaudited) Six months ended 30 September 2018
	HK$'000	*HK$'000*
Exchange gains/(losses), net	**2,084**	(21,911)
Changes in fair value of financial assets at FVTPL	**(1,201)**	(7,289)
Gain on disposal of a subsidiary *(Note 13)*	**25,274**	–
Loss on disposal of property, plant and equipment	**(110)**	–
Others	**55**	–
	26,102	(29,200)

6 FINANCE COSTS, NET

	(Unaudited) 30 September 2019	(Unaudited) 30 September 2018
	HK$'000	*HK$'000*
Interest expenses on:		
– bonds	**(34,378)**	(32,043)
– bank borrowings	**(241)**	(530)
– lease liabilities	**(159)**	–
	(34,778)	(32,573)
Interest income on bank deposits	**197**	354
Finance costs, net	**(34,581)**	(32,219)

7 INCOME TAX (CREDIT)/EXPENSE

	(Unaudited) Six months ended 30 September 2019	(Unaudited) Six months ended 30 September 2018
	HK$'000	*HK$'000*
Current income tax		
Hong Kong profits tax	**(46)**	662
Deferred income tax	**–**	1
Income tax (credit)/expense	**(46)**	663

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 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The directors of the Company considered the amount involved upon implementation of the two-tiered profits tax rates regime is insignificant to the consolidated financial statements. Hong Kong profits tax is calculated at 16.5% (six months ended 30 September 2018: 16.5%) of the estimated assessable profits for the period.

Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation in the relevant jurisdictions of which the most significant jurisdiction is the PRC which has a corporate income tax rate of 25% (six months ended 30 September 2018: 25%). Under the applicable corporate tax law in Macau, profits tax is charged at 12% (six months ended 30 September 2018: 12%) of the estimated assessable profits.

No current Macau complementary corporate tax and PRC corporate income tax have been provided for as the Group did not have any assessable profits in Macau nor in the PRC for the six months ended 30 September 2019 (six months ended 30 September 2018: Nil).

8 LOSS PER SHARE

Basic loss per share attributable to the owners of the Company is calculated by dividing loss for the period attributable to owners of the Company by the weighted average number of shares in issue during the reporting period.

	(Unaudited) Six months ended 30 September 2019	(Unaudited) Six months ended 30 September 2018
Loss for the period attributable to the owners of the Company *(HK$'000)*	**(39,980)**	(107,526)
Weighted average number of ordinary shares in issue *(shares in thousands)*	**8,967,876**	8,967,876
Basic loss per share *(HK cents)*	**(0.45)**	(1.20)

No diluted loss per share for the six months ended 30 September 2019 is presented as there is no potential ordinary shares in issue for the six months ended 30 September 2019.

9 DIVIDEND

The Board of Directors does not recommend the payment of an interim dividend for the six months ended 30 September 2019 (six months ended 30 September 2018: Nil).

10 TRADE RECEIVABLES

	(Unaudited) **30 September** **2019** ***HK$'000***	(Audited) 31 March 2019 *HK$'000*
Trade receivables	**732,461**	760,570
Allowance for credit losses	**(243,618)**	(244,370)
	488,843	516,200

(a) As at 30 September 2019, included in the trade receivables were amounts due from clearing houses of approximately HK$4,990,000 (31 March 2019: HK$6,104,000) and amounts due from securities brokerage clients of approximately HK$52,000 (31 March 2019: HK$225,000).

(b) Before accepting any new customer, the Group uses an internal credit assessment system to assess the potential customer's credit quality and defines credit limits by customer. The management considers adequate allowance has been made at end of the reporting period. Balances which are neither past due nor impaired are all receivable from customers with good historical repayment records and good credit quality.

(c) Trading limits are set for customers. The Group seeks to maintain tight control over its outstanding trade receivables in order to minimise credit risk. Overdue balances are regularly monitored by management.

(d) The settlement terms of trade receivables attributable to the securities brokerage business are two days after the trade date. For the remaining business of the Group, trade receivables are on general terms of 30 to 120 days.

(e) Aging analysis of gross trade receivables based on invoice date is as follows:

	(Unaudited) **30 September** **2019** ***HK$'000***	(Audited) 31 March 2019 *HK$'000*
Less than 30 days	**8,194**	28,621
More than 30 days but less than 3 months	**148,721**	20,021
More than 3 months but less than 1 year	**544,005**	689,109
Over 1 year	**31,541**	22,819
	732,461	760,570

(f) The Group's largest customer within the commodity trading segment which has a significant outstanding trade receivable balance due to the Group with gross carrying amount of approximately HK$692,254,000 (31 March 2019: HK$711,733,000) as at 30 September 2019 was assessed for allowance for credit losses individually. The management assessed for the allowance for credit losses for lifetime by estimating default rate taking into account historical and forward looking information. As at 30 September 2019, impairment allowance of approximately HK$212,034,000 (31 March 2019: HK$218,000,000) was made on the trade receivables due from the Group's largest customer. In addition, the trade receivables were guaranteed by personal guarantee of the director of the Group's largest customer since the guarantee agreement entered into in September 2019. In this regard, the directors of the Company are in the opinion that the provision of loss allowance is sufficient and not excessive. Subsequent to 30 September 2019, with management's follow up actions to chase the long-outstanding receivable, trade receivable due from the Group's largest customer with carrying amount of approximately HK$263,590,000 has been settled by the customer, representing 38% of the gross carrying amount of trade receivables due from the customer as at 30 September 2019.

11 LOANS RECEIVABLE

	(Unaudited) 30 September 2019 HK$'000	(Audited) 31 March 2019 HK$'000
Loans receivable *(Note (a))*	**62,429**	56,856
Margin loans receivable *(Note (b))*	**21,295**	17,041
	83,724	73,897
Less: Allowance for credit losses		
– loans receivable *(Note (a))*	**(3,377)**	(3,118)
– margin loans receivable *(Note (b))*	**(7,759)**	(8,428)
	(11,136)	(11,546)
	72,588	62,351

Notes:

(a) Loans receivable to the extent of approximately HK$62,429,000 (31 March 2019: HK$56,856,000), which arise from the money lending business of providing short-term loans to independent third parties in Hong Kong, are denominated in HK$.

The carrying amounts are determined using effective interest rates ranging from 20% to 54% (31 March 2019: 20% to 54%) per annum and are repayable with fixed terms ranging from three to twenty four months.

As at 30 September 2019, loans receivable of approximately HK$7,651,000 (31 March 2019: HK$6,918,000) bearing interest ranging from 27% to 54% (31 March 2018: 24% to 54%) per annum, are unsecured and expected to be settled by the borrowers within 1 year. The management considers that the second mortgage loans are classified as unsecured loans due to the impediment in repossession of the mortgage properties and the practical difficulties to ascertain the residual collateral value after being claimed by first mortgagee.

As at 30 September 2019, loans receivable of approximately HK$54,778,000 (31 March 2019: HK$49,938,000) bearing interest ranging from 20% to 36% (31 March 2019: 20% to 36%) per annum, are secured and expected to be settled by the borrowers within 1 year. These loans receivable are secured by properties located in Hong Kong, equity securities listed in Hong Kong and unlisted equity securities.

Interest income of approximately HK$6,291,000 (six months ended 30 September 2018: HK$11,586,000) for non-credit impaired loans receivable has been recognised as revenue in the interim condensed consolidated income statement.

The maturity profile of the loans receivable based on maturity date which are neither past due nor impaired is as follows:

	(Unaudited) 30 September 2019 *HK$'000*	(Audited) 31 March 2019 *HK$'000*
Receivable in:		
Less than 1 month	–	593
1 month to 3 months	–	45,289
	–	45,882

(b) As at 30 September 2019, included in loans receivable were advances to margin clients in margin financing amounting to approximately HK$21,295,000 (31 March 2019: HK$17,041,000), which are bearing interest at commercial rates, secured by the underlying pledged securities and are repayable on demand.

In respect of the margin loans receivable advances to margin clients in margin financing with net carrying amount of HK$11,239,000 (31 March 2019: HK$8,603,000), the fair values of the collaterals of such margin loans can be objectively ascertained to cover the outstanding amount of the loan balances.

12 TRADE PAYABLES

	(Unaudited) 30 September 2019 HK$'000	(Audited) 31 March 2019 HK$'000
Trade payables *(Note (a))*	**31,267**	49,613

Notes:

(a) As at 30 September 2019, included in the trade payables were amounts due to clearing houses of approximately HK$6,335,000 (31 March 2019: HK$6,416,000) and amounts due to securities brokerage clients of approximately HK$8,480,000 (31 March 2019: HK$5,880,000).

(b) The majority of trade payables are repayable on demand except where certain trade payables to securities brokerage clients represent margin deposits received from clients for their trading activities under normal course of business. Only the excess amounts over the required margin deposits stipulated are repayable on demand.

(c) Trade payables also include those payables in relation to securities brokerage clients and insurance brokerage clients placed in trust and segregated accounts with authorised institutions of HK$9,958,000 (31 March 2019: HK$4,839,000).

(d) No aging analysis is disclosed for amounts due to clearing house and securities brokerage clients as in the opinion of the directors, it does not give additional value in the view of these businesses.

(e) The following is an aging analysis of trade payables excluding clearing house and securities brokerage clients presented at end of the reporting period.

Aging analysis of trade payables based on invoice dates is as follows:

	(Unaudited) 30 September 2019 HK$'000	(Audited) 31 March 2019 HK$'000
Less than 1 month	**28**	100
1 month to 3 months	**60**	137
More than 3 months but less than 1 year	**1,229**	37,055
Over 1 year	**15,135**	25
	16,452	37,317

13 DISPOSAL OF A SUBSIDIARY

On 3 May 2019, the Group entered into a provisional sale and purchase agreement to dispose of entire interests in an indirectly wholly owned subsidiary of the Company, namely Hai Tai Limited, to an independent third party for a cash consideration of approximately HK$104,782,000. The concerned subsidiary owns investment property and is located at Units Nos. 11, 12, 13, 14 on 8th Floor, Wing On Plaza, No. 62 Mody Road, Kowloon, Hong Kong. The disposal transaction was completed on 19 July 2019 and the cash consideration has been fully settled by the acquirer in July 2019.

The aggregate net assets of Hai Tai Limited at the date of disposal was as follows:

	Hai Tai Limited
	HK$'000
Cash consideration	104,782
Net assets:	
Property, plant and equipment	93
Investment properties	79,415
	79,508
Gain on disposal of a subsidiary	25,274

MANAGEMENT DISCUSSION AND ANALYSIS

Overview on Consolidated Operating Results

During the six months ended 30 September 2019, the Group achieved total revenue of approximately HK$13,993,000 (six months ended 30 September 2018: HK$82,356,000) and gross profit of approximately HK$12,725,000 (six months ended 30 September 2018: HK$49,355,000), representing a decrease of 83% and 74% from the same period of 2018 respectively. The decrease in the Group's revenue and gross profit was mainly attributable to decrease in revenue of commodity trading segment.

The Group recorded consolidated operating loss of approximately HK$6,460,000 (six months ended 30 September 2018: loss of HK$75,652,000) representing a decrease of 91% from the same period of 2018. Decrease in operating loss of the Group was mainly due to decrease in allowance for credit losses on trade receivables, gain on disposal of a subsidiary and foreign exchange gains as opposed to the losses driven from commodity trading segment.

Business Review

Commodity trading

In the reporting period, the commodity trading business recorded total revenue of approximately HK$3,277,000 (six months ended 30 September 2018: HK$63,546,000) which accounted for 23% of the Group's revenue (six months ended 30 September 2018: 77%), representing a decrease of 95% as compared with the same period of 2018. This was mainly due to decrease in trading volume in oil products and non-oil product lines in particularly chemical products, display driver IC products and non-ferrous metals during the reporting period.

The demand and supply of oil product in both China's domestic and international market took a turn for being excessive again after returning to a balance. Due to geopolitical risks and frequent unexpected events, oil prices fluctuated erratically. For the reporting period, the trading volume of oil products of the Group decreased as compared with last year.

During the reporting period, the Group has reviewed and enhanced its own internal control procedures in this business segment to mitigate the internal control risks. The Group has also taken the initiative to diversify its supplier base to avoid reliance on a limited number of supply channels. Leveraging on the benefit of closer supervision, more efficient reporting system and enhanced internal control, the Group shall be able to further expand its own customers and suppliers network, broaden its product base, and strengthen the communication with its customers and suppliers.

As for the oil products trading, the Group recorded net revenue of approximately HK$3,018,000 for the reporting period (six months ended 30 September 2018: HK$28,229,000), representing a decrease of 89% as compared with the same period of 2018. A total of 137,657 tons (six months ended 30 September 2018: 287,920 tons) of oil products were traded in China and other Asia Pacific countries and maintaining stable gross profit.

To ensure a steady profit growth in commodity trading business and achieve risk diversification, our operating teams expanded the Group's trading product lines into non-oil product lines such as chemical products and non-ferrous metals. During the reporting period, net revenue of approximately HK$259,000 (six months ended 30 September 2018: HK$35,317,000) was generated from these product lines.

Looking forward into the next half of the year, our operation teams will put effort to expand markets and the business scale, including the trading transactions of more new product categories, and aim to lead the Group's commodity trading business into a new field and increase the Group's competitiveness in the field of commodity trading.

Crude oil

The Group owns 96% interest of an indirect subsidiary 齊齊哈爾市東北石油開發有限責任公司, which owns an oilfield project in Fularji District near Qiqihar City of Heilongjiang Province of China ("Oilfields").

During the reporting period, for the purpose of renewing the licence《安全生產許可証》for the forthcoming operation in the Oilfield, the modification works to the Oilfield have been completed in accordance with the local fire safety requirements and the inspection of the fire safety modification has been completed, the Oilfield subsequently obtained the acceptance from the relevant governmental department for the PRC fire safety modification. The renewal of the licence《安全生產許可証》is expected to be completed in early of 2020.

Financial services

The financial services segment includes money lending, securities brokerage and asset management businesses.

(a) Money lending

Two indirect wholly-owned subsidiaries of the Company have obtained the money lending licences in Hong Kong. During the reporting period, interest revenue was approximately HK$6,291,000 (six months ended 30 September 2018: HK$11,586,000), representing a decrease of 46% and maintained a steady profit.

The licensing of money lenders and regulation of money-lending transactions are governed by the Money Lenders Ordinance, Chapter 163 of the Laws of Hong Kong. The market of money lending business by licensed money lenders in Hong Kong is keen and competitive. In order to optimise the funding use in business but also to ensure the compliance of the related laws and regulations, the operation team has established a credit policy and loan approval process to minimise the credit risk.

(b) Securities brokerage

An indirect wholly-owned subsidiary of the Company, namely China-Hong Kong Link Securities Company Limited ("CHKLS"), has obtained a licence by Securities and Futures Commission of Hong Kong to carry out type 1 (dealing in securities) regulated activities on 30 September 2015. The Group commenced the business on 30 March 2017. During the reporting period, CHKLS has generated revenue of approximately HK$1,296,000 (six months ended 30 September 2018: HK$4,356,000) to the Group.

(c) Asset management

To achieve with the development strategy of entering into the financial services market in Hong Kong, an indirect wholly-owned subsidiary of the Company, namely China Hong Kong Link Asset Management Limited ("CHKLAM"), has successfully obtained a licence by Securities and Futures Commission of Hong Kong to carry out type 9 (asset management) regulated activities on 16 February 2017. On 7 May 2018, CHKLAM also successfully obtained a licence by Securities and Futures Commission of Hong Kong to carry out type 4 (advising on securities) regulated activities. In August 2019, CHKLAM entered into certain agreements for the provision of fund management, the total assets under management is amounting to approximately HK$300 million. CHKLAM recorded approximately HK$716,000 of revenue during the reporting period (six months ended 30 September 2018: Nil).

Insurance brokage

The Group's wholly owned subsidiary, namely People Insurance Broker Limited ("People Insurance"), is carrying out insurance brokerage service in Hong Kong with the licence to transact all types of general insurance business and long term insurance business in Hong Kong. During the reporting period, the insurance brokerage income was approximately HK$1,426,000 (six months ended 30 September 2018: HK$1,310,000) representing an increase of 9%.

Financial Review

Revenue and operating review

The Group recorded a consolidated revenue of approximately HK$13,993,000 (six months ended 30 September 2018: HK$82,356,000), representing a decrease of 83% from the same period in 2018. The Group's loss for the period attributable to owners of the Company was approximately HK$39,980,000 (six months ended 30 September 2018: HK$107,526,000). Basic loss per share of HK$0.45 cents (six months ended 30 September 2018: basic loss per share of HK$1.20 cents). The improvement of the Group's results was mainly due to the decrease in allowance for credit losses on trade receivables, gain on disposal of a subsidiary and foreign exchange gains as opposed to the losses driven from commodity trading segment.

Working capital

As at 30 September 2019, the Group's current assets were kept at approximately HK$725,353,000 (31 March 2019: HK$724,719,000) whilst current liabilities were approximately HK$122,240,000 (31 March 2019: HK$169,022,000). The current ratio, being the proportion of total current assets against current liabilities, was 5.9 (31 March 2019: 4.3). The Directors consider that the present working capital level is conservatively sufficient to meet the upcoming operating needs.

Liquidity and financial resources

The Group generally finances its operations with internally generated cash flows and facilities provided by its principal bankers in Hong Kong and in China.

The Group had cash and bank balances of approximately HK$64,301,000 at 30 September 2019 (31 March 2019: HK$82,768,000). The Group had cash and bank balances which were mostly held in Hong Kong dollars and Renminbi.

At 30 September 2019, the Group did not have any outstanding bank borrowings (31 March 2019: 32,182,000) while the outstanding bonds were approximately HK$693,887,000 (31 March 2019: HK$684,552,000). The Group's total assets were approximately HK$899,694,000 (31 March 2019: HK$988,368,000).

The gearing ratio, calculated by dividing the total borrowings by the total assets, was 77% at 30 September 2019 (31 March 2019: 73%).

Pledged assets

As at 31 March 2019, the Group pledged the investment properties with a carrying value of HK$80,704,000 (30 September 2019: Nil) to secure the bank borrowings of the Group amounting to HK$32,182,000. During the six months ended 30 September 2019, the bank borrowings were fully repaid.

Contingent Liabilities

The Group did not have any significant contingent liabilities at end of the reporting period.

Exposure to Foreign Exchange Risk and Interest Rate Risk

The Group's business transactions are mainly denominated in United Stated dollars, Hong Kong dollars and Renminbi. Most of the Group's bank borrowings are interest bearing at floating rate basis. The management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise. The Group also uses derivative financial instruments to manage interest rate exposures for hedging purpose only.

Employees and Remuneration Policies

As at 30 September 2019, the Group has an aggregate of 67 (30 September 2018: 77) employees of whom about 26 (30 September 2018: 25) were located in mainland China while the rest were based in Hong Kong, Republic of Kazakhstan and Macau. The employees' remuneration package includes salary, bonus and share options. Pursuant to the Group's remuneration policy, employees are rewarded on the basis of merit and market conditions and in accordance with the statutory requirements of the respective jurisdiction where the employees locate.

Interim Dividend

The Board of Directors does not recommend the payment of any dividend for the six months ended 30 September 2019 (six months ended 30 September 2018: Nil).

CORPORATE GOVERNANCE AND OTHER INFORMATION

Directors' Interest in Competing Business

None of the Directors has an interest in a business which competes or may compete with the business of the Group.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the six months ended 30 September 2019.

Purchase, Sale or Redemption of Listed Securities

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 September 2019.

Corporate Governance

The Group is committed to maintain good corporate governance standard and procedures.

The Company has adopted the Corporate Governance Code (the "Code") as set out in Appendix 14 of the Listing Rules as the corporate governance codes of the Company.

Throughout the six months ended 30 September 2019, the Company has complied with all the code provisions set out in the Code except for the following:

Code Provision A.4.1 requires that non-executive directors should be appointed for a specific term, subject to re-election.

The Non-executive Directors (including the Independent Non-executive Directors) of the Company are not appointed for specific terms but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's Articles of Association.

Audit Committee

The Audit Committee comprises Mr. Chan Shu Kin, Mr. Cheung Kwan Hung and Mr. Chiu Wai Piu, the Independent Non-executive Directors of the Company and Mr. Wu Hao, the Non-Excutive Director of Company. The objectives of the Audit Committee are to review and oversee the Group's financial reporting and internal control systems.

During the period under review, the Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed internal controls, risk management and financial matters including the review of the unaudited interim report of the Group for the six months ended 30 September 2019.

Compliance with the Model Code

The Group has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("the Model Code") as set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by the directors. Having made specific enquiry of all directors, all directors have confirmed that they have fully complied with the required standard set out in the Model Code throughout the review period.

By order of the Board of
Tou Rong Chang Fu Group Limited
Huang Guobiao
Chairman

Hong Kong, 22 November 2019

As at the date hereof, the Board comprises (i) four executive Directors, namely Mr. Huang Guobiao, Mr. Chen Yongsheng, Mr. Wong Kwok Leung and Mr. Gan Xiaohua; (ii) two non-executive Directors, namely Mr. Poon Wai Kong and Mr. Wu Hao; and (iii) three independent non-executive Directors, namely Chan Shu Kin, Mr. Cheung Kwan Hung and Mr. Chiu Wai Piu.