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LONG WELL INTERNATIONAL HOLDINGS LIMITED

久康國際控股有限公司

(formerly known as “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 2020

UNAUDITED INTERIM RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Long Well International Holdings Limited (the “**Company**”) is pleased to present the unaudited interim results for the six months ended 30 September 2020 of the Company and its subsidiaries (together, the “**Group**”), together with the comparative figures for the last corresponding financial period.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2020

		Six months ended	
		30 September	
		2020	2019
	<i>Notes</i>	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Revenue	4	99,047	13,993
Cost of sales and services		<u>(84,669)</u>	<u>(1,268)</u>
Gross profit		14,378	12,725
Other income	6	1,202	197
Other gains or losses, net	7	13,687	26,102
Reversal of impairment losses on trade receivables (Impairment losses)/reversal of impairment losses on loan receivables, net		–	752
Selling and distribution expenses		(583)	(657)
Administrative and other operating expenses		<u>(34,264)</u>	<u>(45,792)</u>
Operating loss		(7,203)	(6,263)
Finance costs	8	<u>(33,171)</u>	<u>(34,778)</u>
Loss before income tax		(40,374)	(41,041)
Income tax credit	9	–	46
Loss for the period	10	<u>(40,374)</u>	<u>(40,995)</u>
Loss for the period attributable to:			
Owners of the Company		(39,292)	(39,980)
Non-controlling interests		<u>(1,082)</u>	<u>(1,015)</u>
		<u>(40,374)</u>	<u>(40,995)</u>
Loss per share (HK cents)	12		
Basic and diluted		<u>(0.44)</u>	<u>(0.45)</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2020

	Six months ended	
	30 September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Loss for the period	<u>(40,374)</u>	<u>(40,995)</u>
Other comprehensive loss:		
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translation of foreign operations	<u>1,135</u>	<u>(4,530)</u>
Total other comprehensive loss for the period	<u>1,135</u>	<u>(4,530)</u>
Total comprehensive loss for the period	<u><u>(39,239)</u></u>	<u><u>(45,525)</u></u>
Total comprehensive loss for the period attributable to:		
Owners of the Company	(38,152)	(44,486)
Non-controlling interests	<u>(1,087)</u>	<u>(1,039)</u>
	<u><u>(39,239)</u></u>	<u><u>(45,525)</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2020

		30 September 2020	31 March 2020
	<i>Notes</i>	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Audited)
Non-current assets			
Property, plant and equipment	<i>13</i>	19,705	23,506
Investment properties	<i>14</i>	–	21,298
Right-of-use assets		7,426	10,082
Intangible assets		61,845	64,237
Trade receivables	<i>15</i>	–	148,709
Prepayments, deposits and other receivables		8,082	13,736
Equity investments at fair value through other comprehensive income		2,021	2,021
Investments at fair value through profit or loss		1,162	1,162
		100,241	284,751
Current assets			
Inventories		213	205
Trade receivables	<i>15</i>	606,124	226,241
Loan receivables		5,870	11,582
Prepayments, deposits and other receivables		46,095	166,222
Investments at fair value through profit or loss		547	750
Income tax recoverable		2,541	5,100
Client trust bank balance		6,399	8,199
Bank and cash balances		32,131	46,187
		699,920	464,486
Current liabilities			
Trade payables	<i>16</i>	101,906	23,444
Other payables and accruals		36,160	47,844
Other borrowing		–	25,675
Lease liabilities		5,309	5,280
Bonds	<i>17</i>	311,519	71,347
		454,894	173,590

	30 September	31 March
	2020	2020
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Net current assets	<u>245,026</u>	<u>290,896</u>
Total assets less current liabilities	<u>345,267</u>	<u>575,647</u>
Non-current liabilities		
Lease liabilities	2,487	5,144
Deferred tax liabilities	387	387
Shareholder's loan	18 17,220	–
Bonds	17 <u>436,624</u>	<u>645,108</u>
	<u>456,718</u>	<u>650,639</u>
NET LIABILITIES	<u><u>(111,451)</u></u>	<u><u>(74,992)</u></u>
Capital and reserves		
Share capital	19 89,679	89,679
Reserves	<u>(191,301)</u>	<u>(155,929)</u>
Equity attributable to owners of the Company	(101,622)	(66,250)
Non-controlling interests	<u>(9,829)</u>	<u>(8,742)</u>
TOTAL DEFICIT	<u><u>(111,451)</u></u>	<u><u>(74,992)</u></u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 September 2020

1 GENERAL INFORMATION

Long Well International Holdings 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 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 Company is an investment holding company. 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 collectively referred to as the “**Group**”.

The condensed consolidated financial statements are presented in Hong Kong Dollar (“**HK\$**”) and all values are rounded to the nearest thousand (“**HK\$’000**”) unless otherwise stated.

2 BASIS OF PREPARATION

These condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) and the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

These condensed consolidated financial statements should be read in conjunction with the 2020 annual financial statements. The accounting policies and methods of computation used in the preparation of these condensed consolidated financial statements are consistent with those used in the annual financial statements for the year ended 31 March 2020.

Going concern

The Group incurred loss attributable to owners of the Company of approximately HK\$39,292,000 for the six months ended 30 September 2020 and as at 30 September 2020, the Group had net liabilities of approximately HK\$111,451,000. Also the Group recorded net cash outflows in operating activities of approximately HK\$41,176,000 for the six months ended 30 September 2020 and as at 30 September 2020, the Group had bank and cash balances of approximately HK\$32,131,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group’s ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. The Directors of the Company have prepared the condensed consolidated financial statements based on going concern on the assumptions and measures that:

- (a) The Group has been actively negotiating with the debtors to settle their outstanding past due trade receivables and loan receivables and have agreed with major customers for their repayment schedules.

- (b) The Group entered into a shareholder’s loan agreement with the substantial shareholder with interest-free and unsecured non-revolving loan facility (the “**Facility**”) of up to HK\$300,000,000. The Group is entitled to borrow from the substantial shareholder of HK\$100,000,000 by 31 December 2020, additional HK\$100,000,000 by 31 March 2021 and additional HK\$100,000,000 by 31 December 2022.
- (c) The Group applies cost control measures in cost of sales, administrative expenses and capital expenditures.
- (d) The Group is also maximising its sales effort, including seeking new customers and sales orders and implementing comprehensive policies to improve operating cash flows.

The Directors of the Company have reviewed the Group’s cash flow projections prepared by management. The cash flow projections cover a period of not less than twelve months from 30 September 2020. After taking into account the above assumptions and measures, and assuming materialization of substantial amount of those assumptions, the Directors of the Company consider that the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within twelve months from 30 September 2020 and believe that the Group will continue as a going concern and consequently have prepared the condensed consolidated financial statements on a going concern basis.

3 ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) that are relevant to its operations and effective for its accounting year beginning on 1 April 2020. HKFRSs comprise Hong Kong Financial Reporting Standards (“**HKFRS**”); Hong Kong Accounting Standards (“**HKAS**”); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group’s accounting policies, presentation of the Group’s financial statements and amounts reported for the current year and prior years.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

4 REVENUE

	Six months ended	
	30 September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Trading of commodities, chemical products and petroleum products	96,169	3,277
Income from money lending, securities brokerage and assets management	923	2,012
Others	1,035	1,426
	<hr/>	<hr/>
Revenue from contracts with customers	98,127	6,715
Loan interest income	920	6,291
Rental income	–	987
	<hr/>	<hr/>
Total revenue	<u>99,047</u>	<u>13,993</u>

For the periods ended 30 September 2020 and 2019, all revenue from contracts with customers is recognised at a point in time.

Trading of commodities, chemical products and petroleum products

The Group sells commodities and chemical products to customers recognised on a net basis with the amount of HK\$4,862,000 for the six months ended 30 September 2020 (for the six months ended 30 September 2019: HK\$3,277,000). 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. Sales of certain products of the Group has been recognised on a gross basis with the amount of HK\$91,307,000 for the six months ended 30 September 2020 (for the six months ended 30 September 2019: HK\$Nil) as the Group has the control over the products before passing on to customers and is therefore exposed to inventory risk. Revenue is recognised when goods are transferred to customers which are taken to be the point in time when control of the goods has transferred, being when the goods have been shipped to the customer's specific location on which the customers obtain control of the goods.

Commission income for security brokerage

Brokerage and commission income are recognised on a gross basis at the rate agreed in the contract with customers at the point when the transaction of securities trading is completed.

Commission income for insurance brokerage

Brokerage and commission income are recognised on a gross basis at the rate agreed in the contract with customers at the point when the terms of the insurance policy have been agreed contractually by the insurer and policyholder, and the insurer has a present right to payment from the policyholder.

5 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 businesses 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, changes in fair value of investments at fair value through profit or loss (“FVTPL”), losses due to loss of assets and interest expenses.

The CODM also reviews the earnings/loss before net finance income and costs, income tax expense, depreciation and amortisation, impairment losses on property, plant and equipment, investment properties and intangible assets, 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 performance and allocating resources among segments, all assets are allocated to operating segments other than investments at FVTPL, equity investments at fair value through other comprehensive income (“FVTOCI”), current income tax recoverable, bank and cash 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 operating and reportable segment.

For the six months period ended 30 September 2020

	Commodity trading <i>HK\$'000</i> (Unaudited)	Crude oil <i>HK\$'000</i> (Unaudited)	Property investment <i>HK\$'000</i> (Unaudited)	Financial services <i>HK\$'000</i> (Unaudited)	Others <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Revenue from contracts with customers within scope of HKFRS 15						
External and total revenue recognised at a point in time						
— On a gross basis	91,307	—	—	923	1,035	93,265
— On a net basis	4,862	—	—	—	—	4,862
	<u>96,169</u>	<u>—</u>	<u>—</u>	<u>923</u>	<u>1,035</u>	<u>98,127</u>
Revenue not within scope of HKFRS 15						
Loan interest income	—	—	—	920	—	920
	<u>96,169</u>	<u>—</u>	<u>—</u>	<u>1,843</u>	<u>1,035</u>	<u>99,047</u>
Segment EBITDA/(LBITDA)	10,642	(509)	(679)	(5,655)	(597)	3,202
Segment depreciation and amortisation	(481)	(5,350)	(87)	(120)	(2,074)	(8,112)
Segment results	<u>10,161</u>	<u>(5,859)</u>	<u>(766)</u>	<u>(5,775)</u>	<u>(2,671)</u>	<u>(4,910)</u>
Unallocated income and expenses, net						(2,294)
Interest income on bank deposits						1
Interest expenses						<u>(33,171)</u>
Loss before income tax						<u>(40,374)</u>

For the six months period ended 30 September 2019

	Commodity trading <i>HK\$'000</i> (Unaudited)	Crude oil <i>HK\$'000</i> (Unaudited)	Property investment <i>HK\$'000</i> (Unaudited)	Financial services <i>HK\$'000</i> (Unaudited)	Others <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Revenue from contracts with customers within scope of HKFRS 15						
External and total revenue recognised at a point in time						
— On a gross basis	—	—	—	2,012	1,426	3,438
— On a net basis	3,277	—	—	—	—	3,277
	<u>3,277</u>	<u>—</u>	<u>—</u>	<u>2,012</u>	<u>1,426</u>	<u>6,715</u>
Revenue not within scope of HKFRS 15						
Loan interest income	—	—	—	6,291	—	6,291
Rental income	—	—	987	—	—	987
	<u>—</u>	<u>—</u>	<u>987</u>	<u>6,291</u>	<u>—</u>	<u>7,278</u>
	<u>3,277</u>	<u>—</u>	<u>987</u>	<u>8,303</u>	<u>1,426</u>	<u>13,993</u>
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	<u>3,470</u>	<u>(6,665)</u>	<u>(26)</u>	<u>1,625</u>	<u>(3,016)</u>	<u>(4,612)</u>
Unallocated income and expenses, net						(1,848)
Interest income on bank deposits						197
Interest expenses						(34,778)
Loss before income tax						<u>(41,041)</u>

(b) Segment assets

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

	30 September	31 March
	2020	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Segment assets		
Commodity trading	624,736	528,705
Crude oil	74,829	78,582
Property investment	364	21,302
Financial services	23,002	27,179
Others	5,244	5,706
	<hr/>	<hr/>
Total segment assets	728,175	661,474
Unallocated	71,986	87,763
	<hr/>	<hr/>
Total assets	800,161	749,237
	<hr/> <hr/>	<hr/> <hr/>

6 OTHER INCOME

	Six months ended	
	30 September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest income from bank deposits	1	197
Management fee income	273	–
Government and other subsidies	928	–
	<hr/>	<hr/>
	1,202	197
	<hr/> <hr/>	<hr/> <hr/>

7 OTHER GAINS OR LOSSES, NET

	Six months ended	
	30 September	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Gain on disposal of a subsidiary	–	(25,274)
Loss on disposal of property, plant and equipment	12	110
Gain on disposal of investment properties	(13,289)	–
Exchange losses, net	(424)	(2,084)
Fair value change of investments at FVTPL	172	1,201
Others	(158)	(55)
	<u>(13,687)</u>	<u>(26,102)</u>

8 FINANCE COSTS

	Six months ended	
	30 September	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Interest on bonds	32,329	34,378
Interest on bank borrowings	–	241
Interest on other borrowing	609	–
Interest on lease liabilities	233	159
	<u>33,171</u>	<u>34,778</u>

9 INCOME TAX CREDIT

No provision for Hong Kong Profits Tax has been made as the Group did not have assessable profit subject to Hong Kong Profits Tax during the period (for the six months ended 30 September 2019: Nil).

Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation in the relevant jurisdiction of which the most significant jurisdictions are the PRC which has an enterprise income tax rate of 25% (for the six months ended 30 September 2019: 25%). Under the applicable corporate tax law in Macau, profits tax is charged at 12% (for the six months ended 30 September 2019: 12%) of the estimated assessable profits.

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

10 LOSS FOR THE PERIOD

The Group's loss for the period is stated after charging the following:

	Six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Cost of inventories recognised as expense	84,669	1,268
Depreciation of property, plant and equipment	4,437	3,891
Depreciation of investment properties	86	686
Depreciation of right-of-use assets	2,603	1,936
Amortisation of intangible assets	4,069	4,889
Operating lease expenses	–	929
Short-term lease expenses	45	–
Legal and professional fees	4,603	6,679
Commission expenses	–	996
Staff costs (including directors' emoluments)		
Salaries, bonus and allowances	11,434	15,741
Retirement benefits scheme contributions	256	317
	<u>11,690</u>	<u>16,058</u>

11 DIVIDENDS

The Directors do not recommend the payment of an interim dividend for the six months ended 30 September 2020 (six months ended 30 September 2019: Nil).

12 LOSS PER SHARE

Basic loss per share

The calculation of basic loss per share attributable to owners of the Company is based on the loss for the period attributable to owners of the Company of approximately HK\$39,292,000 (for the six months ended 30 September 2019: approximately HK\$39,980,000) and the weighted average number of ordinary shares of 8,967,876,000 (for the six months ended 30 September 2019: 8,967,876,000) in issue during the six months ended 30 September 2020.

Diluted loss per share

No diluted loss per share for the six months ended 30 September 2020 and 2019 is presented as there is no potential ordinary shares in issue for the six months ended 30 September 2020 and 2019.

13 PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2020, the Group acquired property, plant and equipment of approximately HK\$75,000 (for the six months ended 30 September 2019: HK\$174,000).

In addition, during the current interim period, the Group had disposed of/written off certain property, plant and equipment with an aggregate carrying amount of approximately HK\$12,000 (for the six months ended 30 September 2019: HK\$385,000) for a total consideration of Nil (for the six months ended 30 September 2019: HK\$275,000).

14 INVESTMENT PROPERTIES

On 7 April 2020, the Group entered into a sale and purchase agreement to dispose of an investment property owned by an indirectly wholly owned subsidiary of the Company to an independent third party for a cash consideration of approximately HK\$34,500,000. The disposal transaction was completed on 12 June 2020.

15 TRADE RECEIVABLES

	30 September 2020 <i>HK\$'000</i> (Unaudited)	31 March 2020 <i>HK\$'000</i> (Audited)
Trade receivables	850,535	619,361
Less: Allowance for doubtful debts	(244,411)	(244,411)
	<hr/> 606,124 <hr/>	<hr/> 374,950 <hr/>
Trade receivables, net		
	606,124	374,950
	<hr/> 606,124 <hr/>	<hr/> 374,950 <hr/>

	30 September 2020 <i>HK\$'000</i> (Unaudited)	31 March 2020 <i>HK\$'000</i> (Audited)
Current portion	606,124	226,241
Non-current portion	–	148,709
	<hr/> 606,124 <hr/>	<hr/> 374,950 <hr/>

The aging analysis of trade receivables, based on the invoice date, and net of allowance, is as follows:

	30 September 2020 HK\$'000 (Unaudited)	31 March 2020 HK\$'000 (Audited)
1–30 days	88,187	76,780
31–90 days	11,568	75
91–365 days	389,123	292,969
Over 365 days	<u>117,246</u>	<u>5,126</u>
	<u>606,124</u>	<u>374,950</u>

16 TRADE PAYABLES

	30 September 2020 HK\$'000 (Unaudited)	31 March 2020 HK\$'000 (Audited)
Trade payables to clearing house and securities brokerage clients	6,975	8,049
Trade payables to suppliers (<i>Note a</i>)	<u>94,931</u>	<u>15,395</u>
	<u>101,906</u>	<u>23,444</u>

Note:

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

	30 September 2020 HK\$'000 (Unaudited)	31 March 2020 HK\$'000 (Audited)
Within 30 days	131	162
31 to 90 days	35	58
91 days to 365 days	78,394	83
Over 365 days	<u>16,371</u>	<u>15,092</u>
	<u>94,931</u>	<u>15,395</u>

17 BONDS

	30 September 2020 HK\$'000 (Unaudited)	31 March 2020 HK\$'000 (Audited)
Unsecured bonds	748,143	716,455
Less: Amount due for settlement within 12 months (shown under current liabilities)	<u>(311,519)</u>	<u>(71,347)</u>
Amount due for settlement after 12 months	<u>436,624</u>	<u>645,108</u>

The carrying amounts of the above bonds are repayable based on the scheduled repayment terms set out in the bond agreements as follows:

	30 September 2020 HK\$'000 (Unaudited)	31 March 2020 HK\$'000 (Audited)
On demand or within one year	311,519	71,347
In the second year	228,777	348,783
In the third to fifth years, inclusive	207,847	278,087
After five years	<u>–</u>	<u>18,238</u>
	<u>748,143</u>	<u>716,455</u>

The carrying amount of the bonds are determined using the expected future payments discounted at effective interest rates ranged from 5.1% to 17.7% per annum prevailing at the respective dates of issuance.

The fair value of the bonds as at 30 September 2020 amounted to approximately HK\$748,143,000 (31 March 2020: HK\$716,455,000). The fair values are determined based on cash flows discounted using a rate based on the effective market interest rates of 5.3% to 17.8% per annum as at 30 September 2020 and 31 March 2020.

18 SHAREHOLDER'S LOAN

On 25 September 2020, the Group and Mr. Wang Chao, a substantial shareholder of the Company, entered into a shareholder's loan agreement, with the Facility of up to HK\$300,000,000. The Group is entitled to borrow from the substantial shareholder of HK\$100,000,000 by 31 December 2020, additional HK\$100,000,000 by 31 March 2021 and additional HK\$100,000,000 by 31 December 2022.

As at 30 September 2020, HK\$20,000,000 had been drawn down for a term from 30 September 2020 to 29 September 2023. The amount was interest-free and unsecured.

19 SHARE CAPITAL

	Number of shares <i>(Thousands)</i>	Nominal value per share <i>HK\$</i>	Share capital <i>HK\$'000</i>
Authorised			
At 1 April 2019, 31 March 2020, 1 April 2020 and 30 September 2020	<u>15,000,000</u>	<u>0.01</u>	<u>150,000</u>
Issued and fully paid			
At 1 April 2019, 31 March 2020, 1 April 2020 and 30 September 2020	<u>8,967,876</u>	<u>0.01</u>	<u>89,679</u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance.

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The Group's management review the capital structure periodically. As part of this review, the Directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the Directors, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the repayment of existing debt.

20 RELATED PARTY TRANSACTIONS

- (a) In addition to those related party transactions and balances disclosed elsewhere in the condensed consolidated financial statements, the Group had no transactions with its related parties.
- (b) Compensation of key management

The remuneration of key management personnel of the Group during the period was as follow:

	Six months ended 30 September	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Salaries and allowance	4,086	6,956
Contributions to retirement benefits schemes	<u>52</u>	<u>66</u>
	<u>4,138</u>	<u>7,022</u>

21 EVENT AFTER THE REPORTING PERIOD

The Company has published an announcement on 24 November 2020 in relation to an investigation under the Theft Ordinance (Chapter 210, Laws of Hong Kong) and Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong). The Board is of the view that the business and operations of the Group have not been adversely affected by the investigations and will continue as normal. The Company has extended and will continue to extend its full co-operation to the investigations and will issue further announcements as permitted under the relevant regulations as and when appropriate.

22 APPROVAL OF FINANCIAL STATEMENTS

The condensed consolidated financial statements were approved and authorised for issue by the Board of Directors on 25 November 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW ON CONSOLIDATED OPERATING RESULTS

During the six months ended 30 September 2020, the Group achieved total revenue of approximately HK\$99,047,000 (six months ended 30 September 2019: HK\$13,993,000) and gross profit of approximately HK\$14,378,000 (six months ended 30 September 2019: HK\$12,725,000), representing an increase of 607.8% and 13.0% from the same period of 2019 respectively. The increase in the Group's revenue and gross profit was mainly attributable to increase in revenue of commodity trading segment.

The Group recorded consolidated operating loss of approximately HK\$7,203,000 (six months ended 30 September 2019: loss of HK\$6,263,000) representing an increase of 15.0% from the same period of 2019. Increase in operating loss of the Group was mainly due to decrease in administrative and other operating expenses driven by implementing effective cost control measures but offset by no gain on disposal of subsidiaries incurred during the reporting period.

BUSINESS REVIEW

Commodity trading

During the reporting period, the commodity trading business recorded total revenue of approximately HK\$96,169,000 (six months ended 30 September 2019: HK\$3,277,000) which accounted for 97.1% of the Group's revenue (six months ended 30 September 2019: 23.4%), representing an increase of 2,834.7% as compared with the same period of 2019. This was mainly due to increase in trading volume in oil products and non-oil product lines in particularly raw materials for production of medicine and non-ferrous metals during the reporting period.

As previously mentioned in the Company's 2019/20 annual report, the outbreak of COVID-19 and the price war between Russia and Saudi Arabia have had adverse impact on the development of the Group's commodity trading business in along with the uncertainties over the global economy. As parts of the world still brace for next wave of COVID-19 infections, the potential economic destruction created by the pandemic will take a long time to overcome. The Company believes that the Group's business environment will continue to be challenging in the short to medium term. For the reporting period, despite some sales contracts have been further disrupted as a result of the economic contraction caused by COVID-19, the net revenue and trading volume of oil products of the Group increased as compared with last year because of improvement in expanding its customers network and strengthening the communication with its customers.

As for the oil products trading, the Group recorded net revenue of approximately HK\$4,862,000 for the reporting period (six months ended 30 September 2019: HK\$3,018,000), representing an increase of 61.1% as compared with the same period of 2019. A total of 71,615 tons (six months ended 30 September 2019: 54,646 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 continued to expand the Group's trading product lines into non-oil product lines such as raw materials for production of medicine and non-ferrous metals. During the reporting period, net revenue of approximately HK\$91,307,000 (six months ended 30 September 2019: HK\$259,000) 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 《安全生產許可證》 for the forthcoming operation in the Oilfields, the modification works to the Oilfields have been completed in accordance with the local fire safety requirements and the inspection of the fire safety modification has been completed. The Oilfields subsequently obtained the acceptance from the relevant governmental department for the PRC fire safety modification. The outbreak of COVID-19 has caused some delays to this process. The renewal of the licence 《安全生產許可證》 is expected to be completed by late of 2020.

The management has been monitoring the crude oil market and oil price trend in order to determine the appropriate time to re-launch the crude oil business. One of the major reasons for the re-launch was due to the gradual increase in the global oil price in 2019. However, in view of the significant drop in global oil price in March 2020 due to the oil price war between Russia and Saudi Arabia, the management is still re-evaluating its development plan for the Oilfields operation and the management would continue to monitor the latest development of the crude oil market while equipping the Group with the ability to resume production of crude oil at an appropriate time.

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\$920,000 (six months ended 30 September 2019: HK\$6,291,000), representing a decrease of 85.4%. The decrease was primarily due to the decrease in the outstanding balance of loan receivables after provision for expected credit losses.

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\$923,000 (six months ended 30 September 2019: HK\$1,296,000) to the Group, the decrease in securities brokerage income was mainly due to the decrease in broking turnover which was affected by the volatile local stock market.

(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. As certain agreements for the provision of fund management had been terminated on 31 December 2019 and 29 February 2020, CHKLAM did not record any revenue during the reporting period (six months ended 30 September 2019: HK\$716,000).

Insurance brokerage

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\$1,035,000 (six months ended 30 September 2019: HK\$1,426,000) representing a decrease of 27.4%.

FINANCIAL REVIEW

Revenue and operating review

The Group recorded a consolidated revenue of approximately HK\$99,047,000 (six months ended 30 September 2019: HK\$13,993,000), representing an increase of 607.8% from the same period in 2019. The Group's loss for the period attributable to owners of the Company was approximately HK\$39,292,000 (six months ended 30 September 2019: HK\$39,980,000). Basic loss per share of HK\$0.44 cents (six months ended 30 September 2019: basic loss per share of HK\$0.45 cents). This was mainly due to decrease in administrative and other operating expenses driven by implementing effective cost control measures but offset by no gain on disposal of subsidiaries incurred during the reporting period.

Working capital

As at 30 September 2020, the Group's current assets were kept at approximately HK\$699,920,000 (31 March 2020: HK\$464,486,000) whilst current liabilities were approximately HK\$454,894,000 (31 March 2020: HK\$173,590,000). The current ratio, being the proportion of total current assets against current liabilities, was 1.5 (31 March 2020: 2.7). After taking into account the assumptions and measures as mentioned in Note 2 to the condensed consolidated financial information above, and assuming materialization of substantial amount of those assumptions, the Directors consider that the Group has sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within twelve months from 30 September 2020.

Liquidity and financial resources

During the reporting period, the Group generally financed its operations mainly by internally generated cash flows, other borrowing, bonds and shareholder's loan.

The Group had cash and bank balances of approximately HK\$32,131,000 at 30 September 2020 (31 March 2020: HK\$46,187,000). The Group had cash and bank balances which were mostly held in Hong Kong dollars and Renminbi.

At 30 September 2020, the Group did not have any outstanding bank borrowings (31 March 2020: Nil) while the outstanding bonds were approximately HK\$748,143,000 (31 March 2020: HK\$716,455,000). The Group's total assets were approximately HK\$800,161,000 (31 March 2020: HK\$749,237,000).

The gearing ratio, calculated by dividing the total borrowings by the total assets, was 93.5% at 30 September 2020 (31 March 2020: 99.1%).

Pledged assets

As at 31 March 2020, the Group pledged the investment properties with a carrying value of HK\$21,298,000 (30 September 2020: Nil) to secure an other borrowing amounting to HK\$25,675,000. During the six months ended 30 September 2020, the other borrowing was 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 States 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 2020, the Group has an aggregate of 57 (30 September 2019: 67) employees of whom about 19 (30 September 2019: 26) 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.

THE COVID-19 PANDEMIC'S IMPACT

The outbreak of COVID-19 has expanded globally and the prevention and control measures to combat the disease have continued to be implemented by different countries. As at the date of this interim report, there was no material negative impact on the businesses for the Group due to the outbreak of COVID-19.

The global outbreak of COVID-19 has increased uncertainty in our future operating performance which is currently difficult to predict particularly in the Group's commodity trading business. Negative impacts on the global economy and the financial market could adversely affect the financial results in the coming financial years, which could be significant to the Group but are not possible to quantify at this stage.

The Directors will continue to closely monitor the development of the COVID-19 and assess its impact on the financial position, and operational results of the Group. At present, the Group does not foresee any material change in its exposures to credit risk and liquidity risk affected by the pandemic.

INTERIM DIVIDEND

The Board of Directors does not recommend the payment of any dividend for the six months ended 30 September 2020 (six months ended 30 September 2019: 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 2020.

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 2020.

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 2020, 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. Cheung Kwan Hung, Mr. Lam Tze Chung Felix and Mr. Choi Ho Yan, the Independent Non-executive Directors, and Mr. Wu Hao, the Non-executive Director of the 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 2020.

EVENT AFTER THE REPORTING PERIOD

The Company has published an announcement on 24 November 2020 in relation to an investigation under the Theft Ordinance (Chapter 210, Laws of Hong Kong) and Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong). The Board is of the view that the business and operations of the Group have not been adversely affected by the investigations and will continue as normal. The Company has extended and will continue to extend its full co-operation to the investigations and will issue further announcements as permitted under the relevant regulations as and when appropriate.

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
Long Well International Holdings Limited
Huang Guobiao
Chairman

Hong Kong, 25 November 2020

As at the date of this announcement, the Board comprises (i) four executive Directors, namely Mr. Huang Guobiao, Mr. Wong Kwok Leung, Professor Kwong Ser Yuen Albert and Mr. Lee Siu Fung; (ii) one non-executive Director, namely Mr. Wu Hao; and (iii) three independent non-executive Directors, namely Mr. Cheung Kwan Hung, Mr. Lam Tze Chung Felix and Mr. Choi Ho Yan.