



*Far East Hotels and Entertainment Limited*

Stock Code : 00037

## Interim Report 2016



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In the event of any error or omission in the Chinese translation of this Interim Report, the English text shall prevail.

## Place of Incorporation

Hong Kong

## Board of Directors

### *Executive Directors*

Derek Chiu, B.A.

*(Managing Director and Chief Executive)*

Margaret Chiu, LL.B.

Alex Chiu, B.Sc.

Amanda Chiu, B.A.

### *Non-executive Directors*

Chiu Ju Ching Lan, J.P.

Dick Tat Sang Chiu, M.A.

### *Independent Non-executive Directors*

Ip Shing Hing, J.P.

Ng Wing Hang Patrick

Choy Wai Shek Raymond, MH, J.P.

## Company Secretary

Kwok Siu Man

## Solicitors

Woo Kwan Lee & Lo

## Independent Auditor

Deloitte Touche Tohmatsu

*Certified Public Accountants*

Hong Kong

## Authorised Representatives

Derek Chiu, B.A.

Kwok Siu Man

## Audit Committee

Ng Wing Hang Patrick *(Chairman)*

Ip Shing Hing, J.P.

Choy Wai Shek Raymond, MH, J.P.

## Remuneration Committee

Choy Wai Shek Raymond, MH, J.P. *(Chairman)*

Ip Shing Hing, J.P.

Ng Wing Hang Patrick

Derek Chiu, B.A.

## Nomination Committee

Ip Shing Hing, J.P. *(Chairman)*

Ng Wing Hang Patrick

Choy Wai Shek Raymond, MH, J.P.

Derek Chiu, B.A.

## Principal Bankers

Bank of China (Hong Kong) Limited

Hang Seng Bank Limited

Public Bank (Hong Kong) Limited

The Bank of East Asia, Limited

The Hongkong and Shanghai Banking Corporation Limited

## Registered and Principal Office

Suite 1902, 19th Floor,

The Sun's Group Centre,

200 Gloucester Road,

Wanchai, Hong Kong

## Share Registrar

Tricor Standard Limited

Level 22, Hopewell Centre,

183 Queen's Road East, Hong Kong

## Place of Listing

The shares of the Company are listed on

The Stock Exchange of Hong Kong Limited

## Stock Code

00037

## Website

[www.tricor.com.hk/web/service/00037](http://www.tricor.com.hk/web/service/00037)

## OVERALL RESULTS

For the six months ended 30 September 2016, Far East Hotels and Entertainment Limited (the "Company") and its subsidiaries (collectively, the "Group") recorded an unaudited consolidated net loss attributable to owners of the Company of HK\$972,930 (2015: net loss of HK\$9,835,872).

## INTERIM DIVIDEND

The board of directors of the Company (the "Board") has resolved not to declare any interim dividend in respect of the six months ended 30 September 2016 (2015: Nil).

## REVIEW OF OPERATIONS AND PROSPECTS

For the six months ended 30 September 2016, the Group recorded a total revenue of approximately HK\$25.2 million (2015: HK\$25.7 million) and a gross profit of approximately HK\$3.6 million (2015: HK\$5.6 million), representing decreases of approximately 2.1% and 35.8% respectively. Loss for the period attributable to owners of the Company amounted to approximately HK\$0.97 million (2015: loss of HK\$9.84 million).

For the period under review, the Cheung Chau Warwick Hotel in Hong Kong recorded a total revenue of approximately HK\$9.5 million (2015: HK\$10.8 million) with contributing profit of approximately HK\$460,000 (2015: HK\$2.4 million). The guest rooms department and the food and beverage department recorded decreases in revenue of approximately 13% and 9% respectively.

The serviced property letting business in Beijing recorded a revenue of approximately HK\$14.37 million (2015: HK\$14.4 million) and a profit of approximately HK\$2.21 million (2015: HK\$3.12 million), representing decreases of approximately 0.2% and 29.2% respectively. Despite the economic slowdown in the mainland China, the rental revenue of the serviced property remained stable. However, the increase in operating costs curtailed the performance of the serviced property letting business in Beijing.

For securities investment and trading, the Group recorded a profit of approximately HK\$3.2 million (2015: loss of HK\$2.7 million), which included an increase of approximately HK\$2.8 million (2015: a decrease of approximately HK\$3 million) in fair value of investment securities. In view of the low interest environment in Hong Kong, the Group put more resources in investment securities in a prudent manner with a view to gaining short-term investment returns for the period under review.

On 24 October 2016, the Company and Mr. Derek Chiu, an executive director who is also the managing director and chief executive of the Company (the "Vendor") entered into a purchase and sale agreement (the "Acquisition Agreement"), pursuant to which the Company conditionally agreed to acquire and the Vendor conditionally agreed to sell 50 shares in the issued share capital of Sino Noble Development Limited (the "Target Company" and the "Sale Shares" respectively) and the advance, loan(s) and finance made to the Target Company by the Vendor (the "Sale Loans") at an aggregate consideration of HK\$22,815,000 (the "Acquisition").

The Sale Shares represent 50% of the total issued shares of the Target Company and the entire interest held by the Vendor in the Target Company. The Sale Loans represent the entire sum due from the Target Company to the Vendor as at the completion date. The sole assets of the Target Company are 40 parcels of agricultural lots located in Yuen Long, New Territories, Hong Kong with a total site area of approximately 149,846 square feet.

Immediately before completion of the Acquisition, the Target Company is a jointly controlled entity owned as to 50% by the Company and 50% by the Vendor. Upon completion, the Target Company will become a directly wholly-owned subsidiary of the Company.

At the extraordinary general meeting of the Company held on 28 November 2016, the independent shareholders passed an ordinary resolution approving the Acquisition Agreement and the transaction contemplated thereunder.

Details of this transaction are disclosed in the Company's announcements dated 24 October 2016 and 28 November 2016 and the Company's circular dated 10 November 2016 respectively.

The market conditions are expected to remain challenging in the near future. The management will closely monitor and actively react to any changes as they arise. The Group will also from time to time seek business opportunities that can provide investment potential and broaden the income base of the Group.

## LIQUIDITY AND FINANCIAL RESOURCES

At 30 September 2016, the Group had bank balances and cash of HK\$46,350,986 (31/03/2016: HK\$68,269,628) and pledged bank deposits of HK\$2,118,000 (31/03/2016: HK\$2,118,000).

At 30 September 2016, there were outstanding bank loans and utilised overdraft facilities of HK\$33,102,851 (31/03/2016: HK\$34,278,645) and unutilised overdraft facilities of HK\$6,000,000 (31/03/2016: HK\$6,000,000) available to the Group.

At 30 September 2016, the Group did not have any foreign exchange contracts, interest or currency swaps or other financial derivatives.

Shareholders' funds at 30 September 2016 amounted to approximately HK\$282.5 million (31/03/2016: approximately HK\$283.7 million). Accordingly, the Group's gearing ratio (total bank borrowings to shareholders' funds) at 30 September 2016 was 12% (31/03/2016: 12%).

## **CHARGES OVER ASSETS OF THE GROUP**

At 30 September 2016, certain property, plant and machinery and bank deposit with an aggregate carrying value of approximately HK\$33 million (31/03/2016: approximately 34 million) were secured for the Group's bank borrowings and overdrafts.

## **CONTINGENT LIABILITIES**

At 30 September 2016, the Company had issued financial guarantees of HK\$18,000,000 (31/03/2016: HK\$18,000,000) to banks in respect of banking facilities granted to its subsidiaries, of which HK\$14,793,600 (31/03/2016: HK\$14,793,600) had been utilised by its subsidiaries.

## **CAPTIAL COMMITMENTS**

At 30 September 2016, the Group had no significant capital commitments (31/03/2016: Nil).

## **MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES**

Save as disclosed in the section headed "REVIEW OF OPERATIONS AND PROSPECTS" above and note 16 to the condensed consolidated financial statements, the Group made no material acquisition or disposal in the six months ended 30 September 2016 and up to date of this report.

## **EMPLOYEES AND REMUNERATION POLICIES**

At 30 September 2016, the Group had approximately 70 employees (31/03/2016: approximately 70 employees). Employees are remunerated in accordance with the nature of the job and market conditions. Staff incentive bonus would be granted to reward and motivate those well-performed employees. The Company adopted a new share option scheme on 2 September 2016 as an incentive to the directors and eligible participants defined thereunder.

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

For the six months ended 30 September 2016

		<b>Six months ended 30 September</b>	
		<b>2016 (unaudited) HK\$</b>	<b>2015 (unaudited) HK\$</b>
	Notes		
Revenue	3	25,183,747	25,730,981
Cost of sales		<b>(21,584,022)</b>	<b>(20,126,854)</b>
Gross profit		<b>3,599,725</b>	5,604,127
Other gains and losses	5	<b>3,544,656</b>	<b>(2,465,941)</b>
Increase (decrease) in fair value of investment properties		137,848	(828,417)
Administrative expenses		<b>(6,739,927)</b>	<b>(11,833,205)</b>
Finance costs	6	<b>(480,534)</b>	<b>(513,098)</b>
Share of results of associates		268,979	204,340
Share of results of a joint venture		<b>(1,303,677)</b>	<b>(3,678)</b>
Loss before taxation		<b>(972,930)</b>	<b>(9,835,872)</b>
Taxation	7	–	–
Loss for the period attributable to owners of the Company		<b>(972,930)</b>	<b>(9,835,872)</b>
Other comprehensive expenses			
<i>Item that may be subsequently reclassified to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		<b>(182,544)</b>	<b>(1,427,235)</b>
Total comprehensive expenses for the period attributable to owners of the Company		<b>(1,155,474)</b>	<b>(11,263,107)</b>
		<b>HK Cents</b>	<b>HK Cents</b>
Loss per share	8		
– Basic		<b>(0.16)</b>	<b>(1.63)</b>
– Diluted		<b>(0.16)</b>	<b>(1.63)</b>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

*As at 30 September 2016*

	Notes	<b>30/09/2016 (unaudited) HK\$</b>	31/03/2016 (audited) HK\$
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>63,930,425</b>	67,818,199
Investment properties		<b>123,158,521</b>	122,499,779
Interests in associates		<b>1,029,025</b>	760,046
Interest in a joint venture		<b>16,057,764</b>	17,361,441
Loan to a joint venture	10	<b>8,447,118</b>	8,445,940
Promissory notes receivables		<b>15,250,000</b>	15,250,000
Paintings		<b>3,921,217</b>	3,921,217
		<b>231,794,070</b>	236,056,622
<b>CURRENT ASSETS</b>			
Investment securities		<b>38,975,589</b>	16,070,838
Inventories		<b>484,166</b>	479,257
Promissory notes receivables		<b>6,000,000</b>	6,000,000
Trade receivables	11	<b>2,212,501</b>	5,013,088
Other receivables, deposits and prepayments		<b>1,456,939</b>	1,734,769
Pledged bank deposits		<b>2,118,000</b>	2,118,000
Bank balances and cash		<b>46,350,986</b>	68,269,628
		<b>97,598,181</b>	99,685,580



**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)**

*As at 30 September 2016*

	Notes	30/09/2016 (unaudited) HK\$	31/03/2016 (audited) HK\$
<b>CURRENT LIABILITIES</b>			
Trade and other payables and accruals	12	4,188,477	5,830,677
Receipts in advance		3,109,149	4,314,145
Deposits received		427,142	270,796
Amounts due to directors		210,000	–
Amounts due to associates		603,381	442,381
Amounts due to related companies		715,871	717,236
Amount due to a non-controlling shareholder		1,219,512	3,780,151
Bank borrowings – due within one year	13	17,198,616	17,165,542
Obligations under a finance lease		353,991	133,652
		<b>28,026,139</b>	<b>32,654,580</b>
<b>NET CURRENT ASSETS</b>			
		<b>69,572,042</b>	<b>67,031,000</b>
		<b>301,366,112</b>	<b>303,087,622</b>
<b>CAPITAL AND RESERVES</b>			
Share capital	14	310,764,913	310,764,913
Reserves		(28,240,151)	(27,084,677)
		<b>282,524,762</b>	<b>283,680,236</b>
<b>NON-CURRENT LIABILITIES</b>			
Provision for long service payments		2,053,401	2,053,401
Obligations under a finance lease		883,714	240,882
Bank borrowings – due after one year	13	15,904,235	17,113,103
		<b>18,841,350</b>	<b>19,407,386</b>
		<b>301,366,112</b>	<b>303,087,622</b>

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

*For the six months ended 30 September 2016*

	Share capital HK\$	Share option reserve HK\$	Translation reserve HK\$	Special reserve HK\$	Retained earnings HK\$	Total HK\$
At 1 April 2015 (Audited)	308,795,513	3,512,531	(2,633,252)	6,247,608	(27,449,914)	288,472,486
Loss for the period	-	-	-	-	(9,835,872)	(9,835,872)
Exchange differences arising on translation of foreign operations	-	-	(1,427,235)	-	-	(1,427,235)
Total comprehensive expenses for the period	-	-	(1,427,235)	-	(9,835,872)	(11,263,107)
Shares issued upon exercise of share options	1,969,400	-	-	-	-	1,969,400
Elimination of the Company's prior year loss against special reserve	-	-	-	(6,247,608)	6,247,608	-
At 30 September 2015 (Unaudited)	310,764,913	3,512,531	(4,060,487)	-	(31,038,178)	279,178,779
At 1 April 2016 (Audited)	310,764,913	5,783,499	(2,718,201)	-	(30,149,975)	283,680,236
Loss for the period	-	-	-	-	(972,930)	(972,930)
Exchange differences arising on translation of foreign operations	-	-	(182,544)	-	-	(182,544)
Total comprehensive expenses for the period	-	-	(182,544)	-	(972,930)	(1,155,474)
At 30 September 2016 (Unaudited)	310,764,913	5,783,499	(2,900,745)	-	(31,122,905)	282,524,762

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

*For the six months ended 30 September 2016*

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2016</b>	2015
	<b>(unaudited)</b>	(unaudited)
	<b>HK\$</b>	HK\$
Net cash (used in) from operating activities	<b>(19,401,963)</b>	12,402,461
Net cash (used in) from investing activities	<b>(2,414,275)</b>	68,229,512
Net cash (used in) from financing activities	<b>(633,521)</b>	405,830
	<b>(22,449,759)</b>	81,037,803
Net (decrease) increase in cash and cash equivalents		
Cash and cash equivalents at beginning of the period	<b>68,269,628</b>	(276,629)
Effect of foreign exchange rate changes	<b>531,116</b>	(481,974)
	<b>46,350,985</b>	80,279,200
Cash and cash equivalents at end of the period		

## 1. BASIS OF PREPARATION

The unaudited condensed consolidated interim 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”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and should be read in conjunction with the annual financial statements for the year ended 31 March 2016.

The financial information relating to the year ended 31 March 2016 that is included in the half-year Interim Report 2016 as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance is as follows:

The Company has delivered the financial statements for the year ended 31 March 2016 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

The Company’s independent auditor has reported on those financial statements. The independent auditor’s report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report, and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The accounting policies used in the unaudited condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2016, except for those due to the application of the new and revised Standards, Amendments and Interpretations (collectively the “new and revised HKFRSs”) issued by the HKICPA. The adoption of these new and revised HKFRSs had no material effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

The Group has not early applied the new and revised HKFRSs that have been issued but are not yet effective.

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

In July 2014, HKFRS 15 *Revenue from Contracts with Customers* was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related interpretations when it becomes effective.

The directors of the Company anticipate that the application of HKFRS 15 in the future may have a material impact on the accounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practical to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

Except as described above, the directors of the Company anticipate that the application of other new and revised HKFRSs issued but not yet effective will have no material impact on the Group's financial performance and the Group's financial position for the future and/or on the disclosures set out in the financial statements of the Group.

## 3. SEGMENT INFORMATION

The Group's operating and reportable segments are as follows:

1. Hotel operation in Hong Kong
2. Serviced property letting in the People's Republic of China, excluding Hong Kong (the "PRC")
3. Property investment in Hong Kong
4. Property investment overseas
5. Securities investment and trading

### 3. SEGMENT INFORMATION (Continued)

#### Segment revenues and results

The following is an analysis of the Group's revenue and profit (loss) by operating segments:

	Hotel operation in Hong Kong HK\$	Serviced property letting in the PRC HK\$	Property investment in Hong Kong HK\$	Property investment overseas HK\$	Securities investment and trading HK\$	Total HK\$
<b>Six months ended 30 September 2016 (unaudited)</b>						
Revenue	9,492,691	14,371,279	519,290	800,487	–	25,183,747
Segment profit (loss)	459,798	2,211,793	(1,008,183)	770,487	3,168,614	5,602,509
Unallocated gains and losses						376,043
Unallocated expenses						(6,739,927)
Unallocated finance costs						(480,534)
Share of results of associates						268,979
Loss before taxation						(972,930)
Taxation						–
Loss for the period						(972,930)

# INTERIM FINANCIAL INFORMATION

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 3. SEGMENT INFORMATION (Continued)

#### Segment revenues and results (Continued)

	Hotel operation in Hong Kong HK\$	Serviced property letting in the PRC HK\$	Property investment in Hong Kong HK\$	Property investment overseas HK\$	Securities investment and trading HK\$	Total HK\$
Six months ended 30 September 2015 (unaudited)						
Revenue	10,772,748	14,398,993	559,240	–	–	25,730,981
Segment profit (loss)	2,438,238	3,123,599	(789,805)	–	(2,703,411)	2,068,621
Unallocated gains and losses						237,470
Unallocated expenses						(11,833,205)
Unallocated finance costs						(513,098)
Share of results of associates						204,340
Loss before taxation						(9,835,872)
Taxation						–
Loss for the period						(9,835,872)

Revenue from external customers by geographical location is analysed below:

	Six months ended 30 September	
	2016 (unaudited) HK\$	2015 (unaudited) HK\$
Hong Kong	10,011,981	11,331,988
PRC	14,371,279	14,398,993
Overseas	800,487	–
	<b>25,183,747</b>	<b>25,730,981</b>

#### 4. LOSS BEFORE TAXATION

	Six months ended 30 September	
	2016 (unaudited) HK\$	2015 (unaudited) HK\$
Loss before taxation has been arrived at after charging:		
Depreciation	5,929,002	6,148,073
Auditor's remuneration	440,000	405,000
Directors' remuneration and other staff costs		
Salaries, bonus and allowances	5,833,938	6,394,799
Retirement benefits cost	312,722	301,613
	6,146,660	6,696,412
Operating lease rentals in respect of rental premises	3,057,024	3,104,480
Share of taxation of associates (included in share of results of associates)	29,182	40,375
Cost of inventories recognised as an expense	1,833,255	1,951,238
and after crediting:		
Net rental income from properties	12,709,923	12,736,980



## 5. OTHER GAINS AND LOSSES

	Six months ended 30 September	
	2016 (unaudited) HK\$	2015 (unaudited) HK\$
Dividend income from listed securities	353,941	262,690
Change in fair value of financial assets at fair value through profit or loss	2,814,672	(2,966,101)
Gain (loss) on disposal of property, plant and equipment	56,000	(7,002)
Bank interest income	76,407	2,729
Other interest income	243,636	41,752
Sundry income	–	199,991
	<b>3,544,656</b>	<b>(2,465,941)</b>

## 6. FINANCE COSTS

	Six months ended 30 September	
	2016 (unaudited) HK\$	2015 (unaudited) HK\$
Interest on bank borrowings:		
Wholly repayable within five years	195,107	205,475
Not wholly repayable within five years	261,773	293,759
Interest on finance leases	23,654	13,864
	<b>480,534</b>	<b>513,098</b>

## 7. TAXATION

No provision for Hong Kong Profits Tax is required as the individual companies comprising the Group either incurred a loss or had tax losses to offset the assessable profits for both periods.

No provision for PRC Enterprise Income Tax is required as the subsidiary operating in the PRC had no assessable profits for both periods.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdiction.

## 8. LOSS PER SHARE

The calculation of basic and diluted loss per share is based on the loss for the period of HK\$972,930 (30/09/2015: loss of HK\$9,835,872) and the number of shares as calculated below:

	<b>Six months ended 30 September</b>	
	<b>2016</b>	2015
	<b>(unaudited)</b>	(unaudited)
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	<b>602,110,675</b>	602,110,675

The computation of the diluted loss per share for both periods does not assume the exercise of the Company's share options because this would result in a decrease in the loss per share.

## 9. DIVIDENDS

The Board has resolved not to declare the payment of any interim dividend in respect of the six months ended 30 September 2016 (30/09/2015: Nil).

## 10. LOAN TO A JOINT VENTURE

The loan to the joint venture is unsecured and interest-free and has no fixed repayment terms.

The loan is not expected to be repaid within twelve months from the end of the reporting period.

## 11. TRADE RECEIVABLES

Included in trade receivables were trade debtors of HK\$2,212,501 (31/03/2016: HK\$5,013,088), net of allowance for doubtful debts.

Trade debtors mainly comprise receivables from renting of properties and hotel operation. No credit is allowed to tenants for the use of the Group's properties. Rentals are payable on presentation of demand notes. Hotel room revenue is normally settled by cash or credit card. The Group allows an average credit period of not more than 30 days to travel agents and corporate customers.

The following is an aged analysis of the trade debtors based on the invoice date:

	<b>30/09/2016</b> <b>(unaudited)</b> <b>HK\$</b>	31/03/2016 (audited) HK\$
0-30 days	614,136	579,459
31-60 days	791,394	3,984,347
Over 60 days	806,971	449,282
	<b>2,212,501</b>	<b>5,013,088</b>

## 12. TRADE AND OTHER PAYABLES AND ACCRUALS

Included in trade and other payables and accruals were trade creditors of HK\$964,940 (31/03/2016: HK\$1,914,211).

The following is an aged analysis of the trade creditors based on the invoice date:

	<b>30/09/2016</b> <b>(unaudited)</b> <b>HK\$</b>	31/03/2016 (audited) HK\$
0-30 days	341,252	281,293
31-60 days	277,202	283,029
Over 60 days	346,486	1,349,889
	<b>964,940</b>	<b>1,914,211</b>

The average credit period on purchase of goods is 60 days.

### 13. BANK BORROWINGS

	<b>30/09/2016</b> <b>(unaudited)</b> <b>HK\$</b>	31/03/2016 (audited) HK\$
Bank borrowings are secured and repayable as follows:		
Within one year	<b>2,405,016</b>	2,371,942
More than one year, but not exceeding five years	<b>10,308,959</b>	10,167,194
More than five years	<b>5,595,276</b>	6,945,909
	<b>18,309,251</b>	19,485,045
Carrying amount of bank borrowings that contain a repayment on demand clause (shown under current liabilities) – repayable after more than one year but not exceeding two years	<b>14,793,600</b>	14,793,600
	<b>33,102,851</b>	34,278,645
Less: Amount due within one year shown under current liabilities	<b>(17,198,616)</b>	(17,165,542)
Amount due after one year	<b>15,904,235</b>	17,113,103

### 14. SHARE CAPITAL

	<b>Number of</b> <b>Shares</b>	<b>HK\$</b>
Issued and fully paid:		
At 1 April 2015	594,410,675	308,795,513
Exercise of share options	7,700,000	1,969,400
<b>At 31 March and 30 September 2016</b>	<b>602,110,675</b>	<b>310,764,913</b>

## 15. OPERATING LEASE

The Group as lessee:

At 30 September 2016, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises, which fall due as follows:

	<b>30/09/2016</b> <b>(unaudited)</b> <b>HK\$</b>	31/03/2016 (audited) HK\$
Within one year	<b>6,114,049</b>	6,386,604
In the second to fifth years inclusive	<b>19,718,195</b>	21,188,013
Over five years	<b>14,634,146</b>	17,640,706
	<b>40,466,390</b>	45,215,323

A subsidiary entered into an agreement with its non-controlling shareholder for the lease of its properties for a period of twenty-eight years at a fixed rent of RMB4,200,000 per year. The lease will expire on 30 September 2024.

The remaining lease is negotiated for a term of two years with fixed rental over the lease term.

The Group as lessor:

At 30 September 2016, the Group had contracted with tenants for the following future minimum lease payments:

	<b>30/09/2016</b> <b>(unaudited)</b> <b>HK\$</b>	31/03/2016 (audited) HK\$
Within one year	<b>7,607,126</b>	21,143,430
In the second to fifth years inclusive	<b>13,198,065</b>	21,972,383
	<b>20,805,191</b>	43,115,813

The properties have committed tenants for a term of two to four years (31/03/2016: two to four years).

## 16. EVENT AFTER THE END OF THE REPORTING PERIOD

On 24 October 2016, the Company and Mr. Derek Chiu, an executive director who is also the managing director and chief executive of the Company (the “Vendor”) entered into a purchase and sale agreement (the “Acquisition Agreement”), pursuant to which the Company conditionally agreed to acquire and the Vendor conditionally agreed to sell 50 shares in the issued share capital of Sino Noble Development Limited (the “Target Company” and the “Sale Shares” respectively) and the advance, loan(s) and finance made to the Target Company by the Vendor (the “Sale Loans”) at an aggregate consideration of HK\$22,815,000 (the “Acquisition”).

The Sale Shares represent 50% of the total issued shares of the Target Company and the entire interest held by the Vendor in the Target Company. The Sale Loans represent the entire sum due from the Target Company to the Vendor as at the completion date. The sole assets of the Target Company are 40 parcels of agricultural lots located in Yuen Long, New Territories, Hong Kong with a total site area of approximately 149,846 square feet.

Immediately before completion of the Acquisition, the Target Company is a jointly controlled entity owned as to 50% by the Company and 50% by the Vendor. Upon completion, the Target Company will become a directly wholly-owned subsidiary of the Company.

At the extraordinary general meeting of the Company held on 28 November 2016, the independent shareholders passed an ordinary resolution approving the Acquisition Agreement and the transaction contemplated thereunder.

Details of this transaction are disclosed in the Company’s announcements dated 24 October 2016 and 28 November 2016 and the Company’s circular dated 10 November 2016 respectively.

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

As at 30 September 2016, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong (the "SFO")) which were required: (a) to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

**(a) Long position in the ordinary shares of the Company (the "Shares")**

Name of directors/ chief executive	Number of Shares held		Number of underlying Shares held <i>(Note 4)</i>	Total	Approximate percentage of issued Shares
	Personal interests	Corporate interests			
Mr. Derek Chiu	30,894,000	78,430,299 <i>(Note 1)</i>	11,600,000	120,924,299	20.08%
Madam Chiu Ju Ching Lan	188,000	–	2,000,000	2,188,000	0.36%
Mr. Dick Tat Sang Chiu	2,172,800	22,277,033 <i>(Note 2)</i>	–	24,449,833	4.06%
Ms. Margaret Chiu	676,240	5,000,000 <i>(Note 3)</i>	2,000,000	7,676,240	1.27%
Mr. Choy Wai Shek Raymond	–	–	4,000,000	4,000,000	0.66%
Mr. Ip Shing Hing	–	–	4,000,000	4,000,000	0.66%
Mr. Ng Wing Hang Patrick	–	–	4,000,000	4,000,000	0.66%

*Notes:*

- (1) The 78,430,299 Shares were held by Energy Overseas Ltd., a company wholly owned by Mr. Derek Chiu, an Executive Director, the Managing Director and Chief Executive of the Company.
- (2) The 22,277,033 Shares were held by various private companies wholly owned by Mr. Dick Tat Sang Chiu, a Non-executive Director of the Company.
- (3) The 5,000,000 Shares were held by a private company wholly owned by Ms. Margaret Chiu, an Executive Director of the Company.
- (4) The underlying Shares were comprised in the share options granted to the directors. Please refer to section (c) "Share options of the Company" below for further details.

## ADDITIONAL INFORMATION REQUIRED BY LISTING RULES

### (b) Long position in the ordinary shares of associated corporation

Name of director/ chief executive	Nature of interests	Name of associated corporation	Number of issued ordinary shares held	Percentage of issued shares of associated corporation
Mr. Derek Chiu	Personal Interests	Sino Noble Development Limited	50	50%

Sino Noble Development Limited is jointly owned by Mr. Derek Chiu and the Company.

### (c) Share options of the Company

The Company's old share option scheme adopted on 1 June 2007 was terminated and a new share option scheme was adopted pursuant to an ordinary resolution duly passed by the shareholders of the Company on 2 September 2016 for a period of 10 years commencing on the adoption date.

Movements of share options held by the directors of the Company and employees of the Group were as follows:

Category of grantees	Number of underlying Shares comprised in share options						Exercise price per Share HK\$	Grant date	Exercisable period	
	Held at 1 April 2016	Granted during the period	Exercised during the period	Lapsed/ cancelled during the period	Held at 30 September 2016	From			To	
Executive directors										
Mr. Derek Chiu	4,500,000	-	-	-	4,500,000	0.2498	15/04/2011	15/04/2011	14/04/2021	
	1,100,000	-	-	-	1,100,000	0.2320	06/02/2014	06/02/2014	05/02/2024	
	6,000,000	-	-	-	6,000,000	0.5600	23/10/2015	23/10/2015	22/10/2025	
Ms. Margaret Chiu	2,000,000	-	-	-	2,000,000	0.2320	06/02/2014	06/02/2014	05/02/2024	
Non-executive director										
Madam Chiu Ju Ching Lan	2,000,000	-	-	-	2,000,000	0.2320	06/02/2014	06/02/2014	05/02/2024	
Independent non-executive directors										
Mr. Ip Shing Hing	1,000,000	-	-	-	1,000,000	0.2820	30/12/2009	30/12/2009	29/12/2019	
	2,000,000	-	-	-	2,000,000	0.2320	06/02/2014	06/02/2014	05/02/2024	
	1,000,000	-	-	-	1,000,000	0.5600	23/10/2015	23/10/2015	22/10/2025	
Mr. Ng Wing Hang	1,000,000	-	-	-	1,000,000	0.2820	30/12/2009	30/12/2009	29/12/2019	
Patrick	2,000,000	-	-	-	2,000,000	0.2320	06/02/2014	06/02/2014	05/02/2024	
	1,000,000	-	-	-	1,000,000	0.5600	23/10/2015	23/10/2015	22/10/2025	
Mr. Choy Wai Shek	1,000,000	-	-	-	1,000,000	0.2820	30/12/2009	30/12/2009	29/12/2019	
Raymond	2,000,000	-	-	-	2,000,000	0.2320	06/02/2014	06/02/2014	05/02/2024	
	1,000,000	-	-	-	1,000,000	0.5600	23/10/2015	23/10/2015	22/10/2025	
Employees (in aggregate)	3,600,000	-	-	-	3,600,000	0.5600	23/10/2015	23/10/2015	22/10/2025	
	<u>31,200,000</u>	-	-	-	<u>31,200,000</u>					



## ADDITIONAL INFORMATION REQUIRED BY LISTING RULES

No vesting period was required for the above share options granted.

Save as disclosed above, as at 30 September 2016, none of the directors or the chief executive of the Company nor their respective associates had interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required: (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code contained in the Listing Rules.

### SUBSTANTIAL SHAREHOLDERS' INTERESTS OR SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

Save as the interests of certain directors disclosed under the section headed "DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES" above, according to the register of interests maintained by the Company pursuant to section 336 of the SFO and as far as the directors of the Company are aware, as at 30 September 2016, the following persons or corporations (other than a director or the chief executive of the Company) had an interest or short positions in the Shares or underlying Shares, which would fall to be disclosed to the Company and the Stock Exchange under Divisions 2 and 3 of Part XV of the SFO or was, directly or indirectly, interested in 5% or more of the voting power at general meetings of the Company:

#### Long position in the Shares

Name of shareholders	Capacity	Number of issued Shares held	Approximate percentage of the issued Shares
Mr. Deacon Te Ken Chiu (deceased) ("Mr. Deacon Chiu") (Note 1)	Beneficial owner and interest in controlled corporations	113,726,476	18.89%
Achiemax Limited (Note 1)	Beneficial owner	72,182,400	11.99%
Energy Overseas Ltd. (Note 2)	Beneficial owner	78,430,299	13.03%
Mr. Chan Tai Keung David	Beneficial owner	41,768,000	6.94%

## ADDITIONAL INFORMATION REQUIRED BY LISTING RULES

### *Notes:*

- (1) The late Mr. Deacon Chiu beneficially owned 12,491,424 Shares. Of the remaining 101,235,052 Shares, (i) 100,939,842 Shares were held by various private companies wholly owned by the late Mr. Deacon Chiu, of which 72,182,400 Shares were held by Achiemax Limited; and (ii) 295,210 Shares were held by Far East Consortium Limited, a wholly-owned subsidiary of Far East Consortium International Limited. The late Mr. Deacon Chiu was a controlling shareholder of these companies and a director of Achiemax Limited.
- (2) Energy Overseas Ltd. is a company wholly owned by Mr. Derek Chiu who is also its director.

Save as disclosed above, as at 30 September 2016, the Company has not been notified by any persons (other than a director or the chief executive of the Company) who or corporations which had an interest or short positions in the Shares or underlying Shares as recorded in the register of interests maintained by the Company pursuant to section 336 of the SFO which would fall to be disclosed to the Company and the Stock Exchange under Divisions 2 and 3 of Part XV of the SFO or who was, directly or indirectly, interested in 5% or more of the voting power at general meetings of the Company.

### **RIGHTS TO ACQUIRE SHARES OR DEBENTURES**

Save as disclosed above, at no time during the six months ended 30 September 2016 was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of Shares in, or debentures of, the Company or any other body corporate.

### **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

During the six months ended 30 September 2016, the Company did not redeem any of its Shares listed and traded on the Stock Exchange nor did the Company or any of its subsidiaries purchase or sell any of such Shares.

### **CORPORATE GOVERNANCE**

The Company has complied with all the code provisions of the Corporate Governance Code (the "Code") as set out in Appendix 14 to the Listing Rules throughout the six months ended 30 September 2016, except for the following:

- (a) Code provision A.4.1 of the Code stipulates that non-executive directors should be appointed for a specific term and subject to re-election.

## ADDITIONAL INFORMATION REQUIRED BY LISTING RULES

None of the non-executive directors of the Company was appointed for a specific term. This constitutes a deviation from code provision A.4.1 of the Code. However, all directors of the Company are subject to retirement by rotation and re-election at annual general meetings under articles 78 and 79 of the Company's articles of association. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those stipulated in the Code.

- (b) Code provision E.1.2 of the Code stipulates that the chairman of the Board should attend the annual general meeting. There has been no chairman of the Board since 17 March 2015. However, one of the executive directors of the Company present at the annual general meeting held on 2 September 2016 was elected chairman thereof to ensure an effective communication with the shareholders thereat.

### AUDIT COMMITTEE

The audit committee of the Company comprises all of the three independent non-executive directors, namely Mr. Ng Wing Hang Patrick (Chairman), Mr. Ip Shing Hing and Mr. Choy Wai Shek Raymond.

The audit committee has reviewed with management the accounting principles and practices adopted by the Group, and discussed the financial reporting matters, including a review of the unaudited consolidated financial statements of the Group for the six months ended 30 September 2016 and this interim report.

### SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a new code of conduct regarding directors' securities transactions on terms no less exacting than the required standard set out in the Model Code set out in Appendix 10 to the Listing Rules. Upon specific enquiries made on them by the Company, all directors of the Company have confirmed that they had complied with the required standards set out in the Model Code and the Company's code of conduct regarding directors' securities transactions throughout the six months ended 30 September 2016.

On behalf of the Board

**Derek Chiu**

*Managing Director and Chief Executive*

Hong Kong, 30 November 2016