



*Far East Hotels and Entertainment Limited*

Stock Code : 37



**2017**

Interim Report

# CONTENTS

	<i>Page(s)</i>
Corporate Information	2
Managing Director and Chief Executive's Statement	3-5
Interim Financial Information	
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	6
Condensed Consolidated Statement of Financial Position	7-8
Condensed Consolidated Statement of Changes in Equity	9
Condensed Consolidated Statement of Cash Flows	10
Notes to the Condensed Consolidated Financial Statements	11-20
Additional Information required by Listing Rules	21-26

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

# CORPORATE INFORMATION

## 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 Main Board of 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)

# MANAGING DIRECTOR AND CHIEF EXECUTIVE'S STATEMENT

## OVERALL RESULTS

For the six months ended 30 September 2017, Far East Hotels and Entertainment Limited (the "Company") and its subsidiaries (collectively, the "Group") recorded an unaudited consolidated net profit attributable to owners of the Company of HK\$8,261,259 (2016: net loss of HK\$972,930).

## 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 2017 (2016: Nil).

## REVIEW OF OPERATIONS AND PROSPECTS

For the six months ended 30 September 2017, the Group recorded a total revenue of approximately HK\$24.5 million (2016: HK\$25.2 million) and a gross profit of approximately HK\$2.85 million (2016: HK\$3.60 million), representing a decrease of approximately 2.7% and 20.8% respectively. Profit for the period attributable to owners of the Company amounted to approximately HK\$8.26 million (2016: loss of HK\$0.97 million).

For the period under review, the Cheung Chau Warwick Hotel recorded a total revenue of approximately HK\$10.4 million (2016: HK\$9.5 million) with contributing profit of approximately HK\$654,000 (2016: HK\$460,000). The guest rooms department and the food and beverage department recorded increases in revenue of approximately 5% and 16% respectively.

The serviced property letting business in Beijing recorded a revenue of approximately HK\$12.91 million (2016: HK\$14.37 million) and a profit of approximately HK\$2.66 million (2016: HK\$2.21 million), representing a decrease of approximately 10.2% and an increase of approximately 20.4% respectively. The decrease was mainly due to the loss of revenue during the transitional period upon the leases renewal. The serviced property is now fully let. The existing leases will contribute a stable rental income stream to the Group in the coming years.

For securities investment, the Group recorded a profit of approximately HK\$9.3 million (2016: HK\$3.2 million), which included an increase of approximately HK\$8.5 million (2016: HK\$2.8 million) in fair value of investment securities. The Group continued deploying more resources in investment securities in a prudent manner with a view to gaining short-term investment returns for the period under review. The Group will continue to monitor the investment portfolio and balance investment risks from time to time to cope with the economic environment.

# MANAGING DIRECTOR AND CHIEF EXECUTIVE'S STATEMENT

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 2017, the Group had bank balances and cash of HK\$25,271,572 (31/03/2017: HK\$18,548,469) and pledged bank deposits of HK\$2,118,000 (31/03/2017: HK\$2,118,000), which were mainly denominated in Hong Kong dollars and Reminbi.

At 30 September 2017, there were outstanding bank loans and utilised overdraft facilities of HK\$30,697,812 (31/03/2017: HK\$31,906,678) and unutilised overdraft facilities of HK\$6,000,000 (31/03/2017: HK\$6,000,000) available to the Group. All outstanding bank loans and overdraft facilities were denominated in Hong Kong dollars with interest at prevailing market rates.

At 30 September 2017, the Group did not have any foreign exchange contracts, interest or currency swaps or other financial derivatives.

Shareholders' funds at 30 September 2017 amounted to approximately HK\$289.6 million (31/03/2017: approximately HK\$279 million). Accordingly, the Group's gearing ratio (total bank borrowings to shareholders' funds) at 30 September 2017 was 10.6% (31/03/2017: 11.4%).

## CHARGES OVER ASSETS OF THE GROUP

At 30 September 2017, certain property, plant and machinery and bank deposit with an aggregate carrying value of approximately HK\$32 million (31/03/2017: approximately HK\$33 million) are secured for the Group's bank borrowings and overdrafts.

## CONTINGENT LIABILITIES

At 30 September 2017, the Company had issued financial guarantees of HK\$18,000,000 (31/03/2017: HK\$18,000,000) to banks in respect of banking facilities granted to its subsidiaries, of which HK\$14,793,600 (31/03/2017: HK\$14,793,600) had been utilised by its subsidiaries.

# MANAGING DIRECTOR AND CHIEF EXECUTIVE'S STATEMENT

## **CAPTIAL COMMITMENTS**

At 30 September 2017, the Group had no significant capital commitments (31/03/2017: Nil).

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

The Group made no material acquisition or disposal in the six months ended 30 September 2017 and up to date of this report.

## **EMPLOYEES AND REMUNERATION POLICIES**

At 30 September 2017, the Group had approximately 70 employees (31/03/2017: 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.

## INTERIM FINANCIAL INFORMATION

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

For the six months ended 30 September 2017

	Notes	Six months ended 30 September	
		2017 (unaudited) HK\$	2016 (unaudited) HK\$
Revenue	3	24,499,138	25,183,747
Cost of sales		(21,648,244)	(21,584,022)
Gross profit		2,850,894	3,599,725
Other gains and losses	5	9,402,310	3,544,656
Increase in fair value of investment properties		4,077,380	137,848
Administrative expenses		(7,895,695)	(6,739,927)
Finance costs	6	(425,043)	(480,534)
Share of results of associates		251,413	268,979
Share of results of a joint venture		–	(1,303,677)
Profit (loss) before taxation		8,261,259	(972,930)
Taxation	7	–	–
Profit (loss) for the period attributable to owners of the Company		8,261,259	(972,930)
Other comprehensive income (expenses)			
<i>Item that may be subsequently reclassified to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		2,221,835	(182,544)
Total comprehensive income (expenses) for the period attributable to owners of the Company		10,483,094	(1,155,474)
		<b>HK Cents</b>	<b>HK Cents</b>
Earnings (loss) per share	8		
– Basic		1.36	(0.16)
– Diluted		1.35	(0.16)

# INTERIM FINANCIAL INFORMATION

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2017

	Note	<b>30/09/2017 (unaudited) HK\$</b>	31/03/2017 (audited) HK\$
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		64,065,266	61,849,304
Investment properties		177,081,908	171,699,285
Interests in associates		223,053	1,221,640
Promissory notes receivables		9,250,000	9,250,000
Paintings		3,921,217	3,921,217
		<b>254,541,444</b>	<b>247,941,446</b>
<b>CURRENT ASSETS</b>			
Investment securities		45,078,428	39,441,106
Inventories		474,220	454,405
Promissory notes receivables		6,000,000	12,000,000
Trade receivables	10	1,291,363	4,353,534
Other receivables, deposits and prepayments		5,026,307	1,720,799
Pledged bank deposits		2,118,000	2,118,000
Bank balances and cash		25,271,572	18,548,469
		<b>85,259,890</b>	<b>78,636,313</b>



# INTERIM FINANCIAL INFORMATION

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

As at 30 September 2017

	Notes	30/09/2017 (unaudited) HK\$	31/03/2017 (audited) HK\$
<b>CURRENT LIABILITIES</b>			
Trade and other payables and accruals	11	13,874,153	9,411,059
Deposits received		398,952	357,084
Amounts due to directors		210,000	–
Amounts due to associates		127,381	752,381
Amounts due to related companies		698,166	713,031
Amount due to a non-controlling shareholder		1,235,730	1,182,699
Bank borrowings – due within one year	12	17,265,609	17,231,614
Obligations under a finance lease		369,354	361,501
		<b>34,179,345</b>	<b>30,009,369</b>
<b>NET CURRENT ASSETS</b>			
		<b>51,080,545</b>	<b>48,626,944</b>
<b>CAPITAL AND RESERVES</b>			
Share capital	13	312,144,213	312,144,213
Reserves		(22,522,188)	(33,005,282)
		<b>289,622,025</b>	<b>279,138,931</b>
<b>NON-CURRENT LIABILITIES</b>			
Provision for long service payments		2,053,401	2,053,401
Obligations under a finance lease		514,360	700,994
Bank borrowings – due after one year	12	13,432,203	14,675,064
		<b>15,999,964</b>	<b>17,429,459</b>
		<b>305,621,989</b>	<b>296,568,390</b>

## INTERIM FINANCIAL INFORMATION

### CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the six months ended 30 September 2017*

	Share capital HK\$	Share option reserve HK\$	Translation reserve HK\$	Retained earnings HK\$	Total HK\$
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
At 1 April 2017 (Audited)	<b>312,144,213</b>	<b>4,931,956</b>	<b>(3,863,649)</b>	<b>(34,073,589)</b>	<b>279,138,931</b>
Profit for the period	–	–	–	8,261,259	8,261,259
Exchange differences arising on translation of foreign operations	–	–	2,221,835	–	2,221,835
Total comprehensive income for the period	–	–	2,221,835	8,261,259	10,483,094
At 30 September 2017 (Unaudited)	<b>312,144,213</b>	<b>4,931,956</b>	<b>(1,641,814)</b>	<b>(25,812,330)</b>	<b>289,622,025</b>

# INTERIM FINANCIAL INFORMATION

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2017

	Six months ended 30 September	
	2017 (unaudited) HK\$	2016 (unaudited) HK\$
Net cash from (used in) operating activities	12,987,834	(19,401,963)
Net cash used in investing activities	(5,225,150)	(2,414,275)
Net cash used in financing activities	(2,452,555)	(633,521)
Net increase (decrease) in cash and cash equivalents	5,310,129	(22,449,759)
Cash and cash equivalents at beginning of the period	18,548,469	68,269,628
Effect of foreign exchange rate changes	1,412,974	531,116
Cash and cash equivalents at end of the period	25,271,572	46,350,985

# INTERIM FINANCIAL INFORMATION

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 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 “Stock Exchange” and the “Listing Rules”, respectively) and should be read in conjunction with the annual financial statements for the year ended 31 March 2017.

The financial information relating to the year ended 31 March 2017 that is included in the half-year Interim Report 2017 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 2017 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 independent 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 2017, 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 adopted the new and revised HKFRSs that have been issued but are not yet effective.

# INTERIM FINANCIAL INFORMATION

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 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 an 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

INTERIM FINANCIAL INFORMATION  
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**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 2017 (unaudited)</b>						
Revenue	10,389,215	12,912,865	393,288	803,770	–	24,499,138
Segment profit	653,815	2,656,228	3,054,930	563,301	9,281,642	16,209,916
Unallocated gains and losses						120,668
Unallocated expenses						(7,895,695)
Unallocated finance costs						(425,043)
Share of results of associates						251,413
Profit before taxation						8,261,259
Taxation						–
Profit for the period						8,261,259

# 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 2016 (unaudited)						
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)

Revenue from external customers by geographical location is analysed below:

	<b>Six months ended 30 September</b>	
	<b>2017 (unaudited) HK\$</b>	<b>2016 (unaudited) HK\$</b>
Hong Kong	<b>10,782,503</b>	10,011,981
The PRC	<b>12,912,865</b>	14,371,279
Overseas	<b>803,770</b>	800,487
	<b>24,499,138</b>	25,183,747

INTERIM FINANCIAL INFORMATION  
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**4. PROFIT (LOSS) BEFORE TAXATION**

	<b>Six months ended 30 September</b>	
	<b>2017</b> <b>(unaudited)</b> <b>HK\$</b>	<b>2016</b> <b>(unaudited)</b> <b>HK\$</b>
Profit (loss) before taxation has been arrived at after charging:		
Depreciation	4,130,179	5,929,002
Auditor's remuneration	475,000	440,000
Directors' remuneration and other staff costs		
Salaries, bonus and allowances	6,050,833	5,833,938
Retirement benefits cost	316,765	312,722
	<b>6,367,598</b>	6,146,660
Operating lease rentals in respect of rental premises	3,089,461	3,057,024
Share of taxation of associates (included in share of results of associates)	25,699	29,182
Cost of inventories recognised as an expense	2,764,665	1,833,255
and after crediting:		
Net rental income from properties	<b>10,451,599</b>	12,709,923

**5. OTHER GAINS AND LOSSES**

	<b>Six months ended 30 September</b>	
	<b>2017</b> <b>(unaudited)</b> <b>HK\$</b>	<b>2016</b> <b>(unaudited)</b> <b>HK\$</b>
Dividend income from listed securities	751,062	353,941
Change in fair value of financial assets at fair value through profit or loss	8,530,580	2,814,672
Gain on disposal of property, plant and equipment	-	56,000
Bank interest income	3,961	76,407
Other interest income	116,707	243,636
	<b>9,402,310</b>	3,544,656



# INTERIM FINANCIAL INFORMATION

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 6. FINANCE COSTS

	<b>Six months ended 30 September</b>	
	<b>2017</b> <b>(unaudited)</b> <b>HK\$</b>	<b>2016</b> <b>(unaudited)</b> <b>HK\$</b>
Interest on bank borrowings:		
Wholly repayable within five years	177,637	195,107
Not wholly repayable within five years	228,876	261,773
Interest on finance leases	18,530	23,654
	<b>425,043</b>	<b>480,534</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 either incurred a loss or had tax losses to offset the assessable profits for both periods.

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

### 8. EARNINGS (LOSS) PER SHARE

The calculation of basic and diluted earnings/loss per share is based on the profit attributable to owners of the Company for the period of HK\$8,261,259 (30/09/2016: loss of HK\$972,930) and the number of shares as calculated below:

	<b>Six months ended 30 September</b>	
	<b>2017</b> <b>(unaudited)</b>	<b>2016</b> <b>(unaudited)</b>
Weighted average number of ordinary shares for the purpose of basic and diluted earnings/loss per share	607,710,675	602,110,675
Effect of dilutive potential ordinary shares – Company's share options	5,669,517	–
Weighted average number of ordinary shares for the purpose of basic and diluted earnings/loss per share	<b>613,380,192</b>	<b>602,110,675</b>

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

# INTERIM FINANCIAL INFORMATION

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 9. DIVIDENDS

The Board has resolved not to declare the payment of any interim dividend in respect of the six months ended 30 September 2017 (30/09/2016: Nil).

### 10. TRADE RECEIVABLES

Included in trade receivables were trade debtors of HK\$1,291,363 (31/03/2017: HK\$4,353,534), 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:

	30/09/2017 (unaudited) HK\$	31/03/2017 (audited) HK\$
0 – 30 days	626,084	2,379,990
31 – 60 days	121,799	29,487
Over 60 days	543,480	1,944,057
	<b>1,291,363</b>	<b>4,353,534</b>

INTERIM FINANCIAL INFORMATION  
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**11. TRADE AND OTHER PAYABLES AND ACCRUALS**

	<b>30/09/2017</b> <b>(unaudited)</b> <b>HK\$</b>	31/03/2017 (audited) HK\$
Trade payables	790,467	794,502
Other payables and accruals	4,758,143	4,257,556
Receipt in advance	8,325,543	4,359,001
	<b>13,874,153</b>	<b>9,411,059</b>

Included in trade and other payables and accruals were trade creditors of HK\$790,467 (31/03/2017: HK\$794,502).

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

	<b>30/09/2017</b> <b>(unaudited)</b> <b>HK\$</b>	31/03/2017 (audited) HK\$
0 – 30 days	364,541	276,317
31 – 60 days	355,801	186,473
Over 60 days	70,125	331,712
	<b>790,467</b>	<b>794,502</b>

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

INTERIM FINANCIAL INFORMATION  
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**12. BANK BORROWINGS**

	<b>30/09/2017</b> <b>(unaudited)</b> <b>HK\$</b>	31/03/2017 (audited) HK\$
Bank borrowings are secured and repayable as follows:		
Within one year	<b>2,472,009</b>	2,438,014
More than one year, but not exceeding five years	<b>10,596,058</b>	10,450,346
More than five years	<b>2,836,145</b>	4,224,718
	<b>15,904,212</b>	17,113,078
Carrying amount of bank borrowings that contain a repayment on demand clause (shown under current liabilities)	<b>14,793,600</b>	14,793,600
	<b>30,697,812</b>	31,906,678
Less: Amount due within one year shown under current liabilities	<b>(17,265,609)</b>	(17,231,614)
Amount due after one year	<b>13,432,203</b>	14,675,064

**13. SHARE CAPITAL**

	<b>Number of</b> <b>Shares</b>	<b>HK\$</b>
Issued and fully paid:		
Ordinary shares with no par value		
At 1 April 2016	602,110,675	310,764,913
Exercise of share options	5,600,000	1,379,300
<b>At 31 March and 30 September 2017</b>	<b>607,710,675</b>	<b>312,144,213</b>

# INTERIM FINANCIAL INFORMATION

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 14. OPERATING LEASE

The Group as lessee:

At 30 September 2017, 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>30/09/2017</b> <b>(unaudited)</b> <b>HK\$</b>	31/03/2017 (audited) HK\$
Within one year	<b>6,006,795</b>	5,608,861
In the second to fifth years inclusive	<b>21,269,684</b>	18,972,742
Over five years	<b>9,885,842</b>	11,826,988
	<b>37,162,321</b>	36,408,591

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 2017, the Group had contracted with tenants for the following future minimum lease payments:

	<b>30/09/2017</b> <b>(unaudited)</b> <b>HK\$</b>	31/03/2017 (audited) HK\$
Within one year	<b>30,749,774</b>	8,940,610
In the second to fifth years inclusive	<b>96,104,230</b>	13,710,712
	<b>126,854,004</b>	22,651,322

The properties have committed tenants for a term of five years (31/03/2017: one to three years).

## ADDITIONAL INFORMATION REQUIRED BY LISTING RULES

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

At 30 September 2017, 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 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 contained in Appendix 10 to the Listing Rules (the "Model Code"), 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") and underlying Shares

Name of directors/ chief executive	Number of issued Shares held		Number of underlying Shares held <i>(Note 4)</i>	Approximate percentage of issued Shares  Total
	Personal interests	Corporate interests		
Mr. Derek Chiu	40,765,576	78,430,299 <i>(Note 1)</i>	6,000,000	125,195,875 20.60%
Madam Chiu Ju Ching Lan	188,000	–	2,000,000	2,188,000 0.36%
Mr. Dick Tat Sang Chiu	–	22,277,033 <i>(Note 2)</i>	–	22,277,033 3.67%
Ms. Margaret Chiu	676,240	5,000,000 <i>(Note 3)</i>	2,000,000	7,676,240 1.26%
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 who is also 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 of the Company. Please refer to section (b) "Share Options of the Company" below for further details.

## ADDITIONAL INFORMATION REQUIRED BY LISTING RULES

### (b) Share options of the Company

Pursuant to an ordinary resolution duly passed by shareholders of the Company on 2 September 2016, the Company's old share option scheme adopted on 1 June 2007 (the "Old Scheme") was terminated on 2 September 2016 and a new share option scheme (the "New Scheme") was adopted for a period of 10 years commencing on the adoption date. Upon the termination of the Old Scheme, no further options were granted thereunder, and the options granted prior to and remaining outstanding at the termination shall continue to be valid and exercisable in accordance with the terms of the Old Scheme.

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

Grantees	Number of underlying shares comprised in share options									
	Held at 1 April 2017	Granted during the period	Exercised during the period	Lapsed/ cancelled during the period	Held at 30 September 2017	Exercise price per share HK\$	Grant date	Exercisable period		To
Executive directors										
Mr. Derek Chiu	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 Patrick	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. Choy Wai Shek Raymond	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
Employees (in aggregate)	3,100,000	-	-	-	3,100,000	0.5600	23/10/2015	23/10/2015		22/10/2025
	25,100,000	-	-	-	25,100,000					

## ADDITIONAL INFORMATION REQUIRED BY LISTING RULES

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

Since the adoption of the New Scheme and as at 30 September 2017, no share options have been granted. Therefore, no share options were exercised or cancelled or lapsed during the period and there were no outstanding share options under the New Scheme as at 30 September 2017.

Save as disclosed above, as at 30 September 2017, none of the directors or the chief executive of the Company nor their respective associates (as defined in the Listing Rules), 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) pursuant to the Model Code to be notified to the Company and the Stock Exchange.

### 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", 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 2017, the following persons or corporations (other than a director or 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 under Divisions 2 and 3 of Part XV of the SFO or was, directly or indirectly, interested in 5% or more of the total number of Shares in issue carrying rights to vote in all circumstances at general meeting of the Company:

#### Long position in the Shares

Name of shareholders	Capacity	Number of issued Shares held	Approximate percentage of shareholding in the issued Shares
Mr. Deacon Te Ken Chiu (deceased) (Note 1)	Beneficial owner and interest in controlled corporations	113,726,476	18.71%
Achiemax Limited (Note 1)	Beneficial owner	72,182,400	11.88%
Energy Overseas Ltd. (Note 2)	Beneficial owner	78,430,299	12.91%
Mr. Chan Tai Keung David	Beneficial owner	41,768,000	6.87%



## ADDITIONAL INFORMATION REQUIRED BY LISTING RULES

### *Notes:*

- (1) The late Mr. Deacon Te Ken 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 Te Ken 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 Te Ken 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 (an executive director who is also the managing director and chief executive of the Company) who is also its director.

Save as disclosed above, as at 30 September 2017, the Company has not been notified by any persons (other than a director or chief executive of the Company) who had an interest or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or who was, directly or indirectly, interested in 5% or more of the total number of Shares in issue carrying rights to vote in all circumstances at general meeting of the Company.

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

Save as disclosed above, at no time during the six months ended 30 September 2017 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 2017, 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.

# ADDITIONAL INFORMATION REQUIRED BY LISTING RULES

## 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 2017, except for the following:

- (a) Code provision A.2.1 of the Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual.

The role of chairman is responsible for formulating and setting the Group’s strategies and policies in conjunction with the Board.

The role of chief executive is responsible for managing the Group’s strategic initiatives, investor relations, corporate and investor communications, mergers or acquisitions, and financing.

The post of the chairman of the Board (the “Chairman”) has left vacant since 17 March 2015. Mr. Derek Chiu, an executive director, assumes the roles and responsibilities of both the Chairman and the Managing Director and Chief Executive. The Board considers that the current structure of vesting the roles of the Chairman and the Managing Director and Chief Executive in the same person will not impair the balance of power and authority between the Board and the management of the Company.

- (b) 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.

None of the existing 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 in the Code.

## ADDITIONAL INFORMATION REQUIRED BY LISTING RULES

### REVIEW BY AUDIT COMMITTEE

The audit committee of the Board (the “Audit Committee”) comprises all of the three independent non-executive directors of the Company, namely Mr. Ng Wing Hang Patrick (chairman of the audit committee), 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 interim financial statements and the interim report for the six months ended 30 September 2017.

### SECURITIES TRANSACTIONS BY DIRECTORS

The Board 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. Upon a specific enquiry made on them by the Company, all directors of the Company have confirmed that they had complied with the required standards as set out in the Model Code and the Company’s code of conduct regarding directors’ securities transactions throughout the six months ended 30 September 2017.

On behalf of the Board

**Derek Chiu**

*Managing Director and Chief Executive*

Hong Kong, 28 November 2017