



Far East Hotels and Entertainment Limited

Stock Code : 37



2018
INTERIM REPORT

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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.

CORPORATE INFORMATION

Place of Incorporation

Hong Kong

Board of Directors

Executive Directors

Derek Chiu, B.A.

(Managing Director and Chief Executive)

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

Cheng Lucy

Solicitors

Woo Kwan Lee & Lo

Independent Auditor

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

Authorised Representatives

Derek Chiu, B.A.

Cheng Lucy

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/webservice/00037

MANAGING DIRECTOR AND CHIEF EXECUTIVE'S STATEMENT

OVERALL RESULTS

For the six months ended 30 September 2018, 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\$5,872,148 (2017: net profit of HK\$8,261,259).

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 2018 (2017: Nil).

REVIEW OF OPERATIONS AND PROSPECTS

For the six months ended 30 September 2018, the Group recorded a total revenue of approximately HK\$26.3 million (2017: HK\$24.5 million) and a gross profit of approximately HK\$8.43 million (2017: HK\$2.85 million). Loss for the period attributable to owners of the Company amounted to approximately HK\$5.87 million (2017: profit of HK\$8.26 million).

For the period under review, the Cheung Chau Warwick Hotel recorded a total revenue of approximately HK\$10.9 million (2017: HK\$10.4 million) with contributing profit of approximately HK\$2 million (2017: HK\$654,000). The guest rooms department recorded an increase in revenue of approximately 14.9%. The food and beverage department recorded a decrease in revenue of approximately 9.8%. The Cheung Chau Warwick Hotel continued to deploy more resources in broadening its customer base through online sales and promotion.

The serviced property letting business in Beijing recorded a revenue of approximately HK\$14.30 million (2017: HK\$12.91 million) and a profit of approximately HK\$5.73 million (2017: HK\$2.66 million). The serviced property is now fully let. The existing leases will continue to contribute a stable rental income stream to the Group in the coming years.

For securities investment, the Group recorded a loss of approximately HK\$8.6 million (2017: profit of HK\$9.3 million), which included a decrease of approximately HK\$9.2 million (2017: an increase of HK\$8.5 million) in fair value of investment securities. 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 2018, the Group had bank balances and cash of HK\$12,992,095 (31/03/2018: HK\$11,113,032) and pledged bank deposits of HK\$2,118,000 (31/03/2018: HK\$2,118,000), which were mainly denominated in Hong Kong dollars and Renminbi.

At 30 September 2018, there were outstanding bank loans and utilised overdraft facilities of HK\$28,137,918 (31/03/2018: HK\$29,526,936) and unutilised overdraft facilities of HK\$2,000,000 (31/03/2018: 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 2018, the Group did not have any foreign exchange contracts, interest or currency swaps or other financial derivatives (31/03/2018: Nil).

Shareholders' funds at 30 September 2018 amounted to approximately HK\$284.5 million (31/03/2018: HK\$293.8 million). Accordingly, the Group's gearing ratio (total bank borrowings to shareholders' funds) at 30 September 2018 was 9.9% (31/03/2018: 10.0%).

CHARGES OVER ASSETS OF THE GROUP

At 30 September 2018, certain property, plant and machinery and bank deposit with an aggregate carrying value of approximately HK\$31 million (31/03/2018: approximately HK\$32 million) are secured for the Group's bank borrowings and overdrafts.

CONTINGENT LIABILITIES

At 30 September 2018, the Company had issued financial guarantees of HK\$15,000,000 (31/03/2018: HK\$15,000,000) to banks in respect of banking facilities granted to its subsidiaries, of which HK\$14,497,728 (31/03/2018: HK\$14,645,664) had been utilised by its subsidiaries.

MANAGING DIRECTOR AND CHIEF EXECUTIVE'S STATEMENT

CAPITAL COMMITMENTS

At 30 September 2018, the Group had no significant capital commitments (31/03/2018: HK\$449,000).

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATES AND JOINT VENTURES

The Group made no material acquisition or disposal in the six months ended 30 September 2018 and up to date of this report.

EMPLOYEES AND REMUNERATION POLICIES

At 30 September 2018, the Group had approximately 70 employees (31/03/2018: 70 employees). Total staff cost (including Directors' emoluments) for the six months ended 30 September 2018 were approximately HK\$6.63 million (2017: HK\$6.37 million). 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 of the Company and other eligible participants. The Group also provides and arranges on-the-job training for the employees.

INTERIM FINANCIAL INFORMATION

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2018

	Notes	Six months ended 30 September	
		2018 (unaudited) HK\$	2017 (unaudited) HK\$
Revenue	3	26,252,932	24,499,138
Cost of sales		(17,819,357)	(21,648,244)
Gross profit		8,433,575	2,850,894
Other gains and losses	5	(8,533,437)	9,402,310
Increase in fair value of investment properties		3,615,850	4,077,380
Administrative expenses		(8,932,886)	(7,895,695)
Finance costs	6	(405,543)	(425,043)
Share of results of associates		289,065	251,413
(Loss) profit before taxation		(5,533,376)	8,261,259
Taxation	7	(338,772)	–
(Loss) profit for the period attributable to owners of the Company		(5,872,148)	8,261,259
Other comprehensive (expenses) income			
<i>Item that may be subsequently reclassified to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		(4,218,419)	2,221,835
Total comprehensive (expenses) income for the period attributable to owners of the Company		(10,090,567)	10,483,094
		HK Cents	HK Cents
(Loss) earnings per share	8		
– Basic		(0.97)	1.36
– Diluted		(0.97)	1.35

INTERIM FINANCIAL INFORMATION

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2018

	Notes	30/09/2018 (unaudited) HK\$	31/03/2018 (audited) HK\$
NON-CURRENT ASSETS			
Property, plant and equipment		62,602,510	65,032,278
Investment properties		182,293,368	180,282,614
Interests in associates		748,960	459,895
Promissory notes receivables		–	3,250,000
Paintings		3,921,217	3,921,217
		<u>249,566,055</u>	<u>252,946,004</u>
CURRENT ASSETS			
Investment securities		41,893,626	47,212,282
Inventories		479,320	449,742
Promissory notes receivables		9,250,000	12,000,000
Trade receivables	10	9,271,800	10,333,621
Other receivables, deposits and prepayments		2,336,092	1,233,014
Pledged bank deposits		2,118,000	2,118,000
Deposit held with a securities broker company		448,059	2,766,263
Bank balances and cash		12,992,095	11,113,032
		<u>78,788,992</u>	<u>87,225,954</u>

INTERIM FINANCIAL INFORMATION

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

As at 30 September 2018

	Notes	30/09/2018 (unaudited) HK\$	31/03/2018 (audited) HK\$
CURRENT LIABILITIES			
Trade and other payables and accruals	11	8,838,448	10,250,120
Deposits received		215,899	206,396
Amounts due to directors		385,000	–
Amounts due to associates		469,381	287,381
Amounts due to related companies		682,461	695,076
Bank borrowings – due within one year	12	17,033,123	17,145,934
Obligations under a finance lease		255,899	326,257
Tax payable		1,373,521	1,417,676
		<u>29,253,732</u>	<u>30,328,840</u>
NET CURRENT ASSETS			
		<u>49,535,260</u>	<u>56,897,114</u>
		<u>299,101,315</u>	<u>309,843,118</u>
CAPITAL AND RESERVES			
Share capital	13	312,890,213	312,144,213
Reserves		(28,405,981)	(18,315,414)
		<u>284,484,232</u>	<u>293,828,799</u>
NON-CURRENT LIABILITIES			
Deferred taxation		1,200,426	1,205,179
Provision for long service payments		2,053,401	2,053,401
Obligations under a finance lease		258,461	374,737
Bank borrowings – due after one year	12	11,104,795	12,381,002
		<u>14,617,083</u>	<u>16,014,319</u>
		<u>299,101,315</u>	<u>309,843,118</u>

INTERIM FINANCIAL INFORMATION

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2018

	Share capital HK\$	Share option reserve HK\$	Translation reserve HK\$	Retained earnings HK\$	Total HK\$
At 1 April 2017 (Audited)	312,144,213	4,931,956	(3,863,649)	(34,073,589)	279,138,931
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)	<u>312,144,213</u>	<u>4,931,956</u>	<u>(1,641,814)</u>	<u>(25,812,330)</u>	<u>289,622,025</u>
At 1 April 2018 (Audited)	312,144,213	8,504,227	(443,035)	(26,376,606)	293,828,799
Loss for the period	–	–	–	(5,872,148)	(5,872,148)
Exchange differences arising on translation of foreign operations	–	–	(4,218,419)	–	(4,218,419)
Total comprehensive expense for the period	–	–	(4,218,419)	(5,872,148)	(10,090,567)
Shares issued upon exercise of share options	746,000	–	–	–	746,000
At 30 September 2018 (Unaudited)	<u>312,890,213</u>	<u>8,504,227</u>	<u>(4,661,454)</u>	<u>(32,248,754)</u>	<u>284,484,232</u>

INTERIM FINANCIAL INFORMATION

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2018

	Six months ended 30 September	
	2018 (unaudited) HK\$	2017 (unaudited) HK\$
Net cash generated from operating activities	5,213,433	12,987,834
Net cash used in investing activities	(107,760)	(5,225,150)
Net cash used in financing activities	(1,065,810)	(2,452,555)
Net increase in cash and cash equivalents	4,039,863	5,310,129
Cash and cash equivalents at beginning of the period	11,113,032	18,548,469
Effect of foreign exchange rate changes	(2,160,800)	1,412,974
Cash and cash equivalents at end of the period	<u>12,992,095</u>	<u>25,271,572</u>

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 “Listing Rules”) and should be read in conjunction with the annual financial statements for the year ended 31 March 2018.

The financial information relating to the year ended 31 March 2018 that is included in the half-year Interim Report 2018 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 2018 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 “HKFRSs”)

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 2018, 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.

INTERIM FINANCIAL INFORMATION

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

In the current interim period, the Group has applied, for the first time, the following new and revised HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2018 for the preparation of the Group’s condensed consolidated financial statements.

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the Related Amendments
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 “Financial Instruments” with HKFRS 4 “Insurance Contracts”
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

The adoption of these new and revised HKFRSs has had no material impact on the unaudited condensed consolidated interim financial statements of the Group.

The Group applied HKFRS 9 and HKFRS 15 for the first time. The adoption of HKFRS 9 and HKFRS 15 has no material impact on the unaudited condensed consolidated interim financial statements of the Group. The comparative information was not restated and continues to be reported under HKAS 39, HKAS 11, HKAS 18 and related interpretations.

The Group has not early adopted the new and revised HKFRSs that have been issued but are not yet effective. However, the Group is in the process of making an assessment of the impact of the new and revised HKFRSs upon initial application, certain of which may be relevant to the Group’s operation and may result in changes in the Group’s accounting policies, and changes in presentation and measurement of certain items of the Group’s financial statements.

INTERIM FINANCIAL INFORMATION

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. REVENUE AND 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 ("PRC")
3. Property investment in Hong Kong
4. Property investment overseas
5. Securities investment and trading

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\$
Six months ended 30 September 2018 (unaudited)						
Revenue	10,878,775	14,295,019	292,680	786,458	–	26,252,932
Segment profit (loss)	2,013,448	5,730,935	3,629,788	675,254	(8,614,659)	3,434,766
Unallocated gains and losses						81,222
Unallocated expenses						(8,932,886)
Unallocated finance costs						(405,543)
Share of results of associates						289,065
Loss before taxation						(5,533,376)
Taxation						(338,772)
Loss for the period						(5,872,148)

INTERIM FINANCIAL INFORMATION

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. REVENUE AND 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 2017 (unaudited)						
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

Revenue from external customers by geographical location is analysed below:

	Six months ended 30 September	
	2018 (unaudited) HK\$	2017 (unaudited) HK\$
Hong Kong	11,171,455	10,782,503
PRC	14,295,019	12,912,865
Overseas	786,458	803,770
	26,252,932	24,499,138

INTERIM FINANCIAL INFORMATION
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4. (LOSS) PROFIT BEFORE TAXATION

	Six months ended 30 September	
	2018 (unaudited) HK\$	2017 (unaudited) HK\$
(Loss) profit before taxation has been arrived at after charging:		
Depreciation	4,180,639	4,130,179
Auditor's remuneration	500,000	475,000
Directors' remuneration and other staff costs		
Salaries, bonus and allowances	6,314,927	6,050,833
Retirement benefits cost	318,758	316,765
	6,633,685	6,367,598
Operating lease rentals in respect of rental premises	3,644,805	3,089,461
Share of taxation of associates (included in share of results of associates)	21,136	25,699
Cost of inventories recognised as an expense	1,994,182	2,764,665
and after crediting:		
Net rental income from properties	11,957,359	10,451,599

INTERIM FINANCIAL INFORMATION
 NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

5. OTHER GAINS AND LOSSES

	Six months ended 30 September	
	2018 (unaudited) HK\$	2017 (unaudited) HK\$
Dividend income from listed securities	555,101	751,062
Change in fair value of financial assets at fair value through profit or loss	(9,169,868)	8,530,580
Bank interest income	10,691	3,961
Other interest income	70,639	116,707
	<u>(8,533,437)</u>	<u>9,402,310</u>

6. FINANCE COSTS

	Six months ended 30 September	
	2018 (unaudited) HK\$	2017 (unaudited) HK\$
Interest on bank borrowings:		
Wholly repayable within five years	199,731	177,637
Not wholly repayable within five years	195,109	228,876
Interest on finance leases	10,703	18,530
	<u>405,543</u>	<u>425,043</u>

INTERIM FINANCIAL INFORMATION

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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.

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the Mainland China subsidiary is 25% for both periods.

Fiji corporation income tax is calculated in accordance with the Income Tax Act at a rate of 20%.

8. (LOSS) EARNINGS PER SHARE

The calculation of basic and diluted (loss) earnings per share is based on the loss attributable to owners of the Company for the six months ended 30 September 2018 of HK\$5,872,148 (2017: profit of HK\$8,261,259) and the number of shares as calculated below:

	Six months ended 30 September	
	2018 (unaudited)	2017 (unaudited)
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	608,343,552	607,710,675

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

9. DIVIDEND

The Board has resolved not to declare the payment of any interim dividend in respect of the six months ended 30 September 2018 (2017: Nil).

INTERIM FINANCIAL INFORMATION

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

10. TRADE RECEIVABLES

Included in trade receivables were trade debtors of HK\$9,271,800 (31/03/2018: HK\$10,333,621), 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:

	30/09/2018 (unaudited) HK\$	31/03/2018 (audited) HK\$
0–30 days	3,156,137	9,029,384
31–60 days	2,207,744	123,631
Over 60 days	3,907,919	1,180,606
	9,271,800	10,333,621

11. TRADE AND OTHER PAYABLES AND ACCRUALS

	30/09/2018 (unaudited) HK\$	31/03/2018 (audited) HK\$
Trade payables	706,520	913,774
Other payables and accruals	3,713,364	4,510,742
Receipt in advance	4,418,564	4,825,604
	8,838,448	10,250,120

Included in trade and other payables and accruals were trade creditors of HK\$706,520 (31/03/2018: HK\$913,774).

INTERIM FINANCIAL INFORMATION

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

11. TRADE AND OTHER PAYABLES AND ACCRUALS (Continued)

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

	30/09/2018 (unaudited) HK\$	31/03/2018 (audited) HK\$
0–30 days	315,060	339,616
31–60 days	228,359	343,944
Over 60 days	163,101	230,214
	<hr/> 706,520 <hr/>	<hr/> 913,774 <hr/>

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

12. BANK BORROWINGS

	30/09/2018 (unaudited) HK\$	31/03/2018 (audited) HK\$
Bank borrowings are secured and repayable as follows:		
Within one year	2,535,395	2,500,270
More than one year, but not exceeding five years	8,268,650	10,717,157
More than five years	2,836,145	1,663,845
	<hr/> 13,640,190 <hr/>	<hr/> 14,881,272 <hr/>
Carrying amount of bank borrowings that contain a repayment on demand clause (shown under current liabilities)	<hr/> 14,497,728 <hr/>	<hr/> 14,645,664 <hr/>
	28,137,918	29,526,936
Less: Amount due within one year shown under current liabilities	<hr/> (17,033,123) <hr/>	<hr/> (17,145,934) <hr/>
Amount due after one year	<hr/> 11,104,795 <hr/>	<hr/> 12,381,002 <hr/>

INTERIM FINANCIAL INFORMATION
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

13. SHARE CAPITAL

	Number of Shares	HK\$
Issued and fully paid:		
Ordinary shares with no par value		
At 1 April 2017 and 2018	607,710,675	312,144,213
Exercise of share options	3,000,000	746,000
	<u>610,710,675</u>	<u>312,890,213</u>
At 30 September 2018	<u>610,710,675</u>	<u>312,890,213</u>

14. OPERATING LEASE

The Group as lessee:

At 30 September 2018, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises, which fall due as follows:

	30/09/2018 (unaudited) HK\$	31/03/2018 (audited) HK\$
Within one year	6,071,416	6,585,893
In the second to fifth years inclusive	19,391,277	21,846,897
Over five years	4,787,416	7,862,224
	<u>30,250,109</u>	<u>36,295,014</u>

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.

INTERIM FINANCIAL INFORMATION
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

14. OPERATING LEASE (Continued)

The Group as lessor:

At 30 September 2018, the Group had contracted with tenants for the following future minimum lease payments:

	30/09/2018 (unaudited) HK\$	31/03/2018 (audited) HK\$
Within one year	28,564,051	33,013,963
In the second to fifth years inclusive	64,499,909	86,827,926
	93,063,960	119,841,889

The properties have committed tenants for a term of five years (31/03/2018: one to five 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 2018, 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 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")

Name of directors/ chief executive	Number of Shares held		Number of underlying Shares held (Note 4)	Total	Approximate percentage of issued Shares
	Personal interests	Corporate interests			
Mr. Derek Chiu	40,765,576	78,430,299 (Note 1)	12,070,000	131,265,875	21.49%
Madam Chiu Ju Ching Lan	188,000	–	2,000,000	2,188,000	0.36%
Mr. Dick Tat Sang Chiu	–	22,277,033 (Note 2)	–	22,277,033	3.65%
Ms. Margaret Chiu (resigned on 12/11/2018)	676,240	5,000,000 (Note 3)	2,000,000	7,676,240	1.26%
Mr. Alex Chiu	–	–	6,100,000	6,100,000	1.00%
Ms. Amanda Chiu	–	–	6,100,000	6,100,000	1.00%
Mr. Choy Wai Shek Raymond	3,000,000	–	2,000,000	5,000,000	0.82%
Mr. Ip Shing Hing	–	–	5,000,000	5,000,000	0.82%
Mr. Ng Wing Hang Patrick	–	–	5,000,000	5,000,000	0.82%

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. 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

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 was adopted pursuant to an ordinary resolution duly passed by the shareholders of the Company on 2 September 2016 (the "New Scheme") 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 and New Scheme held by the directors of the Company and employees of the Group were as follows:

Category of grantee	Number of underlying Shares comprised in share options				Held at 30 September 2018	Exercise price per share HK\$	Grant date	Exercisable period	
	Held at 1 April 2018	Granted during the period	Exercised during the period	Lapsed/ cancelled during the period				From	To
Executive directors									
Mr. Derek Chiu	6,000,000	-	-	-	6,000,000	0.5600	23/10/2015	23/10/2015	22/10/2025
	6,070,000	-	-	-	6,070,000	0.4430	23/10/2017	23/10/2017	22/10/2027
Ms. Margaret Chiu (resigned on 12/11/2018)	2,000,000	-	-	-	2,000,000	0.2320	06/02/2014	06/02/2014	05/02/2024
Mr. Alex Chiu	2,000,000	-	-	-	2,000,000	0.4430	23/10/2017	23/10/2017	22/10/2027
	-	4,100,000	-	-	4,100,000	0.3570	06/08/2018	06/08/2018	05/08/2028
Ms. Amanda Chiu	4,000,000	-	-	-	4,000,000	0.4430	23/10/2017	23/10/2017	22/10/2027
	-	2,100,000	-	-	2,100,000	0.3570	06/08/2018	06/08/2018	05/08/2028
Non-executive directors									
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
	1,000,000	-	-	-	1,000,000	0.4430	23/10/2017	23/10/2017	22/10/2027
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
	1,000,000	-	-	-	1,000,000	0.4430	23/10/2017	23/10/2017	22/10/2027
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
	1,000,000	-	-	-	1,000,000	0.4430	23/10/2017	23/10/2017	22/10/2027
Employees (in aggregate)	2,300,000	-	-	-	2,300,000	0.5600	23/10/2015	23/10/2015	22/10/2025
	<u>39,370,000</u>	<u>6,200,000</u>	<u>(3,000,000)</u>	<u>-</u>	<u>42,570,000</u>				

ADDITIONAL INFORMATION REQUIRED BY LISTING RULES

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

Share options comprising a total of 6,200,000 underlying Shares (the “Options”) under the New Scheme were granted to certain Directors on 6 August 2018. The closing price of the Shares immediately before the date on which the Options were granted was HK\$0.3450.

During the six months ended 30 September 2018, a share options holder under the Old Scheme exercised part of his Options and subscribed for 3,000,000 Shares at the exercise prices of HK\$0.2820 and HK\$0.2320 on 9 July 2018. The weighted average closing price of the Shares immediately before the date on which the options were exercised was HK\$0.3550.

Save as disclosed above, no share options were granted or exercised or cancelled or lapsed during the six months ended 30 September 2018.

Save as disclosed above, as at 30 September 2018, none of the directors or 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.

OPTIONS TO TAKE UP UNISSUED SHARES

During the six months ended 30 September 2018, 3,000,000 Shares have been issued by virtue of the exercise of options under the Old Scheme.

RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, at no time during the six months ended 30 September 2018 was the Company or its holding company, any of its subsidiaries or fellow 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.

ADDITIONAL INFORMATION REQUIRED BY LISTING RULES

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

Save as the interests of certain directors of the Company 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 2018, 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/ Nature of Interest	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 corporation/ Personal and corporate interest	113,726,476	18.62%
Achiemax Limited (Note 1)	Beneficial owner/ Personal interest	72,182,400	11.82%
Energy Overseas Ltd. (Note 2)	Beneficial owner/ Personal interest	78,430,299	12.84%
Mr. Chan Tai Keung David	Beneficial owner/ Personal interest	41,768,000	6.84%

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 2018, 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.

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

During the six months ended 30 September 2018, 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 2018, 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 chairman should be responsible for formulating and setting the Group’s strategies and policies in conjunction with the Board.

The chief executive should be 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 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 consolidated financial statements of the Group and the interim report of the Company for the six months ended 30 September 2018.

MODEL CODE FOR 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. Following a specific enquiry made on them by the Company, all directors of the Company confirmed that they had complied with the required standard 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 2018.

CHANGE IN INFORMATION OF DIRECTOR

Subsequent to the date of the 2018 annual report of the Company, the change in Director's information as required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules is set out below:

Ms. Margaret Chiu has resigned as an executive director of the Company with effect from 12 November 2018.

On behalf of the Board

Derek Chiu

Managing Director and Chief Executive

Hong Kong, 29 November 2018