



Far East Hotels and Entertainment Limited

Stock Code : 37



2019

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	11–30
Additional Information required by Listing Rules	31–36

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)

Amanda Chiu, B.A.

Non-executive Directors

Chiu Ju Ching Lan, J.P.

Alex Chiu, B.Sc.

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 54, 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

MANAGING DIRECTOR AND CHIEF EXECUTIVE'S STATEMENT

OVERALL RESULTS

For the six months ended 30 September 2019, 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\$12,416,373 (30 September 2018: HK\$5,872,148).

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 2019 (30 September 2018: Nil).

REVIEW OF OPERATIONS AND PROSPECTS

For the six months ended 30 September 2019, the Group recorded a total revenue of approximately HK\$25.23 million (30 September 2018: approximately HK\$26.25 million) and a gross profit of approximately HK\$5.91 million (30 September 2018: approximately HK\$8.43 million). Loss for the period attributable to owners of the Company amounted to approximately HK\$12.42 million (30 September 2018: approximately HK\$5.87 million).

For the period under review, the Cheung Chau Warwick Hotel recorded a total revenue of approximately HK\$10.32 million (30 September 2018: approximately HK\$10.88 million) with contributing profit of approximately HK\$1.04 million (30 September 2018: approximately HK\$2.01 million). The guest rooms department recorded a decrease in revenue of approximately 9.3%. The food and beverage department recorded an increase in revenue of approximately 2.3%. 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, the People's Republic of China (the “PRC”) recorded a revenue of approximately HK\$14.32 million (30 September 2018: approximately HK\$14.30 million) and a profit of approximately HK\$4.85 million (30 September 2018: approximately HK\$5.73 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\$3.07 million (30 September 2018: approximately HK\$8.61 million), which included a decrease of approximately HK\$3.56 million (30 September 2018: approximately HK\$9.17 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.

Due to the recent social unrest in Hong Kong such as ongoing demonstrations since June 2019 and the uncertain economic environment in mainland China resulted from US-China trade tensions, it is currently not clear whether the overall business of the Group will be affected in the near future. The management will closely monitor and react to the market changes. The Group will also from time to time seek business opportunities that can provide investment potential and broaden the income base of the Group.

MANAGING DIRECTOR AND CHIEF EXECUTIVE'S STATEMENT

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2019, the Group had bank balances and cash of HK\$10,401,755 (31 March 2019: HK\$14,139,430), bank deposits with original maturity more than three months of HK\$6,580,390 (31 March 2019: HK\$6,994,637) and pledged bank deposits of HK\$2,118,000 (31 March 2019: HK\$2,118,000), which were mainly denominated in Hong Kong dollars and Renminbi.

As at 30 September 2019, there were outstanding bank loans and utilised overdraft facilities of HK\$25,099,572 (31 March 2019: HK\$26,522,475) and unutilised overdraft facilities of HK\$2,000,000 (31 March 2019: HK\$2,000,000) available to the Group. All outstanding bank loans and overdraft facilities were denominated in Hong Kong dollars with interest at prevailing market rates.

As at 30 September 2019, the Group did not have any foreign exchange contracts, interest or currency swaps or other financial derivatives (31 March 2019: Nil). However, the Group will review and monitor the relevant foreign exchange risk from time to time based on its business development requirements and may enter into foreign exchange hedging arrangements when applicable.

Shareholders' funds as at 30 September 2019 amounted to approximately HK\$269.90 million (31 March 2019: approximately HK\$285.04 million). Accordingly, the Group's gearing ratio (total bank borrowings to shareholders' funds) at 30 September 2019 was 9.3% (31 March 2019: 9.3%).

CHARGES OVER ASSETS OF THE GROUP

As at 30 September 2019, certain property, plant and machinery and bank deposit with an aggregate carrying value of approximately HK\$32.01 million (31 March 2019: approximately HK\$32.87 million) are secured for the Group's bank borrowings and overdrafts.

CONTINGENT LIABILITIES

As at 30 September 2019, the Company had issued financial guarantees of HK\$15,000,000 (31 March 2019: HK\$15,000,000) to banks in respect of banking facilities granted to its subsidiaries, of which HK\$14,201,856 (31 March 2019: HK\$14,349,792) had been utilised by its subsidiaries.

CAPITAL COMMITMENTS

As at 30 September 2019, the Group had capital commitments of HK\$379,573 (31 March 2019: HK\$465,842).

MANAGING DIRECTOR AND CHIEF EXECUTIVE'S STATEMENT

MATERIAL ACQUISITIONS, DISPOSALS AND SIGNIFICANT INVESTMENTS

As at 30 September 2019, the Group's financial assets at fair value through profit or loss ("FVTPL"), with market value of approximately HK\$33.66 million (31 March 2019: approximately HK\$38.46 million), represented investment portfolio of 17 equity securities listed in Hong Kong (31 March 2019: 16 equity securities listed in Hong Kong). The Board considers that the investments with market value as at 30 September 2019 accounting for more than 5% of the Group's total assets as at 30 September 2019 as significant investments. As at 30 September 2019, none of each investment represents 5% or more of the Group's total assets.

Save as the above, during the six months ended 30 September 2019 and up to date of this report, there was no significant investment, material acquisition or disposal of subsidiaries, associates and joint ventures by the Company.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2019, the Group has approximately 70 employees (31 March 2019: 70 employees). Total staff cost (including emoluments of the directors of the Company) for the six months ended 30 September 2019 were HK\$7,141,431 (30 September 2018: HK\$6,633,685). 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 share option schemes as incentive to the directors and other eligible participants. The Group also provides and arranges on-the-job training for the employees.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

As at 30 September 2019, the Group did not have other plans for material investments and capital assets.

EVENTS AFTER THE REPORTING DATE

The Group has no material event subsequent to the end of 30 September 2019 and up to the date of this report.

INTERIM FINANCIAL INFORMATION

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2019

	Notes	Six months ended 30 September	
		2019 (unaudited) HK\$	2018 (unaudited) HK\$
Revenue	3	25,230,509	26,252,932
Cost of sales		(19,323,264)	(17,819,357)
Gross profit		5,907,245	8,433,575
Other gains and losses	5	(2,807,209)	(8,533,437)
(Decrease)/increase in fair value of investment properties		(6,715,326)	3,615,850
Administrative expenses		(6,987,832)	(8,932,886)
Finance costs	6	(934,768)	(405,543)
Share of results of associates		301,498	289,065
Loss before taxation	4	(11,236,392)	(5,533,376)
Taxation	7	(1,179,981)	(338,772)
Loss for the period attributable to owners of the Company		(12,416,373)	(5,872,148)
Other comprehensive expenses			
<i>Item that may be subsequently reclassified to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		(2,722,910)	(4,218,419)
Total comprehensive expenses for the period attributable to owners of the Company		(15,139,283)	(10,090,567)
		HK Cents	HK Cents
Loss per share	8		
– Basic		(2.03)	(0.97)
– Diluted		(2.03)	(0.97)

INTERIM FINANCIAL INFORMATION

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2019

	Notes	30 September 2019 (unaudited) HK\$	31 March 2019 (audited) HK\$
NON-CURRENT ASSETS			
Property, plant and equipment		57,696,389	61,973,925
Right-of-use assets		21,576,144	–
Deposit for acquisition for property, plant and equipment		817,305	700,655
Investment properties		180,674,878	188,235,225
Interests in associates		607,465	1,055,967
Equity instrument at fair value through other comprehensive income		–	–
Paintings		4,368,004	3,921,217
		<u>265,740,185</u>	<u>255,886,989</u>
CURRENT ASSETS			
Financial assets at fair value through profit or loss		33,659,695	38,460,864
Inventories		310,626	314,842
Promissory notes receivables		–	8,085,000
Trade receivables	10	8,078,805	1,109,100
Other receivables, deposits and prepayments		1,666,098	1,628,289
Pledged bank deposits		2,118,000	2,118,000
Bank deposits		6,580,390	6,994,637
Deposit held with securities broker companies		4,506,744	2,253,429
Bank balances and cash		10,401,755	14,139,430
		<u>67,322,113</u>	<u>75,103,591</u>

INTERIM FINANCIAL INFORMATION

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

As at 30 September 2019

	Notes	30 September 2019 (unaudited) HK\$	31 March 2019 (audited) HK\$
CURRENT LIABILITIES			
Trade and other payables and accruals	11	9,727,431	11,491,311
Contract liabilities		199,657	304,727
Deposits received		91,800	80,000
Amount due to an associate		110,381	678,381
Amounts due to related companies		676,611	679,121
Bank borrowings	12	16,800,932	16,911,478
Obligations under finance leases		–	293,673
Lease liabilities		4,005,961	–
Tax payable		2,759,533	1,993,168
		<u>34,372,306</u>	<u>32,431,859</u>
NET CURRENT ASSETS			
		<u>32,949,807</u>	<u>42,671,732</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
		<u>298,689,992</u>	<u>298,558,721</u>
CAPITAL AND RESERVES			
Share capital	13	312,890,213	312,890,213
Reserves		(42,990,370)	(27,851,087)
		<u>269,899,843</u>	<u>285,039,126</u>
NON-CURRENT LIABILITIES			
Deferred taxation		1,505,965	1,508,462
Provision for long service payments		2,053,401	2,053,401
Obligations under finance leases		–	346,735
Lease liabilities		16,932,143	–
Bank borrowings	12	8,298,640	9,610,997
		<u>28,790,149</u>	<u>13,519,595</u>
		<u>298,689,992</u>	<u>298,558,721</u>

INTERIM FINANCIAL INFORMATION

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2019

	Share capital HK\$	Share option reserve HK\$	Translation reserve HK\$	Accumulated losses HK\$	Total HK\$
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>
At 1 April 2019 (Audited)	312,890,213	11,573,594	(3,900,925)	(35,523,756)	285,039,126
Loss for the period	-	-	-	(12,416,373)	(12,416,373)
Exchange differences arising on translation of foreign operations	-	-	(2,722,910)	-	(2,722,910)
Total comprehensive expense for the period	-	-	(2,722,910)	(12,416,373)	(15,139,283)
At 30 September 2019 (Unaudited)	<u>312,890,213</u>	<u>11,573,594</u>	<u>(6,623,835)</u>	<u>(47,940,129)</u>	<u>269,899,843</u>

INTERIM FINANCIAL INFORMATION

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2019

	Six months ended 30 September	
	2019 (unaudited) HK\$	2018 (unaudited) HK\$
Net cash (used in)/generated from operating activities	(1,980,450)	5,213,433
Net cash generated from/(used in) investing activities	4,869,955	(107,760)
Net cash used in financing activities	(3,761,834)	(1,065,810)
Net (decrease)/increase in cash and cash equivalents	(872,330)	4,039,863
Cash and cash equivalents at beginning of the period	16,392,859	11,113,032
Effect of foreign exchange rate changes	(612,030)	(2,160,800)
Cash and cash equivalents at end of the period	<u>14,908,499</u>	<u>12,992,095</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 2019.

The financial information relating to the year ended 31 March 2019 that is included in the half-year Interim Report 2019 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 (Cap. 622, the Laws of Hong Kong) (the “Companies Ordinance”) is as follows:

The Company has delivered the financial statements for the year ended 31 March 2019 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 AMENDMENTS TO 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 2019, except for those due to the application of new and amendments to HKFRSs issued by the HKICPA.

INTERIM FINANCIAL INFORMATION

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2. APPLICATION OF NEW AND AMENDMENTS TO 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 amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 April 2019 for the preparation of the Group’s unaudited condensed consolidated financial statements.

HKFRS 16	Leases
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle

Except as described below, the adoption of these new and amendments to HKFRSs has had no material impact on the unaudited condensed consolidated interim financial statements of the Group.

2.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases

The Group has applied HKFRS 16 for the first time in the current interim period. HKFRS 16 superseded HKAS 17 *Leases* (“HKAS 17”).

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16

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

Definition of a lease

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

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

INTERIM FINANCIAL INFORMATION

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

2.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases (Continued)

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

As a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group also applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

Short-term leases and leases of low-value assets

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

Right-of-use assets

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

INTERIM FINANCIAL INFORMATION

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

2.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases (Continued)

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

As a lessee (Continued)

Right-of-use assets (Continued)

The cost of right-of-use asset includes:

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

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

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

Leasehold land and building

For payments of a property interest which includes both leasehold land and building elements, the entire property is presented as property, plant and equipment of the Group when the payments cannot be allocated reliably between the leasehold land and building elements.

INTERIM FINANCIAL INFORMATION

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

2.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases (Continued)

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

As a lessee (Continued)

Refundable rental deposits

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

Lease liabilities

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

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

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

INTERIM FINANCIAL INFORMATION

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

2.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases (Continued)

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

As a lessee (Continued)

Lease liabilities (Continued)

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

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

Lease modifications

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

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

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

INTERIM FINANCIAL INFORMATION

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

2.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases (Continued)

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

As a lessor

Refundable rental deposits

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

Sublease

When the Group acts as an intermediate lessor in a sublease arrangement, the Group is required to classify the sublease as a finance lease or an operating lease by reference to the right-of-use asset arising from the head lease, instead of by reference to the underlying asset.

Lease modification

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

INTERIM FINANCIAL INFORMATION

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

2.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases (Continued)

2.1.2 Transition and summary of effects arising from initial application of HKFRS 16

Definition of a lease

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

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

As a lessee

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

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

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

INTERIM FINANCIAL INFORMATION

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

2.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases (Continued)

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

As a lessee (Continued)

- ii. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;
- iii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and
- iv. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group’s leases with extension and termination options.

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

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

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate applied is 4.9%.

INTERIM FINANCIAL INFORMATION
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

2.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases (Continued)

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

As a lessee (Continued)

	As at 1 April 2019 HK\$
Operating lease commitments disclosed as at 31 March 2019	27,936,044
Less: Recognition exemption – short-term leases	(1,006,690)
Undiscounted lease liabilities (excluding short-term leases and non-lease components)	(3,298,504)
	<hr/>
Lease liabilities relating to operating leases recognised upon application of HKFRS 16 (discounted at relevant incremental borrowing rates)	23,630,850
Add: Obligations under finance leases recognised at 31 March 2019	640,408
	<hr/>
Lease liabilities as at 1 April 2019	<u>24,271,258</u>
Analysed as:	
Current	4,141,019
Non-current	20,130,239
	<hr/>
	<u>24,271,258</u>
The carrying amount of right-of-use assets as at 1 April 2019 comprises the following:	
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	23,630,850
Amounts included in property, plant and equipment under HKAS 17 – Assets previously under finance leases	1,474,080
	<hr/>
Right-of-use assets as at 1 April 2019	<u>25,104,930</u>
By class:	
Leasehold land and buildings	23,630,850
Motor vehicles	1,474,080
	<hr/>
	<u>25,104,930</u>

INTERIM FINANCIAL INFORMATION

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

2.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases (Continued)

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

As a lessee (Continued)

Notes:

- (a) Before the application of HKFRS 16, the Group considered refundable rental deposits paid as rights and obligations under leases to which HKAS 17 applied. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use of the underlying assets and should be adjusted to reflect the discounting effect at transition. However, the adjustments to present value is insignificant to be recognised at the date of initial application, 1 April 2019.
- (b) In relation to assets previously under finance leases, the Group recategorised the carrying amounts of the relevant assets which were still under lease as at 1 April 2019 amounting to HK\$1,474,080 as right-of-use assets. In addition, the Group reclassified the obligations under finance leases of HK\$293,676 and HK\$346,735 to lease liabilities as current and non-current liabilities respectively at 1 April 2019.

As a lessor

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

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

INTERIM FINANCIAL INFORMATION

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

2.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases (Continued)

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

As a lessor (Continued)

Before application of HKFRS 16, refundable rental deposits received were considered as rights and obligations under leases to which HKAS 17 applied. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right-of-use assets and were adjusted to reflect the discounting effect at transition. The adjustments to fair value have had no material impact on the condensed consolidated financial statements of the Group for the current period.

Impact of applying HKFRS 16 as a lessor on the condensed consolidated financial statements

The impacts of applying HKFRS 16 as a lessor on the Group’s condensed consolidated statement of financial position as at 30 September 2019 and its condensed consolidated statement of profit or loss and other comprehensive income and cash flows for the current interim period were insignificant.

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 PRC, excluding Hong Kong
3. Property investment in Hong Kong
4. Property investment overseas
5. Securities investment and trading

Disaggregation of revenue from contracts with customers

Segments	Six months ended 30 September 2019 (unaudited)			Six months ended 30 September 2018 (unaudited)		
	Hotel operation in Hong Kong HK\$	Serviced property letting in the PRC HK\$	Total HK\$	Hotel operation in Hong Kong HK\$	Serviced property letting in the PRC HK\$	Total HK\$
Types of goods or services						
Hotel operation						
– Hotel rooms revenue	6,356,045	–	6,356,045	7,009,410	–	7,009,410
– Food and beverages	3,959,531	–	3,959,531	3,869,365	–	3,869,365
Property management services	–	446,970	446,970	–	619,396	619,396
Total	10,315,576	446,970	10,762,546	10,878,775	619,396	11,498,171
Geographical markets						
– Hong Kong	10,315,576	–	10,315,576	10,878,775	–	10,878,775
– The PRC	–	446,970	446,970	–	619,396	619,396
Total	10,315,576	446,970	10,762,546	10,878,775	619,396	11,498,171
Timing of revenue recognition						
– A point in time	3,959,531	–	3,959,531	3,869,365	–	3,869,365
– Over time	6,356,045	446,970	6,803,015	7,009,410	619,396	7,628,806
Total	10,315,576	446,970	10,762,546	10,878,775	619,396	11,498,171

INTERIM FINANCIAL INFORMATION

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. REVENUE AND SEGMENT INFORMATION (Continued)

Segment revenue 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 2019 (unaudited)						
Revenue	10,315,576	14,316,969	276,358	321,606	–	25,230,509
Segment profit (loss)	1,041,671	4,854,013	(6,902,415)	251,586	(3,069,695)	(3,824,840)
Unallocated gains and losses						209,550
Unallocated expenses						(6,987,832)
Unallocated finance costs						(934,768)
Share of results of associates						301,498
Loss before taxation						(11,236,392)
Taxation						(1,179,981)
Loss for the period						(12,416,373)
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)

Revenue from external customers by geographical location is analysed below:

	Six months ended 30 September	
	2019 (unaudited) HK\$	2018 (unaudited) HK\$
Hong Kong	10,591,934	11,171,455
The PRC	14,316,969	14,295,019
Overseas	321,606	786,458
	<u>25,230,509</u>	<u>26,252,932</u>

4. LOSS BEFORE TAXATION

	Six months ended 30 September	
	2019 (unaudited) HK\$	2018 (unaudited) HK\$
Loss before taxation has been arrived at after charging:		
Depreciation of property, plant and equipment	4,543,946	4,180,639
Depreciation of right-of-use assets	2,129,285	–
Auditor's remuneration	565,000	500,000
Directors' remuneration and other staff costs		
Salaries, bonus and allowances	6,774,812	6,314,927
Retirement benefits cost	366,619	318,758
	7,141,431	6,633,685
Operating lease rentals in respect of rental premises	–	3,644,805
Rentals in respect of short-term lease payment	779,879	–
Share of taxation of associates (included in share of results of associates)	5,141	21,136
Cost of inventories recognised as an expense	1,731,013	1,994,182
	<u>12,078,275</u>	<u>11,957,359</u>
and after crediting:		
Net rental income from properties	<u>12,078,275</u>	<u>11,957,359</u>

INTERIM FINANCIAL INFORMATION
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

5. OTHER GAINS AND LOSSES

	Six months ended 30 September	
	2019 (unaudited) HK\$	2018 (unaudited) HK\$
Dividend income from financial assets at fair value through profit or loss	488,848	555,101
Change in fair value of financial assets at fair value through profit or loss	(3,559,724)	(9,169,868)
Bank interest income	69,542	10,691
Other interest income	12,323	70,639
Loss on disposal of property, plant and equipment	(4,620)	–
Impairment loss reversed in respect of promissory notes receivables	165,000	–
Gain on disposal of equity instrument at fair value through other comprehensive income	21,422	–
	<u>(2,807,209)</u>	<u>(8,533,437)</u>

6. FINANCE COSTS

	Six months ended 30 September	
	2019 (unaudited) HK\$	2018 (unaudited) HK\$
Interest on bank borrowings:		
Wholly repayable within five years	408,817	199,731
Not wholly repayable within five years	–	195,109
Interest on finance leases	–	10,703
Interest on lease liabilities	525,951	–
	<u>934,768</u>	<u>405,543</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 PER SHARE

The calculation of basic and diluted loss per share is based on the loss attributable to owners of the Company for the six months ended 30 September 2019 of HK\$12,416,373 (30 September 2018: loss of HK\$5,872,148) and the number of shares as calculated below:

	Six months ended 30 September 2019 (unaudited)	2018 (unaudited)
Weighted average number of ordinary shares for the purpose of basic loss per share	610,710,675	608,343,552

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 2019 (30 September 2018: Nil).

INTERIM FINANCIAL INFORMATION

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

10. TRADE RECEIVABLES

Included in trade receivables were trade debtors of HK\$8,078,805 (31 March 2019: HK\$1,109,100), net of allowance for credit losses.

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 September 2019 (unaudited) HK\$	31 March 2019 (audited) HK\$
0–30 days	2,150,296	502,205
31–60 days	1,981,160	120,471
Over 60 days	3,947,349	486,424
	8,078,805	1,109,100

11. TRADE AND OTHER PAYABLES AND ACCRUALS

	30 September 2019 (unaudited) HK\$	31 March 2019 (audited) HK\$
Trade payables	713,135	749,510
Other payables and accruals	4,564,848	5,425,312
Receipt in advance	4,449,448	5,316,489
	9,727,431	11,491,311

INTERIM FINANCIAL INFORMATION

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

11. TRADE AND OTHER PAYABLES AND ACCRUALS (Continued)

Included in trade and other payables and accruals were trade creditors of HK\$713,135 (31 March 2019: HK\$749,510).

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

	30 September 2019 (unaudited) HK\$	31 March 2019 (audited) HK\$
0–30 days	239,890	256,329
31–60 days	229,163	219,652
Over 60 days	244,082	273,529
	<u>713,135</u>	<u>749,510</u>

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

12. BANK BORROWINGS

	30 September 2019 (unaudited) HK\$	31 March 2019 (audited) HK\$
Bank borrowings are secured and repayable as follows:		
Within one year	2,599,076	2,561,686
More than one year, but not exceeding two years	2,674,846	2,636,290
More than two years, but not exceeding five years	5,623,794	6,974,707
	<u>10,897,716</u>	<u>12,172,683</u>
Carrying amount of bank borrowings that contain a repayment on demand clause (shown under current liabilities)	<u>14,201,856</u>	<u>14,349,792</u>
	25,099,572	26,522,475
Less: Amount due within one year shown under current liabilities	<u>(16,800,932)</u>	<u>(16,911,478)</u>
Amount due after one year	<u>8,298,640</u>	<u>9,610,997</u>

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		
As at 1 April 2018	607,710,675	312,144,213
Exercise of share options	<u>3,000,000</u>	<u>746,000</u>
As at 31 March, 1 April and 30 September 2019	<u>610,710,675</u>	<u>312,890,213</u>

14. OPERATING LEASE

The Group as lessor

As at 30 September 2019, the Group had contracted with tenants for the following future minimum lease payments:

	30 September 2019 (unaudited) HK\$	31 March 2019 (audited) HK\$
Within one year	26,329,106	30,458,085
In the second to fifth years inclusive	<u>36,245,887</u>	<u>51,488,607</u>
	<u>62,574,993</u>	<u>81,946,692</u>

The properties have committed tenants for terms of one to five years (31 March 2019: 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

As at 30 September 2019, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or 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) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules (the "Model Code") 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 Shares held		Number of underlying Shares held (Note 2)	Total	Approximate percentage of issued Shares
	Personal interests (held as beneficial owner)	Corporate interests (held as a controlled corporation)			
Mr. Derek Chiu	52,765,576	78,430,299 (Note 1)	18,170,000	149,365,875	24.46%
Ms. Amanda Chiu	–	–	10,100,000	10,100,000	1.65%
Madam Chiu Ju Ching Lan	188,000	–	2,000,000	2,188,000	0.36%
Mr. Dick Tat Sang Chiu (Note 3)	–	22,277,033	–	22,277,033	3.65%
Mr. Alex Chiu	–	–	8,100,000	8,100,000	1.33%
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 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.
- (3) Mr. Dick Tat Sang Chiu, a non-executive director of the Company, retired on 9 September 2019 and the 22,277,033 Shares were held by various private companies wholly owned by Mr. Dick Tat Sang Chiu.

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 as at 30 September 2019	Exercise price per share HK\$	Grant date	Exercisable period	
	Held as at 1 April 2019	Granted during the reporting period	Exercised during the reporting period	Lapsed/ cancelled during the reporting 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
	6,100,000	-	-	-	6,100,000	0.3400	18/03/2019	18/03/2019	17/03/2029
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
	4,000,000	-	-	-	4,000,000	0.3400	18/03/2019	18/03/2019	17/03/2029
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
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
	2,000,000	-	-	-	2,000,000	0.3400	18/03/2019	18/03/2019	17/03/2029
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	0.5600	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>52,670,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>52,670,000</u>				

ADDITIONAL INFORMATION REQUIRED BY LISTING RULES

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

No share options were granted, exercised, cancelled or lapsed during the six months ended 30 September 2019.

Save as disclosed above, as at 30 September 2019, none of the directors or the Company's chief executive 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) to be notified to the Company and the Stock Exchange pursuant to the Model Code.

OPTIONS TO TAKE UP UNISSUED SHARES

During the six months ended 30 September 2019, no shares were issued by virtue of the exercise of an option under the Old Scheme or the New Scheme.

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 2019, the following persons who (other than a director or chief executive of the Company) or corporations which 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:

ADDITIONAL INFORMATION REQUIRED BY LISTING RULES

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%

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 2019, the Company has not been notified by any persons who (other than a director or chief executive of the Company) or corporations which 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.

RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, at no time during the six months ended 30 September 2019 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

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

During the six months ended 30 September 2019, 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 as set out in Appendix 14 to the Listing Rules (the "Code") throughout the six months ended 30 September 2019, 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 the Chairman, the Managing Director and Chief Executive. The Board considers that the current structure of vesting the roles of the Chairman, 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 each annual general meeting 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 provided 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 Company and this report.

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 2019.

CHANGE IN INFORMATION OF DIRECTOR

Subsequent to the date of the 2019 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:

- Mr. Dick Tat Sang Chiu retired as a non-executive director with effect from 9 September 2019.

On behalf of the Board

Derek Chiu

Managing Director and Chief Executive

Hong Kong, 26 November 2019