



*Far East Hotels and Entertainment Limited*

Stock Code : 37



**2020**

**Interim Report**



# CONTENTS

	<i>Page(s)</i>
Corporate Information	2
Managing Director and Chief Executive's Statement	3–6
Interim Financial Information	
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	7
Condensed Consolidated Statement of Financial Position	8–9
Condensed Consolidated Statement of Changes in Equity	10
Condensed Consolidated Statement of Cash Flows	11
Notes to the Condensed Consolidated Financial Statements	12–24
Additional Information Required by Listing Rules	25–30

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.Sc.

*(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

*Registered Public Interest Entity Auditors*

Hong Kong

## Authorised Representatives

Derek Chiu, B.Sc.

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.Sc.

## Nomination Committee

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

Ng Wing Hang Patrick

Choy Wai Shek Raymond, MH, J.P.

Derek Chiu, B.Sc.

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

# MANAGING DIRECTOR AND CHIEF EXECUTIVE'S STATEMENT

## OVERALL RESULTS

For the six months ended 30 September 2020, 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\$4,432,484 (30 September 2019: HK\$12,416,373).

## 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 2020 (30 September 2019: Nil).

## REVIEW OF OPERATIONS AND PROSPECTS

For the six months ended 30 September 2020, the Group recorded a total revenue of approximately HK\$23.7 million (30 September 2019: HK\$25.2 million) and gross profit of approximately HK\$9.5 million (30 September 2019: HK\$5.9 million), representing a decrease in revenue of approximately 6.0% with a significant increase in gross profit of approximately 60.8% after recognition of all leased properties under subleases and remeasured to fair value under Hong Kong Financial Reporting Standard (“HKFRS”) 16 – *Leases*. The investment properties including the leased properties under sublease have recorded a substantial decrease in fair value amounted to approximately HK\$13.8 million (30 September 2019: HK\$6.7 million). The loss for the period attributable to the owners of the Company amounted to approximately HK\$4.4 million (30 September 2019: HK\$12.4 million).

For the period under review, the total revenue of the Cheung Chau Warwick Hotel recorded approximately HK\$8.5 million (30 September 2019: HK\$10.3 million) with a profit contribution of approximately HK\$1.6 million (30 September 2019: HK\$1.0 million). The rooms department maintained a stable revenue while the food and beverages department recorded a significant decrease in revenue of approximately 47.4%. The substantial drop in food and beverages revenue under the period concerned was mainly resulting from the impact of the ongoing Coronavirus Disease 2019 (the “COVID-19”) outbreak. Given the continued deterioration of the COVID-19 pandemic, the HKSAR Government has further tightened its control measures. As a result, our restaurant was closed for 23 days as many bookings have been deferred/cancelled during the period. In addition to tightening expense control, the Group has applied for and obtained the COVID-19 subsidies from the HKSAR Government.

## MANAGING DIRECTOR AND CHIEF EXECUTIVE'S STATEMENT

For the period under review, the Group's serviced property in Beijing, the People's Republic of China recorded a total revenue of approximately HK\$14.8 million (30 September 2019: HK\$14.3 million) with a profit of approximately HK\$1.7 million (30 September 2019: HK\$4.9 million). The decrease in segment profit was mainly attributable to the significant drop in fair values of approximately HK\$7.4 million of the leased properties under sublease during the six months ended 30 September 2020. The serviced property is now fully let and the existing leases will continue to contribute a stable rental income stream to the Group in the near future.

For securities investment and trading, the Group recorded a profit of approximately HK\$4.7 million (30 September 2019: loss of HK\$3.1 million), which included an increase of approximately HK\$4.4 million (30 September 2019: decrease of HK\$3.6 million) in fair value of financial assets at fair value through profit or loss ("FVTPL"). The Group will continue to monitor the investment portfolio and balance investment risks from time to time to cope with the economic environment.

The recent economic slowdown and the outbreak of COVID-19 pandemic have presented a challenging year ahead. The hazards of contagion and hassles of quarantine have dealt heavy blows to the hotel and travel industries as international traffic is nearly paralyzed. The Group will continue to navigate through challenging market and take this opportunity to improve the service quality and strengthen operational efficiency. The Group will look for appropriate investment opportunities.

### EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2020, the Group had approximately 70 employees (31 March 2020: 70). 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 (the "New Scheme") on 2 September 2016 as an incentive to the Directors and other eligible participants. The Group also provides and arranges on-the-job training for the employees.

# MANAGING DIRECTOR AND CHIEF EXECUTIVE'S STATEMENT

## MATERIAL ACQUISITIONS, DISPOSALS AND SIGNIFICANT INVESTMENTS

As at 30 September 2020, the Group's financial assets at FVTPL, with market value of approximately HK\$26.4 million (31 March 2020: approximately HK\$23.6 million), mainly represented investment portfolio of 14 equity securities listed in Hong Kong and 1 equity security listed in Singapore (31 March 2020: 13 equity securities listed in Hong Kong and 1 equity security listed in Singapore). The Board considers that the investments with market value as at 30 September 2020 accounting for more than 5% of the Group's total assets as at 30 September 2020 as significant investments. As at 30 September 2020, 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 2020, there was no significant investment, material acquisition or disposal of subsidiaries, associates and joint ventures by the Company.

## LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2020, the Group had bank balances and cash of HK\$13,435,460 (31 March 2020: HK\$9,475,449), bank deposits with original maturity more than three months of HK\$5,690,224 (31 March 2020: HK\$5,474,053) and no pledged bank deposits (31 March 2020: HK\$2,118,000), which were mainly denominated in Hong Kong dollars and Renminbi.

As at 30 September 2020, there were outstanding bank loans and utilised overdraft facilities of HK\$22,344,033 (31 March 2020: HK\$23,656,475) and no unutilised overdraft facilities (31 March 2020: HK\$2,000,000) available to the Group. All of outstanding bank loans and overdraft facilities were denominated in Hong Kong dollars with interest at prevailing market rates.

As at 30 September 2020, the Group did not have any foreign exchange contracts, interest or currency swaps or other financial derivatives. 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 2020 amounted to approximately HK\$296.9 million (31 March 2020: HK\$296.6 million). Accordingly, the Group's gearing ratio (total bank borrowings to shareholders' funds) as at 30 September 2020 was approximately 7.5% (31 March 2020: 8.0%).

# MANAGING DIRECTOR AND CHIEF EXECUTIVE'S STATEMENT

## CHARGES OVER ASSETS OF THE GROUP

As at 30 September 2020, certain property, plant and equipment, right-of-use assets and bank deposit with an aggregate carrying value of approximately HK\$29.7 million (31 March 2020: approximately HK\$32.6 million) are secured for the Group's bank borrowings and overdrafts.

## CONTINGENT LIABILITIES

As at 30 September 2020, the Company had issued financial guarantees of HK\$15,000,000 (31 March 2020: HK\$15,000,000) to banks in respect of banking facilities granted to its subsidiaries, of which HK\$14,053,920 (31 March 2020: HK\$14,053,920) had been utilised by its subsidiaries.

## CAPITAL COMMITMENTS

As at 30 September 2020, the Group had capital commitments of HK\$275,813 (31 March 2020: HK\$1,260,000).

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

During the six months ended 30 September 2020, the Company did not redeem any of its shares listed and traded on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") nor did the Company or any of its subsidiaries purchase or sell any of such shares.

## FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

As at 30 September 2020, 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 six months ended 30 September 2020 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 2020

	Notes	Six months ended 30 September	
		2020 (unaudited) HK\$	2019 (unaudited) HK\$
Revenue	3	23,716,341	25,230,509
Cost of sales		<u>(14,217,316)</u>	<u>(19,323,264)</u>
Gross profit		9,499,025	5,907,245
Other gains or losses	5	6,161,477	(2,807,209)
Net decrease in fair values of investment properties		(13,823,294)	(6,715,326)
Selling expenses		(482,906)	(731,537)
Administrative expenses		(5,742,813)	(6,256,295)
Finance costs	6	(798,104)	(934,768)
Share of results of associates		<u>357,982</u>	<u>301,498</u>
Loss before tax	4	(4,828,633)	(11,236,392)
Income tax credit (expense)	7	<u>396,149</u>	<u>(1,179,981)</u>
<b>Loss for the period attributable to owners of the Company</b>		<u><b>(4,432,484)</b></u>	<u><b>(12,416,373)</b></u>
<b>Other comprehensive income (expense):</b>			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		<u>4,735,226</u>	<u>(2,722,910)</u>
<b>Total comprehensive income (expense) for the period attributable to owners of the Company</b>		<u><b>302,742</b></u>	<u><b>(15,139,283)</b></u>
<b>LOSS PER SHARE</b>	8		
Basic		<u><b>(0.73) cent</b></u>	<u><b>(2.03) cents</b></u>
Diluted		<u><b>(0.73) cent</b></u>	<u><b>(2.03) cents</b></u>



# INTERIM FINANCIAL INFORMATION

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2020

	Notes	30 September 2020 (unaudited) HK\$	31 March 2020 (audited) HK\$
<b>Non-current assets</b>			
Property, plant and equipment		30,018,684	30,665,995
Right-of-use assets		1,856,565	1,978,826
Deposits for capital expenditure		4,750,298	3,895,232
Investment properties		256,340,831	263,678,656
Interests in associates		715,811	857,829
Paintings		4,384,834	4,367,221
		<u>298,067,023</u>	<u>305,443,759</u>
<b>Current assets</b>			
Financial assets at FVTPL		26,372,462	23,590,760
Inventories		318,475	309,381
Trade receivables	10	8,387,355	8,183,982
Other receivables, deposits and prepayment		2,307,457	1,266,666
Pledged bank deposits		–	2,118,000
Bank deposits		5,690,224	5,474,053
Deposit held with a security broker company		3,994,895	5,564,000
Bank balances and cash		13,435,460	9,475,449
		<u>60,506,328</u>	<u>55,982,291</u>

# INTERIM FINANCIAL INFORMATION

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

As at 30 September 2020

	Notes	30 September 2020 (unaudited) HK\$	31 March 2020 (audited) HK\$
<b>Current liabilities</b>			
Trade and other payables and accruals	11	5,292,241	5,771,862
Contract liabilities		384,985	300,782
Deposits received		98,200	95,628
Amount due to an associate		590,381	293,381
Amounts due to related companies		673,116	675,731
Bank borrowings	12	16,738,312	16,699,810
Lease liabilities		6,117,779	5,900,183
Tax payable		3,729,532	2,152,333
		<u>33,624,546</u>	<u>31,889,710</u>
<b>Net current assets</b>		<u>26,881,782</u>	<u>24,092,581</u>
<b>Total assets less current liabilities</b>		<u>324,948,805</u>	<u>329,536,340</u>
<b>Capital and reserves</b>			
Share capital	13	312,890,213	312,890,213
Reserves		<u>(15,962,688)</u>	<u>(16,265,430)</u>
		<u>296,927,525</u>	<u>296,624,783</u>
<b>Non-current liabilities</b>			
Deferred taxation		5,389,153	7,590,692
Provision for long service payments		974,705	974,705
Bank borrowings	12	5,605,721	6,956,665
Lease liabilities		16,051,701	17,389,495
		<u>28,021,280</u>	<u>32,911,557</u>
		<u>324,948,805</u>	<u>329,536,340</u>

# INTERIM FINANCIAL INFORMATION

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2020

	Share capital HK\$	Share option reserve HK\$	Translation reserve HK\$	Accumulated losses HK\$	Total HK\$
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>
At 1 April 2020 (audited)	312,890,213	11,802,252	(11,552,846)	(16,514,836)	296,624,783
Loss for the period	–	–	–	(4,432,484)	(4,432,484)
Exchange differences arising on translation of foreign operations	–	–	4,735,226	–	4,735,226
Total comprehensive income (expense) for the period	–	–	4,735,226	(4,432,484)	302,742
At 30 September 2020 (unaudited)	<u>312,890,213</u>	<u>11,802,252</u>	<u>(6,817,620)</u>	<u>(20,947,320)</u>	<u>296,927,525</u>

## INTERIM FINANCIAL INFORMATION

### CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

*For the six months ended 30 September 2020*

	2020 (unaudited) HK\$	2019 (unaudited) HK\$
<b>Net cash generated from (used in) operating activities</b>	<b>6,028,571</b>	<b>(1,980,450)</b>
<b>Investing activities</b>		
Dividend received from an associate	797,000	–
Interest received	70,070	81,865
Addition of investment properties	(1,365,342)	(2,759,855)
Addition of property, plant and equipment	(682,318)	(255,268)
Addition of paintings	–	(446,787)
Deposits paid for capital expenditure	(855,066)	–
Receipt of promissory notes receivables	–	8,250,000
Decrease in pledged bank deposits	2,118,000	–
<b>Net cash generated from investing activities</b>	<b>82,344</b>	<b>4,869,955</b>
<b>Financing activities</b>		
Repayment of bank borrowings	(1,312,442)	(1,422,903)
Interest paid	(798,105)	(934,769)
Repayment of lease liabilities	(2,026,418)	(1,583,653)
Advances from an associate	–	182,000
Repayment to related companies	(2,615)	(2,510)
<b>Net cash used in financing activities</b>	<b>(4,139,580)</b>	<b>(3,761,835)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>1,971,335</b>	<b>(872,330)</b>
<b>Cash and cash equivalents brought forward</b>	<b>15,039,449</b>	<b>16,392,859</b>
<b>Effect of foreign exchange rate changes</b>	<b>419,571</b>	<b>(612,030)</b>
<b>Cash and cash equivalents carried forward</b>	<b>17,430,355</b>	<b>14,908,499</b>
<b>Represented by:</b>		
Bank balances and cash	13,435,460	10,401,755
Deposit held with a security broker company	3,994,895	4,506,744
	<b>17,430,355</b>	<b>14,908,499</b>

# 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 (“HKAS”) 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 (the “Listing Rules”) and should be read in conjunction with the annual financial statements for the year ended 31 March 2020.

The financial information relating to the year ended 31 March 2020 that is included in the Interim Report 2020 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 2020 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 AMENDMENTS TO 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 2020, except for those due to the application of amendments to HKFRSs issued by the HKICPA.

# INTERIM FINANCIAL INFORMATION

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 2. APPLICATION OF AMENDMENTS TO HKFRSs (Continued)

In the current interim period, the Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on or after 1 April 2020 for the preparation of the Group's unaudited condensed consolidated financial statements.

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

Except as described below, the application of the amendments to HKFRSs in the current period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

#### **Impacts of application on Amendments to HKAS 1 and HKAS 8 – Definition of Material**

The application of the amendments in the current period had no impact on the condensed consolidated financial statements. Changes in presentation and disclosures on the application of the amendments, if any, will be reflected on the consolidated financial statements for the year ending 31 March 2021.

### 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 Mainland China
3. Property investment in Hong Kong
4. Property investment in overseas
5. Securities investment and trading

INTERIM FINANCIAL INFORMATION  
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. REVENUE AND SEGMENT INFORMATION (Continued)

Disaggregation of revenue from contracts with customers

Segments	Six months ended 30 September 2020 (unaudited)		
	Hotel operation in Hong Kong HK\$	Serviced property letting in the Mainland China HK\$	Total HK\$
<b>Types of goods or services</b>			
Hotel operation			
– Hotel rooms revenue	6,421,213	–	6,421,213
– Food and beverages	2,084,655	–	2,084,655
Property management services	–	463,808	463,808
<b>Total</b>	<b>8,505,868</b>	<b>463,808</b>	<b>8,969,676</b>
<b>Geographical markets</b>			
Hong Kong	8,505,868	–	8,505,868
Mainland China	–	463,808	463,808
<b>Total</b>	<b>8,505,868</b>	<b>463,808</b>	<b>8,969,676</b>
<b>Timing of revenue recognition</b>			
A point in time	2,084,655	–	2,084,655
Over time	6,421,213	463,808	6,885,021
<b>Total</b>	<b>8,505,868</b>	<b>463,808</b>	<b>8,969,676</b>

# INTERIM FINANCIAL INFORMATION

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 3. REVENUE AND SEGMENT INFORMATION (Continued)

#### Disaggregation of revenue from contracts with customers (Continued)

Segments	Six months ended 30 September 2019 (unaudited)		Total HK\$
	Hotel operation in Hong Kong HK\$	Serviced property letting in the Mainland China HK\$	
<b>Types of goods or services</b>			
Hotel operation			
– Hotel rooms revenue	6,356,045	–	6,356,045
– Food and beverages	3,959,531	–	3,959,531
Property management services	–	446,970	446,970
<b>Total</b>	<b>10,315,576</b>	<b>446,970</b>	<b>10,762,546</b>
<b>Geographical markets</b>			
Hong Kong	10,315,576	–	10,315,576
Mainland China	–	446,970	446,970
<b>Total</b>	<b>10,315,576</b>	<b>446,970</b>	<b>10,762,546</b>
<b>Timing of revenue recognition</b>			
A point in time	3,959,531	–	3,959,531
Over time	6,356,045	446,970	6,803,015
<b>Total</b>	<b>10,315,576</b>	<b>446,970</b>	<b>10,762,546</b>



# 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 results by reportable and operating segment.

	Hotel operation in Hong Kong HK\$	Serviced property letting in the Mainland China HK\$	Property investment in Hong Kong HK\$	Property investment in overseas HK\$	Securities investment and trading HK\$	Total HK\$
<b>Six months ended</b>						
<b>30 September 2020</b>						
<b>(unaudited)</b>						
Revenue	8,505,868	14,824,677	385,796	–	–	23,716,341
Segment profit (loss)	1,561,356	1,708,647	(7,384,874)	(34,153)	4,677,081	528,057
Unallocated gains or losses						317,601
Unallocated expenses						(5,742,813)
Unallocated finance costs						(289,460)
Share of results of associates						357,982
Loss before tax						(4,828,633)
Income tax credit						396,149
Loss for the period						(4,432,484)
<b>Six months ended</b>						
<b>30 September 2019</b>						
<b>(unaudited)</b>						
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 or losses						209,550
Unallocated expenses						(7,502,864)
Unallocated finance costs						(419,736)
Share of results of associates						301,498
Loss before tax						(11,236,392)
Income tax expense						(1,179,981)
Loss for the period						(12,416,373)

# 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	
	2020 (unaudited) HK\$	2019 (unaudited) HK\$
Hong Kong	8,891,664	10,591,934
Mainland China	14,824,677	14,316,969
Overseas	–	321,606
	<u>23,716,341</u>	<u>25,230,509</u>

### 4. LOSS BEFORE TAX

	Six months ended 30 September	
	2020 (unaudited) HK\$	2019 (unaudited) HK\$
Loss before tax has been arrived at after charging:		
Auditor's remuneration	583,000	565,000
Cost of inventories recognised as an expense	1,340,183	1,731,013
Depreciation of property, plant and equipment	1,351,185	4,543,946
Depreciation of right-of-use assets	122,261	2,129,285
Directors' remuneration and other staff costs:		
– Salaries and other allowances	6,981,220	6,774,812
– Retirement benefit schemes contributions	355,535	366,619
	<u>7,336,755</u>	<u>7,141,431</u>
and crediting:		
Net rental income from properties	<u>10,519,892</u>	<u>12,078,275</u>

# INTERIM FINANCIAL INFORMATION

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 5. OTHER GAINS AND LOSSES

	Six months ended 30 September	
	2020 (unaudited) HK\$	2019 (unaudited) HK\$
Government subsidies	1,414,364	–
Dividend income from financial assets at FVTPL	252,530	488,848
Change in fair value of financial assets at FVTPL	4,424,513	(3,559,724)
Bank interest income	70,070	69,542
Other interest income	–	12,323
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>6,161,477</u>	<u>(2,807,209)</u>

# INTERIM FINANCIAL INFORMATION

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 6. FINANCE COSTS

	Six months ended 30 September	
	2020 (unaudited) HK\$	2019 (unaudited) HK\$
Interests on borrowings	283,708	408,817
Interests on lease liabilities	514,396	525,951
	<u>798,104</u>	<u>934,768</u>

### 7. INCOME TAX CREDIT (EXPENSE)

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 People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate for the Mainland China subsidiary is 25% for both periods.

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

# INTERIM FINANCIAL INFORMATION

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 8. LOSS PER SHARE

The calculation of basic and diluted loss per share attributable to the owners of the Company is based on the loss for the six months ended 30 September 2020 of HK\$4,432,484 (30 September 2019: loss of HK\$12,416,373) and the number of shares as calculated below:

	Six months ended 30 September	
	2020 (unaudited)	2019 (unaudited)
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	<u>610,710,675</u>	<u>610,710,675</u>

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 2020 (30 September 2019: Nil).

# INTERIM FINANCIAL INFORMATION

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 10. TRADE RECEIVABLES

Trade debtors mainly comprise of receivable from renting of properties and hotel operation. Rentals are payable on presentation of demand notes. No credit is allowed to these customers. 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.

	<b>30 September 2020 (unaudited) HK\$</b>	31 March 2020 (audited) HK\$
Trade receivables		
– contracts with customers	<b>120,916</b>	165,714
– leases	<b>8,266,439</b>	8,018,268
	<b><u>8,387,355</u></b>	<b><u>8,183,982</u></b>

The following is an aged analysis of trade receivables net of allowance for credit losses presented based on the invoice dates at the end of the reporting period which approximate the respective date of rendering of services.

	<b>30 September 2020 (unaudited) HK\$</b>	31 March 2020 (audited) HK\$
0 – 30 days	<b>1,999,320</b>	2,015,554
31 – 60 days	<b>1,882,721</b>	1,857,414
Over 60 days	<b>4,505,314</b>	4,311,014
	<b><u>8,387,355</u></b>	<b><u>8,183,982</u></b>

As at 30 September 2020, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK\$6,388,035 (31 March 2020: HK\$6,168,428) which are past due but which are not considered in default because there had not been a significant change in credit quality of these debtors with reference to track records as well as relevant forward looking information of these customers under internal assessment by the Group.

Trade receivables aged over 30 days are normally past due.

# INTERIM FINANCIAL INFORMATION

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 11. TRADE AND OTHER PAYABLES AND ACCRUALS

	30 September 2020 (unaudited) HK\$	31 March 2020 (audited) HK\$
Trade payables	542,430	348,710
Other payables and accruals	4,408,019	4,066,344
Rental receipt in advance	341,792	1,356,808
	<u>5,292,241</u>	<u>5,771,862</u>

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

	30 September 2020 (unaudited) HK\$	31 March 2020 (audited) HK\$
0 – 30 days	292,548	222,023
31 – 60 days	96,675	99,615
Over 60 days	153,207	27,072
	<u>542,430</u>	<u>348,710</u>

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

Included in the other payables and accruals of HK\$1,727,723 (31 March 2020: HK\$2,251,640) related to accrued professional fees.

# INTERIM FINANCIAL INFORMATION

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 12. BANK BORROWINGS

	<b>30 September 2020 (unaudited) HK\$</b>	31 March 2020 (audited) HK\$
The secured bank borrowings are repayable as follows:		
– Within one year	<b>2,684,392</b>	2,645,890
– Within a period of more than one year but not exceeding two years	<b>2,762,554</b>	2,722,854
– Within a period of more than two years but not exceeding five years	<b>2,843,167</b>	4,233,811
	<b>8,290,113</b>	9,602,555
Carrying amount of bank borrowings that contain a repayment on demand clause (shown under current liabilities)	<b>14,053,920</b>	14,053,920
	<b>22,344,033</b>	23,656,475
Less: Amount due within one year shown under current liabilities	<b>(16,738,312)</b>	(16,699,810)
Amount due after one year shown under non-current liabilities	<b>5,605,721</b>	6,956,665



# 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 2019, 31 March, 1 April and 30 September 2020	<u>610,710,675</u>	<u>312,890,213</u>

### 14. OPERATING LEASES

#### The Group as lessor

The properties have committed tenants for a remaining term of one to five years (31 March 2020: one to five years) at fixed rental.

Minimum lease payments receivable on leases are as follows:

	30 September 2020 (unaudited) HK\$	31 March 2020 (audited) HK\$
Within one year	28,644,851	24,118,560
In the second year	16,509,029	23,068,844
In the third year	1,457,283	5,007,808
In the fourth year	1,563,033	1,762,710
In the fifth year	<u>119,671</u>	<u>653,918</u>
	<u>48,293,867</u>	<u>54,611,840</u>

## ADDITIONAL INFORMATION REQUIRED BY LISTING RULES

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

As at 30 September 2020, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong (the "SFO")) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) 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 a beneficial owner)	Corporate interests (held as a controlled corporation)			
Mr. Derek Chiu	52,765,576	78,430,299 (Note 1)	24,270,000	155,465,875	25.46%
Ms. Amanda Chiu	–	–	16,200,000	16,200,000	2.65%
Madam Chiu Ju Ching Lan	188,000	–	2,000,000	2,188,000	0.36%
Mr. Alex Chiu	–	–	8,100,000	8,100,000	1.33%
Mr. Choy Wai Shek Raymond	3,000,000	–	3,000,000	6,000,000	0.98%
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 the chief executive of the Company.
- (2) The underlying Shares were comprised in the share options granted to the Directors. Please refer to section (b) "Shares Options of the Company" below for further details.

## ADDITIONAL INFORMATION REQUIRED BY LISTING RULES

### (b) Share options of the Company

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

Movements of share options under the Old Scheme and the New Scheme held by the Directors and employees are as follows:

Category of grantees	Number of underlying Shares comprised in share options					Exercise Price per Share HK\$	Grant date	Exercisable Period	
	Held as at 1 April 2020	Granted during the period	Exercised during the period	Cancelled/lapsed during the period	Held as at 30 September 2020			From	To
<b>Executive Directors</b>									
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
	6,100,000	-	-	-	6,100,000	0.1420	25/03/2020	25/03/2020	24/03/2030
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
	6,100,000	-	-	-	6,100,000	0.1420	25/03/2020	25/03/2020	24/03/2030
<b>Non-executive Directors</b>									
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
<b>Independent non-executive Directors</b>									
Mr. Ip Shing Hing	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
	1,000,000	-	-	-	1,000,000	0.1420	25/03/2020	25/03/2020	24/03/2030
Mr. Ng Wing Hang Patrick	2,000,000	-	-	-	2,000,000	0.2320	06/02/2014	06/02/2014	05/02/2024
	1,000,000	-	-	-	1,000,000	0.5600	23/10/2015	23/10/2015	22/10/2025
	1,000,000	-	-	-	1,000,000	0.4430	23/10/2017	23/10/2017	22/10/2027
	1,000,000	-	-	-	1,000,000	0.1420	25/03/2020	25/03/2020	24/03/2030
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
	1,000,000	-	-	-	1,000,000	0.1420	25/03/2020	25/03/2020	24/03/2030
Aggregate for employees	800,000	-	-	-	800,000	0.5600	23/10/2015	23/10/2015	22/10/2025
	64,370,000	-	-	-	64,370,000				

## ADDITIONAL INFORMATION REQUIRED BY LISTING RULES

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

No share options were granted or exercised or cancelled or lapsed during the six months ended 30 September 2020.

On the basis of 610,710,675 Shares in issue on 9 September 2020 (the date of the annual general meeting of the Company passing of an ordinary resolution by the shareholders to approve the refreshment of the New Scheme mandate limit), the maximum number of Shares available for issue under the New Scheme is equivalent to 61,071,067 Shares, representing 10% of the Shares in issue as at the 9 September 2020. As at the date of this report, the Company has outstanding share options comprising 64,370,000 underlying Shares under the Old Scheme and the New Scheme, which representing approximately 10.54% of the Shares in issue as at that date.

Save as disclosed above, as at 30 September 2020, none of the Directors nor the Company's chief executive, 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 2020, no shares were issued by virtue of the exercise of an option under the Old Scheme or the New Scheme.

### SUBSTANTIAL SHAREHOLDERS' INTERESTS

Save as the interests of certain Directors disclosed under the section headed "Directors' and Chief Executive's Interests and Short Position 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 are aware, as at 30 September 2020, the following persons who (other than a Director or the 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 Interests	Number of issued Shares held	Approximate percentage of issued Shares
Mr. Deacon Te Ken Chiu (deceased) ( <i>Note 1</i> )	Beneficial owner and interest in controlled corporations/Personal and corporate interest	113,726,476	18.62%
Achiemax Limited ( <i>Note 1</i> )	Beneficial owner/Personal interest	72,182,400	11.82 %
Energy Overseas Ltd. ( <i>Note 2</i> )	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 the chief executive of the Company) who is also its director.

Save as disclosed above, as at 30 September 2020, the Company has not been notified of any persons who (other than a Director or the chief executive of the Company) or corporation 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.

### ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Save as the share options disclosed above, at no time during the six months ended 30 September 2020 was the Company, or its holding company or any of its subsidiaries or fellow subsidiaries a party to any arrangements to enable the Directors 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 LISTED SECURITIES IN THE COMPANY**

During the six months ended 30 September 2020, the Company did not redeem any of the Shares listed and traded on the Stock Exchange nor did the Company or any of its subsidiaries purchase or sell any of such Shares.

### **MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS**

The Company has adopted a new code of conduct regarding directors' securities transactions on terms no less exacting than the required standard set out in the Model Code. Following a specific enquiry made by the Company with each Director, the Directors have confirmed that they had fully complied with the required standard set out in the Model Code and the Company's code of conduct regarding Directors' securities transactions during the six months ended 30 September 2020.

### **CORPORATE GOVERNANCE**

Throughout the six months ended 30 September 2020, the Company has complied with all the code provisions of the Corporate Governance Code contained in Appendix 14 to the Listing Rules (the "Code"), except for the following:

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

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

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

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

## ADDITIONAL INFORMATION REQUIRED BY LISTING RULES

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

None of the existing non-executive Directors is appointed for a specific term. This constitutes a deviation from code provision A.4.1 of the Code. However, all Directors are subject to retirement by rotation 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.

### REVIEW BY AUDIT COMMITTEE

The audit committee of the Board (the "Audit Committee") comprises all of the three independent non-executive Directors, 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 financial reporting matters, including a review of the unaudited consolidated financial statements and this report of the Company for the six months ended 30 September 2020.

On behalf of the Board

**Derek Chiu**

*Executive Director, Managing Director and Chief Executive*

Hong Kong, 25 November 2020