



Great Harvest Maeta Holdings Limited 榮豐億控股有限公司

(formerly known as Great Harvest Maeta Group Holdings Limited 榮豐聯合控股有限公司)

(incorporated in the Cayman Islands with limited liability)

Stock code: 3683

Interim Report 2021



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GLOSSARY

“2011 Share Option Scheme”	the share option scheme of the Company approved and adopted by an ordinary resolution of the shareholders at the annual general meeting of the Company held on 19 August 2011 and expired on 18 August 2021
“Ablaze Rich”	Ablaze Rich Investments Limited (耀豐投資有限公司), a company incorporated in the BVI on 1 July 2008 and was owned as to 51% by Mr. Yan and 49% by Ms. Lam
“Acquisition”	the acquisition of the entire issued share capital of Top Build by the Company from Mr. Yan, Ms. Lam and Mr. Yin Hai pursuant to the Sale and Purchase Agreement
“All Ages”	All Ages Holdings Limited (萬年控股有限公司), a company incorporated in the BVI on 1 November 2011 and was owned as to 50% by Ms. Lam and as to 50% by Mr. Yan Yui Ham, the son of Mr. Yan and Ms. Lam
“Articles”	the articles of association of the Company
“Audit Committee”	the audit committee of the Board
“Baltic Dry Index” or “BDI”	an index of the daily average of international shipping prices of various dry bulk cargoes made up of 20 key dry bulk routes published by the Baltic Exchange in London
“Baltic Panamax Index” or “BPI”	an index of the shipping prices of panamax vessels made up of four daily panamax vessel assessments of time charter rates published by the Baltic Exchange in London
“Board”	the board of Directors
“Bryance Group”	Bryance Group Limited, a company incorporated in the BVI on 28 September 2006 and a wholly-owned subsidiary of the Company
“BVI”	the British Virgin Islands
“CG Code”	Corporate Governance Code and Corporate Governance Report contained in Appendix 14 to the Listing Rules
“Company”	Great Harvest Maeta Holdings Limited (榮豐億控股有限公司) (formerly known as Great Harvest Maeta Group Holdings Limited (榮豐聯合控股有限公司)), an exempted company incorporated in the Cayman Islands on 21 April 2010 under the Companies Laws, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands with limited liability
“Conversion Share(s)”	the Share(s) to be issued upon the exercise of the conversion rights attaching to the Convertible Bonds
“Coronavirus Disease 2019”	COVID-19

“Daily TCE”	an acronym for daily time charter equivalent, a standard industry measurement of the average daily revenue performance of a vessel. Daily TCE is calculated by dividing the voyage revenues (net of expenses such as port, canal and bunker costs) by the available days (being the number of days that the vessel was operated by the Group during the charter period minus days without charter hire due to repair and maintenance and between two charter periods and days agreed with the charterers due to the speed claims or any other reasonable claims arising from the under-performance of the vessel) for the relevant time period
“Director(s)”	director(s) of the Company
“dwt”	an acronym for deadweight tonnage, a measure expressed in metric tons or long tons of a ship’s carrying capacity, including cargoes, bunker, fresh water, crew and provisions
“EBITDA”	earnings before interest, tax, depreciation, amortisation and reversal of impairment losses/(impairment losses) on property, plant and equipment
“GH GLORY/ HARMONY Loan”	a term loan for the principal amount of US\$14.75 million for refinancing of the Group’s bank borrowings in relation to two vessels owned by the Group, namely GH GLORY and GH HARMONY. The principal amount shall be repayable by quarterly instalments commencing on 30 June 2021
“GH POWER Loan”	a term loan for the principal amount of US\$4.27 million for refinancing a vessel owned by the Group, namely GH POWER. The principal amount shall be repaid by 14 quarterly instalments commencing three months from 11 April 2019
“Group”	the Company and its subsidiaries
“HK\$” and “HK cents”	Hong Kong dollars and cents, respectively, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Lands”	two parcels of land located at Meidian Slope, Hongqi Town, Qiongsan District, Haikou, Hainan Province, the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“Main Board”	the stock market operated by the Stock Exchange, which excludes the GEM of the Stock Exchange and the options market
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules

GLOSSARY

“Mr. Yan”	Mr. YAN Kim Po (殷劍波先生), the chairman of the Board, and an executive Director of the Company and the husband of Ms. Lam
“Ms. Lam”	Ms. LAM Kwan (林群女士), the chief executive officer of the Company, an executive Director and the wife of Mr. Yan
“Nomination Committee”	the nomination committee of the Board
“PRC” or “China”	the People’s Republic of China which, for the purposes of this interim report only, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Remuneration Committee”	the remuneration committee of the Board
“RMB”	Renminbi, the lawful currency of the PRC
“Sale and Purchase Agreement”	the agreement dated 23 December 2015 entered into between the Company, Mr. Yan, Ms. Lam and Mr. Yin Hai in relation to, among other matters, the Acquisition
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Sfund”	Sfund International Investment Fund Management Limited (廣州基金國際股權投資基金管理有限公司), a company incorporated in Hong Kong on 11 August 2015, which was the holder of Top Build Convertible Bonds in the principal amount of US\$52,000,000 as at 30 September 2021
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Share Option Scheme”	the share option scheme of the Company approved and adopted by an ordinary resolution of the shareholders at the annual general meeting of the Company held on 18 August 2021
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Top Build”	Top Build Group Ltd. (高建集團有限公司), a company incorporated in the BVI on 24 October 2014 and a wholly-owned subsidiary of the Company

GLOSSARY

- “Top Build Convertible Bonds”** the convertible bonds in the total principal amount of US\$54,000,000 due 2021 issued by the Company to Mr. Yan, Ms. Lam and Mr. Yin Hai pursuant to the terms and conditions of the Sale and Purchase Agreement
- “Union Apex”** Union Apex Mega Shipping Limited (聯合佳成船務有限公司), a company incorporated in Hong Kong on 2 December 2009 and a wholly-owned subsidiary of the Company
- “US\$” and “US cents”** United States dollars and cents, respectively, the lawful currency of the United States

CORPORATE INFORMATION

Board of Directors

Executive Directors

Mr. YAN Kim Po (殷劍波) (*Chairman*)
Ms. LAM Kwan (林群) (*Chief Executive Officer*)
Mr. CAO Jiancheng (曹建成)
(resigned with effect from 18 August 2021)

Independent non-executive Directors

Mr. CHEUNG Kwan Hung (張鈞鴻)
Dr. CHAN Chung Bun, Bunny (陳振彬)
Mr. WAI Kwok Hung (韋國洪)

Audit Committee

Mr. CHEUNG Kwan Hung (張鈞鴻)
(*Chairman of Audit Committee*)
Dr. CHAN Chung Bun, Bunny (陳振彬)
Mr. WAI Kwok Hung (韋國洪)

Remuneration Committee

Dr. CHAN Chung Bun, Bunny (陳振彬)
(*Chairman of Remuneration Committee*)
Mr. YAN Kim Po (殷劍波)
Mr. CHEUNG Kwan Hung (張鈞鴻)

Nomination Committee

Mr. YAN Kim Po (殷劍波)
(*Chairman of Nomination Committee*)
Dr. CHAN Chung Bun, Bunny (陳振彬)
Mr. WAI Kwok Hung (韋國洪)

Company secretary

Mr. WONG Kwok Keung (黃國強)

Authorised representatives

Mr. Yan Kim Po (殷劍波)
(appointed with effect from 18 August 2021)
Mr. WONG Kwok Keung (黃國強)
Ms. LAM Kwan (林群)
(*alternate to the authorised representatives*)
Mr. CAO Jiancheng (曹建成)
(resigned with effect from 18 August 2021)

Registered office

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

Headquarters and principal place of business in Hong Kong

12th Floor
200 Gloucester Road
Wanchai
Hong Kong

Principal share registrar and transfer office in the Cayman Islands

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

Hong Kong share registrar and transfer office

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

Independent auditor

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor

Legal adviser as to Hong Kong law

Chiu & Partners

Principal bankers

Macquarie Bank Limited, London Branch
DVB Bank SE
DBS Bank (Hong Kong) Limited
Citibank (Hong Kong) Limited

Stock code

3683

Website address

www.greatharvestmg.com

The English and Chinese version of this Report can be downloaded from the Company's website and can be obtained from the Hong Kong share registrar, Tricor Investor Services Limited. In the event of any difference, the English version prevails.

FINANCIAL HIGHLIGHTS

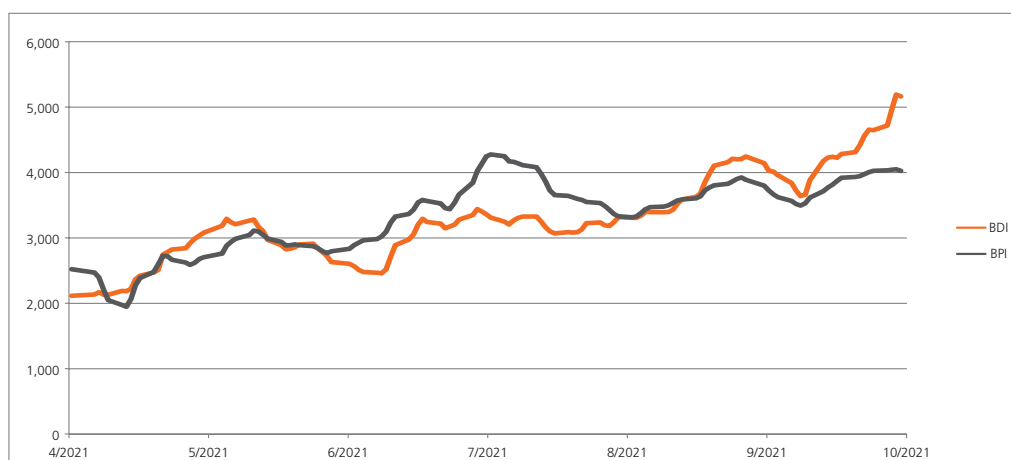
	Six months ended 30 September (Unaudited)	
	2021 US\$'000	2020 US\$'000
Revenue	10,273	5,599
Gross profit/(loss)	5,399	(187)
Total comprehensive income/(loss) attributable to owners of the Company	15,222	(2,112)
EBITDA	5,786	1,326
Earnings/(loss) per share attributable to owners of the Company		
— Basic	US1.54 cents	(US0.40 cents)
— Diluted	US1.54 cents	(US0.40 cents)

	(Unaudited)	(Audited)
	30 September 2021 US\$'000	31 March 2021 US\$'000
Total assets	145,811	131,030
Total liabilities	105,245	105,730
Net assets	40,566	25,300

MANAGEMENT DISCUSSION AND ANALYSIS

Market Review

**Daily Variation Chart of Baltic Dry Index (BDI) and Baltic Panamax Index (BPI)
1 April 2021 – 30 September 2021**



BDI high at 5,197 in September 2021, low at 2,072 in April 2021 and average at 3,277.23.

BPI high at 4,269 in July 2021, low at 1,898 in April 2021 and average at 3,328.94.

Amid the unending COVID-19, global supply chain disruption and world economic recovery, spot freight rates in the dry bulk shipping market have been rising on an irregular path since the beginning of 2021. BDI continued to fluctuate upwards and hit 10-year high in the absence of any significant surge in international trade and shipping demand. The average BPI was 3,329 during 1 April 2021 and 30 September 2021, representing an increase of approximately 190% as compared to 1,149 for the corresponding period last year. The average daily charter rate was US\$29,962 per day. The market saw tight vessel availability while dry bulk shipping demand increased by approximately 4% as the demand for moving grains from North and South America persisted and that for delivering iron ore and coal to China remained strong. As COVID-19 wreaked havoc on the global economy and international trade, economic performance across the world was hampered while shipping demand continued to be unstable and unpredictable. Despite hovering above their highs for months, spot freight rates oscillated wildly. In general, the market is optimistic about freight rates for the year and anticipates that the spot freight rate of dry bulk shipping will stay at a high level until the beginning of next year. According to the forecasts made by shipbrokers in various industry reports, the demand for shipping dry bulk cargoes is expected to grow by 4% this year even though market spot freight rates have peaked.

As COVID-19 continues to affect general economic growth, shipbroking companies have been repeatedly adjusting their annual growth forecasts for dry bulk shipping demand. Market outlook remains unstable and unforeseeable as spot freight rates in the shipping market deviated from their normal seasonal patterns while the relevance of past trends to the spot market waned. Factors such as the continuous growth of the world economy and international shipping demand are propping up spot freight rates, while the limited delivery of dry bulk carriers in current and next year is cementing the steady rise of dry bulk shipping market.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group's vessels were in sound operation as at 30 September 2021. Currently, the fleet has a size of 319,923 dwt and an average age of 15 years, and maintained a relatively high operating rate with an average vessel charter-out percentage of approximately 98.82% for the first half of the year. The average daily charter hire income of each vessel was approximately US\$14,478 per day, which is about 85% higher as compared to the income level of the corresponding period last year. All freight and charter hire charges were basically received in full with no receivables of significant amount. In view of a good track record of safe operation with no adverse incident and limited downtime, the fleet managed to maintain a relatively high operating rate during the year. There has also been no dock repair arranged for the Company's vessels during the period. As a result, the number of effective operating days increased. As the fleet was still subject to the impact of COVID-19, certain routine operations, such as change of crew and delivery of supplies, were delayed, disrupted and increasingly costly. The Group had made its efforts to minimise such additional costs and keep the actual loss to a minimum. As such, the Group was able to exert stringent control over costs and expenses in the management of its fleet and strive to minimise voyage expenses. Thus the management expenses of its vessels were basically within budget.

In order to reduce operational risks and improve operational performance, the Group will continue to uphold its proactive and prudent operating strategies and seek to charter out its vessels to reputable charterers while endeavouring to offer them the best services, so as to maintain a favourable market image for the fleet.

Market Outlook

The freight rate of the spot dry bulk freight market has been rising and fluctuating significantly while BDI hit 10-year high in 2021. Against the backdrop of global economic rebound as well as increases in international trade and shipping demand, the dry bulk shipping market has been favourable to ship owners this year. The market predicts that China's import of iron ore, soy bean, grains and other bulk commodities for the year will stay at a high level with positive growth, which may help maintain the high spot freight rates. As COVID-19 exerts a significant impact on the global economy, the spot dry bulk freight market is also materially affected. In the meantime, the development of the new wave of COVID-19 as well as the pandemic control measures to be implemented by specific countries during this northern hemisphere autumn and winter will play an important role. For instance, it will bolster short-term spot dry bulk freight rates if European countries are able to sustain their economic rebound and growth. The limited amount of expected new vessels delivery in current and next year will also be beneficial to the equilibrium between supply and demand of dry bulk carriers. Add to that the forecasted 4%-growth in dry bulk shipping demand for the year, and the oversupply of dry bulk carriers could be mitigated or even reversed. The shipping sector is optimistic about spot dry bulk shipping freight rates for the year and anticipates that freight rates will stay at a high level until the first half of the next year. Quotations for forward freight agreements (FFA) for the first and second quarters of 2022 reached US\$25,000 per day. The International Monetary Fund (IMF) set its global economic growth forecasts for 2021 and 2022 at 5.9% and 4.9%, respectively. It is hoped that such economic growth will boost international trade volume and shipping demand for this and next year, thus maintaining a favourable business environment for ship owners.

MANAGEMENT DISCUSSION AND ANALYSIS

According to statistics and forecasts from shipbroking companies, among major dry bulk commodities, the demand for shipping iron ore and coal will increase by 2% and 5%, respectively, such growth is expected to support spot freight rates during the year. The shipping demand for dry bulk commodities in general will rise by 4% this year. The assessment of demand for shipping by Panamax vessels depends on China's import of soy bean and grains. Between January and September this year, China's import of grains increased by approximately 28.49 million tons or around 16% as compared with that for the corresponding period last year. It is expected that the momentum of import will be maintained throughout this winter and the coming spring and will boost the spot freight rates of both Panamax vessels and small vessels.

Given the fluctuation in spot freight rates, the Group will maintain its prudent operating strategies by enhancing its daily management of vessels, providing better transportation services to its customers and chartering out its vessels to more reputable and reliable charterers at higher rates, thus generating more operating income for the Company. Meanwhile, the Group will strictly control its operating costs and curb all unnecessary expenses.

Since May 2016, Top Build has held, indirectly through its subsidiaries, 91% equity interest in a company in the PRC which holds the Lands. Driven by the strong economic growth and development in the PRC, the increase in population in Hainan and the limited supply of residential property due to government policy, the land premium and prices of real estates in Hainan has increased substantially in recent years. To capture the opportunities prompted by the increase in demand of residential property, the Group plans to develop its property development project into a "cultural and tourism real estate" project for the development of villas, high/low density apartments, retail stores and SOHO with an area of approximately 130,000 square meters.

President Xi Jinping issued an instruction in May 2020 that the Hainan Free Trade Port should perform system innovation and build Hainan Free Trade Port with high quality and standards. In the government work report issued on 22 May 2020, Premier Li Keqiang announced that the Pilot Free Trade Zone will be given greater autonomy for reform and opening up to accelerate the construction of Hainan Free Trade Port. On 1 June 2020, the Central Committee of the Communist Party of China and the State Council issued the "Hainan Free Trade Port Construction Master Plan", which is a major favourable policy, with highlights as follows: (1) facilitating the free flow of cross-border funds, expanding the opening up of domestic and foreign financial industry, and realising free exchange of Renminbi; (2) introducing low tax for the entire Hainan, with corporate income tax of 15% and personal income tax of 15%, signifying unprecedented incentives; (3) adopting closed operation system for the entire Hainan, with the first tier being opened and the second tier being controlled while zero-tariff goods can be traded freely in Hainan and is not subject to the supervision of the customs; (4) significantly increasing the tax allowance for tourists to RMB100,000 per person. The above policies will have a huge impact on various industries such as finance, investment, tourism and trade, thereby promoting real estate development.

MANAGEMENT DISCUSSION AND ANALYSIS

In 2020, Hainan Province actively responded to COVID-19 with successful pandemic prevention, ensuring successful development and construction of its major engineering projects. There have been seven batches of major projects started collectively in Hainan, among which, 793 started, 393 contracted, with a total project investment of approximately RMB435.2 billion. Recently, 11 major projects such as Haikou Jiangdong New District, the Haikou Integrated Free Trade Zone, High-tech Industrial Parks and Ecological Software Parks have been opened for tendering. A number of Fortune Global 500 companies and leading companies in various industries such as China Shipping, China Merchants, Sinopec, China Railway, Alibaba, Tencent and Tesla have established their presence in Hainan and started substantial development and construction.

In 2020, the Hainan Provincial Government had completed, at a consideration of RMB4.44 billion, the acquisition of 4,000 mu of land parcel, which is used for the construction of infrastructure in the Jiangdong Free Trade New Zone. Particularly, the construction of energy trading centre would push the gross domestic product (GDP) and the property price in Hainan Province. It is clear that many Chinese energy giants tend to make investment in Haikou Jiangdong New District. For example, the energy trading centre in the Jiangdong Free Trade Zone has housed Shandong Energy Group, Yankuang Group, Huaneng Group and Datang Corporation, successively. According to the record of land transactions in 2021, land premium is rising and registering record highs in auctions.

The Hainan Provincial Government has proposed to urbanise the whole province and speed up the construction of highway transportation to facilitate the development of the lands at the vicinity of the city. All-in-one land use planning has been completed in Haikou City, emphasising the sustainable development of ecological environment protection. Improvement of the public construction directly related to the project has been achieved. Jiangdong New District has been opened for tendering, and the value of land in Jiangdong District has rapidly increased. The second airport terminal of the Haikou Meilan Airport is about to come into service and has the capacity to accommodate 60 million passengers per year. The Haikou City Binjiang Road River Cross Tunnel is about to open for use, the Jiangdong New District Road has been completed, and Haikou Ring Expressway has been extended to Yunlong Town. The traffic conditions around the Lands are expected to be improved, which will unleash the possible appreciation of the Lands.

In 2021, Feng Fei, the deputy secretary of Hainan Province, stated in his Report on the Work of the Government that Hainan Province will devise a preliminary policy framework for the free trade port during the period covered by the 14th Five-Year Plan. To complete its tasks of formulating systems and arrangements for the first phase of the free trade port, the province aims at having the hardware for its border closure ready by the end of 2023, finishing all preparations for the border closure by the end of 2024, and realising duty-free treatment of 99% of goods in 2025 after border closure. The closure of the border means closing the whole Hainan Island up to form an independent economy. Afterwards, the transportation of goods from other cities in the PRC to Hainan Island will be deemed exportation while the transportation of goods from Hainan Island to other cities in the PRC will be deemed importation. On this basis, the central government has granted duty-free status to Hainan Island so that foreign goods can be directly imported into Hainan Island without customs duty. Customs duty will only be required when the foreign goods are re-exported from Hainan Island to other cities in the PRC.

MANAGEMENT DISCUSSION AND ANALYSIS

Hainan has opened up the incoming policy of urban residency and revoked the restrictions on incoming residency to speed up talent introduction, allowing introduced talents to purchase commodity housings in Hainan. Talents who have incoming residency in Hainan without ownership of residential property may enjoy the 30% down-payment mortgage policy for their first-time home purchase. These measures will facilitate real estate transactions and promote value appreciation of real estate. The recent relaxation of restriction on real estate purchase and loan policy together with an overall opening up of incoming residency restriction in Hainan Province has come into effect on 23 April 2021, which implies that Hong Kong residents may buy properties with a certificate of no home ownership from the housing administration bureau. This arrangement is substantially beneficial to the real estate market in Hainan. It is expected that the real estate market will develop at a high speed in the next few years.

On 4 November 2021, President Xi Jinping mentioned Hainan twice in his keynote speech given online at the opening ceremony of the fourth China International Import Expo held in Shanghai. With the issuance of 海南自由貿易港跨境服務貿易負面清單 (the Negative List for Cross-Border Trade in Services in the Hainan Free Trade Port*), the pilot free trade zone is constantly reforming and evolving with continuous removal of barriers to foreign investors and steady improvement in business environment. The negotiations on the China-EU Comprehensive Agreement on Investment as well as the domestic approval procedure for the Regional Comprehensive Economic Partnership have been completed. With the promulgation of 《海南自由貿易港跨境服務貿易特別管理措施(負面清單)》 (the Special Administrative Measures (Negative List) for Cross-Border Trade in Services in the China (Hainan) Pilot Free Trade Zone*) (the "List"), the PRC will duly complete its high standard stress tests on the opening up of its pilot free trade zones and the Hainan Free Trade Port.

The List unifies national treatment, market access, local presence, cross-border trade in financial services and other special administrative measures on the provision of cross-border services (through cross-border delivery, consumption abroad and the movement of natural persons) by offshore service providers. It is applicable to the Hainan Free Trade Port, which covers the whole Hainan Island. The List expressly imposed 70 special administrative measures in 11 categories on offshore service providers. As for domains not covered by the List, domestic and offshore service providers will be treated and given access equally and impartially in respect of cross-border trade in services in the Hainan Free Trade Port. As such, openness, transparency and predictability have been greatly enhanced. Wang Shouwen, the Deputy Minister of Commerce and the Deputy Representative of International Trade Negotiations, said that the List represents a major breakthrough in the administration of trade in services as well as a systematic opening-up arrangement that will facility the liberalisation of trade in services, strengthen the opening-up of China in general and greatly promote the development of a new development model. This opening-up measure will benefit the development of the whole Hainan province, accelerate the implementation of policies regarding the Hainan Free Trade Port, and further support the real estate market in Hainan.

Currently, despite adjustment to and control over the real estate industry in the PRC, in view of the unique natural resources and favourable policies in Hainan Province, coupled with the demands from vast markets across the country in relation to investment in Hainan, real estate supply will continue to be in a shortage in the coming five years.

* For identification purpose only

MANAGEMENT DISCUSSION AND ANALYSIS

On 26 September 2019, Great Harvest Realty Investment Company Limited, an indirect wholly owned subsidiary of the Company, and an investment company (the "Investor"), an indirect non-wholly owned subsidiary of a company named in the Fortune Global 500 list of corporations, entered into a memorandum of understanding in relation to the proposed investment by the Investor in 海南華儲實業有限公司 (Hainan Huachu Industrial Co., Ltd.*), an indirect non-wholly owned subsidiary of the Company. The cooperation between the Group and the Investor is conducive to the accurate positioning of products, improving and controlling the quality of products, making full use of the Investor's brands to increase revenue, accelerating team building, and comprehensively improving service quality. For further details, please refer to the announcement of the Company dated 27 September 2019. As at the date of this interim report, the proposed investment is still in the process of due diligence review and formal agreement negotiation.

In light of the growth potential in Hainan, on 11 October 2018, the Company entered into a memorandum of understanding with two individuals in relation to the proposed investment by the Group in the online hospitality services, online travel transaction services and real estate agency services business in Hainan, the PRC. As at the date of this interim report, the proposed investment is still under feasibility study and negotiation.

Financial Review

Revenue

Under the continuous impact of COVID-19, the spot dry bulk market is still fluctuating and full of uncertainties. The revenue of the Group followed the trend in the freight market and increased from about US\$5.6 million for the six months ended 30 September 2020 to about US\$10.3 million for the six months ended 30 September 2021, representing an increase of about US\$4.7 million, or about 83.5%. The average daily time charter equivalent (calculated by dividing the voyage revenues by the available days that the relevant vessel was operated for the relevant time period) of the Group's fleet increased from approximately US\$7,848 for the six months ended 30 September 2020 to approximately US\$14,478 for the six months ended 30 September 2021. The sharp increase in revenue was due to the newly signed chartering agreements with favourable daily charter hire income between July and August 2021 as disclosed in the voluntary business update announcement of the Company dated 1 September 2021, and the continuous and steady increment on freight rate during 2021 and second hand vessel price rebound during 2021 as disclosed in inside information announcement of the Company for business update and positive profit alert dated 21 September 2021.

Cost of services

Cost of services of the Group decreased from about US\$5.8 million for the six months ended 30 September 2020 to about US\$4.9 million for the six months ended 30 September 2021, representing a reduction of approximately US\$0.9 million. The average fuel price picked up during the six months ended 30 September 2021, such that the fuel cost changed from a charge of US\$1.1 million to a credit of US\$0.7 million which reflected the marked-to-market gain in bunker inventory. Depreciation of vessels increased by around US\$0.2 million after the reversal of impairment recorded in the year ended 31 March 2021. Subject to the impact of COVID-19, operations cost such as manning cost and replenishment of supplies increased by about US\$0.1 million.

* For identification purpose only

MANAGEMENT DISCUSSION AND ANALYSIS

Gross profit/(loss)

The Group recorded a gross profit of about US\$5.4 million for the six months ended 30 September 2021 as compared with the gross loss of about US\$0.2 million for the six months ended 30 September 2020, representing a turnaround of approximately US\$5.6 million, while the gross profit margin rocketed from approximately -3.3% for the six months ended 30 September 2020 to approximately 52.6% for the six months ended 30 September 2021. The improvement in gross profit was due to the sharp increase in revenue and also the recovery in fuel value.

General and administrative expenses

General and administrative expenses of the Group increased from approximately US\$1.2 million for the six months ended 30 September 2020 to approximately US\$1.5 million for the six months ended 30 September 2021, representing an increase of approximately US\$0.3 million or approximately 27.3%. It was mainly due to the restructure of shipping loan of the Group's two vessels which resulted in extra legal and professional fee and bank charges for refinancing of bank loans.

Finance costs

Finance costs of the Group decreased from about US\$3.0 million for the six months ended 30 September 2020 to about US\$1.8 million for the six months ended 30 September 2021, representing a decrease of approximately US\$1.2 million. The interest expense of the Top Build Convertible Bonds ceased accrual at maturity and therefore decreased by US\$1.5 million as compared to the six months ended 30 September 2020. Such reduction was set off by the moderate increase in interest expenses of approximately US\$0.1 million from borrowings and loans and write-off of unamortised loan originating fee approximately US\$0.2 million due to transfer a loan from a financial institution to a new lender.

Profit/(loss) for the period

The Group generated profit for the period of approximately US\$14.6 million for the six months ended 30 September 2021 as compared with the loss for the period of approximately US\$3.7 million for the six months ended 30 September 2020. As disclosed in the positive profit alert and business update announcements of the Company dated 1 September 2021, 21 September 2021 and 19 November 2021, the turn from loss to profit was mainly attributable to following factors: (i) the sharp increase in revenue due to the newly signed chartering agreements with favourable daily charter hire income between July and August 2021; (ii) the continuous and steady increment on freight rate during 2021 and second hand vessel price rebound during 2021; and (iii) the reversal of impairment losses on property, plant and equipment resulting from the increase in fair value of the vessels owned by the Group after taking into account the second hand vessel price rebound as at 30 September 2021. Furthermore, the marked-to-market gain in bunker inventory, and the decrease in finance cost also contributed to the turnaround.

MANAGEMENT DISCUSSION AND ANALYSIS

EBITDA

The Group's EBITDA has increased from US\$1.3 million for the period ended 30 September 2020 to US\$5.8 million for the period ended 30 September 2021 due to sharp increase in revenue with favourable charters signed.

Convertible Bonds

As announced by the Company on 10 May 2016, completion of the acquisition of the entire issued share capital of Top Build took place on 10 May 2016 and the Top Build Convertible Bonds were issued in May 2016.

As announced by the Company on 14 May 2021, 24 June 2021 and 24 November 2021, the Top Build Convertible Bonds matured on 10 May 2021 and the Company has defaulted in the redemption of the Top Build Convertible Bonds in full in accordance with the terms and conditions thereof (the "Default"). Since 2020, the Company has been negotiating with the bond holder for the extension of the maturity of the Top Build Convertible Bonds for an extended period of not less than twelve months. Due to the continuous impacts on COVID-19, such extension could not take place prior to the original maturity date, and the Company has not repaid to the bond holder the redemption amount for the Top Build Convertible Bonds in full on the maturity date. Up to the date of this interim report, US\$52 million in the redemption amount of the Top Build Convertible Bonds remained outstanding (the "Outstanding Redemption Amount"). On 24 November 2021, the Company and the bond holder, among others, entered into a settlement agreement (the "Settlement Agreement") in which the bond holder has agreed, among others, to withhold from taking any litigation or claims against the Company in respect of the Default. Pursuant to the Settlement Agreement, the Company will settle the Outstanding Redemption Amount by repaying the bond holder (i) US\$25,000,000 in cash within two months from the date of the Settlement Agreement; (ii) US\$15,000,000 in cash on or before 28 February 2022; and (iii) US\$12,000,000 by issuing corporate bond for the principal amount of US\$12,000,000 with a maturity date of two years on or before 28 February 2022. Upon full repayment of the Outstanding Redemption Amount as contemplated under the Settlement Agreement, the Company shall be released and discharged of its obligations and liabilities under the Top Build Convertible Bonds and the Default. Please refer to the announcements of the Company dated 14 May 2021, 24 June 2021 and 24 November 2021 for further details.

Liquidity, financial resources, capital structure and gearing ratio

As at 30 September 2021, the Group's cash and cash equivalents amounted to approximately US\$4.1 million (as at 31 March 2021: approximately US\$0.2 million), of which approximately 98.21% were denominated in US\$, approximately 1.76% were denominated in HK\$ and approximately 0.03% were denominated in RMB. Outstanding bank borrowings amounted to approximately US\$14.2 million (as at 31 March 2021: approximately US\$10.5 million) and other loans (including convertible bonds) amounted to approximately US\$64.9 million (as at 31 March 2021: approximately US\$70.1 million), of which 99.06% were denominated in US\$ and 0.94% were denominated in HK\$.

As at 30 September 2021 and 31 March 2021, the Group had a gearing ratio (being bank borrowings and other borrowings (including convertible bonds) of the Group divided by the total assets of the Group) of about 54.3% and 61.5% respectively. The decrease in gearing ratio as at 30 September 2021 was mainly

MANAGEMENT DISCUSSION AND ANALYSIS

due to the decrease in principal amount of the Top Build Convertible Bonds after US\$2 million redemption during the period, increase in cash and cash equivalent with increase in revenue and increase in property, plant and equipment value after the reversal of impairment loss of vessels of the Group.

The Group recorded net current liabilities of about US\$71.2 million as at 30 September 2021 and approximately US\$64.5 million as at 31 March 2021 was mainly due to the increase in current portion of a bank borrowing and loan for a financial institution, representing an increase of about US\$6.7 million. Such increase was mainly due to (i) increase in bank balance after the improvement in turnover; (ii) the event of default of Top Build Convertible Bonds resulted in the cross-defaults in a bank loan and a loan from a financial institution which may cause the loans to become immediately due and hence the non-current portion of bank borrowings and loan from a financial institution were classified to current liabilities; and (iii) the principal redemption of US\$2.0 million of Top Build Convertible Bonds which remained outstanding and amounted to approximately US\$52.0 million as at 30 September 2021.

On 29 March 2019, Bryce Group Limited, a wholly-owned subsidiary of the Company, has entered into a the GH POWER Loan. The principal amount of the GH POWER Loan shall be repaid by 14 quarterly instalments commencing three months from the drawdown date. The GH POWER Loan is subject to compliance of certain restrictive financial undertakings which the Group will continue to monitor.

On 30 April 2021, United Edge Holdings Limited and Way Ocean Shipping Limited, each being a wholly-owned subsidiary of the Company, have entered into the GH GLORY/HARMONY Loan. The principal amount of the GH GLORY/HARMONY Loan shall be repaid by quarterly instalments commencing on 30 June 2021. The GH GLORY/HARMONY Loan is also subject to compliance of certain restrictive financial undertakings which the Group will continue to monitor.

A breach of the restrictive financial undertakings requirements will constitute an event of default under the loan agreement, and as a result, the facility is liable to be declared immediately due and payable. The occurrence of such circumstance may trigger the cross default provisions of other banking or credit facilities available to the Group and, as a possible consequence, these other facilities may also be declared to be immediately due and payable. This event of the Default also resulted in cross-default of the GH POWER Loan and the GH GLORY/HARMONY Loan.

The management maintains continuous relationship with the banks and financial institutions and the Directors are of the opinion that bank borrowings and loan from financial institutions will continue to be available to the Group for the next twelve months from 30 September 2021.

The Group monitors the current and expected liquidity requirements regularly to mitigate the effects of fluctuations in cash flows. The Company has entered into six loan facility agreements with Ablaze Rich Investment Limited, a controlling shareholder of the Company (as defined in the Listing Rules), ("Ablaze Rich") on 19 January 2017, 12 April 2017, 15 January 2018, 17 April 2019, 28 February 2020 and 23 June 2020 for six loan facilities (collectively, the "Facilities") in the amounts of US\$3.0 million (the "First Facility"), US\$3.0 million (the "Second Facility"), US\$1.5 million (the "Third Facility"), US\$2.0 million (the "Fourth Facility"), US\$2.0 million (the "Fifth Facility") and US\$3.0 million (the "Sixth Facility") respectively. The First Facility, the Second Facility and the Fourth Facility were extended on 15 January 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

The full loan amount had been drawn down by the Company under the First Facility, the Second Facility, the Third Facility, the Fourth Facility and the Fifth Facility. As at 30 September 2021, US\$2.0 million of the loan amount had been drawn down by the Company under the Sixth Facility.

The First Facility will be repayable on an extended repayment date which is on or before 15 January 2023, the Second Facility will be repayable on an extended repayment date which is on or before 15 January 2023, the Third Facility will be repayable on an extended repayment date which is on or before 15 January 2022, the Fourth Facility will be repayable on or before 15 January 2023, the Fifth Facility will be repayable on or before 12 March 2022 and the Sixth Facility will be repayable on or before 22 June 2022. On 30 September 2021, the ultimate holding company confirmed its intention to extend the maturity of Sixth Facility of US\$3.0 million for 2 years upon its maturity on 22 June 2022. These loan facilities are unsecured and carry an interest of 4% per annum. As at the date of this interim report, the drawn amount under the Third Facility and the Fifth Facility have been repaid in full. The drawn amount under each of the other four Facilities had not been repaid. The disinterested members of the Board (including the independent non-executive Directors) consider that as each of the Facilities is on normal commercial terms or better and is not secured by the assets of the Group, the receipt of financial assistance by the Group thereunder are fully exempt under Rule 14A.90 of the Listing Rules.

On 30 September 2020, the Company entered into a deed of funding undertakings. Ablaze Rich, Mr. Yan and Ms. Lam have undertaken to provide funding to the Group when funding notice shall be issued by the Company within twenty four months of the date of the deed. The undertakings shall cease to have effect after twenty four months from the date of the deed or upon the Company or any member of the Group having obtained long-term external bank borrowings or other sources of long-term financing with a principal amount of not less than US\$30 million, whichever is the earlier. The deed of fund undertakings entered on 31 March 2019 was superseded by this deed, and had ceased to be effective from 30 September 2020.

On 30 September 2021, the Company entered into a deed of funding undertakings. Ablaze Rich, Mr. Yan and Ms. Lam have undertaken to provide funding to the Group when funding notice shall be issued by the Company within twenty four months of the date of the deed. The undertakings shall cease to have effect after twenty four months from the date of the deed or upon the Company or any member of the Group having obtained long-term external bank borrowings or other sources of long-term financing with a principal amount of not less than US\$30 million, whichever is the earlier. The above deed entered on 30 September 2020 was superseded by this deed, and had ceased to be effective from 30 September 2021. US\$7 million was obtained under the terms of the deed.

The Directors are of the opinion that, taking into account the above-mentioned plans and measures, the Group will have sufficient working capital to finance its operations and to meet its financial obligations.

The Group's liquidity requirements will be satisfied by a combination of cash flow generated from working capital arising from operating activities, bank loans and other financing means which the Company may from time to time consider appropriate.

MANAGEMENT DISCUSSION AND ANALYSIS

Exposure to fluctuations in exchange rate risk and related hedges

The Group's transactions and monetary assets were primarily denominated in US\$. Operating expenses of the Group's Hong Kong subsidiary were primarily denominated in HK\$ and that of the Group's PRC subsidiary was primarily denominated in RMB and the borrowings and loans of the Group were denominated in US\$ and HK\$. As the Group does not have significant foreign currency transactions or balances, the Directors consider that the level of foreign currency exposure for the Group is relatively minimal.

The Group has not entered into any arrangements to hedge for the future fluctuations of London Interbank Offered Rate or Hong Kong Dollars Best Lending Rate or cost of fund arising from the Group's variable-rate borrowings.

Bank borrowings and loan from a financial institution and disclosure under Rules 13.13 to 13.19 of the Listing Rules

Pursuant to Rule 13.18 of the Listing Rules, a general disclosure obligation will arise where an issuer or any of its subsidiaries enters into a loan agreement that includes a condition imposing specific performance obligations on any controlling shareholders, such as a requirement to maintain a specified minimum holding in the share capital of the issuer. As at 30 September 2021, the Group recorded outstanding bank loans and loan from a financial institution of about US\$14.8 million and all these loans carried interest at floating rate.

The GH POWER loan agreement was entered into on 29 March 2019 and the GH GLORY/HARMONY Loan was entered into on 30 April 2021. These loans, namely the GH POWER Loan and the GH GLORY/HARMONY Loan, were for financing the acquisition costs of vessels of the Group and were secured by, inter alia, the following:

- Corporate guarantee from the Company (in respect of the GH POWER loan);
- First preferred mortgages over the vessels held by the Group;
- Assignment of the charter-hire income and insurance in respect of the vessels held by the Group; and
- Charges over shares of each of the Group companies holding those vessels.

The above bank loans were provided to the Group on the conditions that, inter alia, (a) (in respect of the GH POWER Loan) Mr. Yan, Ms. Lam and/or any company controlled by them shall jointly hold at least 51% shareholding interests in the Company; and (b) (in respect of the GH GLORY/HARMONY Loan) the investment vehicle(s) owned or controlled by Mr. Yan and Ms. Lam shall hold or control at least 30% shareholding interests in the Company.

The Directors have confirmed that, save as disclosed above, as at the date of this report, there are no other matters that would require disclosure under Rules 13.13 to 13.19 of the Listing Rules.

MANAGEMENT DISCUSSION AND ANALYSIS

Charges on assets

As at 30 September 2021, the Group had pledged the following assets to bank and a financial institution as securities against bank borrowing and loan facilities granted to the Group:

	30 September 2021 US\$'000 (Unaudited)	31 March 2021 US\$'000 (Audited)
Property, plant and equipment	50,470	52,108
Pledged deposit	500	500
Pledged bank deposits	1,449	1,987
	52,419	54,595

Contingent liabilities

There were no other material contingent liabilities for the Group as at 30 September 2021.

Interim dividend

The Board does not recommend any interim dividend for the six months ended 30 September 2021 (six months ended 30 September 2020: Nil).

Purchase, sale or redemption of the Company's listed securities

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 September 2021.

Employees' remuneration and retirement scheme arrangements

As at 30 September 2021, the Group had a total of 95 employees (as at 30 September 2020: 100 employees). For the six months ended 30 September 2021, the total salaries and related costs (including Directors' fees) amounted to approximately US\$2.2 million (as at 30 September 2020: US\$2.3 million). It is the Group's policy to remunerate its employees with reference to the relevant market situation, and accordingly the remuneration level of the Group's employees remains at a competitive level and is adjusted in accordance with the employees' performance. Other benefits offered by the Group include mandatory provident fund scheme and medical insurance.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

The updated biographies of the Directors and senior management of the Company are set out as below:

Board of Directors

Executive Directors

Mr. YAN Kim Po (殷劍波), aged 60, is the chairman of the Company, executive Director and the co-founder of the Group. Mr. Yan is the spouse of Ms. Lam. Mr. Yan is primarily responsible for the operation of the Board and is the key decision-maker of the Group. He is responsible for the Group's overall strategic planning and the management and development of the Group's businesses. Mr. Yan is also a director of certain subsidiaries of the Company. Mr. Yan is an experienced entrepreneur and has extensive experience in the marine transportation industry and in the investment, development, production, processing, operation and trading of the mining and steel industry. Mr. Yan was appointed as Justice of Peace and was granted a Doctor of Philosophy Honoris Causa from Lansbridge University, Canada. He was also honoured as World Outstanding Chinese in 2010. He is currently a director of Adex Mining Inc. (TSXV Stock code: ADE), a company listed on the TSX Venture Exchange in Canada. He is a fellow of the Hong Kong Institute of Directors and the Life Honorary President of the Hong Kong Energy and Minerals United Associations (International) Limited. He is also active in social affairs and was appointed as the Honorary Chairman of Hong Kong Association of Youth Development, the Honorary President of Sha Tin District Junior Police Call, the Honorary President of the Fire Safety Ambassador Club and Shatin Sports Association. Mr. Yan is currently a director of Ablaze Rich, which has an interest in such number of Shares under Part XV of the SFO as disclosed in the section headed "Corporate Governance and Other Information — Directors' and Chief Executives' interests and Short Positions in Shares, underlying Shares and debentures of the Company and its associated corporation" of this interim report.

Ms. LAM Kwan (林群), aged 54, is the chief executive officer of the Company, an executive Director and the co-founder of the Group. Ms. Lam is the spouse of Mr. Yan. Ms. Lam is primarily responsible for the Group's day-to-day management and overall business operations as well as its finance and administrative management. She is also a director of each of the subsidiaries of the Company. Ms. Lam has extensive experience in the marine transportation industry. Ms. Lam is currently a director of Adex Mining Inc. (TSXV Stock code: ADE), a company listed on the TSX Venture Exchange in Canada. She was an executive director of HS Optimus Holdings Limited (formerly known as K LW Holdings Limited) (SGX Stock Code: 504) from August 2016 to July 2021, a company listed on Singapore Exchange Securities Trading Limited. She is also a vice-chairman of Pok Oi Hospital, an honorary director of Hong Kong Baptist University Foundation, a director of the Hong Kong Energy, Mining and Commodities Association and a fellow of the Hong Kong Institute of Directors. She graduated from Dongbei University of Finance & Economics in 1990 with a bachelor's degree in English for Finance in the Department of Foreign Language for Finance. Ms. Lam is currently a director of Ablaze Rich, which and Ms. Lam herself have an interest in such number of Shares under Part XV of the SFO as disclosed in the section headed "Corporate Governance and Other Information — Directors' and Chief Executives' interests and Short Positions in Shares, underlying Shares and debentures of the Company and its associated corporation" of this interim report.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Independent non-executive Directors

Mr. CHEUNG Kwan Hung (張鈞鴻), aged 70, has been serving as an independent non-executive Director of the Company since September 2010. Mr. Cheung graduated from Hong Kong Polytechnic with a Higher Diploma in Accountancy in 1978 and is a member of the Hong Kong Institute of Certified Public Accountants. Mr. Cheung has extensive experience in accounting, finance, corporate management and investment banking, specialising in equity/debt fund raising, mergers and acquisitions and corporate and debt restructuring, as well as private financial consultancy work. Mr. Cheung is currently also an independent non-executive director of a company listed on the Main Board of the Stock Exchange, namely NewOcean Energy Holdings Limited (Stock Code: 342). Mr. Cheung was an independent non-executive director of Zhuoxin International Holdings Limited (Stock Code: 8266), a company listed on the GEM of the Stock Exchange, from October 2018 to January 2020. Mr. Cheung was an independent non-executive director of Long Well International Holdings Limited (previous stock code: 850), a company previously listed on Main Board of the Stock Exchange from September 2004 to May 2021. Mr. Cheung has an interest in such number of Shares under Part XV of the SFO as disclosed in the section headed “Corporate Governance and Other Information — Directors’ and Chief Executives’ interests and Short Positions in Shares, underlying Shares and debentures of the Company and its associated corporation” of this interim report.

Dr. CHAN Chung Bun, Bunny (陳振彬), *GBM, JP*, aged 64, has been serving as an independent non-executive Director of the Company since September 2010. Dr. Chan has extensive experience in commerce and is currently the chairman of Prospectful Holdings Limited. Dr. Chan is active in community affairs in Hong Kong. Dr. Chan was appointed as Justice of Peace in 2002 and was awarded the Bronze, Silver and Gold Bauhinia Star medals in 2004, 2009 and 2014 respectively, and the Grand Bauhinia Medal in 2021. Dr. Chan was conferred Doctor of Business Administration, *honoris causa*, in December 2013 by the Hong Kong Metropolitan University (formerly known as the Open University of Hong Kong). Dr. Chan is currently also an independent non-executive director of four other companies listed on the Main Board of the Stock Exchange, namely Li Ning Company Limited (Stock Code: 2331), Speedy Global Holdings Limited (Stock Code: 540), Glorious Sun Enterprises Limited (Stock Code: 393) and MTR Corporation Limited (Stock Code: 66). Dr. Chan has an interest in such number of Shares under Part XV of the SFO as disclosed in the section headed “Corporate Governance and Other Information — Directors’ and Chief Executives’ interests and Short Positions in Shares, underlying Shares and debentures of the Company and its associated corporation” of this interim report.

Mr. WAI Kwok Hung (韋國洪), aged 67, has been serving as an independent non-executive Director of the Company since September 2010. Mr. Wai was appointed as Justice of Peace in July 2002 and was awarded the Silver Bauhinia Star medal in 2008 by the government of Hong Kong. Mr. Wai has an interest in such number of Shares under Part XV of the SFO as disclosed in the section headed “Corporate Governance and Other Information — Directors’ and Chief Executives’ interests and Short Positions in Shares, underlying Shares and debentures of the Company and its associated corporation” of this interim report.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Senior management

Mr. CAO Jiancheng (曹建成), aged 65, was an executive Director of the Company from June 2010 to August 2021. Mr. Cao is continuously responsible for the operational management and remained as general manager of the Group's shipping business. Mr. Cao has more than 38 years of experience in the marine transportation industry. Mr. Cao has been a captain of ocean-going cargo ships since around 1982. Before joining the Group, he had worked for 廣州海順船務有限公司 (Guangzhou Hai Shun Shipping Corporation*) as a captain from 1985 to 1989. Mr. Cao also worked for Hong Kong Ming Wah Shipping Company Limited as an operator, chartering member, deputy manager, manager and vice-president from 1989 to 2000. He had also held management position as a manager at Valles Steamship Company Limited from 2001 to 2002. Mr. Cao completed the training course for international shipping professional education and obtained a certificate of completion from 上海海運學院 (Shanghai Maritime Institute*) in December 1991 through long distance learning, and graduated from Murdoch University with a Master degree of Business Administration in March 1999. Mr. Cao had also been a captain as recognised by the Maritime Affairs Inspection Bureau of the PRC, the Directorate General of Consular and Maritime Affairs of The Republic of Panama and the Bureau of Maritime Affairs of the Ministry of Transport of The Republic of Liberia. Mr. Cao has an interest in such number of Shares under Part XV of the SFO as disclosed in the section headed "Corporate Governance and Other Information — Directors' and Chief Executives' interests and Short Positions in Shares, underlying Shares and debentures of the Company and its associated corporation" of this interim report.

Mr. WONG Kwok Keung (黃國強), aged 47, has been the chief financial officer and company secretary of the Company since 31 January 2019. Mr. Wong is responsible for the corporate finance, investor relations, financial management and company secretarial matters of the Company. Mr. Wong obtained a master's degree of Science in Finance Analysis from Hong Kong University of Science and Technology in 2010 and a master's degree of Corporate Governance from The Hong Kong Polytechnic University in 2014. He is a certified public accountant of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. He is also an associate member of The Hong Kong Chartered Governance Institute and The Institute of Chartered Secretaries and administrators. Mr. Wong has over 23 years of working experience in several listed companies in Hong Kong and well-known organisations across jewellery trading, property leasing and development, garment and electronics manufacturing in the Greater China and Asia Pacific regions. Prior to joining the Company, he served as the senior management of several listed companies in Hong Kong and worked for a global audit and consulting firm for over 15 years. He has been appointed as a director of Adex Mining Inc. (TSXV stock code: ADE), a company listed on TSX Venture Exchange since October 2017.

* For identification purpose only

CORPORATE GOVERNANCE AND OTHER INFORMATION

Directors' and Chief Executive' interests and Short Positions in Shares, underlying Shares and debentures of the Company and its associated corporation

As at 30 September 2021, the interests and short positions of the Directors and/or the chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be (i) 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 he or she was taken or deemed to have under such provisions of the SFO); or (ii) recorded in the register required to be kept by the Company under section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Interest in Shares, underlying Shares and debentures of the Company:

Name of Director	Capacity/ Nature of interest	Number of Shares held (Note 1)	Number of underlying Shares held (Note 1)	Approximate percentage of interest (%) (Note 11)
Mr. Yan	Interest of controlled corporation (Note 2)	659,778,513 (L)	—	69.26%
	Beneficial owner (Note 3)	—	2,100,000 (L)	0.22%
	Family interest (Note 3)	—	2,100,000 (L)	0.22%
	Family interest (Note 4)	11,370,000 (L)	—	1.19%
	Family interest (Note 5)	25,797,500 (L)	—	2.71%
	Beneficial owner and interest of spouse (Note 6)	—	381,843,064 (S)	40.08%
Ms. Lam	Interest of controlled corporation (Note 7)	685,576,013 (L)	—	71.97%
	Beneficial owner (Note 3)	—	2,100,000 (L)	0.22%
	Beneficial owner (Note 4)	11,370,000 (L)	—	1.19%
	Family interest (Note 3)	—	2,100,000 (L)	0.22%
	Beneficial owner and interest of spouse (Note 6)	—	381,843,064 (S)	40.08%
Mr. Cheung Kwan Hung	Beneficial owner (Note 8)	—	800,000 (L)	0.08%
Dr. Chan Chung Bun, Bunny	Beneficial owner (Note 9)	—	800,000 (L)	0.08%
Mr. Wai Kwok Hung	Beneficial owner (Note 10)	—	300,000 (L)	0.03%

CORPORATE GOVERNANCE AND OTHER INFORMATION

Notes:

- (1) The letter "L" denotes the person's long position and "S" denotes the person's short position in the Shares and underlying Shares of the Company.
- (2) These 659,778,513 Shares were held by Ablaze Rich. The entire issued share capital of Ablaze Rich was owned as to 51% by Mr. Yan and 49% by Ms. Lam, who were also directors of Ablaze Rich. As such, each Mr. Yan and Ms. Lam was deemed to be interested in the Shares held by Ablaze Rich by virtue of the SFO.
- (3) On 21 October 2011, each of Mr. Yan and Ms. Lam was granted share options of the Company in respect of 2,100,000 Shares pursuant to the 2011 Share Option Scheme. All these share options remained outstanding as at 30 September 2021. As they have a spousal relationship, each of Mr. Yan and Ms. Lam was deemed to be interested in such number of Shares beneficially held by each other by virtue of the SFO.
- (4) These 11,370,000 Shares were held by Ms. Lam. As Mr. Yan and Ms. Lam have a spousal relationship, Mr. Yan was deemed to be interested in the Shares in which Ms. Lam was interested by virtue of the SFO.
- (5) These 25,797,500 Shares were held by All Ages. The entire issued share capital of All Ages was owned as to 50% by Ms. Lam and as to 50% by Mr. Yan Yui Ham, the son of Ms. Lam and Mr. Yan. As Mr. Yan and Ms. Lam have a spousal relationship, Mr. Yan was deemed to be interested in the Shares in which Ms. Lam was interested by virtue of the SFO.
- (6) These 381,843,064 Shares represented the total number of Shares which may be allotted and issued to Sfund upon the exercise of the conversion rights attaching to the Top Build Convertible Bonds for the aggregate principal amount of US\$54,000,000 at the initial conversion price of HK\$1.096 per Share and the exchange rate of HK\$7.75 to US\$1.00. Mr. Yan and Ms. Lam have granted the put option in favor of Sfund pursuant to which Sfund may request Mr. Yan and Ms. Lam to purchase these Top Build Convertible Bonds. On 15 July 2020, Sfund has exercised the put options. As at the date of this report, the completion of the put option has not taken place. The exercise of the conversion rights attaching to the Top Build Convertible Bonds is subject to the terms and conditions thereof, including the restriction against conversion which would cause the Company to be in breach of the minimum public float requirement under the Listing Rules. As Mr. Yan and Ms. Lam have a spousal relationship, each of Mr. Yan and Ms. Lam was deemed to be interested in the Shares in which the other was interested by virtue of the SFO.
- (7) These 685,576,013 Shares were held as to 659,778,513 Shares by Ablaze Rich and as to 25,797,500 Shares by All Ages. The entire issued share capital of Ablaze Rich was owned as to 51% by Mr. Yan and 49% by Ms. Lam, who were also directors of Ablaze Rich. As such, each Mr. Yan and Ms. Lam was deemed to be interested in the Shares held by Ablaze Rich by virtue of the SFO. The entire issued share capital of All Ages was owned as to 50% by Ms. Lam. As such, Ms. Lam was deemed to be interested in the Shares held by All Ages by virtue of the SFO.
- (8) On 30 April 2015, Mr. Cheung Kwan Hung was granted share options of the Company in respect of 800,000 Shares pursuant to the 2011 Share Option Scheme. All these share options remained outstanding as at 30 September 2021.
- (9) On 30 April 2015, Dr. Chan Chung Bun, Bunny was granted share options of the Company in respect of 800,000 Shares pursuant to the 2011 Share Option Scheme. All these share options remained outstanding as at 30 September 2021.
- (10) On 30 April 2015, Mr. Wai Kwok Hung was granted share options of the Company in respect of 300,000 Shares pursuant to the 2011 Share Option Scheme. 300,000 share options remained outstanding as at 30 September 2021.
- (11) The percentage is calculated on the basis of 952,613,513 Shares in issue as at 30 September 2021.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Interest in shares and underlying shares of an associated corporation:

Name of Director	Name of associated corporation	Capacity/ Nature of interest	Number of shares held (Note)	Approximate percentage of interest (%)
Mr. Yan	Ablaze Rich	Beneficial owner	10,200 (L)	51.00%
Ms. Lam	Ablaze Rich	Beneficial owner	9,800 (L)	49.00%
Mr. Yan	All Ages	Interest of spouse	5,000 (L)	50.00%
Ms. Lam	All Ages	Beneficial owner	5,000 (L)	50.00%

Note: The letter "L" denotes the person's long position in the shares and underlying shares of an associated corporation.

Save as disclosed above, as at 30 September 2021, none of the Directors and chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or were required pursuant to the Model Code to be notified to the Company and the Stock Exchange.

Substantial shareholders' interests and Short Positions in Shares and underlying Shares of the Company

As at 30 September 2021, the interests and short positions of each person, other than a Director or chief executive of the Company, in the Shares or underlying Shares of the Company as recorded in the register kept by the Company under Section 336 of the SFO were as follows:

Name of shareholder	Capacity/ nature of interest	Number of Shares held (Note 1)	Number of underlying Shares held (Note 1)	Approximate percentage of interest (%) (Note 4)
Ablaze Rich	Beneficial owner	659,778,513 (L)	—	69.26%
廣州匯垠發展投資合夥企業(有限合夥)(for identification purpose only, Guangzhou Huiyin Development Investment Partnership Enterprise (Limited Partnership)) ("Guangzhou Huiyin Development")	Beneficial owner (Note 2)	74,265,000 (L)	—	7.80%
Sfund	Beneficial owner (Note 3)	—	381,843,064 (S)	40.08%

CORPORATE GOVERNANCE AND OTHER INFORMATION

Notes:

- (1) The letter “L” denotes the person’s long position and “S” denotes the person’s short position in the Shares and underlying Shares of the Company in the Shares of the Company.
- (2) These 74,265,000 Shares were held by Guangzhou Huiyin Development, which was controlled by 北京匯垠天然投資基金管理有限公司 (Beijing Huiyin Tianran Investment Fund Management Co., Ltd.*) (“Beijing Huiyin”) as its general partner and was wholly owned by 廣州匯垠天粵股權投資基金管理有限公司 (Guangzhou Huiyin Tianyue Equity Investment Fund Management Co., Ltd*) (“Guangzhou Huiyin Tianyue”) as its limited partner. Beijing Huiyin was owned as to 40% by Guangzhou Huiyin Tianyue.

Guangzhou Huiyin Tianyue was wholly owned by 廣州科技金融創新投資控股有限公司 (Guangzhou Technology Financial Innovation Investment Holdings Limited*) (“Guangzhou Technology Financial Holdings”). Guangzhou Technology Financial Holdings was wholly owned by 廣州產業投資基金管理有限公司 (Guangzhou Industry Investment Fund Management Co., Ltd*) (“Guangzhou Industry Investment”), which was wholly owned by 廣州市城市建設投資集團有限公司 (Guangzhou City Construction Investment Group Company Limited*) (“Guangzhou City Construction Investment”).

Each of Guangzhou Huiyin Tianyue, Guangzhou Technology Financial Holdings, Beijing Huiyin, Guangzhou Industry Investment and Guangzhou City Construction Investment was deemed to be interested in all the Shares in which Guangzhou Huiyin Development is interested by virtue of the SFO.

- (3) These 381,843,064 Shares represented the total number of Shares which may be allotted and issued to Sfund upon the exercise of the conversion rights attaching to the Top Build Convertible Bonds for the aggregate principal amount of US\$54,000,000 at the initial conversion price of HK\$1.096 per Share and the exchange rate of HK\$7.75 to US\$1.00. The exercise of the conversion rights attaching to the Top Build Convertible Bonds is subject to the terms and conditions thereof, including the restriction against conversion which would cause the Company to be in breach of the minimum public float requirement under the Listing Rules.

The Top Build Convertible Bonds to which these 381,843,064 underlying Shares relate were held by Sfund, which was wholly owned by Guangzhou Huiyin Tianyue. Please refer to note 2 above in respect of the relationship between Guangzhou Huiyin Tianyue and its controlling companies. By virtue of the SFO, each of Guangzhou Huiyin Tianyue, Guangzhou Technology Financial Holdings, Guangzhou Industry Investment and Guangzhou City Construction Investment was deemed to be interested in all the Shares in which Sfund is interested.

- (4) The percentage is calculated on the basis of 952,613,513 Shares in issue as at 30 September 2021.

Save as disclosed above, as at 30 September 2021, no person (other than a Director or chief executive of the Company) had an interest or short position in the Shares or the underlying Shares of the Company that were recorded in the register kept by the Company under Section 336 of the SFO.

* For identification purpose only

CORPORATE GOVERNANCE AND OTHER INFORMATION

Share Option Scheme

The Company has previously adopted the 2011 Share Option Scheme on 19 August 2011, which has expired on 18 August 2021, being ten years from its commencement date. For further details of the terms of the 2011 Share Option Scheme, please refer to the annual report of the Company for the year ended 31 March 2021. Accordingly, the Company has adopted the new Share Option Scheme on 18 August 2021 to enable the Group to grant share options to eligible participants as incentives or rewards for their contribution to the Group.

Eligible participants of the Share Option Scheme includes: (a) any employee (whether full time or part time, including any executive director but excluding any non-executive director) of the Company, any subsidiary of the Company or any entity in which any member of the Group holds any equity interests (“Invested Entity”); (b) any non-executive directors (including independent non-executive directors) of the Company, any subsidiary of the Company or any Invested Entity; (c) any supplier of goods or services to any member of the Group or any Invested Entity; (d) any customer of any member of the Group or any Invested Entity; (e) any person or entity that provides design, research, development or other technological support to any member of the Group or any Invested Entity; (f) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity; (g) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of the Group or any Invested Entity; (h) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group; (i) any person seconded or nominated by the Group to represent the Group’s interest in any of the Invested Entity or any other company or organisation; and (j) any company wholly owned by one or more eligible participants as referred to in (a) to (i) above.

The terms of the Share Option Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules. Subject to the early termination of the Share Option Scheme in accordance with the rules thereof, the Share Option Scheme shall remain in force for a period of ten years commencing on 18 August 2021.

The maximum number of Shares which may be allotted and issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme of the Group shall not exceed 30% of the Shares in issue from time to time (the “Overriding Limit”). No share options may be granted under the Share Option Scheme or any other share option scheme adopted by the Group if the grant of such share options will result in the Overriding Limit being exceeded.

The total number of Shares which may be allotted and issued upon exercise of all options (excluding for this purpose options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option scheme of the Group) to be granted under the Share Option Scheme and any share option scheme of the Group must not in aggregate exceed 95,261,351 Shares, representing 10% of the Shares in issue as at 18 August 2021 (i.e. the date on which the Share Option Scheme was adopted by the Company) and approximately 10% of the Shares in issue as at the date of this interim report (the “General Scheme Limit”). The General Scheme Limit is also subject to the Overriding Limit, the refreshment of the General Scheme Limit (as described below) and the grant of share options beyond the General Scheme Limit (as described below).

CORPORATE GOVERNANCE AND OTHER INFORMATION

Subject to the Overriding Limit and the grant of share options beyond the General Scheme Limit (as described below), the Company may refresh the General Scheme Limit at any time subject to shareholders' approval by ordinary resolution at a general meeting, and the General Scheme Limit as "refreshed" must not exceed 10% of the Shares in issue as at the date of the aforesaid shareholders' approval and for the purpose of calculating the "refreshed" limit, options (including those outstanding, cancelled, lapsed or exercised in accordance with the Share Option Scheme and any other share option scheme of the Group) previously granted under the Share Option Scheme and any other share option scheme of the Group will not be counted.

Subject to the Overriding Limit, the Company may also seek shareholders' approval by ordinary resolution at a general meeting to grant share options under the Share Option Scheme beyond the General Scheme Limit, or, if applicable, the General Scheme Limit as "refreshed", to eligible participants specifically identified by the Company before such approval is sought.

If the Company conducts a share consolidation or subdivision, the maximum number of Shares that may be issued upon exercise of all share options to be granted under the Share Option Scheme and any other share option scheme of the Group under the General Scheme Limit as a percentage of the total number of issued Shares as at the date immediately before and after such consolidation or subdivision (i.e. 10% of the Shares in issue) shall be the same.

The total number of Shares issued and which may fall to be issued upon the exercise of options granted under the Share Option Scheme and any other share option scheme adopted by the Group (including both exercised and outstanding options) to each grantee within any 12-month period shall not exceed 1% of the Shares in issue for the time being. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting. Share options granted to a Director, chief executive or substantial shareholder of the Company, or to any of their associates (as defined under the Listing Rules), are subject to approval in advance by the independent non-executive Directors of the Company.

In addition, where any grant of share options to a substantial shareholder or an independent non-executive Director of the Company or any of their respective associates (as defined under the Listing Rules) would result in the Shares issued or to be issued upon exercise of all share options already granted and to be granted (including share options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant (a) representing in aggregate over 0.1% of the Shares in issue and (b) having an aggregate value (based on the closing price of the Shares at the date of the grant) in excess of HK\$5 million, such further grant of share options must be approved by shareholders' in general meeting. The proposed grantee, his associates and all core connected persons (as defined in the Listing Rules) of the Company must abstain from voting in favour at such general meeting.

The offer of a grant of share options may be accepted within 21 days from the date of offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the share options granted is determinable by the Directors, which period may commence from the date of the offer of the share options, and ends on a date which is not later than ten years from the date of grant of the share options subject to the provisions for early termination thereof. The Directors will determine the minimum period, if any, for which share options must be held before such share options are vested and/or can be exercised.

CORPORATE GOVERNANCE AND OTHER INFORMATION

The exercise price of the share options is determinable by the Directors, but shall not be less than the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet for trade in one or more board lots of the Shares on the date of the offer for the grant, which must be a business day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheet for the five business days immediately preceding the date of offer; and (iii) the nominal value of a Share. Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings of the Company.

No share option has been granted under the Share Option Scheme since its commencement date (i.e. 18 August 2021) and up to 30 September 2021.

During the six months ended 30 September 2021, movements of the share options granted under the 2011 Share Option Scheme are summarised as follows:

List of grantees	Date of grant	Exercisable period	Closing price per Share immediately before the date of grant HK\$	Exercisable price per share HK\$	Outstanding as at 1 April 2021	Number of share options				Outstanding as at 30 September 2021
						Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	
Directors										
Mr. Yan	21 October 2011	21 October 2012–20 October 2021	\$1.15	\$1.15	700,000	—	—	—	—	700,000
	21 October 2011	21 October 2013–20 October 2021	\$1.15	\$1.15	700,000	—	—	—	—	700,000
	21 October 2011	21 October 2014–20 October 2021	\$1.15	\$1.15	700,000	—	—	—	—	700,000
					2,100,000	—	—	—	—	2,100,000
Ms. Lam	21 October 2011	21 October 2012–20 October 2021	\$1.15	\$1.15	700,000	—	—	—	—	700,000
	21 October 2011	21 October 2013–20 October 2021	\$1.15	\$1.15	700,000	—	—	—	—	700,000
	21 October 2011	21 October 2014–20 October 2021	\$1.15	\$1.15	700,000	—	—	—	—	700,000
					2,100,000	—	—	—	—	2,100,000
Mr. Cao Jiancheng (Note 1)	21 October 2011	21 October 2014–20 October 2021	\$1.15	\$1.15	2,000,000	—	—	—	—	2,000,000
	30 April 2015	30 April 2015–29 April 2025	\$1.15	\$1.20	2,300,000	—	—	—	—	2,300,000
					4,300,000	—	—	—	—	4,300,000
Mr. Cheung Kwan Hung	30 April 2015	30 April 2015–29 April 2025	\$1.15	\$1.20	800,000	—	—	—	—	800,000
					800,000	—	—	—	—	800,000
Dr. Chan Chung Bun, Bunny	30 April 2015	30 April 2015–29 April 2025	\$1.15	\$1.20	800,000	—	—	—	—	800,000
					800,000	—	—	—	—	800,000
Mr. Wai Kwok Hung	30 April 2015	30 April 2015–29 April 2025	\$1.15	\$1.20	300,000	—	—	—	—	300,000
					300,000	—	—	—	—	300,000
Sub-total					10,400,000	—	—	—	—	10,400,000
Employees	30 April 2015	30 April 2015–29 April 2025	\$1.15	\$1.20	400,000	—	—	—	—	400,000
Sub-total					400,000	—	—	—	—	400,000
Others (Note 2)	30 April 2015	30 April 2015–29 April 2025	\$1.15	\$1.20	250,000	—	—	—	—	250,000
Sub-total					250,000	—	—	—	—	250,000
Total					11,050,000	—	—	—	—	11,050,000

CORPORATE GOVERNANCE AND OTHER INFORMATION

Notes:

- (1) Mr. Cao Jiancheng resigned as executive Director with effect from 18 August 2021 but remained as the general manager of a subsidiary of the Company thereafter. Pursuant to the terms of the 2011 Share Option Scheme, all share options granted to Mr. Cao under the 2011 Share Option Scheme remained exercisable by Mr. Cao as at 30 September 2021 as he remained an employee of the Group.
- (2) This represents Ms. Tsang Sze Wing, a grantee who is a consultant of the Group and have provided accounting consultancy services. Such options were granted to recognise and reward the participation and involvement of this consultant in the business development of the Group. Apart from the exercise price as set out above, no other terms and conditions (including performance target) were imposed on the grant of such options to this consultant.

Change in information of directors

In accordance with Rule 13.51B(1) of the Listing Rules, changes of the information of the Directors required to be disclosed are set out below:

Mr. Cao Jiancheng has resigned as executive Director and ceased to be an authorised representative of the Company with effect from 18 August 2021.

Mr. Yan Kim Po has been appointed an authorised representative of the Company with effect from 18 August 2021.

Ms. Lam Kwan ceased to be an executive director of HS Optimus Holdings Limited (formerly known as KLV Holdings Limited) (SGX Stock Code: 504), a company listed on Singapore Exchange Securities Trading Limited, on 28 July 2021.

Dr. Chan Chung Bun, Bunny was awarded the Grand Bauhinia Medal in 2021.

Save as disclosed above, there is no other change in information regarding the Directors or chief executives of the Company that is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

Compliance with the CG Code

The Company has adopted the principles and code provisions set out in the CG Code contained in Appendix 14 to the Listing Rules as the Company's code on corporate governance practices. Throughout the six months ended 30 September 2021, the Company has been in compliance with the code provisions set out in the CG Code.

Compliance with the Model Code

The Company has adopted the Model Code as its code of conduct regarding Directors' securities transactions. The Directors have confirmed that, following specific enquiry by the Company, they have complied with the required standards as set out in the Model Code throughout the six months ended 30 September 2021.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Appreciation

The Board would like to sincerely thank all our staff for their hard work and all our business partners for their trust and support.

On behalf of the Board

Yan Kim Po

Chairman

Hong Kong, 26 November 2021

AUDIT COMMITTEE REPORT

The Audit Committee of the Company has reviewed the unaudited condensed consolidated financial information of the Group for the six months ended 30 September 2021. The Audit Committee has reviewed with the management of the Group the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including a review of the unaudited condensed consolidated financial information of the Group for the six months ended 30 September 2021 with Directors.

As at the date of this interim report, the Audit Committee comprises three independent non-executive Directors, namely Mr. Cheung Kwan Hung, Dr. Chan Chung Bun, Bunny and Mr. Wai Kwok Hung, with Mr. Cheung Kwan Hung as its chairman.

Update on Remedial Measures

The consolidated financial statements of the Group for the year ended 31 March 2021 was subject to the disclaimer of audit opinion by the auditor of the Company as detailed in the 2021 annual report of the Company ("2021 Annual Report"). Further to the management's response and relevant remedial measures taken and to be taken by the management as set out in Note 2.1.1 to the consolidated financial statements in the 2021 Annual Report, the management of the Company wishes to provide the latest up-date on the relevant remedial measures taken or to be taken, details of which are set out in note 2.1 to the condensed consolidated interim financial information. Such remedial measures have been considered, recommended and agreed by the Audit Committee after its critical review of the management's position for the period ended 30 September 2021.

Members of the Audit Committee

Mr. CHEUNG Kwan Hung (*Chairman*)

Dr. CHAN Chung Bun, Bunny

Mr. WAI Kwok Hung

Hong Kong, 26 November 2021

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Six Months ended 30 September 2021

	Note	Unaudited Six months ended 30 September	
		2021 US\$'000	2020 US\$'000
Revenue	6	10,273	5,599
Cost of services	9	(4,874)	(5,786)
Gross profit/(loss)		5,399	(187)
Other gains	7	—	1,002
Other income	8	14	42
General and administrative expenses	9	(1,514)	(1,189)
Reversal of impairment losses on property, plant and equipment	14	12,490	—
Operating profit/(loss)		16,389	(332)
Finance costs	10	(1,777)	(2,957)
Profit/(loss) before income tax		14,612	(3,289)
Income tax expense	11	(4)	(419)
Profit/(loss) for the period		14,608	(3,708)
Profit/(loss) attributable to:			
— Owners of the Company		14,623	(3,764)
— Non-controlling interest		(15)	56
Other comprehensive income for the period		14,608	(3,708)
<i>Item that may be reclassified subsequently to profit or loss</i>			
Currency translation differences		658	1,815
Total comprehensive income/(loss) for the period		15,266	(1,893)
Total comprehensive income/(loss) attributable to:			
— Owners of the Company		15,222	(2,112)
— Non-controlling interest		44	219
		15,266	(1,893)
Earnings/(loss) per share attributable to owners of the Company			
— Basic earnings/(loss) per share	12(a)	US1.54 cents	(US0.40 cents)
— Diluted earnings/(loss) per share	12(b)	US1.54 cents	(US0.40 cents)

The accompanying notes are an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2021

	Note	Unaudited 30 September 2021 US\$'000	Audited 31 March 2021 US\$'000
ASSETS			
Non-current assets			
Property, plant and equipment	14	62,731	52,126
Investment properties	15	74,864	73,806
Pledged deposit	16	500	500
Pledged bank deposits		984	1,472
		139,079	127,904
Current assets			
Trade receivables, deposits, prepayments and other receivables	16	2,132	2,393
Pledged bank deposits		465	515
Cash and cash equivalents		4,135	218
		6,732	3,126
Total assets		145,811	131,030
EQUITY			
Equity attributable to owners of the Company			
Share capital	17	1,221	1,221
Reserves		34,838	19,616
		36,059	20,837
Non-controlling interest		4,507	4,463
Total equity		40,566	25,300
LIABILITIES			
Non-current liabilities			
Borrowings and loans	18	9,442	20,459
Deferred income tax liabilities	19	17,855	17,621
		27,297	38,080

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2021

	Note	Unaudited 30 September 2021 US\$'000	Audited 31 March 2021 US\$'000
Current liabilities			
Other payables and accruals	21	8,281	7,487
Borrowings and loans	18	17,665	7,008
Convertible bonds	20	52,000	53,154
Tax payables		2	1
		77,948	67,650
Total liabilities		105,245	105,730
Total equity and liabilities		145,811	131,030

The accompanying notes are an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Six Months ended 30 September 2021

	Unaudited											
	Attributable to owners of the Company										Non-controlling interest	Total equity
	Share capital	Share premium	Convertible bonds reserve	Share option reserve	Merger reserve	Other reserve	Exchange reserve	Accumulated losses	Total			
US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000		
Balance at 1 April 2021	1,221	54,684	38,954	702	(63,808)	13,636	(2,256)	(22,296)	20,837	4,463	25,300	
Comprehensive income/(loss)												
Profit/(loss) for the period	—	—	—	—	—	—	—	14,623	14,623	(15)	14,608	
Other comprehensive income												
Currency translation differences	—	—	—	—	—	—	599	—	599	59	658	
Total comprehensive income	—	—	—	—	—	—	599	14,623	15,222	44	15,266	
Balance at 30 September 2021	1,221	54,684	38,954	702	(63,808)	13,636	(1,657)	(7,673)	36,059	4,507	40,566	

The accompanying notes are an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Six Months ended 30 September 2021

	Unaudited											
	Attributable to owners of the Company										Non-controlling interest	Total equity
	Share capital	Share premium	Convertible bonds reserve	Share option reserve	Merger reserve	Other reserve	Exchange reserve	Accumulated losses	Total			
US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	
Balance at 1 April 2020	1,221	54,663	38,954	708	(63,808)	13,636	(5,471)	(19,038)	20,865	4,019	24,884	
Comprehensive income/(loss)												
(Loss)/profit for the period	—	—	—	—	—	—	—	(3,764)	(3,764)	56	(3,708)	
Other comprehensive income												
Currency translation differences	—	—	—	—	—	—	1,652	—	1,652	163	1,815	
Total comprehensive income/(loss)	—	—	—	—	—	—	1,652	(3,764)	(2,112)	219	(1,893)	
Balance at 30 September 2020	1,221	54,663	38,954	708	(63,808)	13,636	(3,819)	(22,802)	18,753	4,238	22,991	

The accompanying notes are an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the Six Months ended 30 September 2021

	Unaudited	
	Six months ended 30 September	
	2021 US\$'000	2020 US\$'000
Cash flows from operating activities		
Profit/(loss) before income tax	14,612	(3,289)
Adjustments for:		
— Finance costs	1,777	2,957
— Depreciation on property, plant and equipment	1,887	1,658
— Fair value gains on investment properties	—	(1,002)
— Reversal of impairment losses on property, plant and equipment	(12,490)	—
Changes in working capital:		
— Trade receivables, deposits, prepayments and other receivables	267	1,381
— Other payables and accruals	703	(314)
Cash generated from operations	6,756	1,391
Income tax paid	(3)	(36)
Net cash generated from operating activities	6,753	1,355
Cash flows from investing activities		
Purchase of property, plant and equipment	—	(1,748)
Additions to investment properties	(81)	—
Net cash used in investing activities	(81)	(1,748)
Cash flows from financing activities		
Proceeds from loan from a financial institution	14,529	—
Proceeds from bank borrowings	256	513
Proceeds from loan from the ultimate holding company	—	2,800
Repayments of borrowings and loans	(15,354)	(2,075)
Interest paid	(722)	(347)
Decrease/(increase) in pledged bank deposits	538	(412)
Redemption of convertible bonds	(2,000)	—
Net cash (used in)/generated from financing activities	(2,753)	479
Net increase in cash and cash equivalents	3,919	86
Cash and cash equivalents at beginning of the period	218	266
Exchange losses on cash and cash equivalents	(2)	(2)
Cash and cash equivalents at end of the period	4,135	350

The accompanying notes are an integral part of this condensed consolidated interim financial information.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 General information

Great Harvest Maeta Holdings Limited (formerly known as “Great Harvest Maeta Group Holdings Limited”) (the “Company”) and its subsidiaries (together, the “Group”) are principally engaged in chartering of dry bulk vessels and property investment and development. The principal activity of the Company is investment holding.

The Company is a limited liability company incorporated in the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

This condensed consolidated interim financial information is presented in United States dollars (“US\$”) and rounded to nearest thousand US\$, unless otherwise stated.

2 Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 September 2021 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). This condensed interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 March 2021 and any public announcements made by the Company during the interim reporting period.

2.1 Going concern basis

As at 30 September 2021, the Group’s current liabilities exceeded its current assets by US\$71,216,000, which included borrowings and loans of US\$17,665,000 repayable within one year and convertible bonds of US\$52,000,000 that were matured and due for settlement in May 2021, while the Group’s cash and cash equivalents balance was US\$4,135,000.

During the six months ended 30 September 2021, the Group was in default under the terms and conditions of the relevant convertible bonds agreement for an aggregate principal amount of US\$54,000,000 that were not settled in full on the maturity date of 10 May 2021. The Group has repaid a principal amount of US\$2,000,000 in May 2021.

This event of default also resulted in cross-default of (i) a bank borrowing with an amount of US\$1,991,000 with original contractual repayment dates of within one year and amount of US\$11,493,000 with original contractual repayment dates after one year from 30 September 2021 which has been reclassified as current liabilities as at 30 September 2021; and (ii) loan from a financial institution with an amount of US\$994,000 with original contractual repayment dates of within one year and amount of US\$1,024,000 with original contractual repayment dates after one year from 30 September 2021 which has been reclassified as current liabilities as at 30 September 2021. Such cross-defaults may cause the relevant borrowings to become immediately due and payable should the relevant lenders exercise their rights under the loan agreements.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

2 Basis of preparation (Continued)

2.1 Going concern basis (Continued)

These events and conditions indicate the existence of multiple uncertainties which may cast significant doubt over the Group's ability to continue as a going concern.

In view of such circumstances, the directors of the Company have given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern. Certain measures have been taken to mitigate the liquidity pressure and to improve its financial position which include, but are not limited to, the following:

- (i) The Group has reached an agreement on the settlement plan of the remaining principal amount with the bond holder. On 24 November 2021, the Company, Mr. Yan Kim Po ("Mr. Yan"), Ms. Lam Kwan ("Ms. Lam"), Ablaze Rich Investments Limited ("Ablaze Rich") or the ultimate holding company; collectively with Mr. Yan and Ms. Lam (the "Guarantors of the settlement agreement") and the bond holder have entered into a settlement agreement (the "Settlement Agreement") to extend the settlement date of the remaining principal amount of US\$52,000,000. Pursuant to the Settlement Agreement, the Company will settle the outstanding redemption amount of the convertible bonds amounted to US\$52,000,000 by repaying the bond holder (i) US\$25,000,000 in cash within two months from the date of the Settlement Agreement; (ii) US\$15,000,000 in cash on or before 28 February 2022; and (iii) US\$12,000,000 by issuing corporate bonds to the bond holder for the principal amount of US\$12,000,000 with a maturity date of two years on or before 28 February 2022. Management is planning to raise funds through the capital market, such as placement or issue of corporate bonds and/or other sources, to finance the settlement of the outstanding redemption amount of the convertible bonds for (i) and (ii) above and believes the settlement plan will give the Group sufficient time to execute the plan.
- (ii) The Group will also continue to negotiate with other relevant financial institutions to waive their rights arising from the events of cross-default. The directors are confident that agreements with the financial institutions will be reached in due course. Up to the date of approval of this condensed consolidated interim financial information, the Group has not received any formal demand letters from the relevant financial institutions. Management is confident that these financial institutions will not enforce their rights of requesting for immediate repayment of the outstanding loans as such loans were fully secured by the Group's vessels and pledged deposits.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

2 Basis of preparation (Continued)

2.1 Going concern basis (Continued)

- (iii) The ultimate holding company of the Group, together with the Company's two directors, Mr. Yan and Ms. Lam, (collectively, the "Guarantors"), entered into a deed of funding undertakings to provide funding to the Group on 30 September 2020. The funding notice request could be issued at the discretion of the Company to the ultimate holding company and the Guarantors and the total amount of funding undertakings shall not exceed US\$30,000,000. The deed was renewed on 30 September 2021 to extend the period of funding notice to 30 September 2023 with other major terms and conditions remain unchanged.

The funding when provided shall be treated as an advance to the Company and be repayable by the Company at a suitable time to be agreed among the Company, the ultimate holding company and the Guarantors, but in any event shall only be repaid after at least twelve months from the funding draw down date.

The undertakings shall cease to have effect after twenty four months from the date of the deed (i.e. 30 September 2023) or upon the Company or any member of the Group having obtained additional long-term external bank borrowings or other sources of long-term financing with a principal amount of not less than US\$30,000,000, whichever is the earlier.

As at 30 September 2021, the Group had obtained a total principal amount of loans totaling US\$10,000,000 from the ultimate holding company (of which US\$7,000,000 was obtained under the terms of the deed). Out of such balance, US\$2,000,000 of the loan balance is repayable by 30 September 2022 with the remaining balance repayable by January 2023. On 30 September 2021, the ultimate holding company confirmed its intention to extend the maturity of the loan of US\$2,000,000 for 2 years upon its maturity on 22 June 2022 (subject to agreement) and as such the directors of the Company are of the opinion that the repayment of such balances will be extended beyond 30 September 2022.

As at 30 September 2021, the amount of funding available under the deed of funding undertakings was US\$23,000,000. The directors consider that the loans from the ultimate holding company will continue to be available to the Group and the Group will continue be able to draw down the amount of US\$23,000,000 from the deed of funding undertaking.

- (iv) The Group continues its efforts to enhance its operation of chartering of dry bulk vessels to improve its cash flow from operations, and further control capital and operating expenditures to strength its working capital and mitigate the potential negative impact of COVID-19.
- (v) The Group is also actively seeking for other alternative financing and bank borrowings, such as obtaining bank loan with one of the Group's vessels as security for borrowings, to finance the settlement of its existing financial obligations and future operating and capital expenditures. The Group is planning to raise funds through the capital market, such as placement or issue of corporate bonds and/or other sources, to finance the settlement of the outstanding redemption amount of the convertible bonds, negotiation with potential investor(s) on which is ongoing as at the date of this interim report.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

2 Basis of preparation (Continued)

2.1 Going concern basis (Continued)

The directors of the Company have reviewed the Group's cash flow projections. This projection covers a period of not less than twelve months from 30 September 2021. The directors are of the opinion that, taking into account the above-mentioned plans and measures, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within the next twelve months from 30 September 2021. Accordingly, the directors are satisfied that it is appropriate to prepare the condensed consolidated interim financial information on a going concern basis.

Notwithstanding the above, significant uncertainties exist as to whether management of the Group is able to achieve its plans and measures as described above which have incorporated assumptions about future events and conditions that are subject to inherent uncertainties. Whether the Group will be able to continue as a going concern would depend upon the following:

- (i) Whether the Group can raise sufficient funds through capital market or from other sources to finance the settlement of the remaining principal amount of the convertible bonds;
- (ii) Whether the Group can successfully negotiate with the relevant financial institutions to waive their rights arising from the events of cross-default; and that these financial institutions will not enforce their rights of requesting for immediate repayment of the outstanding borrowings and loans;
- (iii) Whether the ultimate holding company will be able to provide further funding of up to US\$23,000,000 to the Group under the above deed of funding undertakings, as and when needed, to meet the Group's working capital and scheduled loan repayments; and that the ultimate holding company will not withdraw its intention to extend the repayment term of the relevant loans upon maturity for a period beyond 30 September 2022;
- (iv) Whether the Group can successfully improve its operation of chartering of dry bulk vessels and further control capital and operating expenditures to mitigate the potential negative impact of COVID-19 and generate sufficient operating cash inflow; and
- (v) Whether the Group can obtain additional sources of financing or bank borrowings as and when needed.

Should the Group be unable to operate as a going concern, adjustments would have to be made to reduce the carrying values of the Group's assets to their recoverable amounts, to provide for further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effect of these adjustments has not been reflected in the condensed consolidated interim financial information.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

3 Accounting policies

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the estimation of income tax and the adoption of new and amended standards as set out below.

(a) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for the annual reporting period commencing 1 April 2021:

HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and Interest Rate Benchmark Reform Phase 2
HKFRS 16 (Amendments)

The amended standards and framework listed above did not have any material impact on the amounts recognised in prior period and are not expected to significantly affect the current or future period.

The Group has adopted Amendment to HKFRS 16 Covid-19-Related Rent Concessions retrospectively from 1 April 2021. The amendment provides an optional practical expedient allowing lessees to elect not to assess whether a rent concession related to COVID19 is a lease modification. Lessees adopting this election may account for qualifying rent concessions in the same way as they would if they were not lease modifications. The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met: a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; b) any reduction in lease payments affects only payments due on or before 30 June 2021; and c) there is no substantive change to other terms and conditions of the lease.

The Group has applied the practical expedient to all qualifying COVID-19-related rent concessions. There is no impact on the condensed consolidated interim financial information for the six months ended 30 September 2021 as the Group has not received concessions related to COVID-19 during the period.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

3 Accounting policies (Continued)

(b) New and amended standards not yet effective for the financial year beginning on 1 April 2021 and have not been early adopted by the Group

		Effective for accounting year beginning on or after
HKAS 16 (Amendments)	Proceeds before Intended Use	1 April 2022
HKAS 37 (Amendments)	Onerous Contract — Costs of Fulfilling a Contract	1 April 2022
HKFRS 3 (Amendments)	Reference to the Conceptual Framework	1 April 2022
Annual Improvements Project	Annual Improvements to HKFRSs 2018–2020 (amendments)	1 April 2022
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current; Disclosure of Accounting Policies	1 April 2023
HKAS 8 (Amendments)	Definition of Accounting Estimates	1 April 2023
HKAS 12 (Amendments)	Deferred tax related to asset and liabilities arising from a single transaction	1 April 2023
HKFRS 17	Insurance Contracts	1 April 2023
Hong Kong Interpretation 5 (2020)	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 April 2023
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The Group's management assessed that there are no new standard and amendment to standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

Taxes on income for the interim period are accrued using the estimated tax rates that would be applicable to expected total annual earnings.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

4 Estimates

The preparation of condensed consolidated interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing the condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were same as those that applied to the consolidated financial statements for the year ended 31 March 2021.

5 Financial risk management and financial instruments

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow and fair value interest rate risk), credit risk and liquidity risk. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

The condensed consolidated interim financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 March 2021.

There have been no significant changes in the risk management policies since year end.

5.2 Cash flow and fair value interest rate risk

Financial instruments at fixed and variable rates expose the Group to fair value interest rate risk and cash flow interest rate risk respectively. The Group is exposed to interest rate risk mainly arising from bank borrowings and loan from a financial institution.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuations of Hong Kong Dollars Best Lending Rate ("Prime Rate") and London Interbank Offered rate ("LIBOR") arising from the Group's variable-rate bank borrowings and loan from a financial institution.

As at 30 September 2021, if interest rates on bank borrowings and loan from a financial institution had been fluctuated by 30 basis points with all other variables held constant, the Group's post-tax profit/loss for the period would have been affected by approximately US\$23,000 (six months ended 30 September 2020: US\$22,000), mainly as a result of fluctuation on interest expenses on floating rate bank borrowings and loan from a financial institution.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

5 Financial risk management and financial instruments (Continued)

5.3 Liquidity risk

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the end of reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year US\$'000	Between 1 and 2 years US\$'000	Between 2 and 5 years US\$'000	Over 5 years US\$'000	Total US\$'000
At 30 September 2021					
Borrowings and loans	17,665	8,874	322	246	27,107
Interest on borrowings and loans	739	425	34	8	1,206
Convertible bonds and interest payable	52,000	—	—	—	52,000
Other payables and accruals	7,642	—	—	—	7,642
At 31 March 2021					
Borrowings and loans	7,008	20,371	88	—	27,467
Interest on borrowings and loans	521	857	—	—	1,378
Convertible bonds and interest payable	54,000	—	—	—	54,000
Other payables and accruals	7,361	—	—	—	7,361

5.4 Fair value estimation

The carrying amounts for the Group's financial assets, including trade receivables, deposits and other receivables, pledged deposit, pledged bank deposits, and cash and cash equivalents and current financial liabilities, including other payables and accruals, borrowings and loans and convertible bonds approximate their fair values.

The fair values of the bank borrowings and loan from a financial institution as at 30 September 2021 approximate their carrying amounts as they bear interest at floating rates that are market dependent.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

6 Segment information

Management has determined the operating segments based on the reports reviewed by the chief operating decision-makers (“CODM”) (i.e. executive directors), that are used to make strategic decisions and allocate resources.

The operating segments comprise:

- Chartering of vessels
- Property investment and development

HKFRS 8 “Operating Segments” requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the CODM in order to allocate resources to segments and to assess their performance.

The performance of the operating segments was assessed based on their segment profit or loss before income tax, which is measured in a manner consistent with that in the condensed consolidated interim financial information.

Segment assets are those operating assets that are employed by a segment in its operating activities. Segment assets exclude corporate assets, which are managed on a central basis.

Segment assets reported to the executive directors are measured in a manner consistent with that in the condensed consolidated interim financial information. No analysis of segment liabilities is presented as it is not regularly provided to the executive directors.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

6 Segment information (Continued)

(a) Segment revenue, results and other information

	Chartering of vessels US\$'000	Property investment and development US\$'000	Others US\$'000	Total US\$'000
Six months ended 30 September 2021				
Revenue recognised over time	10,273	—	—	10,273
Segment profit/(loss) before income tax	16,234	(1,010)	(612)	14,612
Depreciation of property, plant and equipment	(1,878)	(9)	—	(1,887)
Reversal of impairment losses on property, plant and equipment	12,490	—	—	12,490
Finance costs	(669)	(846)	(262)	(1,777)
Six months ended 30 September 2020				
Revenue recognised over time	5,599	—	—	5,599
Segment loss before income tax	(1,259)	(1,474)	(556)	(3,289)
Depreciation of property, plant and equipment	(1,641)	(17)	—	(1,658)
Finance costs	(372)	(2,346)	(239)	(2,957)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

6 Segment information (Continued)

(b) Segment assets

	Chartering of vessels US\$'000	Property investment and development US\$'000	Others US\$'000	Total US\$'000
As at 30 September 2021 Segment assets	69,916	75,385	510	145,811
As at 31 March 2021 Segment assets	56,567	74,272	191	131,030

(c) Geographical information

Due to the nature of the provision of vessel chartering services, which are carried out internationally, the directors consider that it is not meaningful to provide the financial information by geographical segment. For property investment and development business, the investment properties are still under development. Accordingly, geographical segment revenue is not presented.

7 Other gains

	Six months ended 30 September	
	2021 US\$'000	2020 US\$'000
Fair value gains on investment properties	—	1,002

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

8 Other income

	Six months ended 30 September	
	2021 US\$'000	2020 US\$'000
Government grants (<i>Note</i>)	—	34
Sundry income	14	8
	14	42

Note:

Government grants recognised were primarily related to the subsidies from the Hong Kong Government under the Anti-epidemic Fund. There were no unfulfilled conditions and other contingencies attached to the receipts of the grants.

9 Expenses by nature

	Six months ended 30 September	
	2021 US\$'000	2020 US\$'000
Depreciation of property, plant and equipment (<i>Note 14</i>)	1,887	1,658
Crew expenses (included in cost of services)	1,552	1,615
Operating lease rental for land and buildings	123	122
Employee benefit expenses (including directors' emoluments)		
— Fee, salaries and other benefit costs	621	675
— Post-employment benefit — defined contribution plans	11	11

10 Finance costs

	Six months ended 30 September	
	2021 US\$'000	2020 US\$'000
Arrangement fee on borrowings and loans	25	36
Interest expense on borrowings and loans	699	575
Interest expense on convertible bonds — non-cash (<i>Note 20</i>)	846	2,346
Write-off of unamortised loan originating fee (<i>Note 18</i>)	207	—
	1,777	2,957

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

11 Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 September 2020: same) on the estimated assessable profit for the six months ended 30 September 2021. The subsidiary established in the PRC is subject to corporate income tax rate of 25% (six months ended 30 September 2020: same). Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

In the opinion of the directors, there is no taxation arising in other jurisdictions.

	Six months ended 30 September	
	2021 US\$'000	2020 US\$'000
Current income tax		
— Hong Kong profits tax	4	4
Under provision in prior years		
— Hong Kong profits tax	—	165
Deferred income tax	—	250
Income tax expense	4	419

12 Earnings/(loss) per share

(a) Basic earnings/(loss) per share

Basic earnings/(loss) per share is calculated by dividing the earnings/(loss) attributable to owners of the Company by the weighted average number of ordinary shares in issue during the period.

	Six months ended 30 September	
	2021 US cents	2020 US cents
Basic earnings/(loss) per share attributed to the owners of the Company	1.54	(0.40)

(b) Diluted earnings/(loss) per share

	Six months ended 30 September	
	2021 US cents	2020 US cents
Diluted earnings/(loss) per share attributed to the owners of the Company	1.54	(0.40)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

12 Earnings/(loss) per share (Continued)

(b) Diluted earnings/(loss) per share (Continued)

Diluted earnings/(loss) per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has share options and convertible bonds which may result in dilutive potential ordinary shares. Its calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share prices of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options and convertible bonds. The number of shares calculated is compared with the number of shares that would have been issued assuming the exercise of the share options and convertible bonds.

Diluted earnings per share for the six months ended 30 September 2021 equals basic earning per share as the potential ordinary shares are anti-dilutive (six months ended 30 September 2020: diluted loss per share equals basic loss per share as the potential ordinary shares are anti-dilutive).

13 Dividends

The directors do not recommend the payment of an interim dividend for the six months ended 30 September 2021 (six months ended 30 September 2020: same).

14 Property, plant and equipment

	2021 US\$'000	2020 US\$'000
Six months ended 30 September		
Opening net book amount at 1 April	52,126	50,197
Addition	—	1,748
Depreciation	(1,887)	(1,658)
Reversal of impairment losses	12,490	—
Exchange difference	2	2
Closing net book amount at 30 September	62,731	50,289

Depreciation expense of approximately US\$1,878,000 (six months ended 30 September 2020: US\$1,641,000) has been charged in "Cost of services" and US\$9,000 (six months ended 30 September 2020: US\$17,000) in "General and administrative expenses".

As at 30 September 2021, the Group's vessels of US\$50,470,000 (31 March 2021: US\$52,108,000) was pledged as security for a bank borrowing and loan from a financial institution.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

14 Property, plant and equipment (Continued)

Management regards each individual vessel as a separately identifiable cash generation unit. The Group usually entered charter hire contracts for periods of 3 to 6 months in the spot market.

In assessing the reversal of impairment losses, internal and external sources of information are considered in assessing the fair market value and value-in-use. These include market valuations from a leading, independent and internationally recognised shipbroking company, increasing trend in market index, increasing trend in fair value of vessels and the performance of the Group's vessels. The value-in-use of the vessels is assessed based on assumptions and estimates of vessels' future earnings and appropriate pre-tax discount rates to derive the present value of those earnings. The discount rates used are based on the industry sector risk premium relevant to the CGU and the applicable gearing ratio of the CGU. The fair values of the vessels were primarily determined based on the direct comparison method by making reference to the recent sale transactions of similar vessels with similar age and condition (Level 2).

During the period ended 30 September 2021, as indicated by the rebound of the Baltic Dry Index, the dry bulk market recovered considerably. Since the recoverable amounts of the vessels, based on fair value less cost of disposal, were higher than their carrying amounts at 30 September 2021, a reversal of impairment losses of US\$12,490,000 was recognised in the condensed consolidated statement of comprehensive income for the period ended 30 September 2021 (six months ended 30 September 2020: nil).

15 Investment properties

	2021 US\$'000	2020 US\$'000
Six months ended 30 September		
Opening balance at 1 April	73,806	66,336
Additions	81	—
Fair value gains	—	1,002
Exchange difference	977	2,705
Closing net book amount at 30 September	74,864	70,043

The fair value measurement information for these investment properties is in accordance with HKFRS 13 based on significant unobservable inputs (level 3) as at 30 September 2021 and 31 March 2021.

There were no transfers among Level 1, Level 2 and 3 during the period.

The valuations of the investment properties were carried out by an independent firm, Vincorn Consulting & Appraisal Limited (31 March 2021: same), based on market conditions as at 30 September 2021 using direct comparison method. There were no changes in valuation methodologies during the period.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

15 Investment properties (Continued)

The significant unobservable inputs include:

Time adjustment: Based on market trend of similar property between the transaction date of the comparable transaction and the valuation date.

Location adjustment: Based on the distance to the city centre, the development of the transport network and other community facility service.

Land use right adjustment: Based on the best use of the property for the highest value in the market.

Size adjustment: Based on the buildable area of the property.

Unobservable inputs	Range of unobservable input	Relationship of unobservable inputs to fair value
Time adjustment	0% to 22.4% (31 March 2021: 0% to 24%)	The upward market trend will have positive impact on adjustment and thus increase fair value.
Location adjustment	-20% to -10% (31 March 2021: -15% to -10%)	The better location will have positive impact on adjustment, thus increase in fair value.
Land use right adjustment	-10% to 0% (31 March 2021: same)	The better designated use of the property will have positive impact on adjustment, thus increase in fair value.
Size adjustment	-7.3% to -4.3% (31 March 2021: -6.5% to -3.3%)	The increase in buildable area will have positive impact on total adjustment, thus increase in fair value. However, this may be partially offset by a negative impact on adjustment per unit.

Note:

The Group intends to use the investment properties for the development of villas, low-rise apartments, and office, retail, carparking and other ancillary facilities, which is yet to be approved by the local government and whether additional land premium is required is uncertain.

Should the intended uses be impermissible under the current legal and planning framework or additional land premium needs to be settled for achieving such intended uses, the value of the investment properties may be adjusted.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

16 Trade receivables, deposits, prepayments and other receivables

	As at	
	30 September 2021 US\$'000	31 March 2021 US\$'000
Trade receivables	768	1,161
Less: Provision for impairment of trade receivables	(31)	(31)
Trade receivables, net	737	1,130
Prepayments	654	716
Deposits	728	598
Other receivables	505	441
Other receivables due from related parties (Note 24)	8	8
	2,632	2,893
Less: non-current pledged deposit	(500)	(500)
	2,132	2,393

As at 30 September 2021, a cash deposit of US\$500,000 (31 March 2021: US\$500,000) was pledged as security for loan from a financial institution of US\$2,018,000 (31 March 2021: US\$2,512,000). The deposit bears interest at 1.5% per annum.

As at 30 September 2021 and 31 March 2021, the ageing analysis of trade receivables based on invoice date was as follows:

	As at	
	30 September 2021 US\$'000	31 March 2021 US\$'000
0–30 days	732	1,106
31–60 days	—	3
91–365 days	3	2
Over 365 days	33	50
	768	1,161

The carrying amounts of trade receivables, deposits and other receivables approximate their fair values and are mainly denominated in US\$.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

16 Trade receivables, deposits, prepayments and other receivables (Continued)

Time charter income is prepared every 15 days in advance of the time charter hire.

The Group applies the HKFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables. As at 30 September 2021, trade receivables of US\$31,000 (31 March 2021: US\$31,000) were impaired.

17 Share capital

	As at			
	30 September 2021		31 March 2021	
	Number of shares (thousands)	Amount HK\$'000	Number of shares (thousands)	Amount HK\$'000
Authorised:				
Ordinary shares of HK\$0.01 each	4,000,000	40,000	4,000,000	40,000

	Number of shares (thousands)	Share capital US\$'000
Ordinary shares, issued and fully paid:		
At 1 April 2020	952,514	1,221
Exclusive share options	100	—
As at 31 March 2021, 1 April 2021 and 30 September 2021	952,614	1,221

Note:

As at 1 April 2021 and 30 September 2021, the number of share options outstanding were 11,050,000 and their related weighted average exercise prices were HK\$1.17 per share option. The outstanding options were vested and exercisable. No options were exercised during the period ended 30 September 2021 (2020: same).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

18 Borrowings and loans

	As at	
	30 September 2021 US\$'000	31 March 2021 US\$'000
Non-current		
— Bank borrowings (<i>Note (i)</i>)	669	8,275
— Loan from a financial institution (<i>Note (ii)</i>)	—	1,522
— Loan from the ultimate holding company (<i>Note (iii)</i>)	8,773	10,662
	9,442	20,459
Current		
— Bank borrowings (<i>Note (i)</i>)	13,558	2,251
— Loan from a financial institution (<i>Note (ii)</i>)	2,018	990
— Loan from the ultimate holding company (<i>Note (iii)</i>)	2,089	3,767
	17,665	7,008

Notes:

- (i) As at 30 September 2021, the Group's bank borrowings comprise of a bank borrowing of US\$13,484,000 and bank borrowings obtained under the SME Financing Guarantee Scheme launched by the Government of Hong Kong of US\$743,000 (31 March 2021: the Group's bank borrowings comprise of a bank borrowing of US\$10,013,000 and another bank borrowing obtained under the SME Financing Guarantee Scheme launched by the Government of Hong Kong of US\$513,000). The carrying amounts of these bank borrowings were denominated in US\$ and HK\$ respectively. These bank borrowings bear interest at floating rates that is market dependent, and their fair values approximate the carrying amounts. As at 30 September 2021, the current bank borrowings included an amount of US\$11,493,000 with original contractual repayment dates after one year from 30 September 2021 which has been reclassified as current liabilities as at 30 September 2021 as a result of cross-default described in Note 2.1.
- (ii) The loan from a financial institution bears interest at floating rate that is market dependent. The carrying amounts of the Group's loan from a financial institution is denominated in US\$. The fair value of the loan from a financial institution approximate its carrying amounts. As at 30 September 2021, the current loan from a financial institution included an amount of US\$1,024,000 with original contractual repayment dates after one year from 30 September 2021 which has been reclassified as current liabilities as at 30 September 2021 as a result of cross-default described in Note 2.1.
- (iii) The loan from the ultimate holding company is unsecured and bears interest at 4% per annum. The carrying amount of the Group's loan from the ultimate holding company is denominated in US\$. The fair value of the loan from the ultimate holding company approximates its carrying amount.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

18 Borrowings and loans (Continued)

As at 30 September 2021, the Group's bank borrowings and loan from a financial institution (other than the bank borrowing obtained under the SME Financing Guarantee Scheme) (31 March 2021: same) were secured by the Group's property, plant and equipment of approximately US\$50,470,000 (31 March 2021: US\$52,108,000); and the bank borrowings obtained under the SME Financing Guarantee Scheme are secured fully by personal guarantees executed by Mr. Yan, Ms. Lam and the Government of Hong Kong (31 March 2021: same).

Movements in borrowings and loans are analysed as follows:

	Six months ended 30 September	
	2021 US\$'000	2020 US\$'000
Opening amount at 1 April	27,467	27,091
Proceed from bank borrowings	256	513
Proceed from loan from a financial institution (<i>Note</i>)	14,529	—
Proceed from loan from the ultimate holding company	—	2,800
Repayments of borrowings and loans	(16,076)	(2,422)
Finance costs	931	611
Closing balance at 30 September	27,107	28,593

Note:

On 29 July 2021, the Group has a loan from a financial institution of US\$13,984,000. The existing lender and a new lender have entered into a transfer certificate in which the existing lender has agreed to transfer the loan from a financial institution of the Group to the new lender by novation in accordance with the relevant loan agreement.

Upon transfer, the original loan from a financial institution was deemed extinguished and the unamortised transaction costs of \$207,000 was recognised as finance costs in the condensed consolidated statement of comprehensive income for the six months ended 30 September 2021 (see Note 10). A new bank borrowing of US\$14,191,000 was recognised on 29 July 2021.

19 Deferred income tax liabilities

	Six months ended 30 September	
	2021 US\$'000	2020 US\$'000
Opening balance at 1 April	17,621	15,814
Charged to profit or loss	—	250
Exchange difference	234	646
Closing balance at 30 September	17,855	16,710

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

20 Convertible bonds

	As at	
	30 September 2021 US\$'000	31 March 2021 US\$'000
Current		
— Top Build Convertible Bonds (<i>Note</i>)	52,000	53,154

The movements of the liability component of the convertible bonds for the period are set out below:

	US\$'000
As at 1 April 2021	53,154
Interest expense (<i>Note 10</i>)	846
Redemption	(2,000)
At 30 September 2021	52,000
As at 1 April 2020	48,347
Interest expense (<i>Note 10</i>)	2,346
At 30 September 2020	50,693

Note:

On 10 May 2016, the Group issued a convertible bond with principal amount of US\$54,000,000 ("Top Build Convertible Bonds") which will be due on 9 May 2021. The Top Build Convertible Bonds is interest-free and may be converted in full or in part (multiples of US\$100,000) at the initial conversion price of HK\$1.096 per conversion share (subject to anti-dilutive adjustment) any time within five years from the date of issue to 7 business days prior to maturity date. At initial recognition, the Top Build Convertible Bonds comprised two elements and were accounted for as follows:

- The debt element was treated as a financial liability and measured at amortised cost and interest expense was recognised in the condensed consolidated statement of comprehensive income using the effective interest method.
- The share conversion option element was treated as an equity component and was measured at cost.

The fair value of the liability component of Top Build Convertible Bonds approximates its carrying amount.

During the six months ended 30 September 2021, the Group was in default under the terms and conditions of the relevant agreement of the Top Build Convertible Bonds for the aggregate principal amount of US\$54,000,000 that were not settled in full on the maturity date of 10 May 2021.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

21 Other payables and accruals

	As at	
	30 September 2021 US\$'000	31 March 2021 US\$'000
Other payables and accruals	549	583
Contract liabilities	592	81
Other payables due to related parties (<i>Note 24(b)</i>)	7,140	6,823
	8,281	7,487

The carrying amounts of other payables and accruals approximate their fair values.

22 Contingent liabilities

Save as disclosed in the condensed consolidated interim financial information, the Group had no other material contingent liabilities as at 30 September 2021.

23 Commitments

(a) Capital commitments

At 30 September 2021, capital expenditure contracted for but not yet incurred is as follows:

	As at	
	30 September 2021 US\$'000	31 March 2021 US\$'000
Investment properties	288	284

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

23 Commitments (Continued)

(b) Operating lease commitments — Group as lessor

At 30 September 2021, the Group has the following future aggregate minimum lease receivables under non-cancellable operating leases in relation to chartering of vessels. These vessels chartering agreements have terms ranging from 3 to 6 months:

	As at	
	30 September 2021 US\$'000	31 March 2021 US\$'000
Vessels		
— Not later than one year	9,311	5,688

24 Related party transactions

The ultimate holding company of the Company is Ablaze Rich, a company incorporated in the British Virgin Islands with limited liability. The ultimate controlling parties of Ablaze Rich are Mr. Yan and Ms. Lam who are also the directors of the Company.

(a) Significant transactions with related parties

The Group had the following significant transactions with its related companies for the six months ended 30 September 2021 and 2020.

All of the transactions were carried out in the normal course of the Group's business and on terms as agreed between the transacting parties. They were summarised as follows:

	Six months ended 30 September	
	2021 US\$'000	2020 US\$'000
Interest on loan from the ultimate holding company	261	238
Rental expenses paid to Toprich (Asia) Limited (<i>Note</i>)	106	106

Note:

Toprich (Asia) Limited is ultimately wholly-owned by the ultimate controlling parties.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

24 Related party transactions (Continued)

(b) Balance with related parties

As at 30 September 2021 and 31 March 2021, the Group had the following significant balances with its related parties.

	30 September 2021 US\$'000	31 March 2021 US\$'000
Other receivables due from related companies controlled by the ultimate controlling parties (<i>Note (i)</i>)	8	8
Loan from the ultimate holding company (<i>Note 18(iii)</i>)	(10,862)	(14,429)
Other payables due to related companies controlled by Mr. Yin Hai (<i>Note (ii) & (iii)</i>)	(3,610)	(3,563)
Other payables due to related companies which are ultimately controlled by the ultimate controlling parties (<i>Note (ii)</i>)	(3,530)	(3,260)

Notes:

- (i) Other receivables due from related companies were unsecured, non-interest bearing, repayable on demand and denominated in US\$.
- (ii) Other payables due to related companies were unsecured, non-interest bearing, repayable on demand and denominated on US\$ and HK\$ respectively.
- (iii) Mr. Yin Hai is the brother of Mr. Yan.

(c) Transactions with key management personnel

Key management includes directors (executive and non-executive) and senior management. The compensation paid or payable to key management for employee services is shown below:

	Six months ended 30 September	
	2021 US\$'000	2020 US\$'000
Fee and salaries	385	420
Pension costs — defined contribution plans	6	6
	391	426