



Far East Hotels and Entertainment Limited

Stock Code : 37

2021 INTERIM REPORT



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

CORPORATE INFORMATION

Place of Incorporation

Hong Kong

Board of Directors

Executive Directors

Derek Chiu, B.Sc.

(Managing Director and Chief Executive)

Amanda Chiu, B.A.

Non-executive Directors

Chiu Ju Ching Lan, J.P.

Alex Chiu, B.Sc.

Independent Non-executive Directors

Ip Shing Hing, J.P.

Ng Wing Hang Patrick

Choy Wai Shek Raymond, MH, J.P.

Company Secretary

Cheng Lucy

Solicitors

Woo Kwan Lee & Lo

Independent Auditor

Deloitte Touche Tohmatsu

Registered Public Interest Entity Auditors

Hong Kong

Authorised Representatives

Derek Chiu, B.Sc.

Cheng Lucy

Audit Committee

Ng Wing Hang Patrick *(Chairman)*

Ip Shing Hing, J.P.

Choy Wai Shek Raymond, MH, J.P.

Remuneration Committee

Choy Wai Shek Raymond, MH, J.P. *(Chairman)*

Ip Shing Hing, J.P.

Ng Wing Hang Patrick

Derek Chiu, B.Sc.

Nomination Committee

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

Ng Wing Hang Patrick

Choy Wai Shek Raymond, MH, J.P.

Derek Chiu, B.Sc.

Principal Bankers

Bank of China (Hong Kong) Limited

Hang Seng Bank Limited

Public Bank (Hong Kong) Limited

The Bank of East Asia, Limited

The Hongkong and Shanghai Banking

Corporation Limited

Registered and Principal Office

Suite 1902, 19th Floor

The Sun's Group Centre

200 Gloucester Road

Wanchai, Hong Kong

Share Registrar

Tricor Standard Limited

Level 54, Hopewell Centre

183 Queen's Road East, Hong Kong

Place of Listing

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

Stock Code

00037

Website

www.tricor.com.hk/web/service/00037

MANAGING DIRECTOR AND CHIEF EXECUTIVE'S STATEMENT

OVERALL RESULTS

For the six months ended 30 September 2021, Far East Hotels and Entertainment Limited (the “Company”) and its subsidiaries (collectively, the “Group”) recorded an unaudited consolidated profit attributable to owners of the Company of HK\$15,806,412 (30 September 2020: loss of HK\$4,432,484).

INTERIM DIVIDEND

The board of directors of the Company (the “Directors” and the “Board”, respectively) has resolved not to declare any interim dividend in respect of the six months ended 30 September 2021 (30 September 2020: Nil).

REVIEW OF OPERATIONS AND PROSPECTS

For the six months ended 30 September 2021, the Group recorded a total revenue of approximately HK\$26.6 million (30 September 2020: HK\$23.7 million) and gross profit of approximately HK\$10.4 million (30 September 2020: HK\$9.5 million), representing an increase in revenue and gross profit of approximately 12.2% and 9.5%, respectively. The profit for the period attributable to the owners of the Company amounted to approximately HK\$15.8 million (30 September 2020: loss of HK\$4.4 million).

For the period under review, the total revenue of the Cheung Chau Warwick Hotel was approximately HK\$12.6 million (30 September 2020: HK\$8.5 million) with a profit contribution of approximately HK\$2.9 million (30 September 2020: HK\$1.6 million). The rooms department recorded a significant increase in revenue by approximately 41.6% as the hotel focused on the local staycation market and it managed to improve its occupancy and average room rate as compared to the corresponding period in 2020. On the other hand, the revenue from food and beverage department improved by 68.8% and such improvement was mainly due to partial relaxation of social distancing measures.

The Group has recorded a significant increase of approximately HK\$31.9 million in fair values of investment properties located in Hong Kong during the period under review (30 September 2020: decrease of HK\$6.4 million). The Group continued to remove certain occupiers or enter into rental agreements with certain occupiers who had been occupying certain plots of agricultural land in previous years. As before, the occupiers agreed to forfeit the right to possess the ownership of the plots of agricultural land they occupied and the Group considers the risk of dispossession is remote. Accordingly, the fair values of these plots of land of HK\$31.2 million was recognised and credited to profit or loss for the six months ended 30 September 2021.

MANAGING DIRECTOR AND CHIEF EXECUTIVE'S STATEMENT

For the period under review, the Group's serviced property in Beijing, the People's Republic of China recorded a total revenue of approximately HK\$13.5 million (30 September 2020: HK\$14.8 million). There was a significant drop in the fair values of the leased properties under sublease of approximately HK\$12.7 million during the six months ended 30 September 2021, resulting in a loss of approximately HK\$5.6 million (30 September 2020: profit of HK\$1.7 million).

For securities investment and trading, the Group recorded a loss of approximately HK\$6.2 million (30 September 2020: profit of HK\$4.7 million), which included a decrease of approximately HK\$6.8 million (30 September 2020: increase of HK\$4.4 million) in fair value of financial assets at fair value through profit or loss ("FVTPL"). The Group will continue to monitor the investment portfolio and balance investment risks from time to time to cope with the market conditions.

It was expected the prolonged pandemic will continue to have adverse impact on the travel and tourism business. Therefore, management will continue to navigate through challenging market and take this opportunity to improve the service quality and strengthen operational efficiency. The Group will continue to look for appropriate investment opportunities to broaden its assets base.

USE OF PROCEEDS FROM PLACING

The net proceeds from the placing of shares under general mandate in March 2021 (the "Placing") after deducting the placing commission and other related expenses and professional fees, was amounted to approximately HK\$12.7 million. The table below sets out the proposed application and the actual usage of the net proceeds from the Placing as at 30 September 2021 as follows:

	Planned use of net proceeds (HK\$)	Unused net proceeds as at 1 April 2021 (HK\$)	Actual use of the net proceeds during the six months ended 30 September 2021 (HK\$)	Unused net proceeds as at 30 September 2021 (HK\$)	Expected time frame of full utilisation of unused net proceeds
General working capital	<u>12.7 million</u>	<u>12.7 million</u>	<u>2.0 million</u>	<u>10.7 million</u>	By 30 June 2022

MANAGING DIRECTOR AND CHIEF EXECUTIVE'S STATEMENT

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2021, the Group had approximately 70 employees (31 March 2021: 70). Employees are remunerated in accordance with the nature of the job and market conditions. Staff incentive bonus would be granted to reward and motivate those well-performed employees. The Company adopted a new share option scheme (the "New Scheme") on 2 September 2016 as an incentive to the Directors and other eligible participants. The Group also provides and arranges on-the-job training for the employees.

MATERIAL ACQUISITIONS, DISPOSALS AND SIGNIFICANT INVESTMENTS

As at 30 September 2021, the Group's financial assets at FVTPL, with market value of approximately HK\$26.2 million (31 March 2021: approximately HK\$29.0 million), mainly represented investment portfolio of 22 equity securities listed in Hong Kong and 1 equity security listed in Singapore (31 March 2021: 29 equity securities listed in Hong Kong and 1 equity security listed in Singapore). The Board considers that the investments with market value as at 30 September 2021 accounting for more than 5% of the Group's total assets as at 30 September 2021 as significant investments. As at 30 September 2021, none of each investment represents 5% or more of the Group's total assets.

Save as the above, during the six months ended 30 September 2021, there was no significant investment, material acquisition or disposal of subsidiaries, associates and joint ventures by the Company.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2021, the Group had bank balances and cash of HK\$23,905,050 (31 March 2021: HK\$27,022,281) and no bank deposits with original maturity more than three months (31 March 2021: HK\$15,380,975) and no pledged bank deposits (31 March 2021: Nil), which were mainly denominated in Hong Kong dollars and Renminbi.

As at 30 September 2021, there were outstanding bank loans and utilised overdraft facilities of HK\$19,659,661 (31 March 2021: HK\$21,010,681) and no unutilised overdraft facilities (31 March 2021: Nil) available to the Group. All of outstanding bank loans and overdraft facilities were denominated in Hong Kong dollars with interest at prevailing market rates, details of which are set out in note 12 to the condensed consolidated financial statements.

MANAGING DIRECTOR AND CHIEF EXECUTIVE'S STATEMENT

As at 30 September 2021, the Group did not have any foreign exchange contracts, interest or currency swaps or other financial derivatives. However, the Group will review and monitor the relevant foreign exchange risk from time to time based on its business development requirements and may enter into foreign exchange hedging arrangements when applicable.

Shareholders' funds as at 30 September 2021 amounted to approximately HK\$342.5 million (31 March 2021: HK\$325.4 million). Accordingly, the Group's gearing ratio (total bank borrowings to shareholders' funds) as at 30 September 2021 was approximately 5.7% (31 March 2021: 6.5%).

CHARGES OVER ASSETS OF THE GROUP

As at 30 September 2021, certain property, plant and equipment and right-of-use assets with an aggregate carrying value of approximately HK\$29.8 million (31 March 2021: approximately HK\$31.1 million) are secured for the Group's bank borrowings and overdrafts.

CONTINGENT LIABILITIES

As at 30 September 2021, the Company had issued financial guarantees of HK\$15,000,000 (31 March 2021: HK\$15,000,000) to banks in respect of banking facilities granted to its subsidiaries, of which HK\$14,053,920 (31 March 2021: HK\$14,053,920) had been utilised by its subsidiaries.

CAPITAL COMMITMENTS

As at 30 September 2021, the Group had capital commitments of HK\$275,813 (31 March 2021: HK\$815,046).

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

As at 30 September 2021, the Group did not have other plans for material investments and capital assets.

EVENTS AFTER THE REPORTING DATE

The Group has no material event subsequent to the six months ended 30 September 2021 and up to the date of this report.

INTERIM FINANCIAL INFORMATION

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2021

	Notes	Six months ended 30 September	
		2021 (unaudited) HK\$	2020 (unaudited) HK\$
Revenue	3	26,599,543	23,716,341
Cost of sales		(16,189,943)	(14,217,316)
Gross profit		10,409,600	9,499,025
Other income, gains or losses	5	(6,128,172)	6,161,477
Net increase (decrease) in fair values of investment properties		19,168,366	(13,823,294)
Selling expenses		(593,074)	(482,906)
Administrative expenses		(8,364,101)	(5,742,813)
Finance costs	6	(669,281)	(798,104)
Share of results of associates		278,793	357,982
Profit (loss) before tax	4	14,102,131	(4,828,633)
Income tax credit	7	1,704,281	396,149
Profit (loss) for the period attributable to owners of the Company		15,806,412	(4,432,484)
Other comprehensive income:			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		208,459	4,735,226
Total comprehensive income for the period attributable to owners of the Company		16,014,871	302,742
EARNINGS (LOSS) PER SHARE	8		
Basic		2.16 cents	(0.73) cent
Diluted		2.16 cents	(0.73) cent

INTERIM FINANCIAL INFORMATION

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2021

	Notes	30 September 2021 (unaudited) HK\$	31 March 2021 (audited) HK\$
Non-current assets			
Property, plant and equipment		30,362,538	31,695,028
Right-of-use assets		3,910,909	4,115,252
Deposits for capital expenditure		304,391	359,230
Investment properties		290,896,241	267,675,776
Interests in associates		1,267,463	988,670
Paintings		4,410,504	4,403,210
		<u>331,152,046</u>	<u>309,237,166</u>
Current assets			
Financial assets at FVTPL		26,172,839	28,962,867
Inventories		266,606	260,431
Trade receivables	10	11,172,889	1,732,288
Other receivables, deposits and prepayment		1,059,974	1,296,554
Bank deposits		-	15,380,975
Demand deposits held with security broker companies		1,820,013	5,221,707
Bank balances and cash		23,905,050	27,022,281
		<u>64,397,371</u>	<u>79,877,103</u>

INTERIM FINANCIAL INFORMATION

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

As at 30 September 2021

	Notes	30 September 2021 (unaudited) HK\$	31 March 2021 (audited) HK\$
Current liabilities			
Trade and other payables and accruals	11	4,992,011	9,196,395
Contract liabilities		334,766	353,190
Rental deposits received		106,400	128,200
Amount due to an associate		1,025,381	810,381
Amounts due to related companies		671,301	672,551
Bank borrowings	12	16,816,474	16,776,772
Lease liabilities		6,892,345	7,783,595
Tax payable		1,743,264	1,973,490
		<u>32,581,942</u>	<u>37,694,574</u>
Net current assets		<u>31,815,429</u>	<u>42,182,529</u>
Total assets less current liabilities		<u><u>362,967,475</u></u>	<u><u>351,419,695</u></u>
Capital and reserves			
Share capital	14	325,837,279	325,837,279
Reserves		16,640,179	(472,284)
		<u>342,477,458</u>	<u>325,364,995</u>
Non-current liabilities			
Deferred taxation		4,579,679	6,326,612
Provision for long service payments		627,173	627,173
Bank borrowings	12	2,843,187	4,233,909
Lease liabilities		12,439,978	14,867,006
		<u>20,490,017</u>	<u>26,054,700</u>
		<u><u>362,967,475</u></u>	<u><u>351,419,695</u></u>

INTERIM FINANCIAL INFORMATION

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2021

	Share capital HK\$	Share option reserve HK\$	Translation reserve HK\$	(Accumulated losses)/ Retained earnings HK\$	Total HK\$
At 1 April 2020 (audited)	312,890,213	11,802,252	(11,552,846)	(16,514,836)	296,624,783
Loss for the period	–	–	–	(4,432,484)	(4,432,484)
Exchange differences arising on translation of foreign operations	–	–	4,735,226	–	4,735,226
Total comprehensive income (expense) for the period	–	–	4,735,226	(4,432,484)	302,742
At 30 September 2020 (unaudited)	<u>312,890,213</u>	<u>11,802,252</u>	<u>(6,817,620)</u>	<u>(20,947,320)</u>	<u>296,927,525</u>
At 1 April 2021 (audited)	325,837,279	11,802,252	(3,650,696)	(8,623,840)	325,364,995
Profit for the period	–	–	–	15,806,412	15,806,412
Exchange differences arising on translation of foreign operations	–	–	208,459	–	208,459
Total comprehensive income for the period	–	–	208,459	15,806,412	16,014,871
Share-based payment	–	1,097,592	–	–	1,097,592
At 30 September 2021 (unaudited)	<u>325,837,279</u>	<u>12,899,844</u>	<u>(3,442,237)</u>	<u>7,182,572</u>	<u>342,477,458</u>

INTERIM FINANCIAL INFORMATION

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2021

	2021 (unaudited) HK\$	2020 (unaudited) HK\$
Net cash (used in) generated from operating activities	(12,600,999)	6,028,571
Investing activities		
Dividend received from an associate	–	797,000
Interest received	115,377	70,070
Addition of investment properties	(3,413,772)	(1,365,342)
Addition of property, plant and equipment	(78,377)	(682,318)
Deposits paid for capital expenditure	–	(855,066)
Withdrawal of bank deposits	15,613,740	2,118,000
Net cash generated from investing activities	12,236,968	82,344
Financing activities		
Repayment of bank borrowings	(1,351,020)	(1,312,442)
Interest paid	(669,281)	(798,105)
Repayment of lease liabilities	(4,162,572)	(2,026,418)
Advances from an associate	215,000	–
Repayment to related companies	(1,250)	(2,615)
Net cash used in financing activities	(5,969,123)	(4,139,580)
Net (decrease) increase in cash and cash equivalents	(6,333,154)	1,971,335
Cash and cash equivalents brought forward	32,243,988	15,039,449
Effect of foreign exchange rate changes	(185,771)	419,571
Cash and cash equivalents carried forward	25,725,063	17,430,355
Represented by:		
Bank balances and cash	23,905,050	13,435,460
Demand deposits held with security broker companies	1,820,013	3,994,895
	25,725,063	17,430,355

INTERIM FINANCIAL INFORMATION

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange” and the “Listing Rules”, respectively) and should be read in conjunction with the annual financial statements for the year ended 31 March 2021.

The financial information relating to the year ended 31 March 2021 that is included in the Interim Report 2021 as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance (Cap. 622, the Laws of Hong Kong) (the “Companies Ordinance”) is as follows:

The Company has delivered the financial statements for the year ended 31 March 2021 to the Registrar of Companies as required by section 622(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

The Company’s independent auditor has reported on those financial statements. The independent auditor’s report was unqualified; did not include a reference to any matters to which the independent auditor drew attention by way of emphasis without qualifying its report, and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

INTERIM FINANCIAL INFORMATION

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

The accounting policies used in the unaudited condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2021, except for those due to the application of amendments to HKFRSs issued by the HKICPA.

In the current interim period, the Group has applied the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on or after 1 April 2021 for the preparation of the Group’s unaudited condensed consolidated financial statements.

Amendment to HKFRS 16	Covid-19 Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

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

Application of Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 Interest Rate Benchmark Reform – Phase 2

The amendments provide a practical expedient to account for the changes in the basis for determining the contractual cash flows of a financial asset or financial liability to which the amortised cost measurement applies as a result of interest rate benchmark reform by updating the effective interest rate, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis (i.e. the basis immediately preceding the change).

The amendments have had no impact on the condensed consolidated financial statements as none of the Group’s bank loans has been transitioned to the relevant replacement rates during the interim period. The impacts on application of the amendments, if any, including additional disclosures, will be reflected in the Groups’ consolidated financial statements for the year ending 31 March 2022.

INTERIM FINANCIAL INFORMATION

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. REVENUE AND SEGMENT INFORMATION

The Group's operating and reportable segments are as follows:

1. Hotel operation in Hong Kong
2. Serviced property letting in the Mainland China
3. Property investment in Hong Kong
4. Property investment overseas
5. Securities investment and trading

INTERIM FINANCIAL INFORMATION
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. REVENUE AND SEGMENT INFORMATION (Continued)

Disaggregation of revenue from contracts with customers

Segments	Six months ended 30 September 2021 (unaudited)		
	Hotel operation in Hong Kong HK\$	Serviced property letting in the Mainland China HK\$	Total HK\$
Types of goods or services			
Hotel operation			
– Hotel rooms revenue	9,092,886	–	9,092,886
– Food and beverages	3,518,586	–	3,518,586
Property management services	–	489,487	489,487
Total	12,611,472	489,487	13,100,959
Geographical markets			
Hong Kong	12,611,472	–	12,611,472
Mainland China	–	489,487	489,487
Total	12,611,472	489,487	13,100,959
Timing of revenue recognition			
A point in time	3,518,586	–	3,518,586
Over time	9,092,886	489,487	9,582,373
Total	12,611,472	489,487	13,100,959

INTERIM FINANCIAL INFORMATION
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. REVENUE AND SEGMENT INFORMATION (Continued)

Disaggregation of revenue from contracts with customers (Continued)

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

INTERIM FINANCIAL INFORMATION

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. REVENUE AND SEGMENT INFORMATION (Continued)

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable and operating segment.

	Hotel operation in Hong Kong HK\$	Serviced property letting in the Mainland China HK\$	Property investment in Hong Kong HK\$	Property investment overseas HK\$	Securities investment and trading HK\$	Total HK\$
Six months ended						
30 September 2021						
(unaudited)						
Revenue	12,611,472	13,538,392	449,679	–	–	26,599,543
Segment profit (loss)	2,883,307	(5,594,415)	29,848,896	(30,375)	(6,243,535)	20,863,878
Unallocated gains or losses						34
Unallocated expenses						(6,805,861)
Unallocated finance costs						(234,713)
Share of results of associates						278,793
Profit before tax						14,102,131
Six months ended						
30 September 2020						
(unaudited)						
Revenue	8,505,868	14,824,677	385,796	–	–	23,716,341
Segment profit (loss)	1,561,356	1,708,647	(7,384,874)	(34,153)	4,677,081	528,057
Unallocated gains or losses						317,601
Unallocated expenses						(5,742,813)
Unallocated finance costs						(289,460)
Share of results of associates						357,982
Loss before tax						(4,828,633)

INTERIM FINANCIAL INFORMATION

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. REVENUE AND SEGMENT INFORMATION (Continued)

Revenue from external customers by geographical location is analysed below:

	Six months ended 30 September	
	2021 (unaudited) HK\$	2020 (unaudited) HK\$
Hong Kong	13,061,151	8,891,664
Mainland China	13,538,392	14,824,677
Overseas	–	–
	<u>26,599,543</u>	<u>23,716,341</u>

4. PROFIT (LOSS) BEFORE TAX

	Six months ended 30 September	
	2021 (unaudited) HK\$	2020 (unaudited) HK\$
Profit (loss) before tax has been arrived at after charging:		
Auditor's remuneration	590,000	583,000
Cost of inventories recognised as an expense	1,865,180	1,340,183
Depreciation of property, plant and equipment	1,425,314	1,351,185
Depreciation of right-of-use assets	797,515	122,261
Directors' remuneration and other staff costs:		
– Salaries and other allowances	7,637,690	6,981,220
– Retirement benefit schemes contributions	562,008	355,535
– Share-based payment expenses	1,097,592	–
	<u>9,297,290</u>	<u>7,336,755</u>

INTERIM FINANCIAL INFORMATION

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

5. OTHER INCOME, GAINS OR LOSSES

	Six months ended 30 September	
	2021 (unaudited) HK\$	2020 (unaudited) HK\$
Government subsidies	–	1,414,364
Dividend income from financial assets at FVTPL	550,088	252,530
Change in fair value of financial assets at FVTPL	(6,793,637)	4,424,513
Bank interest income	115,377	70,070
	<u>(6,128,172)</u>	<u>6,161,477</u>

6. FINANCE COSTS

	Six months ended 30 September	
	2021 (unaudited) HK\$	2020 (unaudited) HK\$
Interests on borrowings	189,816	283,708
Interests on lease liabilities	479,465	514,396
	<u>669,281</u>	<u>798,104</u>

7. INCOME TAX CREDIT

No provision for Hong Kong Profits Tax is required as the individual companies comprising the Group either incurred a loss or had tax losses to offset the assessable profits for both periods.

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

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

INTERIM FINANCIAL INFORMATION

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

8. EARNINGS (LOSS) PER SHARE

The calculation of basic and diluted earnings (loss) per share attributable to the owners of the Company is based on the profit for the six months ended 30 September 2021 of HK\$15,806,412 (30 September 2020: loss of HK\$4,432,484) and the number of shares as calculated below:

	Six months ended 30 September	
	2021 (unaudited)	2020 (unaudited)
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	<u>732,852,810</u>	<u>610,710,675</u>
Weighted average number of ordinary shares for the purpose of diluted earnings (loss) per share	<u>733,103,033</u>	<u>610,710,675</u>

The computation of the diluted earnings per share for the six months ended 30 September 2021 was calculated by adjusting the weighted average number of ordinary shares to assume conversion of all dilutive potential ordinary shares. There was no significant dilutive effect for the period.

The computation of the diluted loss per share for the six months ended 30 September 2020 does not assume the exercise of the Company's share options because this would result in a decrease in the loss per share.

9. DIVIDEND

The Board has resolved not to declare the payment of any interim dividend in respect of the six months ended 30 September 2021 (30 September 2020: Nil).

INTERIM FINANCIAL INFORMATION

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

10. TRADE RECEIVABLES

Trade debtors mainly comprise of receivable from renting of properties and hotel operation. Rentals are payable on presentation of demand notes. No credit is allowed to these customers. Hotel room revenue is normally settled by cash or credit card. The Group allows an average credit period of not more than 30 days to travel agents and corporate customers.

	30 September 2021 (unaudited) HK\$	31 March 2021 (audited) HK\$
Trade receivables		
– contracts with customers	236,314	108,555
– leases	<u>10,936,575</u>	<u>1,623,733</u>
	<u>11,172,889</u>	<u>1,732,288</u>

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

	30 September 2021 (unaudited) HK\$	31 March 2021 (audited) HK\$
0 – 30 days	2,220,566	666,044
31 – 60 days	1,985,121	250,801
Over 60 days	<u>6,967,202</u>	<u>815,443</u>
	<u>11,172,889</u>	<u>1,732,288</u>

As at 30 September 2021, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK\$8,952,323 (31 March 2021: HK\$1,066,244) which are past due but which are not considered in default because there had not been a significant change in credit quality of these debtors with reference to track records as well as relevant forward looking information of these customers under internal assessment by the Group.

Trade receivables aged over 30 days are normally past due.

INTERIM FINANCIAL INFORMATION
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

11. TRADE AND OTHER PAYABLES AND ACCRUALS

	30 September 2021 (unaudited) HK\$	31 March 2021 (audited) HK\$
Trade payables	538,514	379,878
Other payables and accruals	4,346,937	4,814,170
Rental receipt in advance	106,560	4,002,347
	<u>4,992,011</u>	<u>9,196,395</u>

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

	30 September 2021 (unaudited) HK\$	31 March 2021 (audited) HK\$
0 – 30 days	263,480	194,685
31 – 60 days	250,368	157,046
Over 60 days	24,666	28,147
	<u>538,514</u>	<u>379,878</u>

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

Included in the other payables and accruals of HK\$1,404,523 (31 March 2021: HK\$2,233,838) related to accrued professional fees.

INTERIM FINANCIAL INFORMATION

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. BANK BORROWINGS

	30 September 2021 (unaudited) HK\$	31 March 2021 (audited) HK\$
The secured bank borrowings are repayable as follows:		
– Within one year*	2,762,554	2,722,852
– Within a period of more than one year but not exceeding two years*	2,843,187	2,802,174
– Within a period of more than two years but not exceeding five years*	–	1,431,735
	5,605,741	6,956,761
Carrying amount of bank borrowings that contain a repayment on demand clause (shown under current liabilities)	14,053,920	14,053,920
	19,659,661	21,010,681
Less: Amount due within one year shown under current liabilities	(16,816,474)	(16,776,772)
Amount due after one year shown under non-current liabilities	2,843,187	4,233,909

* The amounts due are based on schedule repayment dates set out in the loan agreements.

The bank borrowings carry floating-rate interest based on the bank's prime rate minus 2.5% and the Hong Kong Interbank Offered Rate plus 1.3% ranged from 1.36% to 2.88% (30 September 2020: 1.54% to 3.06%).

13. SHARE OPTION SCHEME

The fair value of 19,600,000 share options under the New Scheme granted on 18 August 2021 was calculated using the Binomial Option Pricing Model. The inputs into the model were as follow:

Closing price at the date of grant:	HK\$0.1250
Exercise price:	HK\$0.1272
Risk-free rate:	1.14%
Expected life:	10 years
Expected volatility:	57.16%
Expected dividend yield:	Nil
Early exercise behaviour:	165% to 196%
Fair value per share option:	HK\$0.04834 to HK\$0.05687
Total fair value:	HK\$1,097,592

INTERIM FINANCIAL INFORMATION

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

14. SHARE CAPITAL

	Number of shares	HK\$
Issued and fully paid:		
Ordinary shares with no par value		
At 1 April 2020	610,710,675	312,890,213
Issue of new shares pursuant to a placing agreement (note)	<u>122,142,135</u>	<u>12,947,066</u>
At 31 March, 1 April and 30 September 2021	<u><u>732,852,810</u></u>	<u><u>325,837,279</u></u>

Note: On 1 March 2021, arrangements were made for a private placement to independent private investors of 122,142,135 ordinary shares at a price of HK\$0.106 per ordinary share representing a discount of approximately 16.54% to the closing price of the Company's ordinary shares on 1 March 2021. The private placement was completed on 22 March 2021.

The proceeds were used to provide additional working capital for the Company. These new shares were issued under the general mandate granted to the Directors at the annual general meeting of the Company held on 9 September 2020 and rank pari passu with other shares in issue in all respects.

15. OPERATING LEASES

The Group as lessor

The properties have committed tenants for a remaining term of one to four years (31 March 2021: one to four years) at fixed rental.

Minimum lease payments receivable on leases are as follows:

	30 September 2021 (unaudited) HK\$	31 March 2021 (audited) HK\$
Within one year	17,628,047	26,885,105
In the second year	1,519,283	5,448,106
In the third year	1,587,033	1,519,000
In the fourth year	<u>119,671</u>	<u>910,000</u>
	<u><u>20,854,034</u></u>	<u><u>34,762,211</u></u>

ADDITIONAL INFORMATION REQUIRED BY LISTING RULES

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

As at 30 September 2021, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong (the "SFO")) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules (the "Model Code") were as follows:

(a) Long position in the ordinary shares of the Company (the "Shares") and underlying Shares

Name of Directors/ Chief executive	Number of Shares held		Number of underlying Shares held (Note 2)	Total	Approximate percentage of issued Shares
	Personal interests (held as a beneficial owner)	Corporate interests (held as a controlled corporation)			
Mr. Derek Chiu	67,415,576	78,430,299 (Note 1)	31,570,000	177,415,875	24.21%
Ms. Amanda Chiu	–	–	23,500,000	23,500,000	3.21%
Madam Chiu Ju Ching Lan	188,000	–	2,000,000	2,188,000	0.30%
Mr. Alex Chiu	–	–	8,100,000	8,100,000	1.11%
Mr. Choy Wai Shek Raymond	3,000,000	–	4,000,000	7,000,000	0.96%
Mr. Ip Shing Hing	–	–	6,000,000	6,000,000	0.82%
Mr. Ng Wing Hang Patrick	–	–	6,000,000	6,000,000	0.82%

Notes:

- (1) The 78,430,299 Shares were held by Energy Overseas Ltd., a company wholly owned by Mr. Derek Chiu, an executive Director who is also the managing director and the chief executive of the Company.
- (2) The underlying Shares were comprised in the share options granted to the Directors. Please refer to section (b) "Shares Options of the Company" below for further details.

ADDITIONAL INFORMATION REQUIRED BY LISTING RULES

(b) Share options of the Company

Pursuant to an ordinary resolution duly passed by shareholders of the Company on 2 September 2016, the Company's old share option scheme adopted on 1 June 2007 (the "Old Scheme") was terminated on 2 September 2016 and the New Scheme was adopted for a period of 10 years commencing on the adoption date. Upon the termination of the Old Scheme, no further options were granted thereunder, and the options granted prior to and remaining outstanding at the termination shall continue to be valid and exercisable in accordance with the terms of the Old Scheme. On 9 September 2020, a resolution has been approved by the shareholders to refresh the limit of granting option under the New Scheme. More information can be referred in the Company's circular dated 31 July 2020.

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

Category of grantees	Number of underlying Shares comprised in share options					Exercise Price per Share HK\$	Grant date	Exercisable Period	
	Held as at 1 April 2021	Granted during the period	Exercised during the period	Cancelled/lapsed during the period	Held as at 30 September 2021			From	To
Executive Directors									
Mr. Derek Chiu	6,000,000	-	-	-	6,000,000	0.5600	23/10/2015	23/10/2015	22/10/2025
	6,070,000	-	-	-	6,070,000	0.4430	23/10/2017	23/10/2017	22/10/2027
	6,100,000	-	-	-	6,100,000	0.3400	18/03/2019	18/03/2019	17/03/2029
	6,100,000	-	-	-	6,100,000	0.1420	25/03/2020	25/03/2020	24/03/2030
	-	7,300,000	-	-	7,300,000	0.1272	18/08/2021	18/08/2021	17/08/2031
Ms. Amanda Chiu	4,000,000	-	-	-	4,000,000	0.4430	23/10/2017	23/10/2017	22/10/2027
	2,100,000	-	-	-	2,100,000	0.3570	06/08/2018	06/08/2018	05/08/2028
	4,000,000	-	-	-	4,000,000	0.3400	18/03/2019	18/03/2019	17/03/2029
	6,100,000	-	-	-	6,100,000	0.1420	25/03/2020	25/03/2020	24/03/2030
	-	7,300,000	-	-	7,300,000	0.1272	18/08/2021	18/08/2021	17/08/2031
Non-executive Directors									
Madam Chiu Ju Ching Lan	2,000,000	-	-	-	2,000,000	0.2320	06/02/2014	06/02/2014	05/02/2024
Mr. Alex Chiu	2,000,000	-	-	-	2,000,000	0.4430	23/10/2017	23/10/2017	22/10/2027
	4,100,000	-	-	-	4,100,000	0.3570	06/08/2018	06/08/2018	05/08/2028
	2,000,000	-	-	-	2,000,000	0.3400	18/03/2019	18/03/2019	17/03/2029
Independent Non-executive Directors									
Mr. Ip Shing Hing	2,000,000	-	-	-	2,000,000	0.2320	06/02/2014	06/02/2014	05/02/2024
	1,000,000	-	-	-	1,000,000	0.5600	23/10/2015	23/10/2015	22/10/2025
	1,000,000	-	-	-	1,000,000	0.4430	23/10/2017	23/10/2017	22/10/2027
	1,000,000	-	-	-	1,000,000	0.1420	25/03/2020	25/03/2020	24/03/2030
	-	1,000,000	-	-	1,000,000	0.1272	18/08/2021	18/08/2021	17/08/2031
Mr. Ng Wing Hang Patrick	2,000,000	-	-	-	2,000,000	0.2320	06/02/2014	06/02/2014	05/02/2024
	1,000,000	-	-	-	1,000,000	0.5600	23/10/2015	23/10/2015	22/10/2025
	1,000,000	-	-	-	1,000,000	0.4430	23/10/2017	23/10/2017	22/10/2027
	1,000,000	-	-	-	1,000,000	0.1420	25/03/2020	25/03/2020	24/03/2030
	-	1,000,000	-	-	1,000,000	0.1272	18/08/2021	18/08/2021	17/08/2031
Mr. Choy Wai Shek Raymond	1,000,000	-	-	-	1,000,000	0.5600	23/10/2015	23/10/2015	22/10/2025
	1,000,000	-	-	-	1,000,000	0.4430	23/10/2017	23/10/2017	22/10/2027
	1,000,000	-	-	-	1,000,000	0.1420	25/03/2020	25/03/2020	24/03/2030
	-	1,000,000	-	-	1,000,000	0.1272	18/08/2021	18/08/2021	17/08/2031
Aggregate for employees	800,000	-	-	-	800,000	0.5600	23/10/2015	23/10/2015	22/10/2025
	-	2,000,000	-	-	2,000,000	0.1272	18/08/2021	18/08/2021	17/08/2031
	64,370,000	19,600,000	-	-	83,970,000				

ADDITIONAL INFORMATION REQUIRED BY LISTING RULES

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

Share options comprising a total of 19,600,000 underlying Shares (the “Options”) under the New Scheme were granted to certain Directors and employees on 18 August 2021. The closing price of the Shares immediately before the date on which the options were granted was HK\$0.1240. Details of the Options granted during the period are set out in note 13. Save for the above Options were granted, no share options were granted or exercised or cancelled or lapsed during the six months ended 30 September 2021.

As at the date of this report, the Company has outstanding share options comprising 83,970,000 underlying Shares under the Old Scheme and the New Scheme, which representing approximately 11.46% of the Shares in issue as at that date.

Save as disclosed above, as at 30 September 2021, none of the Directors nor the Company’s chief executive, had interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code.

OPTIONS TO TAKE UP UNISSUED SHARES

During the six months ended 30 September 2021, no shares were issued by virtue of the exercise of an option under the Old Scheme or the New Scheme.

SUBSTANTIAL SHAREHOLDERS’ INTERESTS

Save as the interests of certain Directors disclosed under the section headed “Directors’ and Chief Executive’s Interests and Short Position in Shares, Underlying Shares and Debentures”, according to the register of interests maintained by the Company pursuant to section 336 of the SFO and as far as the Directors are aware, as at 30 September 2021, the following persons who (other than a Director or the chief executive of the Company) or corporations which had an interest or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or was, directly or indirectly, interested in 5% or more of the total number of Shares in issue carrying rights to vote in all circumstances at general meeting of the Company:

ADDITIONAL INFORMATION REQUIRED BY LISTING RULES

Long position in the Shares

Name of shareholders	Capacity/ Nature of Interests	Number of issued Shares held	Approximate percentage of issued Shares
Mr. Deacon Te Ken Chiu (deceased) (<i>Note 1</i>)	Beneficial owner/Personal interest; and interest in controlled corporations/ Corporate interest	113,726,476	15.52%
Achiemax Limited (<i>Note 1</i>)	Beneficial owner/Personal interest	72,182,400	9.85%
Energy Overseas Ltd. (<i>Note 2</i>)	Beneficial owner/Personal interest	78,430,299	10.70%

Notes:

1. The late Mr. Deacon Te Ken Chiu beneficially owned 12,491,424 Shares. Of the remaining 101,235,052 Shares, (i) 100,939,842 Shares were held by various private companies wholly owned by the late Mr. Deacon Te Ken Chiu of which 72,182,400 Shares were held by Achiemax Limited; and (ii) 295,210 Shares were held by Far East Consortium Limited, a wholly-owned subsidiary of Far East Consortium International Limited. The late Mr. Deacon Te Ken Chiu was a controlling shareholder of these companies and a director of Achiemax Limited.
2. Energy Overseas Ltd. is a company wholly owned by Mr. Derek Chiu (an executive Director who is also the managing director and the chief executive of the Company) who is also its director.

Save as disclosed above, as at 30 September 2021, the Company has not been notified of any persons who (other than a Director or the chief executive of the Company) or corporations which had an interest or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or was, directly or indirectly, interested in 5% or more of the total number of Shares in issue carrying rights to vote in all circumstances at general meeting of the Company.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Save as the share options disclosed above, at no time during the six months ended 30 September 2021 was the Company, or its holding company or any of its subsidiaries or fellow subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

ADDITIONAL INFORMATION REQUIRED BY LISTING RULES

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES IN THE COMPANY

During the six months ended 30 September 2021, the Company did not redeem any of the Shares listed and traded on the Stock Exchange nor did the Company or any of its subsidiaries purchase or sell any of such Shares.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a new code of conduct regarding directors' securities transactions on terms no less exacting than the required standard set out in the Model Code. Following a specific enquiry made by the Company with each Director, the Directors have confirmed that they had fully complied with the required standard set out in the Model Code and the Company's code of conduct regarding Directors' securities transactions during the six months ended 30 September 2021.

CORPORATE GOVERNANCE

Throughout the six months ended 30 September 2021, the Company has complied with all the code provisions of the Corporate Governance Code contained in Appendix 14 to the Listing Rules (the "Code"), except for the following:

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

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

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

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

ADDITIONAL INFORMATION REQUIRED BY LISTING RULES

In addition, as all major decisions are made in consultation with members of the Board and relevant Board committees, and there are three independent non-executive Directors offering independent perspectives, the Board is of the view that there are adequate safeguards in place to ensure sufficient balance of powers within the Board.

The Board will continue to regularly review and monitor its corporate governance practices to ensure compliance with the Code, and maintain a high standard of corporate governance practices of the Company.

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

None of the existing non-executive Directors is appointed for a specific term. This constitutes a deviation from code provision A.4.1 of the Code. However, all Directors are subject to retirement by rotation at each annual general meeting under articles 78 and 79 of the Company's articles of association. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those provided in the Code.

REVIEW BY AUDIT COMMITTEE

The audit committee of the Board (the "Audit Committee") comprises all of the three independent non-executive Directors, namely Mr. Ng Wing Hang Patrick (chairman of the Audit Committee), Mr. Ip Shing Hing and Mr. Choy Wai Shek Raymond.

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group, and discussed financial reporting matters, including a review of the unaudited consolidated financial statements and this report of the Company for the six months ended 30 September 2021.

On behalf of the Board

Derek Chiu

Executive Director, Managing Director and Chief Executive

Hong Kong, 25 November 2021