



Deson Development International Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code : 262)



INTERIM REPORT 2021

The board of directors (the “**Board**”) of Deson Development International Holdings Limited (the “**Company**”) is pleased to announce the unaudited interim consolidated results of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 30 September 2021 (the “**Reporting Period**”), together with the comparative figures for the six months ended 30 September 2020 as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 September 2021

	Notes	2021 HK\$'000	2020 HK\$'000
REVENUE	3	53,402	46,783
Cost of sales		(26,911)	(25,906)
Gross profit		26,491	20,877
Other income and gains	3	8,943	9,111
Administrative expenses		(33,871)	(32,635)
Other operating income/(expenses), net		2,746	(1,949)
Finance costs	5	(12,971)	(3,877)
Share of profits and losses of associates		387	257
LOSS BEFORE TAX	4	(8,275)	(8,216)
Income tax expense	6	(807)	(1,673)
LOSS FOR THE PERIOD		(9,082)	(9,889)
Attributable to:			
Owners of the Company		(8,347)	(9,394)
Non-controlling interests		(735)	(495)
		(9,082)	(9,889)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic	8	HK(0.85) cent	HK(0.96) cent
Diluted	8	HK(0.85) cent	HK(0.96) cent

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2021

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
LOSS FOR THE PERIOD	(9,082)	(9,889)
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Exchange differences on translation of foreign operations	25,631	48,593
Share of other comprehensive income of associates	834	1,526
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	26,465	50,119
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	17,383	40,230
Attributable to:		
Owners of the Company	18,067	40,677
Non-controlling interests	(684)	(447)
	17,383	40,230

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2021

	30 September 2021	31 March 2021
Notes	HK\$'000	HK\$'000 (Audited)
NON-CURRENT ASSETS		
Property, plant and equipment	314,476	315,696
Investment properties	9 1,059,000	1,041,350
Investments in associates	28,939	27,606
Equity investments at fair value through profit or loss	10 121,795	125,224
	<u>1,524,210</u>	<u>1,509,876</u>
Total non-current assets		
CURRENT ASSETS		
Due from associates	4,725	3,220
Properties held for sale under development and properties held for sale	11 796,582	760,270
Inventories	7,899	11,120
Accounts receivable	12 23,543	22,536
Prepayments, deposits and other receivables	33,330	32,852
Tax recoverable	24,675	24,260
Pledged deposits	4,500	2,500
Restricted cash	—	4,033
Cash and cash equivalents	19,328	20,372
	<u>914,582</u>	<u>881,163</u>
Total current assets		
CURRENT LIABILITIES		
Accounts payable	13 6,351	5,824
Other payables and accruals	92,631	83,630
Due to associates	2,637	3,069
Due to a related company	29,069	13,054
Tax payable	22,258	21,787
Interest-bearing bank and other borrowings	280,538	266,572
	<u>433,484</u>	<u>393,936</u>
Total current liabilities		
NET CURRENT ASSETS	<u>481,098</u>	<u>487,227</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>2,005,308</u>	<u>1,997,103</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(CONTINUED)

As at 30 September 2021

	30 September	31 March
	2021	2021
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Audited)
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	207,600	218,890
Deferred tax liabilities	193,245	191,791
	<u>400,845</u>	<u>410,681</u>
Total non-current liabilities	400,845	410,681
Net assets	1,604,463	1,586,422
	<u>1,604,463</u>	<u>1,586,422</u>
EQUITY		
Equity attributable to owners of the Company		
Issued capital	14 97,788	97,788
Reserves	1,509,726	1,491,613
	<u>1,607,514</u>	<u>1,589,401</u>
Non-controlling interests	(3,051)	(2,979)
	<u>1,604,463</u>	<u>1,586,422</u>
Total equity	1,604,463	1,586,422
	<u>1,604,463</u>	<u>1,586,422</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2021

	Attributable to owners of the Company										Non-controlling interests	Total equity
	Issued capital	Share premium account	Contributed surplus	Other reserve	Property revaluation reserve	Capital reserve	Capital redemption reserve	Exchange fluctuation reserve	Retained profits	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2020 (audited)	97,788	243,040	15,262	23,061	125,543	(9,240)	14,457	(86,322)	1,097,116	1,520,705	(5,029)	1,515,676
Loss for the period	—	—	—	—	—	—	—	—	(9,394)	(9,394)	(495)	(9,889)
Other comprehensive income for the period:												
Share of other comprehensive income of associates	—	—	—	—	—	—	—	1,526	—	1,526	—	1,526
Exchange differences on translation of foreign operations	—	—	—	—	—	—	—	48,545	—	48,545	48	48,593
Total comprehensive income/ (loss) for the period	—	—	—	—	—	—	—	50,071	(9,394)	40,677	(447)	40,230
Contributions from non-controlling interests	—	—	—	—	—	—	—	—	—	—	2,700	2,700
Release of revaluation reserve	—	—	—	—	(2,590)	—	—	—	2,590	—	—	—
At 30 September 2020	97,788	243,040	15,262	23,061	122,953	(9,240)	14,457	(36,251)	1,090,312	1,561,302	(2,776)	1,558,606

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the six months ended 30 September 2021

	Attributable to owners of the Company												
	Issued capital	Share premium account	Contributed surplus	Other reserve	Property revaluation reserve	Capital reserve	Capital redemption reserve	Exchange fluctuation reserve	Share option reserve	Retained profits	Total	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2021 (audited)	97,788	243,040	15,262	23,061	125,022	(9,240)	14,457	13,473	975	1,065,563	1,589,401	(2,979)	1,586,422
Loss for period	—	—	—	—	—	—	—	—	—	(8,347)	(8,347)	(735)	(9,082)
Other comprehensive income for the period:													
Share of other comprehensive income of associates	—	—	—	—	—	—	—	834	—	—	834	—	834
Exchange differences on translation of foreign operations	—	—	—	—	—	—	—	25,580	—	—	25,580	51	25,631
Total comprehensive income for the period	—	—	—	—	—	—	—	26,414	—	(8,347)	18,067	(684)	17,383
Equity-settled share option arrangement	—	—	—	—	—	—	—	—	46	—	46	—	46
Contributions from non-controlling interests	—	—	—	—	—	—	—	—	—	—	—	612	612
Release of revaluation reserve	—	—	—	—	(2,611)	—	—	—	—	2,611	—	—	—
At 30 September 2021	97,788	243,040*	15,262*	23,061*	122,411*	(9,240)*	14,457*	39,887*	1,021*	1,059,827*	1,607,514	(3,051)	1,604,463

* These reserve accounts comprise the consolidated reserves of HK\$1,509,726,000 (31 March 2021: HK\$1,491,613,000) in the interim condensed consolidated statement of financial position.

The contributed surplus of the Group represents the excess of the nominal value of the subsidiaries' shares acquired over the nominal value of the Company's shares issued in exchange thereof, pursuant to the Group reorganisation on 21 May 1997.

The reserve funds of the Group include statutory reserves required to be appropriated from the profit after tax of the Company's subsidiaries in Mainland China under the laws and regulations of the People's Republic of China (the "PRC"). The amount of the appropriation is at the discretion of these subsidiaries' boards of directors.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2021

	Notes	2021 HK\$'000	2020 HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		(8,275)	(8,216)
Adjustments for:			
Finance costs	5	12,971	3,877
Share of profits and losses of associates		(387)	(257)
Dividend income from an equity investment at fair value through profit or loss	3	(1,500)	(1,300)
Interest income	3	(62)	(83)
Loss on disposal of items of property, plant and equipment	4	—	1
Depreciation	4	6,530	6,577
Reversal of impairment of accounts receivable	4	—	(209)
Provision/(reversal of provision) for inventories	4	36	(229)
Fair value gain on an equity investment at fair value through profit or loss	4	(2,252)	—
Equity-settled share option expense	4	46	—
		7,107	161
Increase in properties held for sale under development and properties held for sale		(19,862)	(13,494)
Decrease/(increase) in inventories		3,204	(2,854)
Decrease/(increase) in accounts receivable		(848)	4,415
Increase in prepayments, deposits and other receivables		(3)	(5,638)
Decrease in restricted cash		4,033	—
Increase in accounts payable		454	1,174
Increase in other payables and accruals		8,146	474
		2,231	(15,762)
Cash generated from/(used in) operations		(17,643)	(15,481)
Interest paid		(24)	—
Hong Kong profits tax paid		(364)	(889)
Overseas taxes paid			
		(15,800)	(32,132)
Net cash flows used in operating activities			
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INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(CONTINUED)

For the six months ended 30 September 2021

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Net cash flows used in operating activities — page 7	<u>(15,800)</u>	<u>(32,132)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	62	83
Dividend received from an equity investment at fair value through profit or loss	1,500	—
Dividend received from an associate	250	380
Purchases of equity investments at fair value through profit or loss	—	(3,637)
Purchases of items of property, plant and equipment	(2,671)	(3,033)
Advances to associates, net	(1,937)	(4)
Capital contributions to associates	(362)	(250)
Proceeds from return on an equity investment at fair value through profit or loss	5,681	—
Increase in pledged deposits	<u>(2,000)</u>	<u>—</u>
Net cash flows from/(used in) investing activities	<u>523</u>	<u>(6,461)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
New bank and other borrowings	53,689	52,520
Repayment of bank and other borrowings	(53,275)	(22,889)
Movement in balances with related companies, net	16,015	(119)
Contributions to subsidiaries from non- controlling shareholders	<u>612</u>	<u>2,700</u>
Net cash flows from financing activities	<u>17,041</u>	<u>32,212</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(CONTINUED)

For the six months ended 30 September 2021

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	1,764	(6,381)
Cash and cash equivalents at beginning of period	8,162	2,187
Effect of foreign exchange rate changes, net	239	419
	<u>10,165</u>	<u>(3,775)</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	10,165	(3,775)
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and cash equivalents as stated in the statement of financial position	19,328	19,715
Bank overdrafts	(9,163)	(23,490)
	<u>10,165</u>	<u>(3,775)</u>
Cash and cash equivalents as stated in the statement of cash flows	10,165	(3,775)
	<u>10,165</u>	<u>(3,775)</u>

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

These unaudited interim condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). They have been prepared under the historical cost convention, except for leasehold land and buildings classified as property, plant and equipment, and investment properties, equity investments which have been measured at fair value. These unaudited interim condensed consolidated financial statements should be read in conjunction with the annual accounts for the year ended 31 March 2021.

The accounting policies and methods of computation used in the unaudited interim condensed consolidated financial statements for the six months ended 30 September 2021 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2021, except for the standards, amendments and interpretations to the Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the HKICPA applicable to the annual period beginning on 1 April 2021 as described below.

The Group has initially adopted the following new and revised HKFRSs for the financial period beginning on or after 1 April 2021:

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	<i>Interest Rate Benchmark Reform — Phase 2</i>
Amendment to HKFRS 16	<i>COVID-19-Related Rent Concessions beyond 30 June 2021 (early adopted)</i>

1. BASIS OF PREPARATION (CONTINUED)

The nature and impact of the revised HKFRSs are described below:

- (a) Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate (“**RFR**”). The phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, 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 immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity’s financial instruments and risk management strategy.

The Group had certain interest-bearing bank and other borrowings denominated in Hong Kong dollars and foreign currencies based on the Hong Kong Interbank Offered Rate as at 30 September 2021. Since the interest rates of these borrowings were not replaced by RFRs during the period, the amendment did not have any impact on the financial position and performance of the Group. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply this practical expedient upon the modification of these borrowings provided that the “economically equivalent” criterion is met.

1. BASIS OF PREPARATION (CONTINUED)

- (b) Amendment to HKFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

The Group has early adopted the amendment on 1 April 2021 and the amendment did not have any significant impact on the interim financial position and performance of the Group.

2. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has three (six months ended 30 September 2020: three (restated)) reportable operating segments as follows:

- (a) the property development and investment business segment is engaged in property development of residential and commercial properties and holding of investment properties;
- (b) the trading business segment is engaged in the trading of medical equipment and home security and automation products; and
- (c) the “others” segment comprises, principally, the operation of a hotel.

The Group’s comparative reportable segment information is restated to conform with the presentation of current period and for the year ended 31 March 2021.

Management monitors the results of the Group’s operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group’s profit/loss before tax that bank interest income, dividend income, fair value gain on equity investments at fair value through profit or loss, finance costs, share of profits and losses of associates as well as other unallocated head office and corporate expenses are excluded from such measurement.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

2. OPERATING SEGMENT INFORMATION (CONTINUED)

Six months ended 30 September 2021

	Property development and investment business HK\$'000	Trading business HK\$'000	Others HK\$'000	Total HK\$'000
Segment revenue (note 3)				
Sales to external customers	17,235	30,758	5,409	53,402
Other income and gains	7,268	112	1	7,381
	<u>24,503</u>	<u>30,870</u>	<u>5,410</u>	<u>60,783</u>
Segment results				
Operating profit/(loss)	3,463	4,693	(2,036)	6,120
<i>Reconciliation:</i>				
Bank interest income				62
Dividend income from an equity investment at fair value through profit or loss				1,500
Fair value gain on equity investments at fair value through profit or loss				2,252
Finance costs				(12,971)
Share of profits and losses of associates				387
Unallocated expenses				<u>(5,625)</u>
Loss before tax				<u>(8,275)</u>
Other segment information:				
Provision for inventories	—	36	—	36
Depreciation of property, plant and equipment	3,572	375	2,583	6,530
Capital expenditure*	<u>44</u>	<u>5</u>	<u>2,622</u>	<u>2,671</u>

* Capital expenditure represents additions of property, plant and equipment.

2. OPERATING SEGMENT INFORMATION (CONTINUED)

Six months ended 30 September 2020 (restated)

	Property development and investment business <i>HK\$'000</i>	Trading business <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue (note 3)				
Sales to external customers	23,823	22,960	—	46,783
Other income and gains	<u>3,798</u>	<u>67</u>	<u>3,863</u>	<u>7,728</u>
	27,621	23,027	3,863	<u><u>54,511</u></u>
Segment results				
Operating profit/(loss)	905	734	(1,799)	(160)
<i>Reconciliation:</i>				
Bank interest income				83
Dividend income from an equity investment at fair value through profit or loss				1,300
Finance costs				(3,877)
Share of profits and losses of associates				257
Unallocated expenses				<u>(5,819)</u>
Loss before tax				<u><u>(8,216)</u></u>
Other segment information:				
Loss on disposal of items of property, plant and equipment	1	—	—	1
Reversal of impairment of accounts receivable, net	(209)	—	—	(209)
Reversal of provision for inventories	—	(229)	—	(229)
Depreciation of property, plant and equipment	4,177	69	2,331	6,577
Capital expenditure*	<u>4</u>	<u>136</u>	<u>2,893</u>	<u>3,033</u>

* Capital expenditure represents additions of property, plant and equipment.

2. OPERATING SEGMENT INFORMATION (CONTINUED)

Geographical information

(a) Revenue from external customers

	Hong Kong		Mainland China		Consolidated	
	2021	2020	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:						
Sales to external customers	23,070	16,922	30,332	29,861	53,402	46,783

The revenue information above is based on the locations of the operations.

Information about a major customer

During the period, revenue of approximately HK\$7,588,000 was derived from rental income to a single customer of the property development and investment business segment. There was no single external customer with revenue greater than 10% or more of the Group's revenue during the six months ended 30 September 2020.

3. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<i>Revenue from contracts with customers:</i>		
Income from property development and investment business	5,385	13,550
Income from trading of medical equipment and home security and automation products	30,758	22,960
Hotel operations	5,409	—
<i>Revenue from other sources:</i>		
Gross rental income	<u>11,850</u>	<u>10,273</u>
	<u>53,402</u>	<u>46,783</u>

(i) Disaggregated revenue information

For the six months ended 30 September 2021

	Property development and investment business <i>HK\$'000</i>	Trading business <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Geographical markets				
Hong Kong	—	23,070	—	23,070
Mainland China	<u>5,385</u>	<u>7,688</u>	<u>5,409</u>	<u>18,482</u>
Total revenue from contracts with customers recognised at a point in time	<u>5,385</u>	<u>30,758</u>	<u>5,409</u>	<u>41,552</u>

3. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

(i) Disaggregated revenue information (Continued)

For the six months ended 30 September 2020 (restated)

	Property development and investment business HK\$'000	Trading business HK\$'000	Total HK\$'000
Geographical markets			
Hong Kong	—	16,922	16,922
Mainland China	13,550	6,038	19,588
	<u>13,550</u>	<u>6,038</u>	<u>19,588</u>
Total revenue from contracts with customers recognised at a point in time	<u>13,550</u>	<u>22,960</u>	<u>36,510</u>

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

Sale of properties

The performance obligation is satisfied when the physical possession or the legal title of the completed property is obtained by the purchaser.

As a practical expedient, the transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) are not disclosed in the notes to the financial statements because all the remaining performance obligations in relation to the income from property development and investment business are parts of contracts that originally were expected to have a duration of one year or less.

3. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

(ii) Performance obligations (Continued)

Sale of goods

The performance obligation is satisfied upon delivery of the products and payment is generally due within 90 days from delivery.

Hotel operations

The performance obligation is satisfied over time as services are rendered and short-term advances are normally required before rendering the services.

The performance obligation of food and beverage operations of the hotel is satisfied when the control of the food and beverage products is transferred, being at the point when the customer purchases the food and beverage items at the food and beverage operations. Payment of the transaction is due immediately at the point when the customer purchases the food and beverage items.

An analysis of other income and gains is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Other income and gains		
Bank interest income	62	83
Dividend income from an equity investment at fair value through profit or loss	1,500	1,300
Gross rental income	2,896	2,667
Government grants*	—	955
Others	4,485	4,106
	<u>8,943</u>	<u>9,111</u>

* In the prior period, the government grants were granted under the Employment Support Scheme of the Government of Hong Kong Special Administrative Region to retain employment and combat COVID-19. There were no unfulfilled conditions or contingencies relating to these grants.

4. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging/(crediting):

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Cost of properties sold	3,848	9,884
Cost of inventories sold and services provided	23,063	16,022
Provision/(reversal of provision) for inventories, included in cost of inventories sold and services provided above	36	(229)
Depreciation	6,530	6,577
Employee benefit expense (including directors' remuneration):		
Wages, salaries and allowances	17,930	16,651
Pension schemes contributions*	357	325
Equity-settled share option expense	46	—
Less: Amount capitalised	(921)	(773)
	<u>17,412</u>	<u>16,203</u>
Directors' remuneration:		
Fees	300	300
Salaries and allowances	4,524	4,479
Pension schemes contributions	50	52
	<u>4,874</u>	<u>4,831</u>
Loss on disposal of items of property, plant and equipment [^]	—	1
Reversal of impairment of accounts receivable [^]	—	(209)
Fair value gain on an equity investment at fair value through profit or loss [^]	(2,252)	—
Foreign exchange differences, net [^]	<u>(494)</u>	<u>2,157</u>

* At 30 September 2021, there were no forfeited contributions available to the Group to reduce contributions to the pension schemes in future years (31 March 2021: Nil).

[^] These amounts were included in "Other operating income/(expenses), net" on the face of the interim condensed consolidated statement of profit or loss.

5. FINANCE COSTS

An analysis of finance costs is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Interest on bank loans and other borrowings	17,643	15,481
Less: Interest capitalised	<u>(4,672)</u>	<u>(11,604)</u>
	<u>12,971</u>	<u>3,877</u>

6. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 September 2020: 16.5%) on the estimated assessable profits arising in Hong Kong during the period except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax regime effective from the year of assessment 2018/2019 and the first HK\$2,000,000 (six months ended 30 September 2020: HK\$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (six months ended 30 September 2020: 8.25%) and the remaining assessable profits are taxed at 16.5% (six months ended 30 September 2020: 16.5%). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

6. INCOME TAX (CONTINUED)

Land appreciation tax (“LAT”) in Mainland China is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from the sale of properties less deductible expenditure, including amortisation of land use rights, borrowing costs and all property development expenditures.

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current — Hong Kong		
Charge for the period	—	10
Current — Elsewhere		
Charge for the period	282	560
LAT in Mainland China	360	896
Deferred	165	207
	<hr/>	<hr/>
Total tax charge for the period	807	1,673
	<hr/> <hr/>	<hr/> <hr/>

7. DIVIDEND

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

8. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic loss per share amount is based on the loss for the period attributable to owners of the Company, and the weighted average number of ordinary shares of 977,880,400 (30 September 2020: 977,880,400) in issue during the period.

The calculation of the basic and diluted loss per share amounts attributable to the owners of the Company is based on the following data:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Loss		
Loss attributable to ordinary equity holders of the Company, used in the basic and diluted loss per share calculation	(8,347)	(9,394)
	2021	2020
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic loss per share calculation	977,880,400	977,880,400
Effect of dilution — weighted average number of ordinary shares: Share options	—*	—
	977,880,400	977,880,400

* No adjustment has been made to the basic loss per share amounts presented for the six months ended 30 September 2021 in respect of a dilution as the impact of share options had an anti-dilutive effect on the basic loss per share amounts presented.

The Group had no potential dilutive ordinary shares in issue during the period ended 30 September 2020.

9. INVESTMENT PROPERTIES

	Six months ended 30 September 2021 <i>HK\$'000</i>	Year ended 31 March 2021 <i>HK\$'000</i>
Carrying amount at beginning of period/year	1,041,350	947,100
Net gain from fair value adjustment	—	24,950
Exchange realignment	17,650	69,300
	<u>1,059,000</u>	<u>1,041,350</u>
Carrying amount at end of period/year	<u>1,059,000</u>	<u>1,041,350</u>

The investment properties are leased to third parties under operating leases.

As at 30 September 2021, certain investment properties of the Group with an aggregate carrying amount of HK\$583,200,000 (31 March 2021: HK\$573,480,000) were pledged to secure certain banking facilities granted to the Group.

10. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 September 2021 <i>HK\$'000</i>	31 March 2021 <i>HK\$'000</i>
Equity investments at fair value through profit or loss		
Unlisted equity investments, at fair value		
Century Rosy Limited	13,172	13,172
Deson Development International Holdings Investment Limited (“DDIHL”)	53,779	53,779
Excel Castle International Limited	51,050	51,050
Pamflet Shanghai Real Estate Fund II, L.P.	3,794	3,794
Sky Fox Limited	—	3,429
	<u>121,795</u>	<u>125,224</u>
	<u>121,795</u>	<u>125,224</u>

10. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS
(CONTINUED)

The above equity investments were irrevocably designated at fair value through profit or loss as the Group has not elected to recognise the fair value gain or loss through other comprehensive income.

During the six months ended 30 September 2021, the Group received dividend in the amount of HK\$1,500,000 (six months ended 30 September 2020: HK\$1,300,000) from DDIHIL.

11. PROPERTIES HELD FOR SALE UNDER DEVELOPMENT AND PROPERTIES HELD FOR SALE

	30 September 2021 HK\$'000	31 March 2021 HK\$'000
Completed properties held for sale	569,283	563,971
Properties held for sale under development	<u>227,299</u>	<u>196,299</u>
	<u>796,582</u>	<u>760,270</u>
Properties held for sale under development		
— expected to be recovered:		
Within one year	<u>227,299</u>	<u>196,299</u>

As at 30 September 2021, certain completed properties held for sale and properties held for sale under development of the Group with an aggregate carrying amount of HK\$170,640,000 (31 March 2021: HK\$167,796,000) were pledged to secure certain banking facilities granted to the Group.

12. ACCOUNTS RECEIVABLE

The Group's trading terms with its customers are mainly on credit. The credit period is generally 90 days for the sale of trading goods and up to 180 days for the sale of completed properties held for sale. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's accounts receivable relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Accounts receivable are non-interest-bearing.

An ageing analysis of the accounts receivable as at the end of the Reporting Period, based on the invoice date and net of loss allowance, is as follows:

	30 September 2021 HK\$'000	31 March 2021 HK\$'000
Within 90 days	15,435	13,620
91 to 180 days	3,932	5,565
181 to 360 days	2,544	1,227
Over 360 days	1,632	2,124
	<hr/>	<hr/>
Total	23,543	22,536
	<hr/> <hr/>	<hr/> <hr/>

13. ACCOUNTS PAYABLE

An ageing analysis of the accounts payable as at the end of the Reporting Period, based on the invoice date, is as follows:

	30 September 2021 HK\$'000	31 March 2021 HK\$'000
Within 90 days	2,312	1,391
91 to 180 days	187	584
181 to 360 days	175	191
Over 360 days	<u>3,677</u>	<u>3,658</u>
Total	<u><u>6,351</u></u>	<u><u>5,824</u></u>

Accounts payable are non-interest-bearing and are normally settled on 30-day terms.

14. SHARE CAPITAL

	30 September 2021 HK\$'000	31 March 2021 HK\$'000
Authorised:		
1,500,000,000 ordinary shares of HK\$0.10 each	<u><u>150,000</u></u>	<u><u>150,000</u></u>
Issued and fully paid:		
977,880,400 ordinary shares of HK\$0.10 each	<u><u>97,788</u></u>	<u><u>97,788</u></u>

15. RELATED PARTY TRANSACTIONS

- (a) In addition to the transactions and balances detailed elsewhere in these interim condensed financial statements, the Group had the following material transactions with related parties during the period:

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Management fee income from a related company	(i)	27	58
Management fee income from associates	(i)	380	163
Management fee to a related company	(ii)	210	—
Rental income from a related company	(iii)	113	153
Rental income from an associate	(iv)	50	—
		<u>580</u>	<u>314</u>

15. RELATED PARTY TRANSACTIONS (CONTINUED)

- (a) (Continued)

Notes:

- (i) The management fee was charged by reference to actual costs incurred for the services provided by the Group.
- (ii) The management fee was charged by reference to actual costs incurred for services provided by Fitness Concept Limited (“FCL”). Mr. Tjia Boen Sien (“**Mr. Tjia**”) is a director and has beneficial interests in the Company and FCL, while Mr. Tjia Wai Yip, William is a director of the Company and FCL.
- (iii) During the period, rental income was charged to FCL at approximately HK\$18,000 per month from May 2021 to September 2021 and approximately HK\$26,000 per month in April 2021 (six months ended 30 September 2020: HK\$26,000 per month).
- (iv) Starting from 1 May 2021, rental income was charged to an associate at HK\$10,000 per month as mutually agreed between the parties.

- (b) Outstanding balances with related parties:

The balances with associates, a related company and non-controlling shareholders are unsecured, interest-free and repayable on demand.

- (c) Compensation of key management personnel of the Group:

The key management personnel of the Group are the directors and chief executive of the Company. Details of the remuneration of the directors of the Company are disclosed in note 4 to the financial statements.

The related party transactions above also constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules.

16. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	30 September 2021 <i>HK\$'000</i>	31 March 2021 <i>HK\$'000</i>	30 September 2021 <i>HK\$'000</i>	31 March 2021 <i>HK\$'000</i>
Financial assets				
Equity investments at fair value through profit or loss	<u>121,795</u>	<u>125,224</u>	<u>121,795</u>	<u>125,224</u>
Financial liabilities				
Interest-bearing bank and other borrowings (with non-current portion)	<u>237,600</u>	<u>248,390</u>	<u>237,600</u>	<u>248,390</u>

The Group's corporate finance team is headed by the financial controller who is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The corporate finance team reports directly to the directors of the Company. At each reporting date, the corporate finance team analyses the movements in the values of financial instruments and determines the major inputs in the valuation. The valuation is reviewed and approved by the directors of the Company.

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, accounts receivable, accounts payable, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals, amounts due to associates and a related company, and interest-bearing bank and other borrowings classified as current liabilities approximate to their carrying amounts largely due to the short term maturities of these instruments.

16. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of unlisted equity investments have been estimated using market-based valuation techniques based on assumptions that are supported by observable market prices or rates. As at 30 September 2021 and 31 March 2021, certain unlisted equity investments carry out property redevelopment projects and the fair values of the properties under these projects are considered in the fair value assessment by the directors; while an unlisted investment carries a listed equity investment and its quoted market price is also considered in the fair value assessment by the directors. The valuation requires the directors to determine comparable public companies (peers) based on industry, size, leverage and strategy, and to calculate an appropriate price multiple for each comparable company identified. The multiple is calculated by dividing the enterprise value of the comparable company by an earnings measure. The trading multiple is then adjusted for considerations such as illiquidity and size differences between the comparable companies based on company-specific facts and circumstances. A discount for lack of marketability (“**DLOM**”) is applied in the fair value assessment, representing the amounts of premium and discounts determined by the Group that market participants would take into account when pricing the investments. The adjusted multiple is applied to the corresponding equity and earnings measure of the unlisted equity investments to measure the fair value. The directors believe that the estimated fair values resulting from the valuation techniques, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in profit or loss and other comprehensive income, are reasonable, and that they were the most appropriate values at the end of the reporting period. The fair values of interest-bearing bank and other borrowings repayable beyond one year after the end of the reporting period as assessed on an individual borrowing basis have been calculated by discounting the expected future cash flows using rates currently available for instruments on similar terms, credit risk and remaining maturities.

The Group did not have any financial liabilities measured at fair value as at 30 September 2021 and 31 March 2021.

16. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS
(CONTINUED)

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 30 September 2021

	Fair value measurement using			Total HK\$'000
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	
Equity investments at fair value through profit or loss	—	—	121,795	121,795

As at 31 March 2021

	Fair value measurement using			Total HK\$'000
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	
Equity investments at fair value through profit or loss	—	—	125,224	125,224

16. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy (Continued)

As at 30 September 2021, the Group's financial liabilities not measured at fair value but for which fair values were disclosed included interest-bearing bank and other borrowings with non-current portion of HK\$237,600,000 (31 March 2021: HK\$248,390,000). The fair values of these financial liabilities disclosed were measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are unobservable (Level 3).

During the Reporting Period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (six months ended 30 September 2020: Nil).

17. EVENT AFTER THE REPORTING PERIOD

Capitalised terms used herein in this section shall have the same meanings as those defined in the announcement of the Company dated 1 November 2021.

The Company proposes to implement the Rights Issue on the basis of one Rights Share for every two existing Shares held by the Qualifying Shareholders on the Record Date at the Subscription Price of HK\$0.10 per Rights Share, to raise gross proceeds of up to approximately HK\$49.9 million before expenses by way of rights issue of 499,390,200 Rights Shares (assuming all outstanding Share Options (other than the Share Options held by the Optionholders) are being exercised and no other change in the share capital of the Company on or before the Record Date). The net proceeds from the Rights Issue (after deducting the estimated expenses) are estimated to be not more than approximately HK\$48.0 million. Assuming the net proceeds from the Rights Issue will amount to approximately HK\$48.0 million, the Company intends to apply the net proceeds as to (i) approximately HK\$38.0 million for repayment of unsecured loans by the Group; and (ii) approximately HK\$10.0 million as general working capital. In the event that there is an under-subscription of the Rights Issue, the net proceeds of the Rights Issue will be utilised in proportion to the above uses.

For details, please refer to the announcement of the Company dated 1 November 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the Reporting Period, global economic recovery was still severely affected by the outbreak of 2019 coronavirus pandemic (the “**COVID-19 Pandemic**”) despite the population having received vaccinations has increased and lockdown measures in many countries were relaxed. Economic activities were still substantially low due to cross-border restriction imposed by many countries as a result of the alarming increase in new cases of COVID-19 Pandemic variants. Most of the major economies were still in recession.

In Mainland China, under strict preventive measures and concerted efforts, the outbreak of COVID-19 Pandemic was very much under control. The central government has provided accommodative monetary policy and necessary fiscal stimulus to ensure economic recovery. As a result, trades and business activities were picking up at an encouraging pace and recorded substantial year-on-year GDP growth as compared to the same period last year.

In Hong Kong, even though the local economy was still affected by the COVID-19 Pandemic, the general economy has picked up its pace as the number of vaccinations has improved and infection cases were low. However, economic recovery remained uneven during the Reporting Period as consumption-based activities and exports of goods has improved over the same period last year while tourism remained at a standstill due to restriction on cross-border travels imposed by the government.

The Group’s major business segments during the Reporting Period comprise:

- (a) the property development and investment business segment, which is engaged in property development of residential and commercial properties and the holding of investment properties;
- (b) the trading business segment, which is engaged in the trading of medical equipment and home security and automation products, including the provision of related installation; and
- (c) the “others” segment, which comprises, principally, the operation of a hotel.

BUSINESS REVIEW (CONTINUED)

The Group's turnover for the period ended 30 September 2021 recorded at approximately HK\$53,402,000 (six months ended 30 September 2020: HK\$46,783,000), representing an increase of approximately 14% compared with the corresponding period last year.

Property development and investment business

The Group's turnover for the Reporting Period from this segment recorded at approximately HK\$17,235,000 (six months ended 30 September 2020: HK\$23,823,000), representing a decrease of approximately 28% as compared with the corresponding period last year. The turnover from this segment is arising from sales of properties in the PRC and rental income from investment properties located in the PRC.

(i) Sales of properties

Turnover decreased significantly from approximately HK\$13,550,000 for the period ended 30 September 2020 to approximately HK\$5,385,000 for the Reporting Period, representing a significant decrease of approximately 60%. The sales for both periods were mainly contributed by the sales of remaining residential units at World Expo Plaza in Kaifeng, the PRC ("**World Expo**").

The process of seeking for potential buyers for the remaining properties were delayed due to the general slowdown in the property market in the PRC. The domestic property market was basically frozen due to the impact from the outbreak of the COVID-19 Pandemic. The pre-sale arrangement for the residential area of Section G of Century Place, Kaifeng, the PRC commenced since May 2021, and the related sales revenue will be recognised during the year ending 31 March 2022, subject to the progress of the construction and completion of sales.

(ii) Rental income from investment properties

Turnover from rental income increased from approximately HK\$10,273,000 for the six months ended 30 September 2020 to approximately HK\$11,850,000 for the Reporting Period, representing an increase of approximately 15%. The increase was because of rental concession provided to one of the Group's major shopping mall tenant in Kaifeng in last reporting period due to the decrease of customers under the COVID-19 Pandemic, while no such rental concession was provided in this Reporting Period.

BUSINESS REVIEW (CONTINUED)

Property development and investment business (Continued)

Segment operating profit generated from this segment for the Reporting Period amounted to approximately HK\$3,463,000 (six months ended 30 September 2020: approximately HK\$905,000). The increase was because of the other income from a local bureau in Kaifeng for the recharge of construction costs on certain structures constructed by the Group in prior years upon request of the bureau. The construction works comprised a memorial square known as 守望閣 and a Confucius Statue outside the Zhu Ji Lane project in Kaifeng, the PRC for tourism purpose.

Trading business

The Group's turnover for the Reporting Period from this segment recorded at approximately HK\$30,758,000 (six months ended 30 September 2020: HK\$22,960,000), representing an increase of approximately 34% as compared with last reporting period.

The turnover generated from this segment arises from the trading of medical equipment, wellness and pandemic prevention products and home security and automation products, including the provision of the related installation and maintenance services.

(i) *Trading of medical equipment, wellness and pandemic prevention products*

Turnover increased from approximately HK\$16,410,000 for the six months ended 30 September 2020 to approximately HK\$22,519,000 for the Reporting Period, representing an increase of approximately 37%. The increase was because of the installation of a Hydrotherapy Pool at Haven of Hope Hospital in Hong Kong during the Reporting Period which contributed HK\$4.2 million sales to the Group. The COVID-19 Pandemic also caused the increase in awareness and demand for medical products.

(ii) *Trading of home security and automation products*

Turnover increased from approximately HK\$6,550,000 for the six months ended 30 September 2020 to approximately HK\$8,239,000 for the Reporting Period, representing an increase of approximately 26%. The increase was because of the recovery of PRC market and the increase in demand of security products.

BUSINESS REVIEW (CONTINUED)

Trading business (Continued)

Segment operating profit generated from this segment for the Reporting Period amounted to approximately HK\$4,693,000 (six months ended 30 September 2020: HK\$734,000). The increase was due to an increase in sales of medical equipment, wellness and pandemic prevention products.

“Others” business, principally operation of a hotel

The Group’s turnover for the Reporting Period generated from this segment recorded at approximately HK\$5,409,000 (2020: Nil (restated)), representing an increase of 100% as compared to the same period last year. The turnover generated from this segment arises mainly from the operation of a hotel. The hotel operation business has been operating since January 2020. The Group has operated one hotel, namely Holiday Inn Express Kaifeng City Center (“**Holiday Inn Express Kaifeng**”) during the Reporting Period with a turnover of approximately HK\$5,409,000.

Holiday Inn Express Kaifeng is located in the city centre of Kaifeng, with a total gross floor area of approximately 14,000 sq.m.. It consists of 243 guest rooms, including 100 king bed standard rooms, 106 single bed standard rooms, 18 king bed superior rooms, 18 single bed superior rooms and 1 suite. There are also 3 meeting rooms with a total gross floor area of approximately 460 sq.m..

Segment operating loss generated from this segment during the Reporting Period amounted to approximately HK\$2,036,000 (2020: HK\$1,799,000 (restated)). The loss was mainly due to the depreciation expense of the hotel and the operating loss of the hotel operation.

The increase of segment operating loss was because more fixed costs were incurred for the operation of the hotel during this Reporting Period even though low occupancy rate was noted. The hotel sector is still very sensitive to the ongoing COVID-19 Pandemic. The Group adheres to the strictest health and safety standards and is concurrently preparing for travellers to return upon relaxation of travel restrictions.

BUSINESS REVIEW (CONTINUED)

“Others” business, principally operation of a hotel (Continued)

The net loss attributable to owners of the Company for the Reporting Period amounted to approximately HK\$8,347,000 as compared with that for the six months ended 30 September 2020 of approximately HK\$9,394,000. The decrease in loss was due to (i) the increase in the sales of medical equipment; and (ii) the fair value gain recognised from the Group’s equity investments at fair value through profit or loss as a result of the disposal of all the remaining underlying properties held by one of the equity investments. The above was partly offset by the increase in finance costs as more loans were outstanding during the Reporting Period.

Loss per share for the six months ended 30 September 2021 was approximately HK0.85 cents.

FINANCIAL REVIEW

Turnover

For the six months ended 30 September 2021, the Group’s turnover amounted to approximately HK\$53 million, increased by approximately 14% as compared to the same period last year. Such increase was mainly contributed by the increase in sales of the Group’s trading business.

Turnover generated from property development and investment business, trading business and others business amounted to approximately HK\$17 million, approximately HK\$31 million and approximately HK\$5 million, respectively, representing a decrease of approximately 28%, an increase of approximately 34% and an increase of 100%, respectively as compared with the same period last year.

Gross profit margin

During the six months ended 30 September 2021, the Group’s gross profit margin was approximately 50%, up by 5 percentage points as compared to 45% of the same period last year. This was mainly driven by the larger proportion of rental income included in turnover from property development and investment business segment in the Reporting Period as compared with the same period last year, increasing from approximately 43% to approximately 69%. The gross profit margin of the rental income was much higher than that of the sales of properties. As a result, overall gross profit margin was higher in the Reporting Period.

FINANCIAL REVIEW (CONTINUED)

Other operating income/(expenses), net

The amount increased from net expenses of approximately HK\$1.9 million for the six months ended 30 September 2020 to net income of approximately HK\$2.7 million for the six months ended 30 September 2021. The change is because the Group has recognised a fair value gain of approximately HK\$2.3 million from the disposal of all the remaining underlying properties held by one of the Group's equity investments at fair value through profit or loss, which were located at Wuyi Road, Changning District, Shanghai, the PRC ("Project Embassy"), during the Reporting Period.

Liquidity and financial resources

During the Reporting Period, the Group maintained a healthy liquidity position with working capital financed mainly by internal resources and also bank and other borrowings. The Group adopted a prudent cash and financial management policy. The Group's strategy is to improve its liquidity and financial position by speeding up the pre-sale at Section G of Century Place, Kaifeng, the PRC and exploring opportunities actively for the disposal of the commercial project at Haikou, the PRC.

As at 30 September 2021, the Group had total assets of approximately HK\$2,438,792,000, which have been financed by total liabilities, shareholders' equity and non-controlling interests of approximately HK\$834,329,000, approximately HK\$1,607,514,000 and debit balance of approximately HK\$3,051,000, respectively. The Group's current ratio at 30 September 2021 was 2.11 compared to 2.24 as at 31 March 2021.

Gearing ratio is calculated by the total interest-bearing debts less cash and cash equivalents divided by the total equity as at the end of the respective reporting periods and multiplied by 100%. The Group had a net gearing ratio of approximately 29% as at 30 September 2021 (31 March 2021: 29%). We analysed the maturity profiles of our borrowings and manage our liquidity level to ensure a sufficient cash flow to service our indebtedness and meet cash requirements arising from our business. We will explore various financing opportunities to improve our capital structure and reduce our cost of capital.

Capital expenditure

Total capital expenditure for the six months ended 30 September 2021 was approximately HK\$2,671,000, which were mainly used in the acquisition of items of property, plant and equipment for the hotel in Kaifeng, the PRC.

FINANCIAL REVIEW (CONTINUED)

Contingent liabilities

At the end of the reporting date, there were no significant contingent liabilities for the Group.

Commitments

At the end of the reporting date, the Group had capital commitments contracted, but not provided for, of approximately HK\$8,946,000.

Charges on group assets

The Group's banking facilities are secured by:

- (i) the pledge of certain of the Group's leasehold land and buildings situated in Hong Kong and the PRC of HK\$290,484,000 (31 March 2021: HK\$291,180,000);
- (ii) the pledge of certain of the Group's investment properties situated in the PRC of HK\$583,200,000 (31 March 2021: HK\$573,480,000);
- (iii) the pledge of certain of the Group's properties held for sale and properties held for sale under development situated in the PRC of HK\$170,640,000 (31 March 2021: HK\$167,796,000);
- (iv) the assignment of rental income from the leases of certain of the Group's properties; and
- (v) the pledge of the Group's time deposits of HK\$4,500,000 (31 March 2021: HK\$2,500,000).

Treasury policies

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the Reporting Period. The Group strives to reduce exposure to credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

FINANCIAL REVIEW (CONTINUED)

Exchange risk exposure

The Group mainly exposes to balances denominated in Renminbi (“RMB”) which is mainly arising from relevant group entities’ foreign currency denominated monetary assets and liabilities for the Group’s operating activities.

The Group currently does not have a foreign currency hedging policy to eliminate the currency exposures. However, the management monitors the related foreign currency exposure closely and will consider hedging against significant foreign currency exposures should the need arise.

PROSPECTS

The Group has been undertaking a number of measures to improve the Group’s liquidity and financial position, which include:

- (i) Subsequent to 30 September 2021, the Group has proposed to implement the rights issue on the basis of one rights share for every two existing shares held by the qualifying shareholders on the record date at the subscription price of HK\$0.10 per rights share, to raise gross proceeds of up to approximately HK\$49.9 million before expenses;
- (ii) The expected substantial sales of properties at Section G of Century Place, Kaifeng, the PRC in the second half of the year ending 31 March 2022;
- (iii) The Group has intended to speed up the pre-sale and sales of properties under development and completed properties and investment properties; and controlling costs and containing capital expenditures so as to generate adequate net cash inflows; and
- (iv) In light of the COVID-19 Pandemic, the Group is closely monitoring the latest development and will continue to assess the impact of the pandemic; as well as any government’s stimulus in response on the Group’s operations from time to time and adjust its sale and marketing strategies for its properties sales to generate sufficient cashflows from its operation.

PROSPECTS (CONTINUED)

Property development and investment

Looking forward to 2022, with the recovery of the global economy, the rollout of the massive COVID-19 vaccination programme and the ease of the tension between the United States and China, China is going to embrace a new historic development opportunity. Meanwhile, 2021 marks the first year of the “14th Five-Year Plan” of Mainland China, and it is also the year to witness the achievement of the first centenary goal and the commencement of the second centenary goal. The business sector is generally optimistic about the development prospect of the PRC economy in the remaining period for the year ending 31 March 2022, and is confident about the growth potential of the Chinese companies. As opportunities and challenges coexist, the Group will take measures to overcome challenges and capture opportunities, and remain prudent and pragmatic while actively explore new concepts to strive for new development dimensions with high quality and profit growth.

Century Place, Kaifeng

On 9 June 2005, the Group was granted the land use rights of a development site in the Long Ting District of the city of Kaifeng, Henan Province, the PRC, which has been developed into a residential and commercial complex with an estimated gross floor area of approximately 210,500 sq.m.. The name of this project is “Century Place, Kaifeng”. Up to the date of this interim report, the construction of a gross floor area of approximately 190,000 sq.m. has been completed and achieved a total sales contract sum of approximately RMB767 million. The remaining part of the land (Section G) is under construction, and it is expected that the construction will be completed by the last quarter of 2021 and the pre-sale has already started in May 2021. The Group expects to start recognising the sales during the year ending 31 March 2022.

PROSPECTS (CONTINUED)

Century Place, Kaifeng (Continued)

The unsold area at the Century Place, Kaifeng consists of the following:

	CURRENT USE	GROSS FLOOR AREA <i>(approximately sq.m.)</i>
Section A	Investment properties — Shops (leased out)	53,600
Section B	Properties held for sale — Apartments	200
	Car park	78
Section C	Properties held for sale — Villas	6,000
Section D	Properties held for sale — Offices	1,200
	Car park	10
Section E	Properties held for sale — Shops	350
Section F	Properties held for sale — Shops	11,100
	Car park	89
Section G	Properties held for sale under development — Apartments and shops	20,500

The Group plans to sell Section C together with Section G. It is because these two sections are adjacent to each other and it is believed that the synergy effect can bring a higher return to the Group. Up to the date of this interim report, the discussions regarding any potential sale remained preliminary and no formal proposal has been put forward by any third party to the Group and no legally binding agreement or contract relating to any business cooperation has been entered into by the Group. The outcome of any discussion on such business cooperation is not known as of the date of this interim report and in the event that any agreement or contract regarding the possible business cooperation with the aforementioned third party is reached, the Group will comply with the relevant requirements of the Listing Rules.

Up to the date of this interim report, the total contract sum from the pre-sale of Section G properties amounted to approximately RMB24 million (equivalent to approximately HK\$29 million).

PROSPECTS (CONTINUED)

World Expo, Kaifeng

On 16 February 2012, the Group successfully won a bid for the acquisition of the land use right of a residential and commercial site in the city of Kaifeng, the PRC, which has been developed into a residential and commercial complex with an estimated gross floor area of approximately 95,000 sq.m.. The name of this project is “World Expo, Kaifeng”. Up to the date of this interim report, this project has been completed and achieved a total sales contract sum of approximately RMB564 million.

The unsold area at the World Expo, Kaifeng consists of the following:

CURRENT USE	GROSS FLOOR AREA (approximately sq.m.)
Commercial A Property, plant and equipment — Hotel	14,000
Commercial B Properties held for sale — Shops	8,900
Residential 1–3 Properties held for sale — Apartments	6,500
Car park	147

Formation of companies for the property investment and/or redevelopment in Shanghai

In 2019, the Group has invested in two property projects in Shanghai, being the property redevelopment of residential apartments at Wuyi Road, Changning District, Shanghai, the PRC (“**Project Embassy**”) and the property redevelopment of offices and carparks at West Huaihai Road, Changning District, Shanghai, the PRC (“**Project Stone**”).

During the Reporting Period, Project Embassy sold all remaining properties and the Group has recognised a corresponding fair value gain of approximately HK\$2.3 million from this investment.

PROSPECTS (CONTINUED)

Formation of companies for the property investment and/or redevelopment in Shanghai (Continued)

As at 30 September 2021, the aggregate carrying amount of these two projects was approximately HK\$13,172,000 (31 March 2021: HK\$16,601,000).

Project Stone is an office building, known as Shanghai City Point. It is a grade A mixed-use building located at Changning District. The building contains four floors with total gross floor area of approximately 6,668 sq.m. and five underground parking spaces. This project is co-invested with the same independent third party as Project Embassy through a company registered in the British Virgin Islands (“BVI”) in which the Group has 5% equity interest. During the Reporting Period, all properties under Project Stone were leased to third parties for rental income.

As the Group does not have significant influence over Project Stone and Project Embassy, the investments are classified as equity investments at fair value through profit or loss.

Regarding the Starway Parkview South Station Hotel project (“**Project Parkview**”), it is located in Xuhui West Bund area, adjacent to Shanghai Botanical Garden. The hotel was built in 2003 with a total gross floor area of approximately 7,319 sq.m. and 56 rooms. It is co-invested with an independent third party and the Group has 30% equity interest, which is accounted for as an associate. The hotel has been converted into 66-room serviced apartments with plenty of shared common area combined with mixed retail and modern gym, swimming pool and tennis court. The renovation works of Project Parkview have been completed and it was renamed as “Cohost West Bund”, a co-living apartment in Shanghai and the Group will focus on its asset management and leasing business of Project Parkview. A sale and purchase agreement has been entered with an independent third party in October 2021 for the disposal of the entire equity interests in Project Parkview, including the Group’s 30% equity interest, to this third party buyer. The transaction is expected to be completed in January 2022 and the Group expects to realise a profit from this disposal by means of a dividend income from the associate.

In anticipation of the uncertain and challenging economic environment and volatility in the market ahead, the Group will continue to adopt a cautious and proactive approach in managing its core investments and to look for sound and stable investment opportunities to produce sustainable returns to the Company’s shareholders.

PROSPECTS (CONTINUED)

Participation in a real estate investment fund

On 23 April 2019, the Group has entered into a general-partner shareholders' agreement with Gusto Brave Limited, a representative entity of Pamfleet Group ("**Pamfleet**") (which is a member of Schroders Capital), and Pamfleet China GP II Limited ("**Pamfleet China**") to act as a general partner of a fund manager for property investment.

The Group owns 30% equity interest in Pamfleet China. Pamfleet is an independent and privately-owned real estate investment advisor with offices in Hong Kong, Singapore and Shanghai. Pamfleet's experienced team seeks to create long-term value through knowledgeable deal sourcing, disciplined acquisitions, active asset management, rebranding and refurbishment with an emphasis on design, anticipating tenant and community requirements and delivering good value for money. Members of the management team of Pamfleet have been involved in the selection and management of real estate investments throughout Asia for over 20 years.

Pamfleet and the Group operate with a flat organisational structure, which allows and encourages collaboration.

Up to the end of the Reporting Period, the fund managed by Pamfleet China is Pamfleet Shanghai Real Estate Fund II ("**PSREFII**"). The Group has also acted as a limited partner (holds 1.5%) of PSREFII. PSREFII seeks to capitalise on Pamfleet's track record of its successful investments in under-performing, under-priced and distressed real estate with repositioning and value-add potential in Shanghai and other tier-one cities in Mainland China. The investment strategy of PSREFII is to identify, structure and execute successful asset repositioning investments in Shanghai and other tier-one cities in Mainland China. Up to the end of the Reporting Period, the total investment made by the Group was approximately HK\$6 million.

PROSPECTS *(CONTINUED)*

Participation in a real estate investment fund (Continued)

As at 30 September 2021, the carrying amount of this investment in the real estate investment fund was approximately HK\$3,794,000 (31 March 2021: HK\$3,794,000).

Up to the end of the Reporting Period, there was only one project operated by PSREFII in Shanghai, namely Project Hub.

The property is located at the junction of Daning Road and Gonghexin Road within Daning Commercial Area of Jing An District, Shanghai. It has 4 blocks of office building with a total gross floor area of approximately 37,547 sq.m.. It is expected to generate higher rental income after refurbishment.

Trading of medical equipment and home security and automation products

The increasing standard of living around the globe, especially in Hong Kong and major cities in the PRC, and increasing health awareness, in particular from high-income consumers living in urban areas, together create additional demand for medical equipment. Consequently, this segment is expected to continue to be a worthwhile investment. In the coming reporting period, we will expand our distribution channels and introduce a broader range of products to boost sales growth.

In addition, with the improving standard of living and technology in Hong Kong, major cities in the PRC and Southeast Asia, the Group aims to provide a series of solutions to smart city development for shopping malls, government facilities, border and airport, etc.

The Group has set up a new subsidiary for the trading of wellness and pandemic prevention products. Due to the COVID-19 Pandemic, the Group will increase the range of products to fulfill the demand of the society.

PROSPECTS (CONTINUED)

Trading of medical equipment and home security and automation products (Continued)

During the Reporting Period, the Group is the sole distributor in Hong Kong for a medical-grade air purifier developed by a team of Hong Kong air quality experts and medical professionals which has passed the “AHAM” (United States) and “CNAS” (China) standards, known as Perfect Particulates Purification (“PPP”). PPP is equipped with patented PPP Kill Virus Blue High Efficiency Particulate Air Filter Sterilisation Technologies to effectively kill the Coronavirus Disease, SARS-COV-2 and human pneumonia viruses. At present, several government departments have adopted the abovementioned PPP air purifiers to provide a safe, comfortable, clean and sterile environment for the public.

The Group will continue to adopt efficacious cost management strategies and maintain tight credit control measures to cope with challenges and to improve competitiveness within the volatile operating environment. The Directors will continue to make every effort to maximise the interests of the shareholders of the Company.

Hotel operation

The Group is taking all practicable measures to cope with the challenges. The first priority is to deliver a feeling of safety to our guests. Therefore, we are putting in place strict sanitisation and hygiene protocol to ensure guests returning to stay or dine in the hotel will have complete peace of mind and full assurance in the hotel’s products and services. Moreover, we are introducing marketing and sales recovery strategies to target the domestic market for staycation and food menu for takeaway, and at the same time, taking decisive decision to reduce operating costs. The Group will continue to improve the quality of its hotel services to ensure the hotel guests having enjoyable experiences during their stays in the hotel.

Objectives for the coming 2022 are as follows: (1) we will continue to improve our investment portfolio through the acquisition of quality properties in Hong Kong at attractive price and disposals of more mature properties in order to balance the demands of short-term returns and long-term capital appreciation; (2) we will review our management system and cost structure so as to improve efficiency and reduce expenses where possible; (3) we will consider gearing up our projects in a responsible manner in order to increase our return on equity; and (4) we will further develop the business of trading of medical equipment and more variety of security products, as well as further explore new trading business.

SIGNIFICANT INVESTMENT HELD, MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES

During the Reporting Period, there has been no other significant investment held, material acquisition and disposal of subsidiaries and affiliated companies by the Group.

FUTURE PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSETS

Save as disclosed in this interim report, the Group did not have other plans for material investment or capital assets as at 30 September 2021.

HUMAN RESOURCES

As at 30 September 2021, the Group had 190 employees, 131 of whom were based in the PRC. The total employee benefits expenses including directors' emoluments for the Reporting Period increased to approximately HK\$18 million from approximately HK\$17 million in the same period last year. The increase was mainly due to (i) the commencement of the operation of Holiday Inn Express Kaifeng in January 2020; and (ii) the commencement of trading of wellness and pandemic prevention products during the Reporting Period and more part-time promoters were recruited for the promotion.

The remuneration policy and package of the Group's employees are reviewed and approved by the Directors. Apart from pension funds, in order to attract and retain capable and motivated workforce, the Group offers discretionary bonuses and share options to staff based on their individual performance and the achievements in relation to the Group's targets.

SHARE OPTION SCHEME

On 13 August 2012, the share option scheme of the Company adopted on 14 August 2002 ceased to operate and a new share option scheme (the "Scheme") was adopted on 15 August 2012 to comply with the requirements of Chapter 17 of the Listing Rules regarding share option schemes of a company. There was no outstanding share option under the old scheme upon its cessation.

SHARE OPTION SCHEME (CONTINUED)

The Company operates the Scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the Company's directors (including independent non-executive directors), the Company's shareholders and other employees of the Group. The Scheme became effective on 15 August 2012 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Group at the adoption date of the Scheme. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. 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, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HK\$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 30 days from the date of offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. An option may be exercised under the Scheme at any time during a period not exceeding 10 years after the date when the option is granted and will expire on the last date of such period.

The exercise price of the share options is determinable by the directors, but may not be less than the highest of (i) the Stock Exchange closing price of the Company's shares on the date of offer of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of offer; and (iii) the nominal value of an ordinary share.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

SHARE OPTION SCHEME (CONTINUED)

The following share options were outstanding under the Scheme during the year:

Name or category of participant	Number of share options			Date of grant of share options	Exercise period of share options	Price of the Company's shares**	
	At 1 April 2021	Granted during the period	At 30 September 2021			Exercise price of share options* HK\$ per share	At grant date of options HK\$ per share
Directors:							
Mr. Tjia Boen Sien***	800,000	—	800,000	27 November 2020	27 November 2020 to 26 November 2022	0.125	0.113
Mr. Wang Jing Ning***	9,000,000	—	9,000,000	27 November 2020	27 November 2020 to 26 November 2022	0.125	0.113
Mr. Tjia Wai Yip, William***	8,000,000	—	8,000,000	27 November 2020	27 November 2020 to 26 November 2022	0.125	0.113
Dr. Ho Chung Tai, Raymond	800,000	—	800,000	27 November 2020	27 November 2020 to 26 November 2022	0.125	0.113
Ir Siu Man Po	800,000	—	800,000	27 November 2020	27 November 2020 to 26 November 2022	0.125	0.113
Mr. Siu Kam Chau	800,000	—	800,000	27 November 2020	27 November 2020 to 26 November 2022	0.125	0.113
	<u>20,200,000</u>	<u>—</u>	<u>20,200,000</u>				

SHARE OPTION SCHEME (CONTINUED)

Name or category of participant	Number of share options			Date of grant of share options	Exercise period of share options	Price of the Company's shares**	
	At 1 April 2021	Granted during the period	At 30 September 2021			Exercise price of share options* HK\$ per share	At grant date of options HK\$ per share
Other employees, in aggregate	6,000,000	—	6,000,000	27 November 2020	27 November 2020 to 26 November 2022	0.125	0.113
	6,250,000	—	6,250,000	27 November 2020	27 November 2020 to 26 November 2021	0.125	0.113
	6,250,000	—	6,250,000	27 November 2020	27 November 2021 to 26 November 2022	0.125	0.113
	<u>18,500,000</u>	<u>—</u>	<u>18,500,000</u>				
Total	<u>38,700,000</u>	<u>—</u>	<u>38,700,000</u>				

* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

** The price of the Company's shares disclosed as at the date of grant of the share options is the Stock Exchange closing price on the trading day immediately prior to the date of grant of the options. The price of the Company's shares disclosed immediately before the exercise date of the share options is the weighted average of the Stock Exchange closing price immediately before the dates on which the options were exercised over all of the exercises of options within the disclosure line.

*** On 1 November 2021, each of Mr. Tjia Boen Sien, Mr. Wang Jing Ning, Mr. Tjia Wai Yip, William, has given his undertaking to the Company to the effect that he will not exercise any of his share options as from 1 November 2021 and up to 26 November 2022.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, AND UNDERLYING SHARES

At 30 September 2021, the interests and short positions of the Directors in the share capital and share option of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the “SFO”), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests and short positions which he would be deemed or taken to have under Section 344 and 345 of the SFO) or pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

Long positions in the ordinary shares of the Company:

Name of Directors	Number of shares held, capacity and nature of interest				Percentage of the Company's issued share capital
	Directly beneficially owned	Through controlled corporation	Share options <i>(Note 1)</i>	Total	
Mr. Tjia Boen Sien (“Mr. Tjia”) <i>(Note 2)</i>	86,001,600(L)	349,935,000(L)	800,000	436,736,600	44.66
Mr. Wang Jing Ning	26,429,400(L)	—	9,000,000	35,429,400	3.62
Mr. Tjia Wai Yip, William	2,400,000(L)	—	8,000,000	10,400,000	1.06
Dr. Ho Chung Tai, Raymond	727,500(L)	—	800,000	1,527,500	0.16
Ir Siu Man Po	920,000(L)	—	800,000	1,720,000	0.18
Mr. Siu Kam Chau	—	—	800,000	800,000	0.08

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, AND UNDERLYING SHARES (CONTINUED)

Notes:

1. The share options were granted on 27 November 2020 with consideration of HK\$1 under the Scheme (defined below in section headed “**Share Option Scheme**” adopted by the Company. The above share options could be exercised from the date of grant to 26 November 2022 in accordance with the rules of the Scheme to subscribe for ordinary shares of HK\$0.10 each in the Company at an initial exercise price of HK\$0.125 per share. On 1 November 2021, each of Mr. Tjia Boen Sien, Mr. Wang Jing Ning, Mr. Tjia Wai Yip, William, has given his undertaking to the Company to the effect that he will not exercise any of his share options as from 1 November 2021 and up to 26 November 2022.
2. Sparta Assets Limited (“**Sparta Assets**”), a company incorporated in the British Virgin Islands (“**BVI**”) and wholly-owned by Mr. Tjia, is beneficially interested in 349,935,000 shares of the Company. Accordingly, Mr. Tjia is deemed to be interested in 349,935,000 shares of the Company held by Sparta Assets by virtue of the SFO.
3. The letter “L” denotes the person’s long position in the relevant shares of the Company.

Long positions in ordinary shares of Sparta Assets:

Name of Director	Number of shares held, capacity and nature of interest			Percentage of the Sparta Assets issued share capital
	Directly beneficially owned	Through controlled corporation	Total	
Mr. Tjia*	1,000	—	1,000	100.00

* Sparta Assets, a company incorporated in the BVI and wholly-owned by Mr. Tjia, is beneficially interested in 349,935,000 ordinary shares of the Company.

The interests of the Directors in the share options of the Company are separately disclosed in the section headed “**Share Option Scheme**”.

Save as disclosed above and in the section headed “**Share Option Scheme**”, none of the Directors had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

DISCLOSURE OF DIRECTORS' INFORMATION UNDER RULE 13.51B(1) OF THE LISTING RULES

The following is the change in the information of the Directors since the annual report of the Company dated 29 June 2021, which is required to be disclosed pursuant to the Rule 13.51B(1) of the Listing Rules:

Dr. Ho Chung Tai, Raymond

Dr. Ho Chung Tai, Raymond resigned as an independent non-executive director of Fu Shek Financial Holdings Limited (stock code: 2263), a company with its shares listed on the main board of the Stock Exchange, on 1 October 2021.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the heading **"Directors' interests and short positions in shares, and underlying shares"** above and in the share option scheme disclosures in section headed **"Share option scheme"**, at no time during the six months ended 30 September 2021 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSON'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 30 September 2021, so far as is known to the Directors of the Company, the following persons/entities (other than the Directors or chief executives of the Company) had an interest or short position in shares or underlying shares of the Company which would fall to be disclosed to the Company under Division 2 and 3 of part XV of the SFO or as recorded in the register of interests of the Company required to be kept pursuant to Section 336 of the SFO:

Long positions:

Name	Capacity and nature of interest	Number of ordinary/ underlying ordinary shares held	Percentage of the Company's issued share capital
Sparta Assets (<i>Note 1</i>)	Beneficial Owner	349,935,000(L)	35.79
Granda Overseas Holding Co., Ltd. (" Granda ") (<i>Note 2</i>)	Beneficial Owner	173,698,740(L)	17.76
Mr. Chen Huofa	Interests of controlled corporation	173,698,740(L)	17.76

Notes:

1. Sparta Assets, a company incorporated in the BVI and wholly-owned by Mr. Tjia, is beneficially interested in 349,935,000 ordinary shares of the Company.
2. Granda, a company incorporated in the BVI and wholly-owned by Mr. Chen Huofa, is beneficially interested in 173,698,740 ordinary shares of the Company.
3. The letter "L" denotes the person's long position in the relevant shares of the Company.

Save as disclosed above, no person, other than the Directors of the Company, whose interests are set out in the section "**Directors' interests and short positions in shares, and underlying shares**" above, as at 30 September 2021, had registered an interest or short position in the shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

INTERIM DIVIDEND

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the Reporting Period.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the six months ended 30 September 2021.

CAPITAL STRUCTURE

There was no change of capital structure of the Company during the six months ended 30 September 2021.

CORPORATE GOVERNANCE

In the Corporate Governance Report which was published in our annual report for the year ended 31 March 2021, the Company's corporate governance practices are based on the principles and the code provisions ("**Code Provisions**") as set out in the Code on Corporate Governance Practices ("**CG Code**") contained in Appendix 14 of the Listing Rules. The Directors consider that the Company has complied with most of the Code Provisions throughout the six months ended 30 September 2021, save for the deviation from the Code Provision A.2.1 and A.4.1, details of which are explained below. The Company regularly reviews its corporate governance practices to ensure that these continue to meet the requirements of the CG Code.

CORPORATE GOVERNANCE (CONTINUED)

Summary of deviation of the CG Code:

Code Provision A.2.1

CG Code Provision A.2.1 requires that the roles of Chairman and chief executive should be separate and should not be performed by the same individual.

The Company has deviated from CG Code Provision A.2.1 to the extent that the roles of chairman and chief executive (or in the context of the Company, the managing director) are performed by Mr. Tjia. Having considered the existing structure and composition of the board and operations of the Group in Hong Kong, the board believes that vesting the roles of both chairman and managing director in Mr. Tjia facilitates the effective implementation and execution of its business strategies by, and ensures a consistent leadership for, the Group. Further, a balance of power and authority between the board and management can be ensured by the operation of the board, whose members (including the three independent non-executive directors) are individuals of high calibre with ample experience, such that the interests of shareholders can be safeguarded. The Company will continue to review the structure and composition of the board from time to time to ensure that a balance of power and authority between the board and management is appropriately maintained for the Group.

Code Provision A.4.1

Code Provision A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election.

The independent non-executive Directors have not been appointed for a specific term. However, all independent non-executive Directors are subject to retirement and rotation once every three years in accordance with the Company's Bye-Laws. As such, the Board considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are comparable with those in the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules.

Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Model Code throughout the six months ended 30 September 2021.

The Company has adopted the same Model Code for securities transactions by employees who are likely to be in possession of unpublished price-sensitive information of the Company.

No incident of non-compliance of the Model Code by the relevant employees was noted by the Company.

AUDIT COMMITTEE

The Company has an audit committee which was established in accordance with the requirements of the CG Code for the purpose of reviewing and providing supervision over the Group’s internal controls, risk management and financial reporting matters including the review of the interim results for the six months ended 30 September 2021, and adequacy of resources and qualifications of the Company’s accounting staff. The audit committee comprises three independent non-executive Directors, namely Dr. Ho Chung Tai, Raymond, Ir Siu Man Po and Mr. Siu Kam Chau. Mr. Siu Kam Chau is the Chairman of the committee.

The interim results of the Group for the six months ended 30 September 2021 have not been reviewed or audited by the Company’s independent auditor. The Audit Committee held a meeting on 29 November 2021. The Audit Committee has considered and reviewed the interim report and interim financial statements of the Group and given their opinion and recommendation to the Board. The Audit Committee considers that the 2021 interim report and interim financial statements of the Group have complied with the applicable accounting standards and the Company has made appropriate disclosures thereof.

NOMINATION COMMITTEE

The Company has a nomination committee which was established in accordance with the requirements of the CG Code for the purpose of reviewing the Board composition and identifying and nominating candidates for appointment to the Board such that it has the relevant appropriate blend of skills, knowledge and experience. The nomination committee currently comprises two executive Directors, namely Mr. Tjia Boen Sien and Mr. Wang Jing Ning, and three independent non-executive Directors, namely Dr. Ho Chung Tai, Raymond, Ir Siu Man Po and Mr. Siu Kam Chau. Ir Siu Man Po is the Chairman of the committee.

REMUNERATION COMMITTEE

The Company has a remuneration committee which was established in accordance with the requirements of the CG Code for the purpose of reviewing the remuneration policy and fixing the remuneration packages for all Directors and chief executives. The remuneration committee currently comprises two executive Directors, namely Mr. Tjia Boen Sien and Mr. Wang Jing Ning, and three independent non-executive Directors, namely Dr. Ho Chung Tai, Raymond, Ir Siu Man Po and Mr. Siu Kam Chau. Mr. Siu Kam Chau is the Chairman of the committee.

EVENT AFTER THE REPORTING PERIOD

Capitalised terms used herein this section shall have the same meanings as those defined in the announcement of the Company dated 1 November 2021.

The Company proposes to implement the Rights Issue on the basis of one Rights Share for every two existing Shares held by the Qualifying Shareholders on the Record Date at the Subscription Price of HK\$0.10 per Rights Share, to raise gross proceeds up to approximately HK\$49.9 million before expenses by way of rights issue of 499,390,200 Rights Shares (assuming all outstanding Share Options (other than the Share Options held by the Optionholders) are being exercised and no other change in the share capital of the Company on or before the Record Date). The net proceeds from the Rights Issue (after deducting the estimated expenses) are estimated to be not more than approximately HK\$48.0 million. Assuming the net proceeds from the Rights Issue will amount to approximately HK\$48.0 million, the Company intends to apply the net proceeds as to (i) approximately HK\$38.0 million for repayment of unsecured loans by the Group; and (ii) approximately HK\$10.0 million as general working capital. In the event that there is an under-subscription of the Rights Issue, the net proceeds of the Rights Issue will be utilised in proportion to the above uses.

For details, please refer to the announcement of the Company dated 1 November 2021.

BOARD OF DIRECTORS

As at the date of this report, the executive Directors of the Company are Mr. Tjia, Mr. Wang Jing Ning and Mr. Tjia Wai Yip, William, the independent non-executive Directors of the Company are Dr. Ho Chung Tai, Raymond, Ir Siu Man Po and Mr. Siu Kam Chau.

By Order of the Board
Tjia Boen Sien
Managing Director and Chairman

Hong Kong, 29 November 2021