德泰新能源集團有限公司
DeTai New Energy Group Limited

(Incorporated in Bermuda with limited liability)
(Stock Code: 559)

2019/2020 INTERIM RESULTS ANNOUNCEMENT

The board (the "Board") of directors (the "Directors") of DeTai New Energy Group Limited (the "Company") hereby announces the unaudited consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 31 December 2019 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 31 December 2019

		For the six months ended 31 December	
		2019	2018
	Notes	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
Turnover	*3*	**28,107**	31,311
Cost of sales		**(11,774)**	(11,073)
Gross profit		**16,333**	20,238
Other income and gains or losses	*4*	**8,239**	191
Gain on disposal of subsidiaries	*5*	**8,512**	880
General and administrative expenses		**(35,328)**	(47,920)
Selling and distribution expenses		**(1,051)**	(1,040)
Finance costs	*6*	**(901)**	(618)
Share of loss of an associate	*13*	**(208)**	–
Impairment loss on loans receivable	*19*	**(366)**	(29,401)
Impairment loss on intangible assets	*14*	**–**	(6,569)
Loss before taxation	*7*	**(4,770)**	(64,239)
Taxation	*8*	**519**	2,143
Loss for the period		**(4,251)**	(62,096)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(Continued)
For the six months ended 31 December 2019

	Note	For the six months ended 31 December 2019 HK$'000 (Unaudited)	2018 HK$'000 (Unaudited)
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss			
Exchange differences arising on translation of financial statements of foreign operations		**(3,020)**	7,468
Release of exchange reserve upon disposal of subsidiaries		**(3,910)**	–
Item that will not be subsequently reclassified to profit or loss			
Changes in fair value of equity investments at fair value through other comprehensive income		**–**	2,647
Other comprehensive income for the period		**(6,930)**	10,115
Total comprehensive income for the period		**(11,181)**	(51,981)
Loss for the period attributable to:			
Owners of the Company		**(2,224)**	(53,896)
Non-controlling interests		**(2,027)**	(8,200)
		(4,251)	(62,096)
Total comprehensive income for the period attributable to:			
Owners of the Company		**(9,399)**	(44,941)
Non-controlling interests		**(1,782)**	(7,040)
		(11,181)	(51,981)
Loss per share to owners of the Company	*10*		
— Basic		**HK(0.01) cent**	HK(0.34) cent
— Diluted		**HK(0.01) cent**	HK(0.34) cent

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2019

	Notes	31 December 2019 HK$'000 (Unaudited)	30 June 2019 HK$'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	*11*	**478,363**	487,804
Investment properties	*12*	**18,600**	–
Interests in associates	*13*	**15,392**	–
Intangible assets	*14*	**–**	–
Goodwill	*15*	**56,384**	57,150
Right-of-use assets	*16*	**1,310**	–
Loans receivable	*19*	**19,143**	–
Financial assets at fair value through profit or loss	*17*	**58,161**	110,015
Total non-current assets		**647,353**	654,969
Current assets			
Inventories		**47,915**	50,888
Trade receivables, other receivables, deposits and prepayments	*18*	**38,849**	28,523
Loans receivable	*19*	**54,813**	92,349
Amount due from non-controlling interests	*27*	**–**	29,369
Financial assets at fair value through profit or loss	*17*	**70,876**	20,000
Pledged bank balances	*26*	**1,325**	1,872
Bank balances and cash		**375,202**	302,424
		588,980	525,425
Assets of a disposal group held for sale	*20*	**–**	91,555
Total current assets		**588,980**	616,980
Current liabilities			
Trade payables, other advances and accruals	*21*	**14,871**	17,563
Contract liabilities		**4,190**	2,794
Borrowings	*22*	**22,493**	10,766
Lease liabilities	*23*	**1,785**	–
Amount due to non-controlling interests	*24*	**41,625**	70,275
Tax payable		**2,618**	2,618
		87,582	104,016
Liabilities of a disposal group held for sale	*20*	**–**	402
Total current liabilities		**87,582**	104,418

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(Continued)
As at 31 December 2019

	Notes	**31 December 2019** *HK$'000* **(Unaudited)**	30 June 2019 *HK$'000* (Audited)
Net current assets		**501,398**	512,562
Total assets less current liabilities		**1,148,751**	1,167,531
Non-current liabilities			
Borrowings	*22*	**122,826**	128,961
Lease liabilities	*23*	**1,995**	–
Deferred tax liabilities		**70,442**	71,928
Total non-current liabilities		**195,263**	200,889
Net assets		**953,488**	966,642
EQUITY			
Share capital	*25*	**784,776**	784,776
Reserves		**213,058**	256,987
Equity attributable to owners of the Company		**997,834**	1,041,763
Non-controlling interests		**(44,346)**	(75,121)
Total equity		**953,488**	966,642

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2019

1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements of the Group have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The unaudited condensed consolidated interim financial statements have been prepared under the historical cost basis except for certain financial instruments, which are measured at fair value.

These unaudited condensed consolidated interim financial statements should be read in conjunction with the audited consolidated financial statements of the Group for the year ended 30 June 2019. The accounting policies used in the unaudited condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group's consolidated financial statements for the year ended 30 June 2019, except for the adoption of the new or amended Hong Kong Financial Reporting Standards ("HKFRSs"), which include individual HKFRSs, HKAS and Interpretations ("Int"). The Group has not early adopted any new HKFRSs that have been issued but are not yet effective.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS

2.1 Adoption of new/revised HKFRSs

In the current period, the Group has applied for the first time the following new standards, amendments and interpretations ("the new HKFRSs") issued by the HKICPA, which are relevant to and effective for the Group's condensed consolidated financial statements for the annual period beginning on 1 July 2019:

HKFRS 16	Leases
HK(IFRIC)-Interpretation 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23	Annual Improvements to HKFRSs 2015–2017 Cycle

Except for the effect stated below, the adoption of the new/revised HKFRSs has no material impact on the Group's condensed consolidated financial statements.

HKFRS 16 Lease ("HKFRS 16")

(i) *Impact of the adoption of HKFRS 16*

HKFRS 16 brings significant changes in accounting treatment for lease accounting, primarily for accounting for lessees. It replaces HKAS 17 Leases ("HKAS 17"), HK(IFRIC)-Interpretation 4 Determining whether an Arrangement contains a Lease, HK(SIC)-Interpretation 15 Operating Leases-Incentives and HK(SIC)-Interpretation 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. From a lessee's perspective, almost all leases are recognised in the condensed consolidated statement of financial position as right-of-use assets and lease liabilities, with the narrow exception to this principle for leases which the underlying assets are of low-value or are determined as short-term leases. From a lessor's perspective, the accounting treatment is substantially unchanged from HKAS 17. For details of HKFRS 16 regarding its new definition of a lease, its impact on the Group's accounting policies and the transition method adopted by the Group as allowed under HKFRS 16, please refer to section (ii) to (v) of this note.

The Group has applied HKFRS 16 using the cumulative effect approach and recognised all the cumulative effect of initially applying HKFRS 16 as an adjustment to the opening balance of accumulated losses at the date of initial application. The comparative information presented in 2018 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

The following tables summarised the impact of the adoption of HKFRS 16 on the Group's condensed consolidated statement of financial position as at 1 July 2019 as follows (increase/(decrease)):

	HK$'000
Condensed consolidated statement of financial position as at 1 July 2019	
Right-of-use assets	1,684
Lease liabilities (non-current)	2,891
Lease liabilities (current)	1,842
Total lease liabilities	4,733
Accumulated losses	2,227
Non-controlling interests	(822)

The carrying amount of right-of-use assets as at 1 July 2019 comprises the following:

	HK$'000
Right-of-use assets relating to operating lease recognised upon application of HKFRS 16	4,560
Less: Impairment loss recognised upon initial application of HKFRS 16	(2,876)
Right-of-use assets as at 1 July 2019	1,684

The following reconciliation explains how the operating lease commitments disclosed applying HKAS 17 at the end of 30 June 2019 could be reconciled to the lease liabilities at the date of initial application recognised in the condensed consolidated statement of financial position as at 1 July 2019:

Reconciliation of operating lease commitment to lease liabilities

	HK$'000
Operating lease commitment as of 30 June 2019	5,980
Less: short term leases for which lease terms end within 30 June 2020	(964)
Less: future interest expenses	(283)
Total lease liabilities as of 1 July 2019	4,733

The weight average lessee's incremental borrowing rate applied to lease liabilities recognised in the condensed consolidated statement of financial position as at 1 July 2019 is approximately to 4.33%.

(ii) The new definition of a lease

Under HKFRS 16, a lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. A contract conveys the right to control the use of an identified asset for a period of time when the customer, throughout the period of use, has both: (a) the right to obtain substantially all of the economic benefits from use of the identified asset and (b) the right to direct the use of the identified asset.

For a contract that contains a lease component and one or more additional lease or non-lease components, a lessee shall allocate the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, unless the lessee apply the practical expedient which allows the lessee to elect, by class of underlying asset, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

The Group has elected not to separate non-lease components and account for all each lease component and any associated non-lease components as a single lease component for all leases.

(iii) Accounting as a lessee

Under HKAS 17, a lessee has to classify a lease as an operating lease or a finance lease based on the extent to which risks and rewards incidental to ownership of a lease asset lie with the lessor or the lessee. If a lease is determined as an operating lease, the lessee would recognise the lease payments under the operating lease as an expense over the lease term. The asset under the lease would not be recognised in the condensed consolidated statement of financial position.

Under HKFRS 16, all leases (irrespective of they are operating leases or finance leases) are required to be capitalised in the condensed consolidated statement of financial position as right-of-use assets and lease liabilities, but HKFRS 16 provides accounting policy choices for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets and leases for which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

The Group recognised right-of-use assets and lease liabilities at the commencement date of a lease.

Right-of-use asset

The right-of-use asset should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee; and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The Group measures the right-to-use asset at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability.

For the Group, leasehold land and buildings that were held for rental or capital appreciation purpose would continue to be accounted for under HKAS 40 and would be carried at fair value. The adoption of HKFRS 16 therefore does not have any significant impact on these right-of-use assets. Other than the above right-of-use assets, the Group also has leased a number of properties under tenancy agreements which the Group exercises it judgement and determines that it is a separate class of asset apart from the leasehold land and buildings which is held for own use. As a result, the right-of-use asset arising from the properties under tenancy agreements are carried at depreciated cost.

Lease liability

The lease liability should be recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group shall use the Group's incremental borrowing rate.

The following payments for the right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable; (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, a lessee shall measure the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in substance fixed lease payments or a change in assessment to purchase the underlying asset.

(iv) Accounting as a lessor

The Group has leased out its investment property to a number of tenants. As the accounting under HKFRS 16 for a lessor is substantially unchanged from the requirements under HKAS 17, the adoption of HKFRS 16 does not have significant impact on these condensed consolidated financial statements.

(v) Transition

As mentioned above, the Group has applied HKFRS 16 using the cumulative effect approach and recognised all the cumulative effect of initially applying HKFRS 16 as an adjustment to the opening balance of accumulated losses at the date of initial application (1 July 2019). The comparative information presented in 2018 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

The Group has recognised the lease liabilities at the date of 1 July 2019 for leases previously classified as operating leases applying HKAS 17 and measured those lease liabilities at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at 1 July 2019.

The Group has elected to recognise all the right-of-use assets at 1 July 2019 for leases previously classified operating leases under HKAS 17 as if HKFRS 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate at the date of initial application. For all these right-of-use assets, the Group has applied HKAS 36 Impairment of Assets at 1 July 2019 to assess if there was any impairment as on that date.

The Group has also applied the follow practical expedients: (i) applied a single discount rate to a portfolio of leases with reasonably similar characteristics; and (ii) applied the exemption of not to recognise right-of-use assets and lease liabilities for leases with term that will end within 12 months of the date of initial application (1 July 2019) and accounted for those leases as short-term leases.

2.2 New/revised HKFRSs that have been issued but are not yet effective

The following new/revised HKFRSs, potentially relevant to the Group's condensed consolidated financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

Amendments to HKAS 1 and HKAS 8	Definition of material[1]
Amendments to HKFRS 3	Definition of a business[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]

1 Effective for annual periods beginning on or after 1 January 2020.
2 Effective for business combinations and assets acquisition for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.
3 The amendments were originally intended to be effective for periods beginning on or after 1 January 2017. The effective date has now been deferred/removed. Early application of the amendments continue to be permitted.

Amendments to HKAS 1 and HKAS 8 — Definition of material

The amendments clarify the definition and explanation of "material", aligning the definition across all HKFRS Standards and the Conceptual Framework, and incorporating supporting requirements in HKAS 1 into the definition.

Amendments to HKFRS 3 — Definition of a business

The amendments clarify that a business must include, as a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs, together with providing extensive guidance on what is meant by a "substantive process".

Additionally, the amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs, whilst narrowing the definition of "outputs" and a "business" to focus on returns from selling goods and services to customers, rather than on cost reductions.

An optional concentration test has also been added that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

Amendments to HKFRS 10 and HKAS 28 — Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify the extent of gains or losses to be recognised when an entity sells or contributes assets to its associate or joint venture. When the transaction involves a business the gain or loss is recognised in full, conversely when the transaction involves assets that do not constitute a business the gain or loss is recognised only to the extent of the unrelated investors' interests in the joint venture or associate.

The Group is in the process of making an assessment of the potential impact of these new pronouncement upon application.

3. TURNOVER AND SEGMENT INFORMATION

Turnover, which is also revenue, represents the amounts received and receivable for goods sold to outside customers, net of returns and discounts and sales related taxes, income from hotel operations and interest income from loans receivable during the period.

(a) Reportable segments

The Group determines its operating segments based on the reports reviewed by the chief operating decision-makers that are used to make strategic decisions. The chief operating decision-maker has been identified as the Company's executive directors.

The Group currently has five reportable segments. The segments are managed separately as each business offers different products and services and requires different business strategies as follows:

(i) hotel hospitality business;

(ii) provision of money lending services;

(iii) new energy business;

(iv) trading and distribution of liquor and wine; and

(v) investments in funds.

There were no inter-segment transactions between different operating segments for the period. Central revenue and expenses are not allocated to the operating segments as they are not included in the measure of the segments' results that are used by the chief operating decision-makers for assessment of segment performance.

For the six months ended 31 December 2019

	Hotel hospitality business *HK$'000* (Unaudited)	Money lending services *HK$'000* (Unaudited)	New energy business *HK$'000* (Unaudited)	Liquor and wine *HK$'000* (Unaudited)	Investments in funds *HK$'000* (Unaudited)	Total *HK$'000* (Unaudited)
Segment revenue	**15,615**	**8,599**	**1,723**	**2,170**	**–**	**28,107**
Segment (loss)/profit	**(3,587)**	**7,640**	**(5,760)**	**(724)**	**6,693**	**4,262**
Unallocated corporate income and expenses, net						**(15,739)**
Finance costs						**(901)**
Gain on the disposal of subsidiaries						**8,512**
Share of loss of an associate						**(208)**
Share-based payment expenses						**(696)**
Loss before taxation						**(4,770)**
Other segment information:						
Impairment loss on loans receivable	**–**	**(366)**	**–**	**–**	**–**	**(366)**

For the six months ended 31 December 2018

	Hotel hospitality business *HK$'000* (Unaudited)	Money lending services *HK$'000* (Unaudited)	New energy business *HK$'000* (Unaudited)	Liquor and wine *HK$'000* (Unaudited)	Investments in funds *HK$'000* (Unaudited)	Total *HK$'000* (Unaudited)
Segment revenue	15,026	11,625	4,122	538	–	31,311
Segment loss	(4,590)	(18,841)	(17,352)	(1,567)	(482)	(42,832)
Unallocated corporate income and expenses, net						(19,737)
Finance costs						(618)
Gain on the disposal of a subsidiary						880
Share-based payment expenses						(1,932)
Loss before taxation						(64,239)
Other segment information:						
Impairment loss on intangible assets	–	–	(6,569)	–	–	(6,569)
Impairment loss on loans receivable	–	(29,401)	–	–	–	(29,401)

The following is an analysis of the Group's assets and liabilities by reportable segments:

	31 December 2019 *HK$'000* **(Unaudited)**	30 June 2019 *HK$'000* (Audited)
Segment assets		
Hotel hospitality business	**543,055**	550,562
Money lending services	**126,382**	124,357
New energy business	**6,280**	4,057
Liquor and wine	**70,365**	72,178
Investments in funds	**124,403**	116,054
Total segment assets	**870,485**	867,208
Interests in associates	**15,392**	–
Assets of a disposal group held for sale	**–**	91,555
Unallocated bank balances and cash	**307,082**	255,851
Unallocated corporate assets *(note)*	**43,374**	57,335
Consolidated total assets	**1,236,333**	1,271,949
Segment liabilities		
Hotel hospitality business	**140,301**	145,781
Money lending services	**211**	181
New energy business	**52,530**	79,564
Liquor and wine	**2,748**	2,663
Investments in funds	**113**	183
Total segment liabilities	**195,903**	228,372
Liabilities of a disposal group held for sale	**–**	402
Tax payable	**2,618**	2,618
Deferred tax liabilities	**70,442**	71,928
Unallocated corporate liabilities *(note)*	**13,882**	1,987
Consolidated total liabilities	**282,845**	305,307

Note: Unallocated corporate assets mainly comprised of investment properties as at 31 December 2019, amount due from non-controlling interests as at 30 June 2019 and compensation from profit guarantee as at 31 December 2019 and 30 June 2019.

Unallocated corporate liabilities mainly comprised of other loan and accrued audit fee as at 31 December 2019.

(b) Geographical segments

The Group's operations are located in Hong Kong (place of domicile), the People's Republic of China (the "PRC"), Japan, Sweden and Canada. The Group's revenue from external customers and information about its non-current assets (other than financial instruments) by geographical markets are detailed as below:

	Revenue from external customers		**Non-current assets**	
	For the six months ended 31 December			
			31 December	30 June
	2019	2018	**2019**	2019
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Audited)
Hong Kong	**8,599**	11,625	**37,565**	2,537
PRC	**3,749**	1,482	**7**	9
Japan	**15,615**	15,026	**532,477**	542,408
Sweden	**144**	3,178	**–**	–
	28,107	31,311	**570,049**	544,954

4. OTHER INCOME AND GAINS OR LOSSES

	For the six months ended 31 December	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Bank interest income	**13**	9
Additional compensation in relation to profit guarantee	**400**	–
Rental income	**85**	–
Interest income on amount due from non-controlling interests	**94**	–
Gain on disposal of property, plant and equipment	**2**	–
Change in fair value of financial assets at fair value through profit or loss *(note 17)*	**9,022**	–
Other sundry income	**684**	182
Net deficit on revaluation of investment properties	**(2,061)**	–
	8,239	191

5. GAIN ON THE DISPOSAL OF SUBSIDIARIES

(a) On 25 November 2019, the Group as vendor entered into a share transfer agreement (the "Share Transfer Agreement") with an independent third party as purchaser. Pursuant to the Share Transfer Agreement, the vendor agreed to sell and the purchaser agreed to acquire the entire equity interest of 國溢商貿(四川)有限公司 (Guoyi Trading (Sichuan) Limited) at a consideration of RMB500. The gain on disposal amounted to HK$4,063,000 has been recognised for the six months ended 31 December 2019.

(b) On 25 April 2019, the Group as a vendor, entered into a provisional sale and purchase agreement with an independent third party (the "Purchaser"), for the disposal of the entire issued share capital of Rich Shine Development Limited ("Rich Shine") at the consideration of HK$82,820,000. The completion has been taken place on 13 August 2019. The gain on disposal amounted to HK$2,755,000 has been recognised for the six months ended 31 December 2019.

(c) On 7 September 2017, the Group entered into a sale and purchase agreement with an independent third party to dispose the entire equity interest of Miracle True Investment Limited ("Miracle True"), a wholly-owned subsidiary of the Company, at a consideration of HK$11,000,000. The completion has been taken place on 30 December 2019. The gain on disposal amounted to HK$1,694,000 has been recognised for the six months ended 31 December 2019.

(d) On 30 November 2018, the Group entered into a share transfer agreement with an independent third party to disposal of the entire equity interest of Show Art Limited at a consideration of HK$5,000,000. The gain on disposal amounted to HK$880,000 has been recognised for the six months ended 31 December 2018.

6. FINANCE COSTS

	For the six months ended 31 December	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interest on bank loans and overdrafts	**627**	618
Interest on other loan	**180**	–
Interest on lease liabilities	**94**	–
	901	618

7. LOSS BEFORE TAXATION

	For the six months ended 31 December	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Loss before taxation is arrived at after charging:		
Amortisation of intangible assets	**–**	536
Depreciation expenses in respect of:		
Property, plant and equipment	**3,465**	5,195
Right-of-use assets	**374**	–
Share-based payments expenses	**696**	1,932

8. TAXATION

	For the six months ended 31 December	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current tax for the period — Japan	**10**	10
Deferred tax	**(529)**	(2,153)
Total income tax credit	**(519)**	(2,143)

Hong Kong profits tax was provided at the rate of 16.5% on the estimated assessable profit arising in Hong Kong for both the six months ended 31 December 2019 and 2018. No provision for Hong Kong profits tax has been made for the current and prior periods as the Group has no assessable profits arising in Hong Kong.

The subsidiaries established in the PRC are subject to enterprise income tax ("EIT") at tax rates of 25% for both the six months ended 31 December 2019 and 2018. No provision for PRC EIT has been made for the current and prior periods as the Group has no assessable profits arising in the PRC.

Under the relevant Japan tax regulations, the profits of the business under tokumei kumiai arrangement which is distributed to a tokumei kumiai investor after deducting any accumulated losses in prior years is only subject to 20.42% withholding income tax in Japan. The withholding tax is final Japanese tax on such distributed tokumei kumiai profits and such profits are not subject to any other Japanese taxes. There is no withholding tax paid or payable for the six months ended 31 December 2019 and 2018 as there is no profit distribution.

The subsidiary established in Japan is subject to prefectural and municipal inhabitant taxes on a per capita basis in accordance with the relevant Japan tax regulations for the six months ended 31 December 2019 and 2018.

The subsidiary established in Sweden is subject to corporate income tax at tax rate of 22% for the six months ended 31 December 2019 and 2018. No provision for Sweden corporate income tax has been made for the current and prior periods as the Group has no assessable profits arising in Sweden.

9. DIVIDEND

The Directors do not recommend the payment of any interim dividend for the six months ended 31 December 2019 (six months ended 31 December 2018: Nil).

10. LOSS PER SHARE

The calculation of 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 in issue during the period.

The calculation of diluted loss per share amount is based on the loss for the period attributable to owners of the Company. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic loss per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

The calculation of the basic and diluted loss per share is based on the following data:

	For the six months ended 31 December	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Loss attributable to owners of the Company for the purpose of basic and diluted loss per share	**(2,224)**	(53,896)

	Number of shares For the six months ended 31 December	
	2019	2018
	'000	*'000*
	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	**15,695,532**	15,695,532

Diluted loss per share amount for the six months ended 31 December 2019 and 2018 was not presented because the impact of the exercise of the share options and convertible preference shares was anti-dilutive. Potential ordinary shares are dilutive when and only when their conversion into ordinary shares would increase loss per share attributable to owners of the Company.

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 31 December 2019, the Group acquired items of property, plant and equipment with a cost of approximately HK$523,000 (six months ended 31 December 2018: HK$1,296,000). Items of property, plant and equipment with carrying amount of approximately HK$33,000 were disposed or written off during the six months ended 31 December 2019 (six months ended 31 December 2018: HK$660,000), resulting in a net gain on disposal of property, plant and equipment of approximately HK$2,000 (six months ended 31 December 2018: net loss on disposal of property, plant and equipment HK$656,000).

As at 31 December 2019, the Group pledged hotel land and building with an aggregated carrying value of HK$473,573,000 to secure banking facilities of the Group (30 June 2019: HK$482,972,000) (note 22).

12. INVESTMENT PROPERTIES

	31 December 2019
	HK$'000
	(Unaudited)
At beginning of the period	**–**
Addition through acquisition of a subsidiary during the period	**18,941**
Direct costs attributable to the addition	**20**
Net deficit on revaluation of investment properties	**(361)**
At end of the period	**18,600**

In October 2019, the Group has completed the acquisition of investment properties through acquisition of a subsidiary at a consideration of HK$7,000,000. Investment properties are situated in Hong Kong.

The fair value of investment properties during the six months ended 31 December 2019 has been assessed by an independent qualified valuer. Net deficit on revaluation of HK$361,000 has been recognised in profit or loss for the six months ended 31 December 2019.

As at 31 December 2019, investment properties in Hong Kong with an aggregate carrying value of HK$18,600,000 have been pledged as the security of other loan (note 22).

13. INTERESTS IN ASSOCIATES

	31 December 2019 *HK$'000* **(Unaudited)**	30 June 2019 *HK$'000* (Audited)
At beginning of the period/year	**–**	–
Subscription of the shares of an associate	**15,600**	–
Share of loss for the period/year	**(208)**	–
At end of the period/year	**15,392**	–

Details of the Group's associates are as follows:

Name of companies	**Particulars of issued capital**	**Place of incorporation**	**Percentage of interest held**	**Principal activities**
Zhongke International Finance Limited	HK$10,000	Hong Kong	49%	Dormant
Ming Fong Group Limited	HK$10,000	Hong Kong	31.2%	Manufacturing and selling of ink and packaging materials and trading of water-based ink business

14. INTANGIBLE ASSETS

As at 31 December 2019, the intangible assets consisting production formula, non-competition agreement and sales backlog agreements which acquired through the acquisition of Emission Particle Solution Sweden AB ("EPS"). There is no addition of intangible assets for the six months ended 31 December 2019 (six months ended 31 December 2018: Nil).

For the impairment testing, the intangible assets are allocated to cash generating unit ("CGU") of new energy business ("New Energy Business CGU") and its recoverable amount is based on its value in use and determined with the assistance of Royson Valuation Advisory Limited, an independent qualified valuer, who has among its staff members of Hong Kong Institute of Surveyor. The calculation used cash flow projections based on latest financial budgets approved by the management covering a period of 5 years and at a pre-tax discount rate of 26% (30 June 2019: 25%). The cash flow projections beyond the 5 years periods are extrapolated using a growth rate at 3% (30 June 2019: 3%). Cash flow projections during the budget period are based on the expected gross margins during the budget period. Budgeted gross margins and growth rate have been determined based on past performance and the Group management's expectations for the market development and future performance of the New Energy Business CGU. The discount rate is determined based on the cost of capital adjusted by the specific risk associated with the New Energy Business CGU. As the recoverable amount of New Energy Business CGU is nil, the Directors of the Company are in the opinion that an impairment loss of HK$6,569,000 had been recognised for the six months ended 31 December 2018. No reversal of impairment loss would be considered for the six months ended 31 December 2019.

15. GOODWILL

	HK$'000
COST:	
At 1 July 2018 (Audited)	116,342
Exchange realignment	(5,957)
At 30 June 2019 and 1 July 2019 (Audited)	110,385
Exchange realignment	(1,115)
At 31 December 2019 (Unaudited)	**109,270**
ACCUMULATED IMPAIRMENT LOSSES:	
At 1 July 2018 (Audited)	60,345
Exchange realignment	(7,110)
At 30 June 2019 and 1 July 2019 (Audited)	53,235
Exchange realignment	(349)
At 31 December 2019 (Unaudited)	**52,886**
NET CARRYING AMOUNT:	
At 31 December 2019 (Unaudited)	**56,384**
At 30 June 2019 (Audited)	57,150

16. RIGHT-OF-USE ASSETS

	HK$'000 (Unaudited)
COST:	
Recognition upon initial application of HKFRS 16	6,815
As at 31 December 2019	**6,815**
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES:	
Depreciation recognised upon initial application of HKFRS 16	2,255
Impairment loss recognised upon initial application of HKFRS 16	2,876
Depreciation provided for the period	374
As at 31 December 2019	**5,505**
NET CARRYING AMOUNT:	
As at 31 December 2019	**1,310**

The right-of-use assets represent the Group's right to use underlying offices and vehicles under operating lease arrangements over the lease terms, which are stated at cost less accumulated depreciation and accumulated impairment losses, and adjusted for any remeasurement of the lease liabilities.

17. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2019 ***HK$'000*** **(Unaudited)**	30 June 2019 *HK$'000* (Audited)
Compensation from profit guarantee *(note a)*	**10,000**	20,000
Investments in unlisted private funds *(note b)*	**119,037**	110,015
	129,037	130,015
Less: Non-current portion	**(58,161)**	(110,015)
Current portion	**70,876**	20,000

Notes:

(a) On 29 May 2015, the Company issued 700,000,000 consideration shares as the consideration for the acquisition of 85% issued share capital of Delta Prestige Holdings Limited and its subsidiaries (the "Delta Prestige Group").

Pursuant to the acquisition agreement, the vendor has irrevocably warranted and guaranteed to the Company that the after-tax audited consolidated net profit of the Delta Prestige Group in accordance with Hong Kong generally accepted accounting principles for the year ended 30 June 2016 shall not be less than HK$100,000,000 (the "Profit Target"). In case the Delta Prestige Group cannot achieve the Profit Target, the vendor will compensate to the Company in cash. The compensation is calculated in accordance with the following formula:

The compensation = Profit Target – Audited net profit

If the Delta Prestige Group records an audited net loss for the year ended 30 June 2016, the audited net profit will be deemed as zero for the purpose of calculation of the compensation.

With reference to the operating result of the Electric Cycle CGU for the year ended 30 June 2016, the electric cycles business is not likely to meet the Profit Target. The fair value of compensation from profit guarantee is determined by Directors with reference to the actual financial result of the Delta Prestige Group for the year ended 30 June 2016.

On 26 September 2016, the vendor and the Company entered into a settlement deed regarding the settlement of the compensation from profit guarantee of HK$100,000,000 and the additional amount of compensation of HK$850,000. On 28 September 2018, the Company and the vendor entered into a supplemental settlement deed to further extend the settlement on the remaining amount of the compensation and additional amount of compensation to 31 March 2019 and entitle the one-off additional compensation of HK$500,000. The Group had received the settlement of the compensation of profit guarantee of HK$80,000,000 and additional compensation of HK$700,000 up to 30 June 2019. On 27 September 2019, the Company and the vendor entered into second supplemental settlement deed, in which the Company and the vendor agreed to further extend the settlement on the remaining amount of the compensation and additional amount of compensation to 30 September 2020 and entitle the one-off additional compensation of HK$400,000. The Group had received the settlement of the compensation of profit guarantee of HK$10,000,000 up to 31 December 2019.

For the six months ended 31 December 2019, no fair value change of compensation from profit guarantee (six months ended 31 December 2018: Nil) was recognised in the condensed consolidated statement of comprehensive income.

The fair value of compensation from profit guarantee is a Level 3 recurring fair value measurement.

(b) The fair value gain of unlisted private funds during the six months period ended 31 December 2019 was HK$9,022,000, which has been dealt with in the condensed consolidated statement of comprehensive income for the six months ended 31 December 2019.

The fair value of the unlisted private funds is Level 2 recurring fair value measurement.

18. TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

Included in the Group's trade receivables, other receivables, deposits and prepayments were trade receivables of HK$6,449,000 (30 June 2019: HK$999,000). The Group allows an average credit period of 0 to 90 days to its trade receivables.

	31 December 2019 *HK$'000* **(Unaudited)**	30 June 2019 *HK$'000* (Audited)
Trade receivables	**8,574**	3,120
Less: Provision for impairment loss	**(2,125)**	(2,121)
Trade receivables, net	**6,449**	999

The aging analysis of trade receivables, net of allowance for doubtful debts, based on invoice date, is as follows:

	31 December 2019 *HK$'000* **(Unaudited)**	30 June 2019 *HK$'000* (Audited)
Within 30 days	**5,969**	827
31–60 days	**254**	129
61–90 days	**91**	17
Over 90 days	**135**	26
	6,449	999

19. LOANS RECEIVABLE

	31 December 2019 *HK$'000* **(Unaudited)**	30 June 2019 *HK$'000* (Audited)
Gross loans and interest receivables	**217,527**	233,710
Less: Provision for impairment loss	**(143,571)**	(141,361)
Carrying amount as at the end of period/year	**73,956**	92,349
Less: Current portion	**(54,813)**	(92,349)
Non-current portion	**19,143**	–

As at 31 December 2019, loans receivable with gross principal amount of HK$205,176,000 (30 June 2019: HK$219,882,000) in aggregate and related gross interest receivables of HK$12,351,000 (30 June 2019: HK$13,828,000) due from ten (30 June 2019: ten) independent third parties. These ten loans interest-bearing at rates ranging from 5.5% to 20% (30 June 2019: 5.5% to 20%) per annum. Except for the balances of HK$19,143,000 as at 31 December 2019, all the loans were repayable within twelve months from the end of the reporting period and therefore were classified as current assets as at 30 June 2019 and 31 December 2019. Impairment loss of HK$366,000 (six months ended 31 December 2018: HK$29,401,000) has been recognised in the condensed consolidated statement of comprehensive income for the six months ended 31 December 2019.

20. ASSETS AND LIABILITIES OF A DISPOSAL GROUP HELD FOR SALE

(a) On 25 April 2019, the Group entered into provisional agreement for sale and purchase of the entire issued share capital of Rich Shine, a wholly-owned subsidiary of the Company, at a cash consideration of HK$82,820,000. The disposal has been completed on 13 August 2019. Details of the transaction are set out in the Company's announcement dated 25 April 2019, 29 July 2019 and 13 August 2019 and note 5(b) to the condensed consolidated financial statements.

(b) On 7 September 2017, the Group entered into a sale and purchase agreement with an independent third party to dispose the entire equity interest of Miracle True, a wholly-owned subsidiary of the Company, at a cash consideration of HK$11,000,000. Miracle True is the investment holding company and its subsidiary is holding the land in the PRC. The disposal has been completed on 30 December 2019. Details of the disposal are set out in the note 5(c) to the condensed consolidated financial statements.

As at 30 June 2019, the major class of assets and liabilities related to the group classified as held for sale in the condensed consolidated statement of financial position were as follows:

	Rich Shine 30 June 2019 *HK$'000* (Audited)	Miracle True 30 June 2019 *HK$'000* (Audited)	Total 30 June 2019 *HK$'000* (Audited)
Investment properties	81,700	–	81,700
Deposits and prepayment	62	–	62
Prepaid lease payments for land	–	9,771	9,771
Bank balances and cash	–	22	22
Assets of a disposal group held for sale	81,762	9,793	91,555
Other payables and accruals	–	402	402
Liabilities of a disposal group held for sale	–	402	402

The fair value of investment properties for the period from 1 July 2019 until the date of disposal has been assessed by an independent qualified valuer. Net deficit on revaluation of HK$1,700,000 has been recognised in profit or loss for the six months ended 31 December 2019.

21. TRADE PAYABLES, OTHER ADVANCES AND ACCRUALS

Included in the Group's trade payables, other advances and accruals were trade payables of HK$4,117,000 (30 June 2019: HK$1,602,000).

The aging analysis of these trade payables, based on invoice date, is as follows:

	31 December 2019 ***HK$'000*** **(Unaudited)**	30 June 2019 *HK$'000* (Audited)
Within 30 days	**3,840**	1,373
31–60 days	**179**	80
61–90 days	**11**	27
Over 90 days	**87**	122
	4,117	1,602

22. BORROWINGS

	31 December 2019	30 June 2019
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Bank overdraft	**1,712**	1,751
Bank loan, secured	**131,607**	137,976
Other loan, secured	**12,000**	–
Carrying amount as at the end of period/year	**145,319**	139,727
Less: Current portion	**(22,493)**	(10,766)
Non-current portion	**122,826**	128,961

Based on the scheduled repayment dates set out in the loan agreements and ignore the effect of any repayment on demand clause, borrowings are repayable as follows:

	31 December 2019	30 June 2019
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within one year	**22,493**	10,766
More than one year, but not exceeding two years	**8,586**	8,826
More than two years, but not more than five years	**114,240**	120,135
	145,319	139,727

Bank loans were secured by (i) corporate guarantees provided by subsidiaries within the Group as at 31 December 2019 and 30 June 2019; (ii) land and building with the carrying amount of HK$473,573,000 (30 June 2019: HK$482,972,000) (note 11); (iii) the bank balances of HK$1,325,000 (30 June 2019: HK$1,872,000); and (iv) the entire equity interest of certain subsidiaries.

The abovementioned bank borrowings are charged at floating rates ranging from 0.75% to 8.27% per annum (30 June 2019: 0.75% to 8.05% per annum).

Other loan was secured by a legal charge over investment properties with the carrying amount of HK$18,600,000 (30 June 2019: Nil) (note 12). Other loan is charged at 9% per annum.

23. LEASE LIABILITIES

	31 December 2019 *HK$'000* (Unaudited)
Minimum lease payment due	
— Within one year	**1,914**
— In the second to fifth years, inclusive	**2,055**
	3,969
Less: future interest expenses	**(189)**
Present value of lease liabilities	**3,780**

	31 December 2019 *HK$'000* (Unaudited)
Within one year	**1,785**
In the second to fifth years, inclusive	**1,995**
	3,780

24. AMOUNT DUE TO NON-CONTROLLING INTERESTS

The amount due was unsecured, interest-free and repayable on demand.

25. SHARE CAPITAL

	Number of shares *'000*	Amount *HK$'000*
Ordinary shares of HK$0.05 each at 30 June 2019 and 31 December 2019		
Authorised:		
As at 30 June 2019 and 31 December 2019	30,000,000	1,500,000
Issued and fully paid:		
As at 30 June 2019 and 31 December 2019	15,695,532	784,776

26. PLEDGE OF ASSETS

Save as disclosed elsewhere in these unaudited condensed consolidated financial statements, the Group had pledged the following assets to secure the borrowings of the Group. The carrying amounts of these assets are analysed as follows:

	31 December 2019 *HK$'000* **(Unaudited)**	30 June 2019 *HK$'000* (Audited)
Property, plant and equipment	**473,573**	482,972
Investment properties	**18,600**	–
Bank balances	**1,325**	1,872
	493,498	484,844

27. TRANSACTION WITH NON-CONTROLLING INTERESTS

On 4 April 2018, the Group entered into a sale and purchase agreement ("SPA") with the purchaser and Mr. Zhu Yongjun (the "Guarantor"), in which the purchaser is an entity wholly-owned by the Guarantor. The Guarantor is a director of Perfect Essential Holdings Limited, a subsidiary of the Company. Pursuant to the SPA, the Group agreed to dispose of 49% equity interest of Perfect Essential Holdings Limited and its subsidiaries ("EPS Group") at a consideration of HK$382 and the shareholder's loans (the "Shareholder's Loan") at a consideration of HK$64,484,000. The Group's effective interest in EPS Group was changed from 100% to 51% upon the completion of the disposal of the 49% equity interests in EPS Group in July 2018. The Group recognised an increase in the deficit of non-controlling interests of HK$62,026,000 and an increase in equity attributable to owners of the Company of HK$62,026,000 during the six months ended 31 December 2018.

Pursuant to the SPA, the considerations should be settled by the purchaser in five instalments on or before the agreed time frame. Up to 30 June 2019, the considerations of the sales shares of HK$382 and the sales loans of HK$35,861,000 had been received by the Company. As at 30 June 2019, remaining considerations of the sales loans with gross principal amount of HK$28,623,000 and gross interest receivables of HK$746,000 had been passed due. Share charge on 22% equity interest of the EPS Group had been created by the purchaser as the security for the payment of remaining considerations.

On 15 July 2019, the Group, the purchaser and the Guarantor entered into a deed of settlement (the "Deed of Settlement") to set out the terms and conditions for the settlement of the payment obligations and liabilities of the purchaser. As at the date of the Deed of Settlement, the EPS Group is owned as to 51% by the Group and 49% by the purchaser. However, the purchaser has only paid the consideration for 27.25% of the Shareholder's Loan. As part of the settlement, the purchaser shall transfer 21.75% of issued share capital of the EPS Group to the Group so that the remaining shareholding of the purchaser in the EPS Group is in proportion to its 27.25% interest in the Shareholder's Loan.

On 21 November 2019, the condition precedent for the Deed of Settlement has been fulfilled and the completion took place on 21 November 2019. Immediately after the settlement completion, the Company holds 72.75% equity interest in EPS Group and the EPS Group continues to be a non-wholly-owned subsidiary of the Company. The Group recognised a decrease in the deficit of non-controlling interests of HK$33,379,000 and a decrease in equity attributable to owners of the Company of HK$33,379,000 during the six months ended 31 December 2019.

Details of the transactions with non-controlling interests are set out in the Company's announcements dated 4 April 2018, 26 April 2018, 11 May 2018, 8 June 2018, 18 July 2018, 18 October 2018, 31 October 2018, 16 January 2019, 27 February 2019, 17 April 2019, 15 July 2019, 5 August 2019, 16 August 2019, 19 August 2019, 2 September 2019, 16 September 2019 and 21 November 2019; and the Company's circular dated 25 June 2018 and 25 October 2019.

28. RELATED PARTY TRANSACTIONS

In addition to the transactions detailed elsewhere in these unaudited condensed consolidated financial statements, the following transaction was carried out with a related party in normal course of the Group's business:

	For the six months ended 31 December	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Financial advisory fee	**–**	–
Corporate service fee	**–**	626
	–	626

Corporate service fee was paid to related company which is controlled by a Director for the six months ended 31 December 2018.

Compensation of key management

The key management of the Group comprises all directors of the Company. The short-term benefits were HK$1,933,000 for the six months ended 31 December 2019 (six months ended 31 December 2018: HK$2,024,000).

29. EVENTS AFTER REPORTING PERIOD

The outbreak of novel coronavirus (COVID-19) continues to spread throughout the PRC and to countries across the world.

A series of precautionary and control measures have been and continued to be implemented across the countries including but not limited to the strict arrival policy for all inbound visitors from the PRC and postponement of work resumption after the Chinese New Year holiday in some regions in the PRC. These control policies have hit the tourism of Japan and caused the suspension of the operation in the PRC especially for the new energy business.

The Group will monitor the developments of COVID-19 situation closely, assess and react actively to its impacts on the financial position and operating results of the Group.

Up to the date of the announcement, given the dynamic nature of these circumstances, the related impact on our Group's consolidated results of operations, cash flows and financial condition could not be reasonably estimated at this stage. It is expected that those related impact will be reflected in the Group's 2020 annual financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESULTS AND BUSINESS REVIEW

The Group is currently engaged in five business segments, (i) hotel hospitality business; (ii) provision of money lending services; (iii) new energy business; (iv) trading and distribution of liquor and wine; and (v) investments in funds. For the six months ended 31 December 2019, the Group recorded a turnover of approximately HK$28.1 million (six months ended 31 December 2018: approximately HK$31.3 million). Loss for the period attributable to owners of the Company was approximately HK$2.2 million (six months ended 31 December 2018: approximately HK$53.9 million). The decrease in loss for the period was mainly due to the significant decrease in impairment loss on loans receivable and the recognition of the gain on fair value change of financial assets through profit or loss. Basic loss per share was approximately 0.01 HK cent (six months ended 31 December 2018: approximately 0.34 HK cent).

Hotel Hospitality Business

The turnover for the six months ended 31 December 2019 of the hotel hospitality business was approximately HK$15.6 million (six months ended 31 December 2018: approximately HK$15.0 million) and a segment loss of approximately HK$3.6 million was recorded for the six months ended 31 December 2019 (six months ended 31 December 2018: approximately HK$4.6 million).

Hotel hospitality business is one of the core businesses of the Group which contributed approximately 56% of the Group's revenue for the six months ended 31 December 2019. The hotel, One Niseko Resort Towers (the "Resort Towers"), is located in the famous Japanese skiing destination of Niseko, Hokkaido, Japan. Niseko is one of the famous ski resort areas in Japan and is well known for its heavy light powder snow and spectacular backcountry. The Resort Towers consists of 110 units of high-end accommodation and has an onsen with an indoor and outdoor bath. It attracts many tourists from world-wide for skiing in the winter time.

Money Lending Services

As at 31 December 2019, the Group had loans receivable with gross principal amount of approximately HK$205.2 million (30 June 2019: approximately HK$219.9 million). The Group recorded interest income from loans receivable of approximately HK$8.6 million for the six months ended 31 December 2019 (six months ended 31 December 2018: approximately HK$11.6 million).

The loan portfolio comprises loans to independent third party borrowers with term ranging from eight months to forty months and interest rate from 5.5% to 20% per annum.

The Group has adopted a credit policy to manage its money lending business which includes compliance with all applicable laws and regulations, credit assessment on potential borrower and his/its assets, the credibility of the potential borrower, the necessity in obtaining collaterals and determination of suitable interest rate to reflect the risk level of the provision of loan.

The Group has performed credit risk assessment before granting the loans by (a) reviewing the financial information of the potential borrower; and (b) performing an assessment on the financial condition of the potential borrower and its shareholder (for enterprises), such as the type and value of assets owned by the potential borrower.

The Group also assesses and decides the necessity and the value of security/collateral for granting of each loan, whether to an individual or enterprise, on a case by case basis considering factors, including but not limited to, the repayment history, results of public search towards the borrower, the value and location of the assets owned by the borrower and the financial condition of the borrower.

For loan collection/recovery, the Group issues overdue payment reminder to the borrower, instructs its legal advisers to issue demand letter for loans overdue for a longer period of time, negotiates with the borrower for the repayment or settlement of the loan and/or commences legal actions against the borrower.

As at 31 December 2019, the Group had loans to ten borrowers of which six were overdue and not repaid on the maturity date and four loans were not yet due. The Group had received approximately HK$3.1 million repayments from the borrowers subsequent to the period ended 31 December 2019. During the period under review, the Group had strictly followed the Group's collection/recovery policy.

As at 31 December 2019, the management had engaged an independent qualified valuer (the "1st ECL Valuer") to determine the expected credit losses (the "ECL") of the Group's loans receivable. In view of the materiality of the balance of loans receivable and for the sake of prudence, the management had further engaged another independent qualified valuer to conduct an independent review of the valuation report issued by the 1st ECL Valuer on the valuation methodology, the underlying assumptions, the parameters and inputs used in the valuation for accounting purpose. In assessing the ECL of the Group's loans receivable, a credit rating analysis of the underlying debtors was adopted by reviewing the historical accounting information to estimate the default risk. The Group applied different expected loss rates to different classes of receivables according to their respective risk characteristics. In determining the default risk, factors including but not limited to, the aging analysis of the receivables, the Group's internal assessment of the debtors' credit worthiness, historical and forecast occurrence of event of default, existence and valuation of the collaterals, the relevant regulatory framework and government policies in Hong Kong and global economic outlook in general and the specific economic condition of Hong Kong and the PRC, would be considered. The rate of ECL ranged from 5% to 100% depending on the nature, probability of default and loss given default of the loans receivable.

New Energy Business

EPS is the Group's operating subsidiary for the new energy business. EPS is principally engaged in the development, manufacturing and distribution of a fuel additive product, namely EuroAd which can reduce fuel consumption and environmental impact. EuroAd is a totally biodegradable fuel additive that acts as a catalyst to achieve fuel efficiency and cost savings.

The turnover of the new energy business for the six months ended 31 December 2019 was approximately HK$1.7 million (six months ended 31 December 2018: approximately HK$4.1 million) and a segment loss of approximately HK$5.8 million was recorded for the six months ended 31 December 2019 (six months ended 31 December 2018: approximately HK$17.4 million). The decrease in segment loss was mainly attributable to the absence of impairment loss on intangible assets.

On 4 April 2018, the Company as vendor, Excellent Point Asia Limited as purchaser and Mr. Zhu Yongjun as guarantor entered into a sale and purchase agreement (the "SPA"), pursuant to which the Company conditionally agreed to sell and the purchaser conditionally agreed to purchase the 49 issued shares of Perfect Essential Holdings Limited (the "Target Company", together with its subsidiaries, the "Target Group"), representing 49% of the issued share capital of the Target Company, and the sale loans to be assigned by the vendor to the purchaser, subject to the terms and conditions of the SPA at a total consideration of HK$64,484,382.2.

Pursuant to the SPA, the purchaser and the vendor shall enter into the option deed in respect of the grant of the call option upon the first completion, pursuant to which the vendor shall grant the purchaser the right to acquire all but not part of the option shares, representing 51% of the issued share capital of the Target Company and the option loan, within six months from the first completion date.

The first and second completions took place on 18 July 2018 and 31 October 2018 respectively in accordance with the terms and conditions of the SPA. Immediately upon the first completion, the Company held 51% equity interest of the Target Company and the Target Group became non wholly-owned subsidiaries of the Company.

On 16 January 2019, the Company received a written notice from the purchaser that the purchaser has waived the right to exercise the call option. As such, the call option will not be exercised by the purchaser.

On 27 February 2019, the Company, the purchaser and the guarantor entered into an extension letter to extend the third completion date to not later than 17 April 2019 (or such other date as the Company, the purchaser and the guarantor may agree in writing) (the "Extended Third Completion Date"), and the purchaser undertook to pay to the Company the third tranche payment together with interest accrued on the third tranche payment at the rate of 12% per annum on or before the Extended Third Completion Date.

On 17 April 2019, the Company did not receive the relevant instalments of the consideration for the third completion and the fourth completion, therefore, the third completion and the fourth completion did not take place. The Company had also received a notice from the purchaser that the purchaser was considering the possibility of not proceeding with the third completion, the fourth completion and the fifth completion.

On 15 July 2019, the Company, the purchaser and the guarantor entered into a deed of settlement (the "Deed of Settlement") to set out the terms and conditions for the settlement of the payment obligations and liabilities of the purchaser under the third completion, fourth completion and fifth completion. Pursuant to the Deed of Settlement, (i) the purchaser shall transfer 21.75% of the issued share capital of the Target Company to the Company and assign part of the purchaser's shareholder loan at the consideration of HK$1,220,991.5 (the "Assigned Amount Consideration"); (ii) the purchaser shall pay to the Company the sum of HK$1,220,991.5 by way of set-off against the Assigned Amount Consideration on a dollar-for dollar basis; and (iii) the guarantor shall enter into a service agreement with the Target Company as a consultant for a service fee of HK$1 for the whole term.

The completion took place on 21 November 2019. Immediately after the completion, the Company holds 72.75% equity interest in the Target Company and the Target Company continues to be a non-wholly-owned subsidiary of the Company. The assigned amount in the sum of HK$1,220,991.50 has been assigned to the Company on 21 November 2019.

In the course of preparing the financial statements, the management had duly engaged an independent qualified valuer (the "1st Valuer") to determine the recoverable amount of the cash generating unit as at 31 December 2019 of the new energy business. For the sake of prudence and same as last period, the Company engaged another independent qualified valuer to conduct an independent review of the valuation report issued by the 1st Valuer on the valuation methodology, assessment of the discount rate and any other key variables used in the valuation and the internal consistency of the valuation model used by the 1st Valuer for accounting reference purpose.

In assessing the recoverable amount of the cash generating unit of the new energy business as at 31 December 2019, value-in-use calculation has been adopted that the estimated future cash flows were discounted to their present value using a pre-tax discount rate that reflected current market assessment of time value of money and the risk specific to the new energy business. The calculation used in cash flow projections was based on latest financial budgets covering a period of 5 years and at a pre-tax discount rate of 26% which was determined with reference to the market conditions, such as company specific risk premium and cost of debt of the new energy business. The cash flow projections beyond the 5-year period are extrapolated using a perpetual growth rate of 3%. The management of new energy business reviewed the assumptions taking into account of (i) the general economic environment; (ii) industry dynamics; (iii) past performance; and (iv) on-going business development of the new energy business in preparing the cash flow projections.

Liquor and Wine Business

The turnover for the six months ended 31 December 2019 of the liquor and wine business was approximately HK$2.2 million (six months ended 31 December 2018: approximately HK$0.5 million) and a segment loss of approximately HK$0.7 million was recorded for the six months ended 31 December 2019 (six months ended 31 December 2018: approximately HK$1.6 million). The Group had aggressively sold the inventories during the period under review.

Funds Investments

As at 31 December 2019, the Group had invested into two funds with an aggregated value of approximately HK$119.0 million (30 June 2019: approximately HK$110.0 million).

(1) TAR High Value Fund SP (the "TAR Fund")

TAR Fund is a segregated portfolio created by TAR Opportunities Fund SPC ("TAR SPC") which is a segregated portfolio company incorporated under the laws of the Cayman Islands with limited liability. TAR SPC is registered as a "segregated portfolio company" with the Registrar of Companies of the Cayman Islands and principally engaged in the investment and fund related services. TAR SPC has appointed TAR Fund Management (Cayman) Limited ("TAR Fund Management") as its investment manager. TAR Fund Management is an exempted company incorporated in the Cayman Islands with limited liability. The director of TAR Fund Management has over 10 years of experience in manufacturing, management and investment and has been involved in financial industries in the PRC and Hong Kong for many years, and has considerable experience in stock and derivative products. The purpose of TAR Fund is to carry on the business of investing, holding, monitoring and realising investments made with the principal objective of achieving a high rate of return through capital appreciation through investments that operates in or derive significant business opportunities from the financial services, natural resources and/or property investments sectors. Such investment can be in form of equity investments and/or debt instruments including but not limited to convertible or exchangeable bonds, notes and debentures.

The net asset value of the TAR Fund as at 31 December 2019 was approximately HK$58.2 million, represented approximately 4.7% to the Group's total assets. The TAR Fund had an average return of approximately 5.57% and 5.26% for the years ended 31 December 2019 and 2018 respectively.

(2) TAP Growth Fund SP (the "TAP Fund")

TAP Fund is a segregated portfolio created by TAP Global Fund SPC ("TAP SPC") which is a segregated portfolio company incorporated under the laws of the Cayman Islands with limited liability. TAP SPC is registered as a "segregated portfolio company" with the Registrar of Companies of the Cayman Islands and is principally engaged in the investment and fund related services. TAP SPC has appointed TAP Investment Management (Cayman) Limited ("TAP Investment Management") as its investment manager. TAP Investment Management is an exempted company incorporated in the Cayman Islands with limited liability. The directors of TAP Investment Management have extensive experience in management, financial markets and investments. The purpose of TAP Fund is to carry on the business of investing, holding, monitoring and realising private debt investments with the objective of seeking fixed income returns with a reasonable degree of security. The investment can be secured or unsecured and in form of loans and/or debt instruments including but not limited to convertible or exchangeable bonds, notes and debentures.

The net asset value of the TAP Fund as at 31 December 2019 was approximately HK$60.8 million, represented approximately 4.9% to the Group's total assets. The TAP Fund had an average return of approximately 16.21% and 3.39% for the years ended 31 December 2019 and 2018 respectively.

The TAP Fund was redeemed on 24 January 2020 and distribution will be made no later than 90 days following receipt of the proceeds of the realization of the TAP Fund.

INTERIM DIVIDEND

The Directors do not recommend the payment of any interim dividend for the six months ended 31 December 2019 (six months ended 31 December 2018: Nil).

FINANCIAL RESOURCES, LIQUIDITY AND GEARING

As at 31 December 2019, the Group recorded cash and bank balances amounting to approximately HK$376.5 million (30 June 2019: approximately HK$304.3 million) and the net current assets value was approximately HK$501.4 million (30 June 2019: approximately HK$512.6 million).

The Group's gearing ratio as at 31 December 2019 was approximately 0.15 (30 June 2019: approximately 0.14), being a ratio of total interest bearing debts, including borrowings of approximately HK$145.3 million (30 June 2019: approximately HK$139.7 million) to the total equity of approximately HK$953.5 million (30 June 2019: approximately HK$966.6 million).

USE OF PROCEEDS FROM RIGHTS ISSUE

The Company completed a rights issue on 13 June 2018, pursuant to which the Company has issued 10,463,687,800 ordinary shares of the Company of HK$0.05 each as rights shares at HK$0.052 per rights share on the basis of two rights shares for every one existing share held on 18 May 2018. The net proceeds from the rights issue (after deducting the expenses) were approximately HK$523.6 million. The net subscription price per rights share after deducting the related expenses of the rights issue was approximately HK$0.050. The Company intended to apply net proceeds of approximately HK$523.6 million from the rights issue as to (i) approximately HK$196.0 million for the contribution to the facility to be made available to a joint venture company (the "JV Company") formed with Zhongke International Capital Limited; (ii) approximately HK$193.9 million for repayment of the outstanding borrowings; (iii) approximately HK$100.0 million for expansion of the Group's money lending business; and (iv) the remaining balance for general working capital of the Group.

In view of the reasonable interest income generated from the loans receivable, the Group reallocated HK$11.35 million from the portion intended to be used as general working capital to expand the money lending business in August 2018. Details of the change in use of proceeds are set out in the announcement of the Company dated 10 August 2018.

In view of the termination of the amended and restated joint venture agreement with Zhongke International Capital Limited, on 17 January 2019, the Group further reallocated the net proceeds in the amount of approximately HK$196.0 million which was originally planned for the contribution to the facility to be made available to the JV Company to fund other future investment opportunities (which may include acquisition of office premises for the Group's own use or rental purposes), and/or expansion of the Group's money lending business and/or general working capital of the Group. Details of the further change in use of proceeds are set out in the announcement of the Company dated 17 January 2019.

As at 31 December 2019, the Group utilised the net proceeds from the rights issue as to (i) approximately HK$56.0 million for repayment of the outstanding borrowings; (ii) approximately HK$111.35 million for expansion of the Group's money lending business by granting of loans to independent third parties; (iii) approximately HK$87.1 million for the acquisition of property; and (iv) approximately HK$86.3 million for general working capital of the Group. The unutilised net proceeds have been placed as the interest bearing deposits with licensed banks in Hong Kong.

The Group plans to utilise the remaining proceeds from the rights issue for future potential investments, expansion of money lending business and repay the remaining outstanding borrowings.

PLEDGE OF ASSETS

As at 31 December 2019, the Group pledged hotel land and building in Japan with an aggregated carrying value of approximately HK$473.6 million (30 June 2019: approximately HK$483.0 million), investment properties in Hong Kong with an aggregate carrying value of HK$18.6 million (30 June 2019: Nil), bank deposit of approximately HK$1.3 million (30 June 2019: approximately HK$1.9 million) and the entire equity interest of certain subsidiaries to secure banking facilities of the Group.

CAPITAL STRUCTURE

During the six months ended 31 December 2019, 3,714,950 share options lapsed.

Save as disclosed above, the Company had no other changes in capital structure during the six months ended 31 December 2019.

INVESTMENT POSITION AND PLANNING

Financial Assets at Fair Value through Profit or Loss

As at 31 December 2019, the Group had invested in two (30 June 2019: two) unlisted private funds with aggregated carrying amount of approximately HK$119.0 million (30 June 2019: approximately HK$110.0 million). The purpose of the fund portfolio is to carry on the business of investing, holding, monitoring and realizing (i) the private debt investments, including but not limited to bonds, notes and debentures; and (ii) the equity investments and/or debt instruments from the financial services, natural resources and/or property investment sectors. The value of fund portfolio was based on fair value.

Settlement Deed and Supplemental Settlement Deeds in relation to the Profit Guarantee Compensation

With reference to the Company's announcements dated 26 April 2015 and 29 May 2015 in relation to the acquisition of the electric cycles business, Mr. Lee Man Bun ("Mr. Lee") as the vendor irrevocably warranted and guaranteed to the Company that the after-tax audited consolidated net profit of the electric cycles business for the year ended 30 June 2016 shall not be less than HK$100,000,000 (the "Guaranteed Net Profit").

In the event that the electric cycles business cannot achieve the Guaranteed Net Profit, Mr. Lee has irrevocably undertaken to the Company to pay to the Company in cash within 10 business days from the date of receipt of the certificate from the auditors of the Company an amount equal to the shortfall (the "Profit Guarantee Compensation").

In view of the loss recorded for the year ended 30 June 2016 of the electric cycles business, Mr. Lee had been requested to settle the Profit Guarantee Compensation of HK$100,000,000. After arm's length negotiations, on 26 September 2016, Mr. Lee and the Company entered into a settlement deed regarding the settlement of the Profit Guarantee Compensation of HK$100,000,000 and the additional amount of compensation of HK$850,000, in which HK$70,700,000 was settled by Mr. Lee on 27 September 2016 and 21 September 2017.

Pursuant to the supplemental settlement deed entered into between Mr. Lee and the Company on 28 September 2018, Mr. Lee shall pay HK$30,650,000 (being the sum of the outstanding settlement payment of HK$30,150,000 and the additional amount of compensation of HK$500,000) to the Company in the following manner: (a) HK$10,000,000 shall be paid to the Company on the date of the supplemental settlement deed; and (b) HK$20,650,000 shall be paid to the Company on or before 31 March 2019. The amount of HK$10,000,000 was received by the Company pursuant to the terms of the supplemental settlement deed. The amount of HK$20,650,000 was still outstanding as at 30 June 2019.

Pursuant to the second supplemental settlement deed entered into between Mr. Lee and the Company on 27 September 2019, Mr. Lee shall pay HK$21,050,000 (being the sum of the outstanding settlement payment of HK$20,650,000 and the additional amount of compensation of HK$400,000) to the Company in the following manner: (a) HK$10,000,000 shall be paid to the Company on the date of the second supplemental settlement deed; and (b) HK$11,050,000 shall be paid to the Company on or before 30 September 2020. The Company received HK$10,000,000 from Mr. Lee on 27 September 2019.

Details of the settlement deed and supplemental settlement deeds are set out in the Company's announcements dated 26 September 2016, 28 September 2018 and 27 September 2019.

Disposal of a Land in the PRC

On 7 September 2017, Advanced System Group Limited, wholly-owned subsidiary of the Company, as vendor entered into a sale and purchase agreement (the "PRC Land Disposal Agreement") with an independent third party as purchaser. Pursuant to the PRC Land Disposal Agreement, the purchaser agreed to acquire and the vendor agreed to sell the entire issued share capital of Miracle True Investment Limited and its subsidiary in the PRC, which holds a land in Huizhou City, Guangdong Province, the PRC, and the shareholder's loan in cash at a consideration of HK$11,000,000, in which HK$550,000 had been received on 7 September 2017 and the remaining balance of HK$10,450,000 would be payable by the purchaser within six months from the date of the PRC Land Disposal Agreement. On 7 February 2018, 31 January 2019 and 31 July 2019, the vendor and the purchaser confirmed their mutual agreement to extend the long stop date to 31 January 2019, 31 July 2019 and 31 December 2019 respectively or such other date as the vendor and the purchaser may agree in writing. On 30 April 2019, the purchaser further paid to the vendor HK$450,000.

On 16 December 2019, the vendor and the purchaser entered into a supplemental agreement, pursuant to which HK$3,000,000 was paid by the purchaser to the vendor on or before 31 December 2019 and the remaining balance of HK$7,000,000 shall be payable by the purchaser to the vendor within twelve months from the completion date. A share charge was given by the purchaser in favour of the vendor pursuant to which the purchaser created a first fixed charge over the entire issued shares of Miracle True Investment Limited. The disposal was completed on 30 December 2019.

The disposal was classified as a non-disclosable transaction under Chapter 14 of the Listing Rules.

Disposal of 49% Equity Interest in Perfect Essential Holdings Limited and Deed of Settlement

On 4 April 2018, the Company as vendor, Excellent Point Asia Limited as purchaser and Mr. Zhu Yongjun as guarantor entered into the SPA, pursuant to which the Company conditionally agreed to sell and the purchaser conditionally agreed to purchase the 49 issued shares of US$1.00 each in the share capital of Perfect Essential Holdings Limited, representing 49% of the issued share capital of the Target Company, and the sale loans to be assigned by the vendor to the purchaser, subject to the terms and conditions of the SPA at a total consideration of HK$64,484,382.2.

Pursuant to the SPA, the purchaser and the vendor shall enter into the option deed in respect of the grant of the call option upon the first completion, pursuant to which the vendor shall grant the purchaser the right to acquire all but not part of the option shares, representing 51% of the issued share capital of the Target Company, and the option loan, within six months from the first completion date.

The first and second completion took place on 18 July 2018 and 31 October 2018 respectively in accordance with the terms and conditions of the SPA. Immediately upon the first completion, the Company held 51% equity interest of the Target Company and the Target Group became non-wholly-owned subsidiaries of the Company.

On 16 January 2019, the Company received a written notice from the purchaser that the purchaser has waived the right to exercise the call option. As such, the call option will not be exercised by the purchaser.

On 27 February 2019, the Company, the purchaser and the guarantor entered into an extension letter to extend the third completion date to not later than 17 April 2019 (or such other date as the Company, the purchaser and the guarantor may agree in writing) (the "Extended Third Completion Date"), and the purchaser undertakes to pay to the Company the third tranche payment together with interest accrued on the third tranche payment at the rate of 12% per annum on or before the Extended Third Completion Date.

On 17 April 2019, the Company did not receive the relevant instalments of the consideration for the third completion and the fourth completion, therefore, the third completion and the fourth completion did not take place. The Company had also received a notice from the purchaser that the purchaser was considering the possibility of not proceeding with the third completion, the fourth completion and the fifth completion.

On 15 July 2019, the Company, the purchaser and the guarantor entered into the Deed of Settlement to set out the terms and conditions for the settlement of the payment obligations and liabilities of the purchaser under the third completion, fourth completion and fifth completion. Pursuant to the Deed of Settlement, (i) the purchaser shall transfer 21.75% of the issued share capital of the Target Company to the Company and assign part of the purchaser's shareholder loan at the consideration of HK$1,220,991.5; (ii) the purchaser shall pay to the Company the sum of HK$1,220,991.5 by way of set-off against the Assigned Amount Consideration on a dollar-for dollar basis; and (iii) the guarantor shall enter into a service agreement with the Target Company as a consultant for a service fee of HK$1 for the whole term.

The completion took place on 21 November 2019. Immediately after the completion, the Company holds 72.75% equity interest in the Target Company and the Target Company continues to be a non-wholly-owned subsidiary of the Company. The assigned amount in the sum of HK$1,220,991.50 has been assigned to the Company on 21 November 2019.

Details of the transaction are set out in the Company's announcements dated 4 April 2018, 26 April 2018, 11 May 2018, 8 June 2018, 16 July 2018, 18 July 2018, 18 October 2018, 31 October 2018, 16 January 2019, 27 February 2019, 17 April 2019, 15 July 2019, 5 August 2019, 16 August 2019, 19 August 2019, 2 September 2019, 16 September 2019, 30 September 2019, 14 October 2019 and 21 November 2019 and the Company's circulars dated 25 June 2018 and 25 October 2019.

Acquisition of Property and Disposal of Property Holding Company

On 29 January 2019, Rich Shine Development Limited, a wholly-owned subsidiary of the Company, as purchaser entered into a sale and purchase agreement with Tang Nanjun and Tang Yilin as vendors pursuant to which the purchaser agreed to acquire and the vendors agreed to sell a property in Hong Kong (the "Property") at a consideration of HK$80,000,000. The acquisition of the Property was completed on 6 March 2019.

Details of the acquisition are set out in the Company's announcement dated 29 January 2019.

On 25 April 2019, the Company, as vendor, entered into the provisional sale and purchase agreement with Team Eight Group Limited as purchaser, pursuant to which the Company has conditionally agreed to sell and the purchaser has conditionally agreed to acquire (i) the entire issued share capital of Rich Shine Development Limited which held the Property; and (ii) the sale loan, at the consideration of HK$82,820,000. The completion of disposal took place on 13 August 2019.

Details of the disposal are set out in the Company's announcements dated 25 April 2019, 29 July 2019 and 13 August 2019.

Acquisition of Hong Kong Property

On 24 October 2019, Mach Express Development Limited, a wholly-owned subsidiary of the Company, as purchaser entered into a sale and purchase agreement with Mason Capital Limited as vendor pursuant to which the purchaser agreed to acquire and the vendor agreed to sell the entire issue share capital of Goldkeen Limited which hold a property in Hong Kong and the loan due at a consideration of HK$7,000,000. The acquisition was completed on 31 October 2019.

The acquisition was classified as a non-disclosable transaction under Chapter 14 of the Listing Rules.

Acquisition of 31.2% issued share capital of Ming Fong Group Limited

On 24 October 2019, Advanced System Group Limited, a wholly-owned subsidiary of the Company, as purchaser entered into a sale and purchase agreement with Mr. Wong Tai Wai, David as vendor pursuant to which the purchaser agreed to acquire and the vendor agreed to sell 31.2% issued share capital of Ming Fong Group Limited which together with its subsidiaries, engaged in manufacturing and selling of ink and packaging materials at a consideration of HK$15,600,000. The acquisition of the 31.2% issued share capital of Ming Fong Group Limited was completed on 14 November 2019.

The acquisition was classified as a non-disclosable transaction under Chapter 14 of the Listing Rules.

Disposal of 國溢商貿(四川)有限公司 (in English, for identification purpose only, "Guoyi Trading (Sichuan) Limited") ("Guoyi Trading")

On 25 November 2019, a wholly-owned subsidiary of the Company as vendor entered into a share transfer agreement with an independent third party as purchaser, pursuant to which the vendor agreed to sell and the purchaser agreed to acquire the entire equity interest of Guoyi Trading, which was engaged in investment holding, at a consideration of RMB500. The disposal was completed on 4 December 2019.

The disposal was classified as a non-disclosable transaction under Chapter 14 of the Listing Rules.

Extension of the Term of the Investment in the Fund

On 27 December 2019, Alliance Global Limited, a wholly-owned subsidiary of the Company, gave the consent to TAR SPC for the extension of the term of the investment of HK$50,000,000 in the TAR Fund by way of the subscription for a further term of one year which may be further extended by the directors of TAR SPC for up to two consecutive one-year periods thereafter.

Details of the extension are set out in the Company's announcements dated 27 December 2019 and 14 January 2020.

CONTINGENT LIABILITIES

As at 31 December 2019, the Group had no significant contingent liabilities (30 June 2019: Nil).

CAPITAL COMMITMENTS

As at 31 December 2019, the Group had no significant capital commitments (30 June 2019: Nil).

FOREIGN EXCHANGE EXPOSURE

Most of the Group's assets and liabilities are denominated in Hong Kong dollars, Renminbi, Swedish Krona and Japanese Yen, which are the functional currencies of respective group companies. The Group has not entered into any instruments on the foreign exchange exposure. The Group will closely monitor exchange rate movement and will take appropriate activities to reduce the foreign exchange risk.

PROSPECTS

Due to the outbreak of COVID-19 in Asia region in early 2020 and the World Health Organisation also declared the COVID-19 outbreak a public health emergency of international concern on 31 January 2020, many countries have implemented strict arrival policy for all inbound visitors from the PRC. Most countries have required all inbound visitors from the PRC to undergo mandatory quarantine for 14 days upon their arrival and many airlines cancelled flights to/from the PRC.

The virus control policies have severely hit the tourism of Japan. Due to the big reduction of the number of the PRC visitors visiting Japan, it is expected that there will be a decline in revenue of the hotel hospitality business in the coming year as the PRC visitors contributed to the majority.

The outbreak has caused the suspension of the operation in the PRC for the new energy business. The public was advised to go out less and reduce social activities, and maintain appropriate social distance with other people as far as possible, all these virus-control measures reduced the normal business activities and operation efficiency. The Group expects the revenue of the new energy business will be dropped in the coming half year.

The turnaround of revenue in the coming year depends critically on how the situation of novel coronavirus infection be evolved.

The coming year is a hard time, the Group will grasp investment opportunities to diversify the Group's business and, at the same time, strive to control the costs to maintain stable return to the shareholders of the Company.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2019, the Group had 101 (30 June 2019: 82) employees in Hong Kong, the PRC, Japan, Canada and Sweden. The Group's remuneration policy is reviewed periodically and determined by reference to market terms, company performance and individual qualifications and performance. Other staff benefits include bonuses awarded on a discretionary basis, medical schemes, mandatory provident fund scheme for Hong Kong employees, and state-sponsored retirement plans for the PRC employees and share option scheme.

CONNECTED TRANSACTIONS

Save as disclosed, the Company did not have any connected transactions which were subject to the reporting requirements under Chapter 14A of the Listing Rules for the six months ended 31 December 2019.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company during the six months ended 31 December 2019.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the six months ended 31 December 2019, the Company complied with the code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Listing Rules except for the following:

Code provision A.4.1

Under the code provision A.4.1 of the CG Code, non-executive directors should be appointed for a specific term, subject to re-election. The existing non-executive Directors and independent non-executive Directors were not appointed for a specific term as required under the code provision A.4.1 but are subject to retirement by rotation and re-election at annual general meeting in accordance with the Bye-laws of the Company. As such, the Company considers that sufficient measures have been taken to ensure that the Company has good corporate governance practices.

Code provision A.6.7

Under the code provision A.6.7 of the CG Code, independent non-executive directors and other non-executive directors, as equal board members, should give the board and any committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation. Generally they should also attend general meetings to gain and develop a balanced understanding of the views of shareholders. Mr. Chui Kwong Kau, a non-executive Director, was unable to attend the special general meeting of the Company held on 14 November 2019 as he had other business engagement at the time of such meeting.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules as the code of conduct for dealings in the securities of the Company by its Directors (the "Securities Dealings Code"). The Company has made specific enquiries and all the Directors have confirmed that they have complied with the Securities Dealings Code throughout the reporting period.

REVIEW OF INTERIM RESULTS

The audit committee of the Company (the "Audit Committee") currently comprises Mr. Chiu Wai On, Mr. Man Kwok Leung and Dr. Wong Yun Kuen, all of whom are independent non-executive Directors. The Audit Committee has reviewed the unaudited interim results of the Group for the six months ended 31 December 2019.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

The interim results announcement is available for viewing on the websites of the Stock Exchange at www.hkexnews.hk and the Company at www.detai-group.com. The interim report of the Company will be despatched to the shareholders of the Company and make available on the above websites in due course.

By order of the Board
DeTai New Energy Group Limited
Wong Hin Shek
Chairman and Executive Director

Hong Kong, 28 February 2020

As at the date of this announcement, the executive Directors are Mr. Wong Hin Shek, Mr. Chi Chi Hung, Kenneth and Mr. Chan Wai Ki; the non-executive Directors are Mr. Chui Kwong Kau and Ms. Zhang Yudan; and the independent non-executive Directors are Mr. Chiu Wai On, Mr. Man Kwok Leung and Dr. Wong Yun Kuen.