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2021/2022 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 2021 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 December 2021

		For the six months ended	
		31 December	
	<i>Notes</i>	2021	2020
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Continuing operations			
Revenue	3		
Service income		8,256	10,013
Interest income		1,629	2,381
Trading income		18,951	383
Dividend income		339	–
		<u>29,175</u>	<u>12,777</u>
Cost of sales		<u>(51,843)</u>	<u>(7,642)</u>
Gross (loss)/profit		(22,668)	5,135
Other income and gains or losses	4	5,197	3,186
General and administrative expenses		(19,321)	(22,248)
Selling and distribution expenses		(477)	(55)
Finance costs	6	(1,033)	(1,140)
Share of loss of an associate	13	(268)	(4,680)
Impairment loss on loans receivable	16	(3,364)	(3,320)
Changes in financial assets at fair value through profit or loss	14	(30,410)	475
Net deficit on revaluation of investment properties		<u>(200)</u>	<u>–</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Continued)

For the six months ended 31 December 2021

		For the six months ended 31 December	
	Notes	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Loss before taxation	7	(72,544)	(22,647)
Tax Credit	8	198	533
Loss after tax from continuing operations		(72,346)	(22,114)
Discontinued operations			
Loss for the period from discontinued operations	5	–	(3,789)
Loss for the period		(72,346)	(25,903)
Other comprehensive income			
<i>Items that may be subsequently reclassified to profit or loss</i>			
Exchange differences arising on translation of financial statements of foreign operations		(9,717)	19,378
Other comprehensive income for the period		(9,717)	19,378
Total comprehensive income for the period		(82,063)	(6,525)
Loss for the period attributable to:			
Owners of the Company		(72,346)	(24,444)
Non-controlling interests		–	(1,459)
		(72,346)	(25,903)
Total comprehensive income for the period attributable to:			
Owners of the Company		(82,063)	(6,255)
Non-controlling interests		–	(270)
		(82,063)	(6,525)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Continued)

For the six months ended 31 December 2021

		For the six months ended	
		31 December	
	<i>Notes</i>	2021	2020
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Loss per share attributable to owners			
of the Company:			
From continuing and discontinued operations	<i>10</i>		
— Basic		HK(0.46) cent	HK(0.16) cent
— Diluted		HK(0.46) cent	HK(0.16) cent
		<u><u>HK(0.46) cent</u></u>	<u><u>HK(0.16) cent</u></u>
From continuing operations			
— Basic		HK(0.46) cent	HK(0.14) cent
— Diluted		HK(0.46) cent	HK(0.14) cent
		<u><u>HK(0.46) cent</u></u>	<u><u>HK(0.14) cent</u></u>
From discontinued operations			
— Basic		N/A	HK(0.02) cent
— Diluted		N/A	HK(0.02) cent
		<u><u>N/A</u></u>	<u><u>HK(0.02) cent</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

		31 December 2021 <i>HK\$'000</i> (Unaudited)	30 June 2021 <i>HK\$'000</i> (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	11	360,486	377,212
Investment properties	12	19,400	19,600
Interests in associates	13	3,219	3,487
Financial assets at fair value through profit or loss		–	59,805
Loans receivable	16	130	554
Total non-current assets		383,235	460,658
Current assets			
Inventories		4,490	50,252
Trade receivables, other receivables, deposits and prepayments	15	30,964	80,623
Loans receivable	16	19,573	65,337
Financial assets at fair value through profit or loss	14	212,887	7,500
Deposits in a financial institution		125,705	318,384
Pledged bank balances	20	814	1,126
Bank balances and cash		74,838	16,574
Total current assets		469,271	539,796
Current liabilities			
Trade payables, other payables and accruals	17	6,481	7,909
Contract liabilities		2,918	2,658
Borrowings	18	66,240	128,549
Lease liabilities		339	318
Tax payable		2,545	2,845
Total current liabilities		78,523	142,279

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Continued)

As at 31 December 2021

		31 December 2021	30 June 2021
	<i>Notes</i>	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Audited)
Net current assets		<u>390,748</u>	<u>397,517</u>
Total assets less current liabilities		<u>773,983</u>	<u>858,175</u>
Non-current liabilities			
Lease liabilities		177	–
Deferred tax liabilities		<u>52,960</u>	<u>55,266</u>
Total non-current liabilities		<u>53,137</u>	<u>55,266</u>
Net assets		<u>720,846</u>	<u>802,909</u>
EQUITY			
Share capital	19	784,776	784,776
Reserves		<u>(63,930)</u>	<u>18,133</u>
Equity attributable to owners of the Company		<u>720,846</u>	<u>802,909</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2021

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 investment properties and 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 2021. 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 2021, 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 2021:

Amendment to HKFRS 16	COVID-19 Related Rent Concessions beyond 30 June 2021
Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2

The adoption of the new/revised HKFRSs has no material impact on the Group’s condensed consolidated financial statements.

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 HK Interpretation 5 (2020)	Classification of Liabilities as Current or Non-current ³ Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ³
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting policies ³
Amendments to HKAS 8	Definition of Accounting Estimates ³
Amendments to HKAS 12	Deferred tax related to assets and liabilities arising from a single transaction ³
Amendments to HKAS 16	Proceeds before Intended Use ¹
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract ¹
Amendments to HKFRS 3	Reference to the Conceptual Framework ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendments to HKFRS Standards	Annual Improvements to HKFRSs 2018–2020 ¹

¹ Effective for annual periods beginning on or after 1 January 2022.

² Effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022.

³ Effective for annual periods beginning on or after 1 January 2023.

⁴ The amendments shall be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined.

Amendments to HKAS 1, Classification of Liabilities as Current or Non-current and HK Interpretation 5 (2020), Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability and explain that rights are in existence if covenants are complied with at the end of the reporting period. The amendments also introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

HK Interpretation 5 (2020) was revised as a consequence of the Amendments to HKAS 1 issued in August 2020. The revision to HK Interpretation 5 (2020) updates the wordings in the interpretation to align with the Amendments to HKAS 1 with no change in conclusion and do not change the existing requirements.

Amendments to HKAS 1 and HKFRS Practice Statement 2, Disclosure of Accounting Policies

The amendments to Disclosure of Accounting Policies were issued following feedback that more guidance was needed to help companies to decide what accounting policy information should be disclosed. The amendments to HKAS 1 require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendments to HKFRS Practice Statement 2 provide guidance on how to apply the concept of materiality to accounting policy disclosures.

Amendments to HKAS 8, Definition of Accounting Estimates

The amendments to HKAS 8 clarify how companies should distinguish changes in accounting policies from changes in accounting estimates. That distinction is important because changes in accounting estimates are applied prospectively only to future transactions and other future events, but changes in accounting policies are generally also applied retrospectively to past transactions and other past events.

Amendments to HKAS 12 — Deferred Tax related to Assets and Liabilities arising from a Single Transaction

In specified circumstances, companies are exempt from recognising deferred tax when they recognise assets or liabilities for the first time. Previously, there had been some uncertainty about whether the exemption applied to transactions such as leases and decommissioning obligations — transactions for which companies recognise both an asset and a liability.

The amendments clarify that the exemption does not apply and that companies are required to recognise deferred tax on such transactions. The aim of the amendments is to reduce diversity in the reporting of deferred tax on leases and decommissioning obligations.

Amendments to HKAS 16, Proceeds before Intended Use

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, the proceeds from selling such items, and the cost of producing those items, is recognised in profit or loss.

Amendments to HKAS 37, Onerous Contracts — Cost of Fulfilling a Contract

The amendments specify that the ‘cost of fulfilling’ a contract comprises the ‘costs that relate directly to the contract’. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (e.g. direct labour and materials) or an allocation of other costs that relate directly to fulfilling contracts (e.g. the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

Amendments to HKFRS 3, Reference to the Conceptual Framework

The amendments update HKFRS 3 so that it refers to the revised Conceptual Framework for Financial Reporting 2018 instead of the version issued in 2010. The amendments add to HKFRS 3 a requirement that, for obligations within the scope of HKAS 37, an acquirer applies HKAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of HK(IFRIC)-Interpretation 21 Levies, the acquirer applies HK(IFRIC)-Interpretation 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. The amendments also add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

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

The amendments clarify with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. When the transaction with an associate or joint venture that is accounted for using the equity method, any gains or losses resulting from the loss of control of a subsidiary that does not contain a business are recognised in the profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, any gains or losses resulting from the remeasurement of retained interest in any former subsidiary (that has become an associate or a joint venture) to fair value are recognised in the profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

Amendments to HKFRS Standards — Annual Improvements to HKFRSs 2018–2020

The annual improvements amends a number of standards, including:

- HKFRS 1, First-time Adoption of Hong Kong Financial Reporting Standards, which permit a subsidiary that applies paragraph D16(a) of HKFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to HKFRSs.
- HKFRS 9, Financial Instruments, which clarify the fees included in the "10 per cent" test in paragraph B3.3.6 of HKFRS 9 in assessing whether to derecognise a financial liability, explaining that only fees paid or received between the entity and the lender, including fees paid or received by either the entity or the lender on other's behalf are included.
- HKFRS 16, Leases, which amend Illustrative Example 13 to remove the illustration of reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.
- HKAS 41, Agriculture, which remove the requirement to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

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

3. REVENUE AND SEGMENT INFORMATION

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, interest income from loans receivable and dividend income on listed securities during the period.

	For the six months ended	
	31 December	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Continuing operations		
Service income:		
Hotel hospitality business	8,256	10,013
Interest income:		
Money lending services	1,629	2,381
Trading income:		
Liquor and wine	18,951	383
Dividend income:		
Investments in listed securities	339	–
	<u>29,175</u>	<u>12,777</u>

(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.

For the year ended 30 June 2021, the Group has completed the disposal of the new energy business. In accordance with HKFRS 5, the segment of new energy business for the six month ended 31 December 2020 were presented as discontinued operations in the Group's condensed consolidated financial statements. Further details regarding the results of the discontinued operations is set out in note 5 to the condensed consolidated financial statements.

For the six months ended 31 December 2021, the chief operating decision-maker has decided to rename the segment of "investments in funds" to "investments in listed securities and funds" to reflect the current business activities in such segment.

The Group currently has four 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) trading and distribution of liquor and wine; and
- (iv) investments in listed securities and 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.

(b) *Segment revenue and results*

The following is an analysis of the Group's revenue and results by reportable segments:

For the six months ended 31 December 2021

	Hotel hospitality business HK\$'000 (Unaudited)	Money lending services HK\$'000 (Unaudited)	Liquor and wine HK\$'000 (Unaudited)	Investments in listed securities and funds HK\$'000 (Unaudited)	Unallocated HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Segment revenue	8,256	1,629	18,951	339	-	29,175
Segment loss	(3,235)	(2,039)	(28,224)	(27,630)	-	(61,128)
Unallocated corporate income and expenses, net						(9,915)
Finance costs						(1,033)
Share of loss of an associate						(268)
Net deficit on revaluation of investment properties						(200)
Loss before taxation						<u>(72,544)</u>
Other segment information:						
Impairment loss on loans receivable	-	(3,364)	-	-	-	(3,364)
Change in financial assets at fair value through profit or loss	-	-	-	(30,410)	-	(30,410)
Deficit on revaluation of investment properties	-	-	-	-	(200)	(200)
Written down of inventories	-	-	(5,450)	-	-	(5,450)

For the six months ended 31 December 2020

	Hotel hospitality business HK\$'000 (Unaudited)	Money lending services HK\$'000 (Unaudited)	Liquor and wine HK\$'000 (Unaudited)	Investments in listed securities and funds HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Segment revenue	<u>10,013</u>	<u>2,381</u>	<u>383</u>	<u>–</u>	<u>12,777</u>
Segment (loss)/profit	<u>(5,279)</u>	<u>(1,177)</u>	<u>(652)</u>	<u>344</u>	<u>(6,764)</u>
Unallocated corporate income and expenses, net					(10,063)
Finance costs					(1,140)
Share of loss of an associate					<u>(4,680)</u>
Loss before taxation					<u><u>(22,647)</u></u>
Other segment information:					
Impairment loss on loans receivable	–	(3,320)	–	–	(3,320)
Change in financial assets at fair value through profit or loss	<u>–</u>	<u>–</u>	<u>–</u>	<u>475</u>	<u>475</u>

(c) *Segment assets and liabilities*

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

	31 December 2021 HK\$'000 (Unaudited)	30 June 2021 HK\$'000 (Audited)
Segment assets		
Hotel hospitality business	365,217	378,820
Money lending services	20,802	66,544
Liquor and wine	35,789	71,817
Investments in listed securities and funds	<u>213,132</u>	<u>122,935</u>
Total segment assets	634,940	640,116
Interests in associates	3,219	3,487
Investment properties	19,400	19,600
Deposits in a financial institution	125,705	318,384
Unallocated bank balances and cash	67,520	9,485
Unallocated corporate assets (<i>Note</i>)	<u>1,722</u>	<u>9,382</u>
Consolidated total assets	<u>852,506</u>	<u>1,000,454</u>
Segment liabilities		
Hotel hospitality business	57,650	122,027
Money lending services	651	246
Liquor and wine	2,883	2,468
Investments in listed securities and funds	<u>43</u>	<u>113</u>
Total segment liabilities	61,227	124,854
Tax payable	2,545	2,845
Deferred tax liabilities	52,960	55,266
Unallocated corporate liabilities (<i>note</i>)	<u>14,928</u>	<u>14,580</u>
Consolidated total liabilities	<u>131,660</u>	<u>197,545</u>

Note: Unallocated corporate assets mainly comprised of consideration receivables and compensation from profit guarantee as at 31 December 2021 and 30 June 2021.

Unallocated corporate liabilities mainly comprised of other loan and accrued audit fee as at 31 December 2021 and 30 June 2021.

(d) *Geographical segments*

The Group's operations are located in Hong Kong (place of domicile), the People's Republic of China (the "PRC") and Japan. 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 (including continuing and discontinued operations) For the six months ended		Non-current assets	
	31 December 2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Unaudited)	30 June 2021 HK\$'000 (Audited)
Hong Kong	1,968	2,381	23,227	24,543
PRC	18,951	762	–	–
Japan	8,256	10,013	359,878	375,756
	<u>29,175</u>	<u>13,156</u>	<u>383,105</u>	<u>400,299</u>

4. OTHER INCOME AND GAINS OR LOSSES

	For the six months ended 31 December	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Continuing operations		
Bank interest income	191	1,131
Additional compensation in relation to profit guarantee	–	170
Rental income	255	255
Government grants (<i>note</i>)	–	600
Loss on disposal of property, plant and equipment	(268)	–
Other sundry income	705	1,030
Gain on deregistration of subsidiaries	550	–
Reversal of impairment losses of other receivables and deposits	3,663	–
Derecognition of lease liabilities	101	–
	<u>5,197</u>	<u>3,186</u>

Note: Government grants represented the subsidies received from the local government in support of the business operation. There were no unfulfilled conditions or contingencies relating to these subsidies.

5. DISCONTINUED OPERATIONS

During the year ended 30 June 2021, the Group has completed disposing the business of development, manufacture and distribution of a vegetable fuel additive (“New Energy Business”) to an independent third party.

New Energy Business represented the separate line of major business and is classified as discontinued operations for the six months ended 31 December 2020. For the purpose of presenting discontinued operations, the comparative condensed consolidated statement of comprehensive income and the related notes have been represented.

The results of the New Energy Business for the six months ended 31 December 2020 are as follows:

	<i>HK\$'000</i> (Unaudited)
Revenue	379
Cost of sales	(298)
Other income and gains	111
Selling and distributing expenses	(394)
General and administrative expenses	(3,587)
	<hr/>
Loss before income tax	(3,789)
Income tax expense	–
	<hr/>
Loss for the period from discontinued operations	(3,789)
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6. FINANCE COSTS

	For the six months ended	
	31 December	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Continuing operations		
Interest on bank loans	473	527
Interest on other loan	540	540
Interest on lease liabilities	20	73
	<hr/>	<hr/>
	1,033	1,140
	<hr/> <hr/>	<hr/> <hr/>

7. LOSS BEFORE TAXATION

	For the six months ended 31 December	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Loss before taxation is arrived at after charging:		
Continuing operations		
Depreciation expenses in respect of:		
Owned assets	743	3,744
Right-of-use assets	163	672

8. TAX CREDIT

	For the six months ended 31 December	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax for the period — Japan	9	10
— PRC	211	—
Deferred tax	(418)	(543)
Total tax credit	(198)	(533)

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 2021 and 2020. 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 2021 and 2020. Provision for PRC EIT has been made for the current period. No provision for PRC EIT has been made for the prior period 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 2021 and 2020 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 2021 and 2020.

The subsidiary established in Sweden is subject to corporate income tax at tax rate of 21.4% for the six months ended 31 December 2020. No provision for Sweden corporate income tax has been made for the prior period 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 2021 (six months ended 31 December 2020: 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	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Loss attributable to owners of the Company for the purpose of basic and diluted loss per share		
— Continuing operations	(72,346)	(22,114)
— Discontinued operations	—	(2,330)
	<u> </u>	<u> </u>
Loss from continuing operations and discontinued operations	<u>(72,346)</u>	<u>(24,444)</u>
	Number of shares	
	For the six months ended	
	31 December	
	2021	2020
	'000	'000
	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	<u>15,695,532</u>	<u>15,695,532</u>

Diluted loss per share amount for the six months ended 31 December 2021 and 2020 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 2021, the Group acquired items of property, plant and equipment with a cost of approximately HK\$688,000 (six months ended 31 December 2020: HK\$4,197,000). Disposal of property, plant and equipment of approximately HK\$506,000 incurred during the six months ended 31 December 2021 (31 December 2020: Nil).

As at 31 December 2021, the Group had one lease for the use of 2 years with the right-of-use assets amounted to approximately HK\$743,000 (30 June 2021: Nil).

As at 31 December 2021, the Group pledged hotel land and building with an aggregated carrying value of HK\$359,878,000 to secure banking facilities of the Group (30 June 2021: HK\$375,756,000) (note 20).

12. INVESTMENT PROPERTIES

	31 December 2021 HK\$'000 (Unaudited)	30 June 2021 HK\$'000 (Audited)
At beginning of the period/year	19,600	19,400
(Deficit)/surplus on revaluation of investment properties	(200)	200
At end of the period/year	<u>19,400</u>	<u>19,600</u>

The fair value of investment properties during the six months ended 31 December 2021 and 30 June 2021 has been assessed by an independent qualified valuer. Deficit on revaluation of HK\$200,000 has been recognised in the condensed consolidated statement of comprehensive income for the six months ended 31 December 2021 (31 December 2020: surplus on revaluation of HK\$200,000).

As at 31 December 2021, investment properties in Hong Kong with an aggregate carrying value of HK\$19,400,000 (30 June 2021: HK\$19,600,000) have been pledged as the security of other loan (note 20).

13. INTERESTS IN ASSOCIATES

	31 December 2021 HK\$'000 (Unaudited)	30 June 2021 HK\$'000 (Audited)
At beginning of the period/year	3,487	12,989
Share of loss for the period/year	(268)	(5,619)
Impairment loss recognised for the year	–	(3,883)
At end of the period/year	<u>3,219</u>	<u>3,487</u>

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
Ming Fong Group Limited	HK\$10,000	Hong Kong	31.2%	Dormant

14. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2021 HK\$'000 (Unaudited)	30 June 2021 HK\$'000 (Audited)
Compensation from profit guarantee	–	7,500
Unlisted private funds (<i>note (a)</i>)	72,131	59,805
Listed securities investments equity (<i>note (b)</i>)	140,756	–
	212,887	67,305
Less: Non-current portion	–	(59,805)
Current portion	212,887	7,500

Notes:

- (a) The fair value gain of unlisted private funds during the six months period ended 31 December 2021 was HK\$12,326,000 (six months ended 31 December 2020: HK\$475,000), which has been dealt with in the condensed consolidated statement of comprehensive income for the six months ended 31 December 2021.

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

- (b) For the six months ended 31 December 2021, a loss on change in financial asset at fair value through profit or loss of HK\$42,736,000 (six months ended 31 December 2020: nil) was recognised in the condensed consolidated statement of comprehensive income.

None of the listed securities are pledged as at 31 December 2021.

The fair value of the listed securities is Level 1 recurring fair value measurement.

15. TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

Included in the Group's trade receivables, other receivables, deposits and prepayments were trade receivables of HK\$14,226,000 (30 June 2021: HK\$452,000). The Group allows an average credit period of 0 to 90 days to its trade receivables.

	31 December 2021 HK\$'000 (Unaudited)	30 June 2021 HK\$'000 (Audited)
Trade receivables	15,546	1,748
Less: Provision for impairment loss	(1,320)	(1,296)
Trade receivables, net (<i>note a</i>)	14,226	452
Other receivables (<i>note b</i>)	12,862	74,752
Other deposits and prepayments	3,876	5,419
	30,964	80,623

Note:

- (a) The ageing analysis of trade receivables, net of allowance for doubtful debts, based on invoice date, is as follows:

	31 December 2021 HK\$'000 (Unaudited)	30 June 2021 HK\$'000 (Audited)
Within 30 days	14,174	411
31–60 days	–	20
61–90 days	–	–
Over 90 days	52	21
	14,226	452

The movements in the expected credit loss for trade receivables for the period ended 31 December 2021 and the year ended 30 June 2021 are as follows:

	31 December 2021	30 June 2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
As the beginning of the period/year	1,296	2,058
Reversal of impairment loss	–	(374)
Disposal of subsidiaries	–	(578)
Exchange realignment	24	190
	<hr/>	<hr/>
As the end of the period/year	1,320	1,296
	<hr/> <hr/>	<hr/> <hr/>

As at 31 December 2021, trade receivable of approximately HK\$11,746,000 (30 June 2021: Nil) have been secured by the pledged listed securities with market value of approximately HK\$27,300,000.

- (b) Other receivables mainly represented redemption of investment fund of HK\$61,242,000 as at 30 June 2021. This was fully settled for the six months ended 31 December 2021.

16. LOANS RECEIVABLE

	31 December 2021	30 June 2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Gross loans and interest receivables	206,636	241,638
Less: Provision for impairment loss	(186,933)	(175,747)
	<hr/>	<hr/>
Carrying amount as at the end of period/year	19,703	65,891
Less: Non-current portion	(130)	(554)
	<hr/>	<hr/>
Current portion	19,573	65,337
	<hr/> <hr/>	<hr/> <hr/>

As at 31 December 2021, loans receivable with gross principal amount of HK\$163,309,000 (30 June 2021: HK\$200,562,000) in aggregate and related gross interest receivables of HK\$43,327,000 (30 June 2021: HK\$41,076,000) due from nine (30 June 2021: ten) independent third parties. These nine loans interest-bearing at rates ranging from 5.5% to 20% (30 June 2021: 5.5% to 20%) per annum. Except for the balances as at 31 December 2021 of HK\$130,000 (30 June 2021: HK\$554,000), 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 2021 and 31 December 2021. Impairment loss of HK\$3,364,000 (six months ended 31 December 2020: HK\$3,320,000) has been recognised in the condensed consolidated statement of comprehensive income for the six months ended 31 December 2021.

As at 31 December 2021, the Group hold collateral over loans receivable with gross principal amount of HK\$48,511,000 (30 June 2021: HK\$85,155,000).

The movements in the impairment losses allowances for loans receivable are as follows:

	31 December 2021 HK\$'000 (Unaudited)	30 June 2021 HK\$'000 (Audited)
At beginning of the period/year	175,747	168,401
Expected credit loss/(reversal of expected credit loss) for the period/year	3,364	(8,824)
Adjustment on interest receivables	7,822	16,170
	<u>186,933</u>	<u>175,747</u>
At end of the period/year	<u>186,933</u>	<u>175,747</u>

Reconciliation of gross carrying amount for loans receivable are as follows:

	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000	Total HK\$'000
Balance at 1 July 2020 (Audited)	–	18,517	203,721	222,238
Financing originated	–	1,027	20,086	21,113
Repayment	–	(1,344)	(369)	(1,713)
	<u>–</u>	<u>18,517</u>	<u>203,721</u>	<u>222,238</u>
Balance at 30 June 2021 and 1 July 2021 (Audited)	–	18,200	223,438	241,638
Financing originated	–	499	8,952	9,451
Repayment	–	(672)	(43,781)	(44,453)
	<u>–</u>	<u>18,200</u>	<u>223,438</u>	<u>241,638</u>
Balance at 31 December 2021 (Unaudited)	<u>–</u>	<u>18,027</u>	<u>188,609</u>	<u>206,636</u>

Movements in the expected credit loss in respect of loan receivables are as follows:

	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000	Total HK\$'000
Balance at 1 July 2020 (Audited)	–	2,275	166,126	168,401
Expected credit loss/(reversal of expected credit loss) for the year	–	526	(9,350)	(8,824)
Adjustment on interest receivables	–	–	16,170	16,170
	<u>–</u>	<u>526</u>	<u>(9,350)</u>	<u>(8,824)</u>
Balance at 30 June 2021 and 1 July 2021 (Audited)	–	2,801	172,946	175,747
(Reversal of expected credit loss)/ expected credit loss for the period	–	(33)	3,397	3,364
Adjustment on interest receivables	–	–	7,822	7,822
	<u>–</u>	<u>(33)</u>	<u>3,397</u>	<u>3,364</u>
Balance at 31 December 2021 (Unaudited)	<u>–</u>	<u>2,768</u>	<u>184,165</u>	<u>186,933</u>

17. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

Included in the Group's trade payables, other payables and accruals were trade payables of HK\$2,255,000 (30 June 2021: HK\$2,460,000).

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

	31 December 2021 HK\$'000 (Unaudited)	30 June 2021 HK\$'000 (Audited)
Within 30 days	1,969	2,349
31–60 days	76	75
61–90 days	94	14
Over 90 days	116	22
	<u>2,255</u>	<u>2,460</u>

18. BORROWINGS

	31 December 2021 HK\$'000 (Unaudited)	30 June 2021 HK\$'000 (Audited)
Bank loans, secured	54,240	116,549
Other loan, secured	12,000	12,000
	<u>66,240</u>	<u>128,549</u>
Carrying amount as at the end of period/year	<u>66,240</u>	<u>128,549</u>

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 2021 HK\$'000 (Unaudited)	30 June 2021 HK\$'000 (Audited)
Within one year	<u>66,240</u>	<u>128,549</u>

Bank loans were secured by; (i) land and building with the carrying amount of HK\$359,878,000 (30 June 2021: HK\$375,756,000) (note 11); (ii) the bank balances of HK\$814,000 (30 June 2021: HK\$1,126,000); and (iii) the entire equity interest of certain subsidiaries.

The abovementioned bank borrowings are charged at floating rates of 0.75% per annum (30 June 2021: 0.75% per annum).

Other loan was secured by a legal charge over investment properties with the carrying amount of HK\$19,400,000 (30 June 2021: HK\$19,600,000) (note 12). Other loan is charged at 9% per annum.

19. SHARE CAPITAL

	Number of shares '000	Amount HK\$'000
Ordinary shares of HK\$0.05 each at 30 June 2021 and 31 December 2021		
Authorised:		
As at 30 June 2021 and 31 December 2021	<u>30,000,000</u>	<u>1,500,000</u>
Issued and fully paid:		
As at 30 June 2021 and 31 December 2021	<u>15,695,532</u>	<u>784,776</u>

20. 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 2021 HK\$'000 (Unaudited)	30 June 2021 HK\$'000 (Audited)
Property, plant and equipment	359,878	375,756
Investment properties	19,400	19,600
Bank balances	<u>814</u>	<u>1,126</u>
	<u>380,092</u>	<u>396,482</u>

21. RELATED PARTY TRANSACTIONS

In addition to the transactions detailed elsewhere in these unaudited condensed consolidated financial statements, the Group had no other material transactions with related parties for both the six months ended 31 December 2021 and 2020.

Compensation of key management

The key management of the Group comprises all directors of the Company. The short-term benefits were HK\$630,000 for the six months ended 31 December 2021 (six months ended 31 December 2020: HK\$1,778,000).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESULTS AND BUSINESS REVIEW

During the period under review, the Group was engaged in four business segments, (i) hotel hospitality business; (ii) provision of money lending services; (iii) trading and distribution of liquor and wine; and (iv) investments in listed securities and funds. For the six months ended 31 December 2021, the Group recorded a revenue of approximately HK\$29.2 million (six months ended 31 December 2020: approximately HK\$12.8 million). Loss for the period attributable to owners of the Company was approximately HK\$72.3 million (six months ended 31 December 2020: approximately HK\$24.4 million). The increase in net loss for the period was mainly due to (i) the gross loss and written down of inventories on the liquor and wine business of approximately HK\$28 million due to the bulk sales of the inventories of liquor for more cash inflow; and (ii) fair value loss of approximately HK\$30 million in respect of the financial assets at fair value through profit or loss. Basic loss per share was approximately 0.46 HK cent (six months ended 31 December 2020: approximately 0.16 HK cent).

Hotel Hospitality Business

The revenue for the six months ended 31 December 2021 of the hotel hospitality business was approximately HK\$8.3 million (six months ended 31 December 2020: approximately HK\$10.0 million) and a segment loss of approximately HK\$3.2 million was recorded for the six months ended 31 December 2021 (six months ended 31 December 2020: approximately HK\$5.3 million). The decrease in revenue was mainly due to the prevalence of the Novel Coronavirus (the “COVID-19”) pandemic. The Japanese Government adopted the border enforcement measures, including in particular, the denial of permission to entry for foreign nationals, public health measures and quarantine requirement of the travellers. As a result, there was a drastic decrease in the number of visitors to Japan in the period under review.

Hotel hospitality business is one of the core businesses of the Group which contributed approximately 28% of the Group’s revenue for the six months ended 31 December 2021. 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.

The outbreak of the COVID-19 in 2020 and the variants of virus Delta and Omicron in 2021, the Japanese Government adopted the border enforcement measures, including in particular, the denial of permission to entry for foreign nationals and the quarantine measures. It had significantly destroyed the hotels occupancy rate for the period.

Money Lending Services

As at 31 December 2021, the Group had loans receivable with gross principal amount of approximately HK\$163.3 million (30 June 2021: approximately HK\$200.6 million). The Group recorded interest income from loans receivable of approximately HK\$1.6 million for the six months ended 31 December 2021 (six months ended 31 December 2020: approximately HK\$2.4 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 money lending business recorded a segment loss of approximately HK\$2.0 million for the six months ended 31 December 2021 (six months ended 31 December 2020: segment loss of approximately HK\$1.2 million). The segment loss was mainly resulted from an increase in impairment loss on loans receivable.

As at 31 December 2021, 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. For the sake of prudence and same as last period, 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 ageing 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 13% to 100% depending on the nature, probability of default and loss given default of the loans receivable.

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.

Liquor and Wine Business

The revenue for the six months ended 31 December 2021 of the liquor and wine business was approximately HK\$18.9 million (six months ended 31 December 2020: approximately HK\$0.4 million) and a segment loss of approximately HK\$28.2 million was recorded for the six months ended 31 December 2021 (six months ended 31 December 2020: approximately HK\$0.7 million). The bulk sales to the distributor that the Company can liquidate the inventories to be cash for general working capital and other investment opportunity.

Listed Securities and Funds Investments

As at 31 December 2021, the Group had invested into a fund with a value of approximately HK\$72.1 million (30 June 2021: approximately HK\$59.8 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 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 2021 was approximately HK\$72.1 million, represented approximately 8.5% to the Group’s total assets. The TAR Fund had an average return of approximately 21.75% and 1.86% for the years ended 31 December 2021 and 2020 respectively.

(2) Listed Securities

For the six months ended 31 December 2021, the Group managed a portfolio of listed securities. Details of the listed securities investments are as below:

Significant listed securities investments as at 31 December 2021

Name of listed securities	Stock code	Brief description of the business	Number of shares held	As at 31 December 2021			Approximately percentage to total assets value of the Group
				Proportion of share held	Investment cost	Market value	
Zhong Ji Longevity Science Group Limited 中基長壽科學集團有限公司	767	longevity science business, money lending, securities and other investments, financial and investment advisory and property investment	79,659,755	2.06%	43,239	16,490	1.9%
Hong Kong Aerospace Technology Group Limited 香港航天科技集團有限公司	1725	electronics manufacturing services business and aerospace business	3,870,000	1.25%	116,366	105,844	12.4%
B & D Strategic Holdings Limited	1780	civil engineering works and provision of services on alteration and addition works	5,260,000	0.85%	13,001	13,001	1.5%
Sunlight Technology Holdings Limited 深藍科技控股有限公司	1950	manufacturing and sales of faux leather chemicals	48,400,000	4.03%	10,887	5,421	0.6%

Significant gains/(losses) for the period ended 31 December 2021

Name of listed securities	Stock code	For the six months ended 31 December 2021		
		Realised	Unrealised	Dividend
		gains/ (losses) <i>H\$'000</i>	gains/ (losses) <i>H\$'000</i>	received <i>H\$'000</i>
Zhong Ji Longevity Science Group Limited 中基長壽科學集團有限公司	767	(370)	(26,749)	–
Hong Kong Aerospace Technology Group Limited 香港航天科技集團有限公司	1725	–	(10,522)	–
B & D Strategic Holdings Limited	1780	–	1,306	339
Sunlight Technology Holdings Limited 深藍科技控股有限公司	1950	(179)	(5,466)	–

PROSPECTS

The worldwide prevalence of the COVID-19 pandemic and the variants of virus Delta and Omicron has affected every sector across the globe, and the hotel hospitality business is among the hardest hit. The number of visitors to Japan declined dramatically due to the denial of permission to entry for foreigners and the quarantine measures imposed by the Japanese Government.

Despite the COVID-19 pandemic, the Group is still optimistic about the prospects of the hotel hospitality business in Japan with reference to: (i) the policy adopted by the Japanese Government in promoting the tourism in Japan with an aim to attract approximately 60 million international visitors to Japan in 2030; (ii) Niseko (where the Resort Towers is located) as a premium skiing and sightseeing destination; and (iii) the passing of the integrated resort law in Japan in 2018 and the fact that the availability of integrated casino resorts in Japan in future will attract more tourists travelling to Japan.

Although the businesses of the Group had been disrupted by the COVID-19 pandemic, the impact of the pandemic should be temporary. Given that the COVID-19 vaccination programs have been launched by the government in different countries, the Directors are confident in the future prospects of the businesses of the Group, especially the hotel hospitality business. The Group has potential plans to further develop the hotel hospitality business, namely, the renovation of the Resort Towers and the development of adjacent land. However, the implementation of the potential plans has been disrupted by the outbreak of the COVID-19 pandemic and the pandemic prevention measures adopted by the Japanese Government. The Group expects to start the implementation of the potential plans as soon as the end of the COVID-19 pandemic.

In the meanwhile, 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.

INTERIM DIVIDEND

The Directors do not recommend the payment of any interim dividend for the six months ended 31 December 2021 (six months ended 31 December 2020: Nil).

FINANCIAL RESOURCES, LIQUIDITY AND GEARING

As at 31 December 2021, the Group has in aggregate approximately HK\$201.4 million in deposits in a financial institution, pledged bank balances, and bank balances and cash (30 June 2021: approximately HK\$336.1 million) and the net current assets value was approximately HK\$390.7 million (30 June 2021: approximately HK\$397.5 million).

The Group's gearing ratio as at 31 December 2021 was approximately 0.09 (30 June 2021: approximately 0.16), being a ratio of total interest bearing debts, including borrowings of approximately HK\$66.2 million (30 June 2021: approximately HK\$128.5 million) to the total equity of approximately HK\$720.8 million (30 June 2021: approximately HK\$802.9 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.

As set out in the announcements of the Company dated 10 August 2018 and 17 January 2019, the Board resolved to change in use of the net proceeds from the rights issue. The proposed allocation of the net proceeds as stated in the prospectus of the Company dated 21 May 2018 (the “Planned Use of Net Proceeds”), the revised allocation of the net proceeds (the “Revised Use of Net Proceeds”), the utilisation of net proceeds as at 31 December 2021 (the “Utilisation of Net Proceeds”) and the remaining balance of the net proceeds are set out below:

Intended use	Planned Use of Net Proceeds HK\$ million	Revised Use of Net Proceeds HK\$ million	Utilisation of Net Proceeds HK\$ million	Remaining balance HK\$ million
Repayment of outstanding borrowings	193.9	193.9	128.9	65.0 <i>(note 1)</i>
Contribution to the facility to be made available to a joint venture company formed with Zhongke International Capital Limited	196.0	–	–	–
Expansion of the Group’s money lending business	100.0	111.3	111.3	–
Future potential investments and/or general working capital	33.7	218.4	218.4	–
Total	<u>523.6</u>	<u>523.6</u>	<u>458.6</u>	<u>65.0</u>

Note:

1. It is expected that the remaining balance would be utilised on or before 31 December 2022. The Company has been discussing with the bank in Japan for early repayment of the bank loan since the completion of the rights issue and in the hope of reaching a consensus with the bank before making the early repayment of the bank loan in order to maintain a good relationship with the bank. If a consensus on early repayment of the bank loan can be reached with the bank, the remaining balance of the net proceeds allocated for repayment of outstanding borrowings would be utilised for early repayment of the outstanding bank loan. If a consensus on early repayment of the bank loan cannot be reached with the bank, the remaining balance of the net proceeds allocated for repayment of outstanding borrowings would be utilised for repayment of the remaining instalments of the outstanding bank loan with the last instalment of the outstanding bank loan to be repaid in December 2022.

The amount was equivalent to JPY1.72 billion with reference to an exchange rate of JPY1: HK\$0.072, being the exchange rate used in the prospectus of the Company in relation to the rights issue.

The unutilised net proceeds have been placed as the interest bearing deposits with licensed financial institution in Hong Kong.

PLEDGE OF ASSETS

As at 31 December 2021, the Group pledged hotel land and building in Japan with an aggregated carrying value of approximately HK\$359.9 million (30 June 2021: approximately HK\$375.8 million), investment properties in Hong Kong with an aggregate carrying value of HK\$19.4 million (30 June 2021: HK\$19.6 million), bank deposit of approximately HK\$0.8 million (30 June 2021: approximately HK\$1.1 million) and the entire equity interest of certain subsidiaries to secure banking facilities of the Group.

CAPITAL STRUCTURE

The Company had no other changes in capital structure during the six months ended 31 December 2021.

INVESTMENT POSITION AND PLANNING

Financial Assets at Fair Value through Profit or Loss

As at 31 December 2021, the Group had invested in one (30 June 2021: one) unlisted private fund with aggregated carrying amount of approximately HK\$72.1 million (30 June 2021: approximately HK\$59.8 million). The purpose of the fund portfolio is to carry on the business of investing, holding, monitoring and realising 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.

Starting from August 2021, the Group has diversified its business into securities markets. As at 31 December 2021, the Group managed a portfolio of listed securities with fair value of approximately HK\$140.8 million. The global equity market is unstable throughout the period. Accordingly, the trading securities recorded a trading and revaluation loss of approximately HK\$42.7 million in current period.

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.

Pursuant to the third supplemental settlement deed entered into between Mr. Lee and the Company on 16 September 2020, Mr. Lee shall pay HK\$11,220,000 (being the sum of the outstanding settlement payment of HK\$11,050,000 and the additional amount of compensation of HK\$170,000) to the Company in the following manner: (a) HK\$2,500,000 shall be paid to the Company on the date of the third supplemental settlement deed; and (b) HK\$8,720,000 shall be paid to the Company on or before 30 September 2021. The Company received HK\$2,500,000 and HK\$8,720,000 from Mr. Lee on 16 September 2020 and 29 September 2021 respectively.

Details of the settlement deed and supplemental settlement deeds are set out in the Company’s announcements dated 26 September 2016, 28 September 2018, 27 September 2019 and 16 September 2020.

Acquisition of 52% equity interest of natural gas supply business

On 6 August 2021, Easy Nice Holdings Group Limited (“Easy Nice”), a wholly-owned subsidiary of the Company as purchaser, entered into a sale and purchase agreement (the “SPA”) with Rich Rite Limited (“Rich Rite”) as vendor and Mr. Frank Wang as guarantor. Pursuant to the terms of the SPA, Easy Nice has conditionally agreed to purchase and Rich Rite has conditionally agreed to sell 52% equity interest of the target company at a consideration of HK\$185,201,000, which shall be satisfied by the issue of convertible bonds in three tranches to Rich Rite by the Company. The target company together with its subsidiaries are principally engaged in the constitution of long-distance natural gas pipelines and the sale and supply of natural gas. The completion shall take place on or before 6 September 2021.

On 3 September 2021, 17 September 2021, 30 September 2021, 8 October 2021, 15 October 2021 and 29 October 2021, Easy Nice and Rich Rite agreed to defer the date of completion to 19 November 2021.

On 12 November 2021, Easy Nice, Rich Rite and Mr. Frank Wang had decided not to proceed with the Acquisition, the parties entered into a termination agreement (the “Termination Agreement”) whereby the parties have agreed to terminate the SPA with effect from the date of the Termination Agreement.

Details of the transaction are set out in the Company’s announcements dated 9 August 2021, 3 September 2021, 17 September 2021, 30 September 2021, 8 October 2021, 15 October 2021, 29 October 2021 and 12 November 2021.

CONTINGENT LIABILITIES

As at 31 December 2021, the Group had no significant contingent liabilities (30 June 2021: Nil).

CAPITAL COMMITMENTS

As at 31 December 2021, the Group had no significant capital commitments (30 June 2021: Nil).

FOREIGN EXCHANGE EXPOSURE

Most of the Group’s assets and liabilities are denominated in Hong Kong dollars, Renminbi 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.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2021, the Group had 33 (30 June 2021: 30) employees in Hong Kong, the PRC and Japan. 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 2021.

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 2021.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the six months ended 31 December 2021, the Company has 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 deviations:

Code Provision A.2.1

Code provision A.2.1 stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Since the resignation of Mr. Chi Chi Hung, Kenneth in March 2020, the Company does not have any officer with the title of Chief Executive Officer. The overall responsibility of supervising and ensuring that the Group functions in line with the order of the Board in terms of day-to-day operations and execution is vested in the Board itself.

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 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.

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 currently comprises Mr. Chiu Wai On, Mr. Man Kwok Leung and Sheung Kwong Cho, 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 2021.

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 made available on the above websites in due course.

By order of the Board
DeTai New Energy Group Limited
Cheng Chi Kin
Chairman and Executive Director

Hong Kong, 28 February 2022

As at the date of this announcement, the executive Directors are Mr. Cheng Chi Kin and Mr. Liu Shihao; and the independent non-executive Directors are Mr. Chiu Wai On, Mr. Man Kwok Leung and Mr. Sheung Kwong Cho.