



Asia Standard Hotel  
Group Limited



Interim Report  
2019

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## Corporate Information

### DIRECTORS

#### Executive

Mr. Poon Jing (*Chairman*)  
Dr. Lim Yin Cheng (*Deputy Chairman  
and Chief Executive*)  
Mr. Poon Hai  
Mr. Poon Yeung, Roderick  
Mr. Fung Siu To, Clement  
Mr. Woo Wei Chun, Joseph

#### Independent Non-executive

Mr. Ip Chi Wai  
Mr. Leung Wai Keung, *JP*  
Mr. Hung Yat Ming

### AUDIT COMMITTEE

Mr. Hung Yat Ming (*Chairman*)  
Mr. Leung Wai Keung, *JP*  
Mr. Ip Chi Wai

### REMUNERATION COMMITTEE

Mr. Hung Yat Ming (*Chairman*)  
Mr. Ip Chi Wai  
Dr. Lim Yin Cheng

### AUTHORISED REPRESENTATIVES

Dr. Lim Yin Cheng  
Mr. Lee Tai Hay, Dominic

### COMPANY SECRETARY

Mr. Lee Tai Hay, Dominic

### REGISTERED OFFICE

Victoria Place,  
5th Floor,  
31 Victoria Street,  
Hamilton HM 10,  
Bermuda

### PRINCIPAL OFFICE IN HONG KONG

30th Floor, YF Life Tower,  
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Hong Kong

Telephone 2866 3336  
Facsimile 2866 3772  
Website [www.asiastandardhotelgroup.com](http://www.asiastandardhotelgroup.com)  
E-mail [info@asia-standard.com.hk](mailto:info@asia-standard.com.hk)

### PRINCIPAL BANKERS

Bank of China (Hong Kong)  
Hang Seng Bank  
HSBC  
Industrial and Commercial Bank of  
China (Asia)  
Industrial and Commercial Bank of  
China (Canada)  
United Overseas Bank  
Chiyu Banking Corporation  
Fubon Bank (Hong Kong)  
Shanghai Commercial Bank  
Bank of Singapore  
Bank Morgan Stanley  
UBS  
Bank Julius Baer  
Credit Suisse AG  
Deutsche Bank

### LEGAL ADVISERS

Stephenson Harwood  
18th Floor, United Centre,  
95 Queensway,  
Hong Kong

Appleby  
2206-19 Jardine House,  
1 Connaught Place,  
Central,  
Hong Kong

### INDEPENDENT AUDITOR

PricewaterhouseCoopers  
Certified Public Accountants  
22nd Floor, Prince's Building,  
Central, Hong Kong

### SHARE REGISTRAR IN BERMUDA

MUFG Fund Services (Bermuda) Limited  
4th Floor North,  
Cedar House,  
41 Cedar Avenue,  
Hamilton HM 12,  
Bermuda

### HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor  
Services Limited  
Shops 1712-1716, 17th Floor,  
Hopewell Centre,  
183 Queen's Road East,  
Wanchai, Hong Kong

# Financial Highlights

(in HK\$ million, except otherwise indicated)	Six months ended		
	30th September	2018	Change
<b>Consolidated profit and loss account</b>			
Revenue	643	543	+18%
Operating profit	377	215	+75%
Profit attributable to shareholders of the Company	254	128	+98%
Earnings per share - basic (HK cents)	12.6	6.4	+97%

	30th September	31st March	Change
	2019	2019	
<b>Consolidated balance sheet</b>			
Total assets	11,013	11,512	-4%
Net assets	4,158	4,193	-1%
Equity attributable to shareholders of the Company	4,159	4,195	-1%
Net debt	6,165	6,639	-7%

Supplementary information about valuation of the five (31st March 2019: five) hotel properties in operation stated at valuation (note):

Revalued total assets	20,434	20,892	-2%
Revalued net assets	13,579	13,574	-
Gearing - net debt to revalued net assets	45%	49%	-4%

Note: According to the Group's accounting policies, the hotel properties in operation were carried at cost less accumulated depreciation. To give further information on the economic substance of its hotel properties investments, the Group hereby presents supplementary unaudited financial information taking into account the fair market value of these hotel properties and excluding the corresponding deferred income tax on Hong Kong properties as Hong Kong tax jurisdiction does not include capital gain tax.

The hotel properties were revalued by Vigers Appraisal & Consulting Limited, independent professional valuers, on an open market value basis as at 30th September 2019 and 31st March 2019.

# Management Discussion and Analysis



Executive Studio Suites in **Empire Hotel Kowloon**

## RESULTS

The Group's total revenue for the six months ended 30th September 2019 amounted to HK\$643 million, an increase of 18% when compared with the same period of last year. Such increase was mainly attributable to an increase of income derived from financial investments, which was partially offset by a decrease in revenue of our hotel operation amidst the much weakened market sentiment in tourism caused by the social unrests during the period. Profits attributable to shareholders increased by 98% to HK\$254 million as a result of more interest income from an enlarged portfolio of debt securities, and a net investment gain in respect of its investments in financial assets, as opposed to a net loss in the same period of last year. This difference was partially offset by a decrease of gross profit from hotel operation, and an increase in finance cost from increased bank borrowings and higher market interest rates.

## HOTEL BUSINESS

During the period under review, our hotel operation in Hong Kong was negatively impacted by the local political events. Our occupancy rate and average room rate had dropped by 13% and 17%, respectively, which led to a decline in gross profit when compared to the corresponding period last year. This adverse effect was partially offset by a continued healthy ramp up of Empire Prestige in Tsim Sha Tsui, which opened in December 2018.

The cumulative arrivals between April 2019 and September 2019 for all visitors to Hong Kong and those who stayed overnight were 29 million and 12 million, respectively, the former had a 8% decrease and the latter a 14% decrease. Mainland China continued to dominate the overnight visitor arrivals with a 69% of the total share, despite this market recorded a 15% decrease from the same period of last year.

As of September 2019, the total Hong Kong hotel room supply was approximately 83,100 rooms, increased by 3% from the same period last year.



The all-new Prestige Club Lounge in **Empire Hotel Kowloon**

## DEVELOPMENT PROJECTS

In Vancouver, the demolition work of our Empire Landmark Hotel located close in the downtown commercial core on Robson Street is now substantially completed, and the shoring and excavation work will follow shortly. As at 30th September 2019, a total of approximately CAD\$140 million contracted sales of residential units in this development has been achieved from the project sales launch at the beginning of 2018.

The other developable property located to the east of our Empire Landmark Hotel is still in the planning stage for development.

The Group's joint venture residential development on Alberni Street is on course to obtain the development and building permits from the local authority, in which it has received the Prior to Letter detailing out the conditions for approval by the local city council in June 2019 for the issuance of development permit.

Another joint venture development that is also located at Alberni Street in downtown Vancouver is in the planning stage for development into premium residential units for sale. The rezoning resubmission package is scheduled to be submitted to the City in early 2020.

## Management Discussion and Analysis



## FINANCIAL INVESTMENTS

As at 30th September 2019, the Group's financial investment portfolio consisted almost entirely of listed securities amounted to HK\$6,395 million (31st March 2019: HK\$6,987 million). The decrease in value of the portfolio during the year was mainly attributable to a net disposal of securities coupled with a mark to market fair value loss during the period.

Approximately 96% of our investment portfolio comprised of listed debt securities that were issued mostly by companies operating real estate business in China, approximately 3% comprised listed equity securities, and 1% comprised unlisted funds. They were denominated in Hong Kong dollars 3% and United States dollars 97%.

During the period under review, a total of HK\$422 million (2018: HK\$266 million) in interest and dividend income were generated from the investment portfolio. The increase in interest and dividend income was due to an enlarged debt portfolio from additional investments. A net investment gain of HK\$18 million (2018: a net loss of HK\$56 million) was credited to profit and loss account while the mark-to-market valuation loss on listed debt securities of HK\$229 million were recognised in the investment reserve account.

## FINANCIAL REVIEW

The financing and treasury activities of the Group are centrally managed and controlled at the corporate level. At 30th September 2019, the Group had about HK\$3.6 billion cash and undrawn banking facilities.

The Group's total assets per book amounted to HK\$11,013 million (31st March 2019: HK\$11,512 million). Based on independent valuation, the total revalued amount of our hotel properties in Hong Kong as at 30th September 2019 was HK\$12,294 million, decreased by 0.03% when compared with that as at 31st March 2019. The revalued total assets of the Group with hotel properties in Hong Kong at market value would be HK\$20,434 million (31st March 2019: HK\$20,892 million).

The net assets per book amounted to HK\$4,158 million (31st March 2019: HK\$4,193 million), of which the decrease was mainly due to unrealised fair value changes net of expected credit loss and impairment charges from certain financial investments (mostly listed debt securities) that were recognised in other comprehensive income under shareholders' equity. Taking into account the market value of the hotel properties in operation, the revalued net asset value of the Group would be HK\$13,579 million (31st March 2019: HK\$13,574 million).

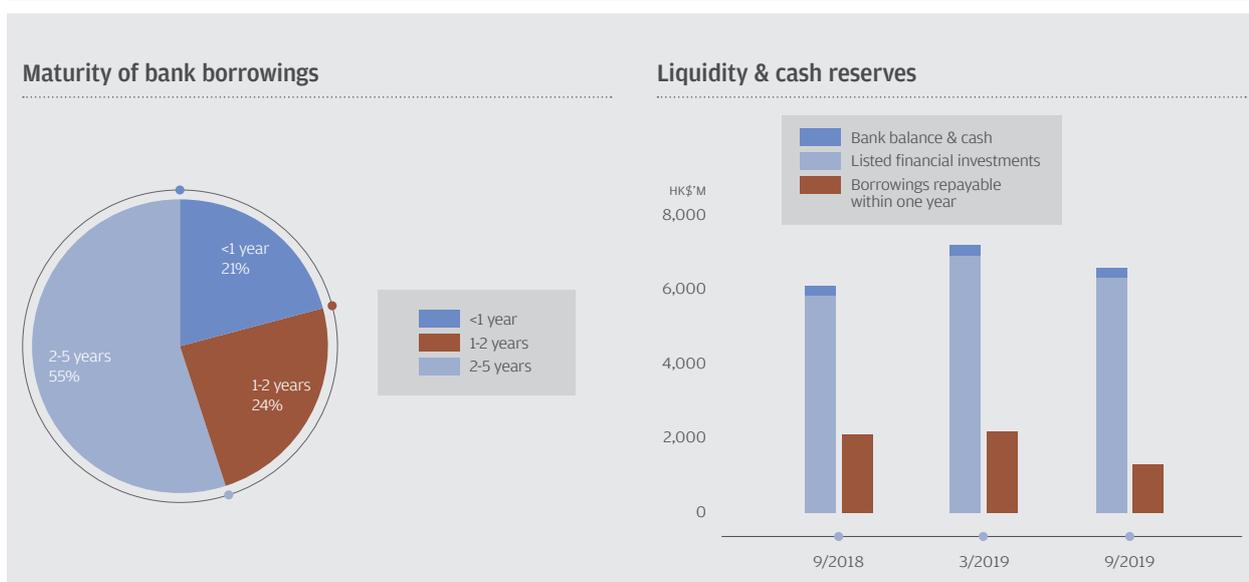
The consolidated net debt (total debt less cash balance) was HK\$6,165 million (31st March 2019: HK\$6,639 million). The total debt comprised HK\$6,226 million of bank borrowings and HK\$205 million convertible notes. 99% of the gross bank borrowings or HK\$6,152 million was denominated in Hong Kong dollars, and the remaining 1% or to the equivalent of HK\$74 million were in foreign currencies incurred in operations and investment in financial assets overseas. Total interest cost increased as a result of increased market interest rates and bank borrowings.

Of the total bank borrowings, 11% were revolving loans (of which 10% is secured), 68% were secured term loans, and the remaining 21% were unsecured term loans. The maturity of our bank borrowings spread over a period of up to five years with 21% repayable within one year, 24% repayable between one to two years, and 55% repayable within three to five years. Convertible notes held by the parent groups, accounting for 3% of total debt, are unsecured and repayable in February 2047.

At 30th September 2019, the Group had net current assets of HK\$5,595 million (31st March 2019: HK\$5,231 million), and bank balances together with listed marketable securities of HK\$6,575 million represent 5.1 times of the bank borrowings of HK\$1,292 million due within 12 months.

The Group's gearing ratio, expressed as a percentage of net debt over the revalued net asset value, was 45% (31st March 2019: 49%).

The carrying value of hotel properties, property under development for sale and financial assets pledged as collateral for banking facilities of the Group as at 30th September 2019 amounted to HK\$5,198 million (31st March 2019: HK\$4,559 million).



## Management Discussion and Analysis

### HUMAN RESOURCES

As at 30th September 2019, the total number of full-time employees of the Company and its subsidiaries was approximately 290 (31st March 2019: 300). In addition to salary payment, the Group provides other benefits including insurance, share options, medical scheme and retirement plans and others to its employees.

### OUTLOOK

For our hotel operation in Hong Kong, the management continues to take actions of both short term and longer term to control costs and drive efficiency as the tourism sentiment may take some time to improve. This negative impact would be more than offset by the strong recurrent earnings and cash flow generated from the Group's fixed income financial investment portfolio.

The property market in Vancouver, Canada, as supported by solid economic performance and population growth, is expected to remain attractive.

While China's economic outlook remained uncertain amid ongoing trade tension, continued supportive fiscal and monetary policies by the Chinese government, coupled with a healthy labor market, will provide some buffer to avert the slowdown of its economic growth.

The management, while continuously monitoring macroeconomic developments and risks to the outlook, remains cautiously optimistic towards the performance of the Group in the rapidly changing environment.

# Report on Review of Interim Financial Information

**To the Board of Directors of  
Asia Standard Hotel Group Limited**

*(incorporated in Bermuda with limited liability)*

## INTRODUCTION

We have reviewed the interim financial information set out on pages 10 to 39, which comprises the condensed consolidated balance sheet of Asia Standard Hotel Group Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 30 September 2019 and the condensed consolidated profit and loss account, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of the Group is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”.

**PricewaterhouseCoopers**  
Certified Public Accountants

Hong Kong, 28th November 2019

## Condensed Consolidated Profit and Loss Account – Unaudited

	<i>Note</i>	Six months ended 30th September	
		2019 HK\$'000	2018 HK\$'000
Sales of goods and services and other revenue		<b>229,810</b>	284,702
Interest revenue		<b>413,053</b>	257,841
Total revenue	6	<b>642,863</b>	542,543
Cost of sales		<b>(131,867)</b>	(139,499)
Gross profit		<b>510,996</b>	403,044
Selling and administrative expenses		<b>(80,841)</b>	(79,566)
Depreciation		<b>(70,502)</b>	(52,398)
Net investment gain/(loss)	7	<b>17,811</b>	(55,662)
Operating profit		<b>377,464</b>	215,418
Net finance costs	9	<b>(121,056)</b>	(81,411)
Share of profits less losses of joint ventures		<b>1,330</b>	1,368
Profit before income tax		<b>257,738</b>	135,375
Income tax expense	10	<b>(3,849)</b>	(6,889)
Profit for the period		<b>253,889</b>	128,486
Attributable to:			
Shareholders of the Company		<b>253,518</b>	128,258
Non-controlling interest		<b>371</b>	228
		<b>253,889</b>	128,486
Earnings per share (HK cents)			
Basic	12	<b>12.6</b>	6.4
Diluted	12	<b>5.5</b>	2.8

# Condensed Consolidated Statement of Comprehensive Income – Unaudited

	Six months ended 30th September	
	2019 HK\$'000	2018 HK\$'000
Profit for the period	253,889	128,486
Other comprehensive (charge)/income		
Items that have been reclassified or may be reclassified subsequently to profit or loss:		
Net fair value loss on debt securities at fair value through other comprehensive income	(257,958)	(441,437)
Currency translation differences	4,501	3,126
Share of currency translation differences of joint ventures	4,777	(2,533)
Items that will not be reclassified to profit or loss:		
Net fair value loss on equity securities at fair value through other comprehensive income	(10,668)	(19,049)
	(259,348)	(459,893)
Total comprehensive charge for the period	(5,459)	(331,407)
Attributable to:		
Shareholders of the Company	(6,193)	(330,790)
Non-controlling interests	734	(617)
	(5,459)	(331,407)

## Condensed Consolidated Balance Sheet – Unaudited

	<i>Note</i>	30th September 2019 HK\$'000	31st March 2019 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	13	3,017,094	3,064,654
Joint ventures		496,745	456,251
Financial investments	15	218,616	211,006
Deferred income tax assets		14,771	11,441
		<b>3,747,226</b>	3,743,352
<b>Current assets</b>			
Properties under development for sale		529,119	456,141
Inventories		20,718	21,615
Trade and other receivables	14	267,339	232,163
Income tax recoverable		4,795	3,176
Financial investments	15	6,176,683	6,776,265
Bank balances and cash		267,085	278,913
		<b>7,265,739</b>	7,768,273
<b>Current liabilities</b>			
Trade and other payables	16	99,294	86,551
Contract liabilities		198,712	199,405
Amount due to non-controlling interest		43,764	39,225
Borrowings	17	1,291,870	2,188,044
Income tax payable		37,000	23,878
		<b>1,670,640</b>	2,537,103
<b>Net current assets</b>			
		<b>5,595,099</b>	5,231,170
<b>Non-current liabilities</b>			
Long term borrowings	17	4,934,451	4,531,011
Lease liabilities		3,349	-
Convertible notes	18	205,447	199,126
Deferred income tax liabilities		40,757	51,203
		<b>5,184,004</b>	4,781,340
<b>Net assets</b>			
		<b>4,158,321</b>	4,193,182
<b>Equity</b>			
Share capital	19	40,361	40,361
Reserves	20	4,118,961	4,154,556
<b>Equity attributable to shareholders of the Company</b>			
Non-controlling interests		(1,001)	(1,735)
		<b>4,158,321</b>	4,193,182

# Condensed Consolidated Statement of Cash Flows – Unaudited

	Six months ended 30th September	
	2019 HK\$'000	2018 HK\$'000
<b>Cash flows from operating activities</b>		
Net cash generated from/(used in) operation	843,800	(1,257,062)
Net income tax paid	(3,841)	(2,669)
Interest paid	(110,799)	(79,450)
Interest received from bank deposit and loan receivables	335	269
Net cash generated from/(used in) operating activities	729,495	(1,338,912)
<b>Cash flows from investing activities</b>		
Purchase of financial investments	(17,733)	(82,960)
Net addition to property, plant and equipment	(13,047)	(37,818)
Increase in investments in joint ventures	(11,541)	(80,579)
Advances to joint ventures	(22,845)	(128,292)
Net cash used in investing activities	(65,166)	(329,649)
<b>Cash flows from financing activities</b>		
Drawdown of long term borrowings	544,944	1,585,914
Repayment of long term borrowings	(138,000)	(894,500)
Net (decrease)/increase of short term borrowings	(907,115)	887,736
Contribution from non-controlling interests	4,539	38,670
Dividend paid to shareholders	(13,117)	(12,915)
Coupon paid to convertible noteholders	(16,285)	(16,016)
Net cash (used in)/generated from financing activities	(525,034)	1,588,889
Net increase/(decrease) in cash and cash equivalents	139,295	(79,672)
Cash and cash equivalents at the beginning of the period	112,965	190,892
Changes in exchange rates	665	1,017
Cash and cash equivalents at the end of the period	252,925	112,237
<b>Analysis of balances of cash and cash equivalents</b>		
Bank balances and cash (excluding restricted bank balances)	252,925	112,237

## Condensed Consolidated Statement of Changes in Equity – Unaudited

	Equity attributable to shareholders of the Company			Non- controlling interests HK\$'000	Total HK\$'000
	Share capital HK\$'000	Reserves HK\$'000	Total HK\$'000		
At 31st March 2018	40,361	3,878,338	3,918,699	-	3,918,699
Net fair value loss on financial assets at fair value through other comprehensive income	-	(460,486)	(460,486)	-	(460,486)
Currency translation differences	-	3,126	3,126	-	3,126
Share of currency translation differences of joint ventures	-	(1,688)	(1,688)	(845)	(2,533)
Profit for the period	-	128,258	128,258	228	128,486
Total comprehensive charge for the period	-	(330,790)	(330,790)	(617)	(331,407)
2018 final dividend	-	(12,915)	(12,915)	-	(12,915)
Coupon to convertible noteholders	-	(16,016)	(16,016)	-	(16,016)
Total transaction with owners	-	(28,931)	(28,931)	-	(28,931)
At 30th September 2018	40,361	3,518,617	3,558,978	(617)	3,558,361
<b>At 31st March 2019</b>	<b>40,361</b>	<b>4,154,556</b>	<b>4,194,917</b>	<b>(1,735)</b>	<b>4,193,182</b>
Net fair value loss on financial assets at fair value through other comprehensive income	-	(268,626)	(268,626)	-	(268,626)
Currency translation differences	-	4,501	4,501	-	4,501
Share of currency translation differences of joint ventures	-	4,414	4,414	363	4,777
Profit for the period	-	253,518	253,518	371	253,889
Total comprehensive charge for the period	-	(6,193)	(6,193)	734	(5,459)
2019 final dividend	-	(13,117)	(13,117)	-	(13,117)
Coupon to convertible noteholders	-	(16,285)	(16,285)	-	(16,285)
Total transaction with owners	-	(29,402)	(29,402)	-	(29,402)
At 30th September 2019	40,361	4,118,961	4,159,322	(1,001)	4,158,321

# Notes to the Interim Financial Information

## 1 GENERAL INFORMATION

The Company is a limited liability company incorporated in Bermuda and is listed on The Stock Exchange of Hong Kong Limited (“HKEX”). The address of its registered office is 30th Floor, YF Life Tower, 33 Lockhart Road, Wanchai, Hong Kong.

## 2 BASIS OF PREPARATION

The unaudited condensed consolidated interim financial information for the six months ended 30th September 2019 (“Interim Financial Information”) has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants, and should be read in conjunction with the annual financial statements for the year ended 31st March 2019, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”).

## 3 THE ADOPTION OF NEW HKFRS

The accounting policies and methods of computation used in the preparation of this Interim Financial Information are consistent with those used in the annual financial statements for the year ended 31st March 2019, except for the adoption of the following new standard that is effective for the financial year ending 31st March 2020 which is relevant to the Group’s operations and is mandatory for accounting periods beginning on or after 1st January 2019:

### HKFRS 16 LEASES

The adoption of HKFRS 16 from 1st April 2019 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transitional provisions in HKFRS 16, comparative figures have not been restated.

Effect on adoption of HKFRS 16 is as follows:

	HK\$'000
Operating lease commitments as at 1st April 2019	10,451
Discounted using the lessee’s incremental borrowing rate at the date of initial application	10,206
Less: short-term lease recognised on a straight-line basis as expense	(1,827)
Lease liabilities recognised as at 1st April 2019	8,379
Of which are:	
Current - included in trade and other payables	5,909
Non-current - lease liabilities	2,470
	8,379

## Notes to the Interim Financial Information

## 3 THE ADOPTION OF NEW HKFRS (Continued)

**HKFRS 16 LEASES (Continued)**

The associated right-of-use assets for leases were measured on a modified retrospective basis as if the new rules had always been applied. Other right-of-use assets were measured at amounts equal to the lease liabilities, adjusted by the amounts of any prepaid or accrued lease payments relating to the leases recognised in the financial statements at 31st March 2019.

Upon the adoption of HKFRS 16, the Group reclassified the leasehold land in Hong Kong previously under “land and buildings” to right-of-use assets for presentation purpose.

The change in accounting policy affected the following items in the condensed consolidated balance sheet at 1st April 2019:

**Condensed consolidated balance sheet (extracted)**

	Effects of adoption of HKFRS 16			
	As previously reported HK\$'000	Reclassification HK\$'000	Recognition of leases HK\$'000	As adjusted HK\$'000
<b>Assets</b>				
Property, plant and equipment				
Land and buildings	2,885,275	(2,885,275)	-	-
Buildings	-	859,118	-	859,118
Right-of-use assets	-	2,026,157	8,379	2,034,536
<b>Liabilities</b>				
Current - trade and other payables	86,551	-	5,909	92,460
Non-current - lease liabilities	-	-	2,470	2,470

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- use of a single discount rate for a portfolio of leases with reasonably similar characteristics
- accounting for operating leases with a remaining lease term of less than 12 months at 1st April 2019 as short-term leases, and
- exclusion of initial direct costs for the measurement of right-of-use assets at the date of initial application

There are no other standards or interpretations effective for financial period beginning on 1st April 2019 that would have a material impact to the Group.

## 4 FINANCIAL RISK MANAGEMENT

### (I) FINANCIAL RISK FACTORS

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk and cash flow interest rate risk), credit risk and liquidity risk. There have been no changes in the overall risk management since the year ended 31st March 2019.

The Interim Financial Information does not include other financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31st March 2019.

### (II) FAIR VALUE ESTIMATION

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

## Notes to the Interim Financial Information

## 4 FINANCIAL RISK MANAGEMENT (Continued)

## (II) FAIR VALUE ESTIMATION (Continued)

The following table presents the Group's financial instruments that are measured at fair value:

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000
<b>At 30th September 2019</b>			
<b>Assets</b>			
Financial assets at fair value through other comprehensive income ("FVOCI")	184,094	6,122,815	-
Financial assets at fair value through profit or loss ("FVPL")	-	53,868	34,522
	<b>184,094</b>	<b>6,176,683</b>	<b>34,522</b>
<b>At 31st March 2019</b>			
<b>Assets</b>			
Financial assets at FVOCI	194,762	6,401,622	-
Financial assets at FVPL	293,215	564	97,108
	<b>487,977</b>	<b>6,402,186</b>	<b>97,108</b>

## 4 FINANCIAL RISK MANAGEMENT (Continued)

### (II) FAIR VALUE ESTIMATION (Continued)

During the six months ended 30th September 2019, there was no transfer between level 1, level 2 and level 3 fair value measurements except the carrying amount of HK\$80,864,000 financial investment at level 3 was reclassified to level 2.

- Financial instruments in level 1  
The fair value of financial instruments traded in active markets (such as listed equity securities) is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price. These instruments are included in level 1.
- Financial instruments in level 2  
The fair value of financial instruments that are not traded in an active market (over-the-counter investments and derivatives) is determined by using latest available transaction price or valuation techniques. Judgements as to whether there is an active market may include, but not restricted to, consideration of factors such as the magnitude and frequency of trading activities, the availability of prices and the sizes of bid/offer spreads. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information.

- Financial instruments in level 3  
If one or more of the significant inputs are not based on observable market data, the instruments are included in level 3.

Level 3 instruments comprised unlisted fund which are not traded in an active market. Fair values of these instruments have been determined using appropriate valuation techniques with references including quoted prices and asset-based value from financial institutions and other prices observed in recent transactions.

## Notes to the Interim Financial Information

### 5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31st March 2019.

### 6 SEGMENT INFORMATION

The Group is principally engaged in hotel operation, property development and securities investment. Revenue includes revenue from hotel and travel operations, interest income and dividend income.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments. The operating segments were determined based on the reports reviewed by the chief operating decision-maker.

The Group is organised into three main reportable operating segments comprising hotel operation, property development and financial investments. As the Group's travel operation segment represents less than 10% of the Group's total annual and results, this segment of business is not report separately. Segment assets consist primarily of property, plant and equipment, inventories, trade and other receivables, properties under development for sale, joint ventures and financial investments. Segment liabilities comprise mainly borrowings, trade and other payables, lease liabilities, contract liabilities and amount due to non-controlling interest.

## Notes to the Interim Financial Information

## 6 SEGMENT INFORMATION (Continued)

	Hotel operation HK\$'000	Property development HK\$'000	Financial investments HK\$'000	Others HK\$'000	Total HK\$'000
<b>Six months ended 30th September 2019</b>					
Segment revenue	149,275	424	421,912	71,252	642,863
Contribution to segment results	43,197	(2,671)	420,097	1,824	462,447
Depreciation	(56,624)	(9,270)	-	(4,608)	(70,502)
Net investment gain	-	-	17,811	-	17,811
Share of profits less losses of joint ventures	-	1,541	-	(211)	1,330
Segment results	(13,427)	(10,400)	437,908	(2,995)	411,086
Unallocated corporate expenses					(32,292)
Net finance costs					(121,056)
<b>Profit before income tax</b>					<b>257,738</b>
<b>Six months ended 30th September 2018</b>					
Segment revenue	186,835	-	282,005	73,703	542,543
Contribution to segment results	80,703	(13,042)	281,308	1,207	350,176
Depreciation	(40,325)	(10,865)	-	(1,208)	(52,398)
Net investment loss	-	-	(55,662)	-	(55,662)
Share of profits less losses of joint ventures	-	1,675	-	(307)	1,368
Segment results	40,378	(22,232)	225,646	(308)	243,484
Unallocated corporate expenses					(26,698)
Net finance costs					(81,411)
<b>Profit before income tax</b>					<b>135,375</b>

Note:

Hotel operation revenue

	Six months ended 30th September	
	2019 HK\$'000	2018 HK\$'000
Room rentals	130,282	159,935
Food and beverages	14,687	20,779
Ancillary services	365	346
Space rental	3,941	5,775
	<b>149,275</b>	186,835

## Notes to the Interim Financial Information

## 6 SEGMENT INFORMATION (Continued)

	Business segments					Total HK\$'000
	Hotel operation HK\$'000	Property development HK\$'000	Financial investments HK\$'000	Others HK\$'000	Unallocated HK\$'000	
<b>As at 30th September 2019</b>						
Assets	3,020,523	1,061,711	6,591,832	33,414	305,485	11,012,965
Assets include:						
Joint ventures	-	496,392	-	353	-	496,745
Addition to non-current assets for the six months ended 30th September 2019*	8,390	12,047	-	19	5,480	25,936
Liabilities						
Borrowings	3,588,840	74,229	577,970	-	1,985,282	6,226,321
Other liabilities						628,323
						6,854,644
<b>As at 31st March 2019</b>						
Assets	3,077,809	1,121,369	7,163,831	12,162	136,454	11,511,625
Assets include:						
Joint ventures	-	455,686	-	565	-	456,251
Addition to non-current assets for the six months ended 30th September 2018*	35,550	209,213	-	37	449	245,249
Liabilities						
Borrowings	3,407,533	73,491	773,684	-	2,464,347	6,719,055
Other liabilities						599,388
						7,318,443

\* These amounts exclude financial instruments and deferred income tax assets.

## Notes to the Interim Financial Information

## 6 SEGMENT INFORMATION (Continued)

	Six months ended 30th September	
	2019 HK\$'000	2018 HK\$'000
<b>Revenue</b>		
Hong Kong	220,527	260,538
Overseas	422,336	282,005
	<b>642,863</b>	542,543
	30th September 2019 HK\$'000	31st March 2019 HK\$'000
<b>Non-current assets*</b>		
Hong Kong	3,000,242	3,040,392
Overseas	513,597	480,513
	<b>3,513,839</b>	3,520,905

\* These amounts exclude financial instruments and deferred income tax assets.

## Notes to the Interim Financial Information

## 7 NET INVESTMENT GAIN/(LOSS)

	Six months ended 30th September	
	2019 HK\$'000	2018 HK\$'000
Financial assets at FVPL		
- net unrealised (loss)/gain from market price movements	(27,480)	19,865
- net unrealised exchange gain/(loss)	465	(916)
- net realised gain/(loss) (note (a))	33,995	(4,075)
	6,980	14,874
Financial assets at FVOCI		
- net unrealised exchange loss	(4,907)	(16,174)
- net realised gain (note (b))	9,222	1,973
- changes in expected credit losses and other credit impairment charges	6,516	(56,335)
	10,831	(70,536)
	17,811	(55,662)

Notes:

<b>(a) Net realised gain/(loss) on financial assets at FVPL</b>		
Gross consideration	327,210	268,245
Cost of investments	(196,633)	(417,790)
Total gain/(loss)	130,577	(149,545)
(Less)/add: net unrealised (gain)/loss recognised in prior years	(96,582)	145,470
Net realised gain/(loss) recognised in current period	33,995	(4,075)
<b>(b) Net realised gain on financial assets at FVOCI</b>		
Gross consideration	1,195,384	81,635
Cost of investments	(1,181,146)	(77,043)
Total gain	14,238	4,592
Transfer from investment revaluation reserve	(5,016)	(2,619)
Net realised gain recognised in current period	9,222	1,973

## Notes to the Interim Financial Information

## 7 NET INVESTMENT GAIN/(LOSS) (Continued)

Supplementary information of net investment gain/(loss) on financial investments:

During the period, the Group derecognised/disposed of 1 equity security and 5 debt securities. Listed below were the securities disposed/redeemed/exchanged that contributed to the majority of realised gain:

	<b>Realised (loss)/gain</b> HK\$'000
Equity securities	
Citigroup Inc. ("Citigroup")	33,995
Debt securities	
Jiayuan International Group Limited ("Jiayuan") 12% notes	6,852
Xinyuan Real Estate Company Limited ("Xinyuan") 9.875% notes	3,372
Fantasia Holdings Group Limited ("Fantasia") 12% notes	(1,125)
Others	123
	<b>43,217</b>

Citigroup is a global bank that provides financial services, and its shares are listed on the New York Stock Exchange ("NYSE") (stock code: C) with a "BBB+" rated by Standard & Poor's Rating Services ("S&P").

Jiayuan is principally engaged in property development and property investment in the PRC. Its shares are listed on HKEX (stock code: 2768). The notes were derecognised when exchange for new notes. The notes derecognised were rated "Caa2" by Moody's Investors Service ("Moody's") at the time of exchange and were listed on HKEX. The new notes were rated "B3" by Moody's subsequently and are listed on HKEX.

Xinyuan is principally engaged in property development, property investment and the provision of property management services in the PRC. Its shares are listed on the NYSE (stock code: XIN). The notes derecognised were rated "B-" by S&P and were listed in Singapore Stock Exchange ("SGX-ST").

Fantasia is principally engaged in property development, property investment, property agency services, property operation services and hotel operations in the PRC. Its shares are listed on HKEX (stock code: 1777). The notes derecognised were rated "B3" by Moody's and were listed in SGX-ST.

The unrealised (loss)/gain for the period was generated from the fair value changes of the financial investments that comprised 25 listed securities and 4 unlisted fund as at 30th September 2019. Please refer to note 15 for the details.

## Notes to the Interim Financial Information

## 7 NET INVESTMENT GAIN/(LOSS) (Continued)

Summary of unrealised (loss)/gain for the six months ended 30th September:

	2019 HK\$'000	2018 HK\$'000
Listed equity securities	-	19,073
Listed debt securities	(4,843)	(16,090)
Unlisted fund	(27,079)	(208)
	<b>(31,922)</b>	2,775

## 8 INCOME AND EXPENSES BY NATURE

	Six months ended 30th September	
	2019 HK\$'000	2018 HK\$'000
<b>Income</b>		
Operating lease rental income for hotel buildings	3,941	5,775
Interest income from financial assets at FVOCI		
- Listed investments	412,332	257,572
Dividend income		
- Listed investments	9,304	8,414
<b>Expenses</b>		
Cost of goods sold	3,340	6,009
Employee benefit expense, including Directors' emoluments (note)	68,696	61,531

Note:

<b>Employee benefit expense</b>		
Wages and salaries	68,747	61,067
Retirement benefits costs	2,132	2,041
	<b>70,879</b>	63,108
Capitalised under property under development for sale	(2,183)	(1,577)
	<b>68,696</b>	61,531

## Notes to the Interim Financial Information

## 9 NET FINANCE COSTS

	Six months ended 30th September	
	2019 HK\$'000	2018 HK\$'000
Interest expenses		
Long term bank loans	(93,453)	(63,733)
Short term bank loans and overdrafts	(19,467)	(16,629)
Lease liabilities	(159)	-
Convertible notes	(6,932)	(6,536)
Interest capitalised	8,843	9,065
	(111,168)	(77,833)
Other incidental borrowing costs	(9,873)	(8,189)
Net foreign exchange (loss)/gain on borrowings	(15)	4,611
	(121,056)	(81,411)

## 10 INCOME TAX EXPENSE

	Six months ended 30th September	
	2019 HK\$'000	2018 HK\$'000
Current income tax		
Hong Kong profits tax	(7,395)	(6,803)
Overseas profits tax	-	(1,387)
Under provision in prior years	(7,949)	-
	(15,344)	(8,190)
Deferred income tax credit	11,495	1,301
	(3,849)	(6,889)

Hong Kong profits tax is provided at the rate of 16.5% (2018: 16.5%) on the estimated assessable profit for the period. Income tax on overseas profits has been calculated on the estimated assessable profit for the period at the tax rates prevailing in the countries in which the Group operates.

## Notes to the Interim Financial Information

## 11 DIVIDEND

The Board of Directors does not recommend the payment of an interim dividend for the six months ended 30th September 2019 (2018: Nil).

## 12 EARNINGS PER SHARE

The calculation of earnings per share is based on profit attributable to shareholders of the Company and divided by the weighted average number of shares.

The calculation of basic and diluted earnings per share for the period is based on the following:

	<b>Six months ended 30th September</b>	
	<b>2019</b>	2018
	<b>HK\$'000</b>	HK\$'000
Profit attributable to shareholders of the Company for calculation of basic earnings per share	<b>253,518</b>	128,258
Effect of dilutive potential shares:		
Interest expense saved on convertible notes	<b>6,932</b>	6,536
Profit attributable to shareholders of the Company for calculation of diluted earnings per share	<b>260,450</b>	134,794
	<b>Number of shares</b>	
Weighted average number of shares for calculation of basic earnings per share	<b>2,018,040,477</b>	2,018,040,477
Effect of dilutive potential shares:		
Share options of the Company assumed to be exercised	<b>951,379</b>	7,127,955
Convertible notes assumed to be converted at the beginning of the period	<b>2,693,120,010</b>	2,693,120,010
Weighted average number of shares for calculation of diluted earnings per share	<b>4,712,111,866</b>	4,718,288,442
Basic earnings per share (HK cents)	<b>12.6</b>	6.4
Diluted earnings per share (HK cents)	<b>5.5</b>	2.8

## Notes to the Interim Financial Information

## 13 PROPERTY, PLANT AND EQUIPMENT

	Land and Buildings HK\$'000	Buildings HK\$'000	Plant and equipment HK\$'000	Right-of-use assets HK\$'000	Total HK\$'000
<b>Cost</b>					
At 31st March 2019	3,744,829	-	629,524	-	4,374,353
Adoption of HKFRS 16					
Reclassification of leasehold land	(3,744,829)	1,155,998	-	2,588,831	-
Recognition of leases	-	-	-	8,379	8,379
At 1st April 2019	-	1,155,998	629,524	2,597,210	4,382,732
Currency translation differences	-	-	470	10	480
Addition	-	-	9,583	4,812	14,395
Disposals	-	-	(61)	-	(61)
<b>At 30th September 2019</b>	<b>-</b>	<b>1,155,998</b>	<b>639,516</b>	<b>2,602,032</b>	<b>4,397,546</b>
<b>Accumulated depreciation</b>					
At 31st March 2019	859,554	-	450,145	-	1,309,699
Adoption of HKFRS 16					
Reclassification of leasehold land	(859,554)	296,880	-	562,674	-
At 1st April 2019	-	296,880	450,145	562,674	1,309,699
Currency translation differences	-	-	301	2	303
Charge for the period	-	15,892	26,363	28,247	70,502
Disposals	-	-	(52)	-	(52)
<b>At 30th September 2019</b>	<b>-</b>	<b>312,772</b>	<b>476,757</b>	<b>590,923</b>	<b>1,380,452</b>
<b>Net book value</b>					
<b>At 30th September 2019</b>	<b>-</b>	<b>843,226</b>	<b>162,759</b>	<b>2,011,109</b>	<b>3,017,094</b>
At 31st March 2019	2,885,275	-	179,379	-	3,064,654

## Notes to the Interim Financial Information

## 13 PROPERTY, PLANT AND EQUIPMENT (Continued)

Notes:

- (a) At 30th September 2019, hotel properties with carrying amount of HK\$2,873,702,000 (31st March 2019: HK\$2,917,497,000) were pledged to banks to secure bank borrowings.
- (b) Supplementary information with hotel properties in operation at valuation:

According to the Group's accounting policies, the carrying amount of the five (31st March 2019: five) hotel properties in operation were HK\$2,873,702,000 (31st March 2019: HK\$2,917,497,000).

The aggregate open market value, on a highest and best use basis, of the hotel properties based on valuations conducted by Vigers Appraisal & Consulting Limited ("Vigers"), independent professional valuers, amounted to HK\$12,294,400,000 (31st March 2019: HK\$12,297,900,000), is regarded as level 3 hierarchy for disclosure purpose under HKFRS 13.

Vigers used the discounted cash flow method, which is considered the most appropriate valuation approach for assessing the market value of the properties as it would better reflect specific characteristics of the income-producing properties such as occupancies, average room rates, potential income growth and all out-goings, subject to future economic conditions in the markets.

The supplementary information with hotel properties in operation at valuation is for readers' information only. It does not constitute a disclosure requirement under HKASs 16 and 17.

## 14 TRADE AND OTHER RECEIVABLES

Trade and other receivables of the Group include trade receivables, loan receivable, accrued interest and dividend receivables, deposits and prepayments.

Trade receivables of the Group amounted to HK\$7,224,000 (31st March 2019: HK\$20,919,000). The credit terms given to the customers vary and are generally based on the financial strengths of individual customers. In order to effectively manage the credit risks associated with trade receivables, credit evaluation of customers are performed periodically.

Aging analysis of trade receivables net of loss allowance is as follows:

	30th September 2019 HK\$'000	31st March 2019 HK\$'000
0 month to 6 months	7,033	20,784
7 months to 12 months	137	56
More than 12 months	54	79
	<b>7,224</b>	<b>20,919</b>

## Notes to the Interim Financial Information

## 15 FINANCIAL INVESTMENTS

	30th September 2019 HK\$'000	31st March 2019 HK\$'000
<b>Non-current assets</b>		
Equity securities - Listed in Hong Kong	184,094	194,762
Unlisted funds	34,522	16,244
	<b>218,616</b>	211,006
<b>Current assets</b>		
Debt securities		
- Listed in Singapore	5,432,972	5,887,977
- Listed in Europe	450,943	391,101
- Listed in Hong Kong	239,527	123,108
	<b>6,123,442</b>	6,402,186
Equity securities - Listed in the USA	-	293,215
Unlisted fund	53,241	80,864
	<b>6,176,683</b>	6,776,265
	<b>6,395,299</b>	6,987,271

## Notes to the Interim Financial Information

## 15 FINANCIAL INVESTMENTS (Continued)

Financial investments are classified in the following categories:

	30th September 2019 HK\$'000	31st March 2019 HK\$'000
<b>Non-current assets</b>		
Financial assets at FVOCI	184,094	194,762
Financial assets at FVPL	34,522	16,244
	<b>218,616</b>	211,006
<b>Current assets</b>		
Financial assets at FVOCI	6,122,815	6,401,622
Financial assets at FVPL	53,868	374,643
	<b>6,176,683</b>	6,776,265
	<b>6,395,299</b>	6,987,271
Financial investments are denominated in the following currencies:		
United States dollar	6,194,365	6,791,945
Hong Kong dollar	184,094	194,762
Japanese yen	16,213	-
Euro	627	564
	<b>6,395,299</b>	6,987,271

## Notes to the Interim Financial Information

## 15 FINANCIAL INVESTMENTS (Continued)

Supplementary information of financial investments:

**DEBT SECURITIES**

As at 30th September 2019, the Group held 25 (31st March 2019: 25) debt securities that are all listed securities, 19 of them are listed in Singapore, 4 in Hong Kong and 2 in Europe. More than 98% (31st March 2019: more than 99%) of the mark to market valuation comprising 23 (31st March 2019: 24) debt securities were issued by PRC-based real estate companies, the shares of which are all listed with the exception of 1 that is unlisted.

The summary of debt securities of financial investments as at 30th September 2019 and 31st March 2019 and their corresponding unrealised loss and interest income for the six months ended 30th September 2019 and 2018 are as follows:

	<b>As at 30th September 2019 HK\$'000</b>	<b>As at 31st March 2019 HK\$'000</b>
Principal amount of notes	<b>6,765,129</b>	6,818,698
Investment cost	<b>6,568,836</b>	6,607,976
Market value	<b>6,123,442</b>	6,402,186
Coupon	<b>7.75% to 15.5%</b>	7.75% to 15.5%
Maturity	<b>up to Jun 2025</b>	up to Jun 2025
Rating	<b>NR to B</b>	NR to B

	<b>For the six months ended 30th September</b>	
	<b>2019 HK\$'000</b>	<b>2018 HK\$'000</b>
Interest income	<b>412,332</b>	257,572
Unrealised loss		
- to profit and loss account	<b>(4,843)</b>	(16,090)
- to other comprehensive income	<b>(228,918)</b>	(482,898)

As at 30th September 2019, the 25 (30th September 2018: 18) listed debt securities gave rise to a net unrealised fair value loss of HK\$234 million (2018: HK\$499 million) for the six months period ended 30th September 2019. A total of 18 (2018: 17) debt securities have recorded unrealised fair value losses, with the remaining 7 (2018: 1) debt securities that recorded unrealised fair value gain.

## Notes to the Interim Financial Information

## 15 FINANCIAL INVESTMENTS (Continued)

## DEBT SECURITIES (Continued)

As at 30th September 2019, the mark to market valuation of the largest single debt security within the Group's financial investments represents approximately 8.4% (31st March 2019: 8.6%) of the Group's revalued total assets, and the mark to market valuation of the five largest debt securities held represents approximately 18.9% (31st March 2019: 19.0%). The remaining 20 debt securities represent 11.0% of the Group's revalued total assets, with each of them less than 1.9%.

The five largest debt securities held at 30th September 2019 are as follows:

	Market value				Unrealised loss		Interest income	
	30th	% of	31st	% of	for the six months		for the six months	
	September	the debt	March	the debt	ended 30th September		ended 30th September	
	2019	securities	2019	securities	2019	2018	2019	2018
HK\$'000	portfolio	HK\$'000	portfolio	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Kaisa 9.375% notes	1,716,308	28%	1,789,320	28%	(73,012)	(284,078)	100,966	89,189
Ronshine 11.25% notes	830,252	14%	832,150	13%	(1,898)	-	44,780	-
Modern Land 15.5% notes	475,632	8%	489,840	8%	(14,208)	-	34,224	-
Jiayuan 11.375% notes	450,316	7%	-	-	(4,725)	-	28,270	-
Xinyuan 8.875% notes	393,700	6%	424,661	7%	(30,961)	(21,942)	28,234	13,319

"Kaisa 9.375% notes", issued by Kaisa Group Holdings Limited ("Kaisa") and carries fixed coupon rate of 9.375% per annum. It is denominated in United States dollar ("US\$") and matures on 30th June 2024. The notes are listed on SGX-ST and non-rated. Kaisa is principally engaged in the property development, property investment, property management and hotel and catering operation in the PRC. Its shares are listed on HKEX (stock code: 1638).

"Ronshine 11.25% notes", issued by Ronshine China Holdings Limited ("Ronshine") and carried fixed coupon rate of 11.25% per annum. It is denominated in US\$ and matures on 22nd August 2021. The notes are listed on SGX-ST. Ronshine is principally engaged in property development business in the PRC. Its shares are listed on HKEX (stock code: 3301).

"Modern Land 15.5% notes", issued by Modern Land (China) Co., Limited ("Modern Land") and carries fixed coupon rate of 15.5% per annum. It is denominated in US\$ and matures on 2nd July 2020. The notes are rated "B3" by Moody's and listed on SGX-ST. Modern Land is principally engaged in real estate development, property development, hotel operation, project management, real estate agency services in the PRC. Its shares are listed on HKEX (stock code: 1107).

"Jiayuan 11.375% notes", issued by Jiayuan and carries fixed coupon rate of 11.375% per annum. It is denominated in US\$, listed on the Frankfurt Stock Exchange and matures on 2nd May 2022. The notes are rated "B3" by Moody's subsequently in October 2019.

"Xinyuan 8.875% notes", issued by Xinyuan and carries fixed coupon rate of 8.875% per annum. It is denominated in US\$ and matures on 22nd November 2020. The notes are rated "CCC+" by S&P and listed on SGX-ST.

## Notes to the Interim Financial Information

## 15 FINANCIAL INVESTMENTS (Continued)

## EQUITY SECURITIES AND UNLISTED FUNDS

As at 30th September 2019, the Group held 1 (31st March 2019: 2) listed equity securities and 4 (31st March 2019: 3) unlisted fund securities. The summary of equity and fund securities portfolio of financial investments as at 30th September 2019 and 31st March 2019 and their corresponding unrealised (loss)/gain and dividend income for the six months ended 30th September 2019 and 2018 are as follows:

	Market value		Unrealised (loss)/gain for the six months ended		Dividend income for the six months ended	
	30th September 2019 HK\$'000	31st March 2019 HK\$'000	30th September		30th September	
			2019 HK\$'000	2018 HK\$'000	2019 HK\$'000	2018 HK\$'000
Citigroup	-	293,215	-	19,073	4,522	3,628
HSBC Holdings PLC ("HSBC")	184,094	194,762	(10,668)	(19,049)	4,782	4,786
Others	87,763	97,108	(27,079)	(208)	-	-
	<b>271,857</b>	585,085	<b>(37,747)</b>	(184)	<b>9,304</b>	8,414

HSBC is a banking and financial services company. It operates across various geographical regions, and its shares are listed on HKEX (stock code: 5) with an "A" rated by S&P. As at 30th September 2019, a total of 0.03% shareholding of HSBC was held by the Group.

## 16 TRADE AND OTHER PAYABLES

Trade and other payables of the Group include trade payables, rental and management fee deposits, retentions payable of construction costs, interest payable, lease liabilities and various accruals. Trade payables of the Group amounted to HK\$22,934,000 (31st March 2019: HK\$21,094,000).

Aging analysis of trade payables at the balance sheet date is as follows:

	30th September 2019 HK\$'000	31st March 2019 HK\$'000
0 month to 6 months	22,250	20,300
7 months to 12 months	27	206
More than 12 months	657	588
	<b>22,934</b>	21,094

## Notes to the Interim Financial Information

## 17 BORROWINGS

	30th September 2019 HK\$'000	31st March 2019 HK\$'000
<b>Current liabilities</b>		
Short term bank loans		
Secured	653,081	1,047,182
Unsecured	15,000	528,000
Current portion of long term bank loans		
Secured	489,070	478,429
Unsecured	134,719	134,433
	<b>1,291,870</b>	2,188,044
<b>Non-current liabilities</b>		
Long term bank loans		
Secured	3,751,969	3,281,098
Unsecured	1,182,482	1,249,913
	<b>4,934,451</b>	4,531,011
	<b>6,226,321</b>	6,719,055

The maturities of long term bank loans, based on the scheduled repayment dates set out in the loan agreements and disregarding the effect of any repayment on demand clause, are as follows:

	30th September 2019 HK\$'000	31st March 2019 HK\$'000
Repayable within one year	623,789	612,862
Repayable between one and two years	1,502,948	1,033,757
Repayable between two and five years	3,431,503	3,497,254
	<b>5,558,240</b>	5,143,873
Current portion included in current liabilities	<b>(623,789)</b>	(612,862)
	<b>4,934,451</b>	4,531,011

The carrying amounts of the short term and long term borrowings approximate their fair values.

## Notes to the Interim Financial Information

## 18 CONVERTIBLE NOTES

	HK\$'000
At the beginning of the period	199,126
Interest expense (note)	6,932
	206,058
Coupon payable included in trade and other payables	(611)
At the end of the period	205,447

Note:

The interest expense on the convertible notes is calculated using the effective interest method by applying the effective interest rate per annum. Interest expenses of HK\$6,930,000 (2018: HK\$6,534,000) is payable to the intermediate holding companies of the Company during the period.

## 19 SHARE CAPITAL

Shares of HK\$0.02 each	Number of shares	Amount HK\$'000
Authorised:		
At 31st March 2019 and 30th September 2019	35,000,000,000	700,000
Issued and fully paid:		
At 31st March 2019 and 30th September 2019	2,018,040,477	40,361

## Notes to the Interim Financial Information

## 20 RESERVES

	Share premium HK\$'000	Contributed surplus HK\$'000	Convertible note redemption reserve HK\$'000	Investment revaluation reserve HK\$'000	Currency translation reserve HK\$'000	Share option reserve HK\$'000	Revenue reserve HK\$'000	Total HK\$'000
As 31st March 2019	1,126,360	37	1,067,444	(241)	11,374	3,423	1,946,159	4,154,556
Net fair value loss on financial assets at FVOCI	-	-	-	(268,626)	-	-	-	(268,626)
Currency translation differences	-	-	-	-	4,501	-	-	4,501
Share of currency translation differences of joint ventures	-	-	-	-	4,414	-	-	4,414
Profit for the period	-	-	-	-	-	-	253,518	253,518
2019 final dividend to shareholders	-	-	-	-	-	-	(13,117)	(13,117)
Coupon to convertible noteholders	-	-	-	-	-	-	(16,285)	(16,285)
<b>At 30th September 2019</b>	<b>1,126,360</b>	<b>37</b>	<b>1,067,444</b>	<b>(268,867)</b>	<b>20,289</b>	<b>3,423</b>	<b>2,170,275</b>	<b>4,118,961</b>

## 21 CAPITAL COMMITMENTS

Capital commitments at the balance sheet date are as follows:

	30th September 2019 HK\$'000	31st March 2019 HK\$'000
Contracted but not provided for Property, plant and equipment	4,251	4,251

## 22 FINANCIAL GUARANTEES

	30th September 2019 HK\$'000	31st March 2019 HK\$'000
Guarantees for the bank loans of joint ventures	377,002	385,486

## Notes to the Interim Financial Information

## 23 RELATED PARTY TRANSACTIONS

During the period, the following transactions were carried out with related parties:

	Six months ended 30th September	
	2019 HK\$'000	2018 HK\$'000
Income from/(expense to) subsidiaries of Asia Orient Holdings Limited		
Hotel and travel service	591	631
Operating lease rental and management services	(3,057)	(2,827)
Project management service	(2,364)	(2,364)
Travel agency service income from related companies	103	57
Interest of convertible notes to the intermediate holding companies	(6,930)	(6,534)

No transactions have been entered into with the Directors of the Company (being the key management personnel) during the period other than the emoluments paid to them (being the key management personnel compensation) (2018: Nil).

## Other Information

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

As at 30th September 2019, the interests and short positions of the Directors and Chief Executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which (a) were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO); or (b) were recorded in the register required to be kept under Section 352 of the SFO; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange were as follows:

#### (I) LONG POSITIONS IN SHARES

##### (a) The Company

Director	Number of shares held			Percentage of shares in issue (%)
	Personal interest	Corporate interest	Total	
Poon Jing	152,490	1,346,158,049	1,346,310,539	66.71

Note: By virtue of Mr. Poon Jing's interest in the Company through Asia Orient Holdings Limited ("Asia Orient") and its subsidiaries as disclosed under the heading "Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares" below, Mr. Poon is deemed to be interested in the shares of all of the Company's subsidiaries.

##### (b) Associated corporations

Director	Associated corporation	Number of shares held			Percentage of shares in issue (%)	
		Personal interest	Family interest	Corporate interest		
Poon Jing	Asia Orient (Note 1)	273,607,688	5,318,799	145,213,900	424,140,387	50.44
Poon Jing	Asia Standard International Group Limited ("ASI") (Note 2)	1,308,884	-	683,556,392	684,865,276	51.89
Poon Hai	Asia Orient	10,444,319	-	-	10,444,319	1.24
Fung Siu To, Clement	Asia Orient	15,440,225	-	-	15,440,225	1.83
Fung Siu To, Clement	Mark Honour Limited	9	-	-	9	0.01

Notes:

- By virtue of Mr. Poon Jing's controlling interest in Asia Orient, he is deemed to be interested in the shares of the Company held by Asia Orient.
- By virtue of Mr. Poon Jing's controlling interest in Asia Orient, he is deemed to be interested in the shares of ASI held by subsidiaries of Asia Orient.

## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (Continued)

### (II) LONG POSITIONS IN UNDERLYING SHARES

#### Interests in share options

##### (a) *The Company*

Director	Number of share options held
	Outstanding as at 1st April 2019 and 30th September 2019
Poon Hai (Note 1)	14,400,000
Poon Yeung, Roderick (Note 1)	14,400,000

Notes:

- Options were granted on 11th December 2015 under 2006 Share Option Scheme (as described under the heading "Share Option Schemes") and exercisable during the period from 11th December 2015 to 10th December 2025 at an exercise price of HK\$0.343 (as adjusted) per share.
- During the period, no option was granted to the Directors and the options granted to the Directors have not been exercised, cancelled or lapsed.

##### (b) *Associated corporation - Asia Orient*

Director	Number of share options held
	Outstanding as at 1st April 2019 and 30th September 2019
Poon Hai (Note 1)	3,500,000
Poon Yeung, Roderick (Note 1)	3,500,000

Notes:

- Options were granted on 11th December 2015 under a share option scheme adopted by Asia Orient on 29th August 2014 and exercisable during the period from 11th December 2015 to 10th December 2025 at an exercise price of HK\$1.42 per share.
- During the period, no option was granted to the Directors and the options granted to the Directors have not been exercised, cancelled or lapsed.

## Other Information

### DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (Continued)

#### (II) LONG POSITIONS IN UNDERLYING SHARES (Continued)

##### Interests in share options (Continued)

(c) Associated corporation - ASI

Director	Number of share options held  Outstanding as at 1st April 2019 and 30th September 2019
Poon Hai (Note 1)	3,500,000
Poon Yeung, Roderick (Note 1)	3,500,000

Notes:

- (1) Options were granted on 11th December 2015 under a share option scheme adopted by ASI on 29th August 2014 and exercisable during the period from 11th December 2015 to 10th December 2025 at an exercise price of HK\$1.38 per share.
- (2) During the period, no option was granted to the Directors and the options granted to the Directors have not been exercised, cancelled or lapsed.

## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (Continued)

### (III) LONG POSITIONS IN UNDERLYING SHARES AND DEBENTURES

#### Interests in convertible notes

*The Company*

Director	Number of convertible notes held		
	Personal interest	Corporate interest	Total
Poon Jing	-	2,692,316,098	2,692,316,098

Note: By virtue of Mr. Poon Jing's controlling interest in Asia Orient, he is deemed to be interested in the convertible notes held by Asia Orient and its subsidiaries which are convertible into 2,692,316,098 shares of the Company. The convertible notes are convertible during the period from 24th February 2017 and up to and including the date falling the 10th business date prior to 23rd February 2047 at the redemption value of HK\$0.453 per convertible note.

Save as disclosed above, as at 30th September 2019, none of the Directors or the Chief Executive (including their spouse and children under 18 years of age) of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO); or (b) were recorded in the register required to be kept under Section 352 of the SFO; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

## Other Information

### SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

The register of substantial shareholders maintained under Section 336 of the SFO shows that as at 30th September 2019, the Company had been notified of the following substantial shareholders' interests and short positions, being 5% or more of the Company's issued share capital. These interests are in addition to those disclosed above in respect of the Directors and the Chief Executive of the Company.

#### (I) LONG POSITIONS IN SHARES OF THE COMPANY

Shareholder	Capacity	Number of shares held	Total	Percentage(%)
The Sai Group Limited ("Sai Group")	Beneficial owner	1,298,709,227	1,298,709,227	64.35
ASI (Note 1)	Interests in controlled corporation	1,298,709,227	1,298,709,227	64.35
Persian Limited ("Persian")	Beneficial owner	47,448,822	47,448,822	2.35
Asia Orient Holdings (BVI) Limited ("AOH(BVI)") (Notes 2 and 3)	Interests in controlled corporation	1,346,158,049	1,346,158,049	66.70
Asia Orient (Note 4)	Interests in controlled corporation	1,346,158,049	1,346,158,049	66.70
Wong Kwok Fong	Beneficial owner Family interest	183,088,366 60,000	183,148,366	9.07

## SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES (Continued)

### (II) LONG POSITIONS IN UNDERLYING SHARES OF THE COMPANY

#### Interests in convertible notes

Noteholder	Capacity	Number of convertible notes held
Sai Group (Note 5)	Beneficial owner	2,597,418,454
ASI (Notes 1 and 5)	Interests in controlled corporation	2,597,418,454
Persian (Note 5)	Beneficial owner	94,897,644
AOH(BVI) (Notes 2, 3 and 5)	Interests in controlled corporation	2,692,316,098
Asia Orient (Notes 4 and 5)	Interests in controlled corporation	2,692,316,098

#### Notes:

- (1) Sai Group is a wholly owned subsidiary of ASI. ASI is deemed to be interested in and duplicate the interest held by Sai Group.
- (2) AOH(BVI) and its subsidiaries together hold more than one-third of the issued shares of ASI and are deemed to be interested in and duplicate the interest held by ASI.
- (3) Persian is a wholly owned subsidiary of AOH(BVI). AOH(BVI) is deemed to be interested in and duplicate the interest held by Persian.
- (4) AOH(BVI) is a wholly owned subsidiary of Asia Orient. Asia Orient is deemed to be interested in and duplicate the interest held by AOH(BVI) and its subsidiaries.
- (5) The convertible notes are convertible during the period from 24th February 2017 and up to and including the date falling the 10th business date prior to 23rd February 2047 at the redemption value of HK\$0.453 per convertible note.

Save as disclosed above, as at 30th September 2019, the Directors of the Company were not aware of any other persons (other than the Directors and Chief Executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which were required to be recorded in the register required to be kept under Section 336 of the SFO.

## Other Information

### SHARE OPTION SCHEMES

The share option scheme of the Company adopted by the Company on 28th August 2006 (the “2006 Share Option Scheme”) was expired on the tenth anniversary of such adoption date. Following the expiry of 2006 Share Option Scheme, no further share option can be granted thereunder but all outstanding share options granted under 2006 Share Option Scheme and yet to be exercised shall remain valid and exercisable. As at 30th September 2019, there were 28,800,000 share options granted under 2006 Share Option Scheme outstanding. Movements of share options granted under 2006 Share Option Scheme during the period are as follows:

<b>Grantee</b>	<b>Number of share options held</b>
	<b>Outstanding as at 1st April 2019 and 30th September 2019</b>
Directors	28,800,000

Notes:

- (1) Options were granted on 11th December 2015 and exercisable during the period from 11th December 2015 to 10th December 2025 at an exercise price of HK\$0.343 (as adjusted) per share.
- (2) During the period, no option was exercised, cancelled or lapsed.

The Company adopted a share option scheme on 8th September 2016 and its scheme limit was refreshed on 30th August 2017 (the “2016 Share Option Scheme”). No share option has been granted under 2016 Share Option Scheme since its adoption.

## INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30th September 2019 (2018: Nil).

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the period, the Company had not redeemed any of its shares. Neither the Company nor any of its subsidiaries purchased or sold any of the Company's listed securities during the period.

## CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules. The Company has made specific enquiry of all directors regarding any non-compliance with the Model Code during the period, and they all confirmed that they have fully complied with the required standard as set out in the Model Code throughout the period ended 30th September 2019.

## CORPORATE GOVERNANCE CODE

During the period, 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 the following deviations:

1. Code Provision A.4.1 of the CG Code provides that non-executive directors should be appointed for a specific term, subject to re-election. All Independent Non-executive Directors of the Company are not appointed for specific terms, but subject to retirement by rotations and re-elections at the annual general meeting of the Company in accordance with the Bye-Laws of the Company;
2. Code Provision A.5.1 of the CG Code provides that issuers should establish a nomination committee which is chaired by the chairman of the board or an independent non-executive director and comprises a majority of independent non-executive directors. The Company does not have a nomination committee. The Board as a whole is responsible for assessing the independence of Independent Non-executive Directors, reviewing the structure, diversity, size and composition of the Board, the appointment of new Directors and the nomination of Directors for re-election by shareholders at the general meeting of the Company. Under the Bye-Laws of the Company, the Board may from time to time and at any time, appoint any person as a Director, either to fill a casual vacancy, or as an addition to the Board. Any Director so appointed shall hold office until the next following annual general meeting of the Company and shall then be eligible for re-election at the meeting; and
3. Code Provision E.1.2 of the CG Code provides that the chairman of the board of the company should attend the annual general meetings. Mr. Poon Jing, the Chairman of the Board, was unable to attend the annual general meeting of the Company held on 30th August 2019 due to his other engagements at the relevant time.

## Other Information

### AUDIT COMMITTEE

The Audit Committee has reviewed the unaudited interim results of the Group for the six months ended 30th September 2019.

On behalf of the Board

**Asia Standard Hotel Group Limited**

**Poon, Jing**

*Chairman*

Hong Kong, 28th November 2019

