



Asia Standard Hotel
Group Limited



Interim Report 2017

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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

Mr. Hung Yat Ming

AUDIT COMMITTEE

Mr. Hung Yat Ming (*Chairman*)

Mr. Leung Wai Keung

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

Canon's Court,
22 Victoria Street,
Hamilton HM12,
Bermuda

PRINCIPAL OFFICE IN HONG KONG

30th Floor, MassMutual Tower,
33 Lockhart Road, Wanchai,
Hong Kong

Telephone 2866 3336

Facsimile 2866 3772

Website www.asiastandardhotelgroup.com

E-mail info@asia-standard.com.hk

PRINCIPAL BANKERS

Bank of China (Hong Kong)

Industrial and Commercial Bank of
China (Asia)

HSBC

Industrial and Commercial Bank of
China (Canada)

Shanghai Commercial Bank

DBS Bank (Hong Kong)

Wing Hang Bank

Chong Hing Bank

Bank of Singapore

Bank Morgan Stanley

UBS

Bank Julius Baer

Credit Suisse AG

LEGAL ADVISERS

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

Appleby

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

AUDITOR

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

SHARE REGISTRAR IN BERMUDA

MUFG Fund Services (Bermuda) Limited
The Belvedere Building,
69 Pitts Bay Road,
Pembroke HM08,
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 | | |
|--|------------------------------------|------|--------|
| | 2017 | 2016 | Change |
| Consolidated profit and loss account | | | |
| Revenue | 412 | 405 | +2% |
| Operating profit | 228 | 236 | -3% |
| Profit for the period attributable to shareholders | 192 | 209 | -8% |
| Earnings per share - basic (comparative restated) (HK cents) | 9.5 | 10.4 | -9% |

| | 30th September 2017 | 31st March 2017 | Change |
|-----------------------------------|------------------------|--------------------|--------|
| Consolidated balance sheet | | | |
| Total assets | 7,690 | 6,374 | +21% |
| Net assets | 3,964 | 3,727 | +6% |
| Net debt | 3,314 | 2,240 | +48% |

Supplementary information about valuation of the hotel properties in operation (note):

| | | | |
|---|--------|--------|------|
| Revalued total assets | 16,939 | 14,621 | +16% |
| Revalued net assets | 13,078 | 11,872 | +10% |
| Gearing - net debt to revalued net assets | 25% | 19% | +6% |

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 in operation in Hong Kong and Canada were revalued by Vigers Appraisal & Consulting Limited and Altus Group Limited respectively, independent professional valuers, on an open market value basis as at 30th September 2017 and 31st March 2017.

Management Discussion and Analysis



Residential re-development of **Empire Landmark** on Robson Street, Vancouver

RESULTS

The Group's revenue for the six months ended 30th September 2017 amounted to HK\$412 million, an increase of 2% when compared with the same period of last year. Profits attributable to shareholders, however, decreased by 8% to HK\$192 million. The decrease of profit was a net result of (i) a significant increase in depreciation charge caused by the accelerated depreciation from our Empire Landmark Hotel in Vancouver, which ceased operation on 1st October 2017 for redevelopment, (ii) the increase in finance cost partly for the convertible notes issued under bonus share scheme in February 2017, and partly from the increased bank borrowings, offset by (iii) the increase in net investment gain, mostly unrealised.

HOTEL BUSINESS

Between April 2017 and September 2017, the cumulative arrivals to Hong Kong for all visitors and those who stayed overnight reached 28 million and 14 million, respectively, the former had a 1% increase and the latter a 3% increase. Mainland China dominated the overnight visitor arrivals with a 68% of the total share, and this market registered a 5% increase from the same period of last year after dropping 2% in 2016.

As of September 2017, the total Hong Kong hotel room supply was approximately 78,000, increased by 5% from the same period of last year.

Our hotels in Hong Kong have achieved a 95% occupancy, while average room rate increased by 8% from the same period of last year.

Although our Vancouver hotel in Canada operated at 82% occupancy and achieved an increase of 15% in room rate from last year, it has ceased operation as of 1st October 2017 for redevelopment.

DEVELOPMENT PROJECTS

Our new 90-room hotel is anticipated to open in the first half of 2018 after the occupant permit was granted in August 2017. This hotel development site is located adjacent to our existing hotel in Tsim Sha Tsui.

Empire Landmark Hotel in Vancouver has ceased operation on 1st October 2017 for redevelopment into mixed-use, primary for residential, development for sale. The demolition work will commence in December 2017.

Another redevelopment project acquired is located in the vicinity of our Empire Landmark Hotel, which is in the planning stage for residential development.

Discussion with the local authority with regards to the Group's joint venture for a residential development for sale in Vancouver is progressing steadily. The rezoning application has been submitted for approval.

TRAVEL

Revenue for the travel operations during the six months ended 30th September 2017 amounted to HK\$58 million (2016: HK\$60 million).

FINANCIAL INVESTMENTS

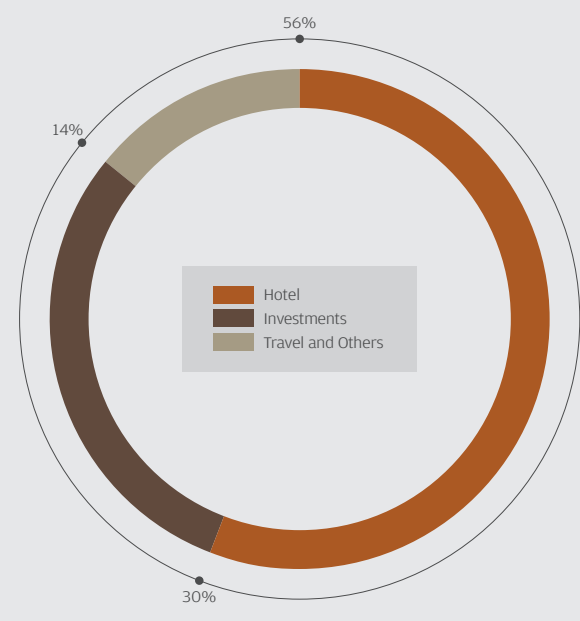
As at 30th September 2017, the Group's financial investment portfolio that consisted almost entirely of listed securities amounted to HK\$3,623 million (31st March 2017: HK\$2,410 million). The increase of value of the portfolio during the period was attributed from further investment made in debt securities and mark to market fair value gain during the period.



The new 90-room **Empire Prestige Tsim Sha Tsui** (adjacent to **Empire Hotel Kowloon**)

Approximately 76% of our investment portfolio comprised of listed debt securities that were issued mostly by companies operating real estate business in China, and approximately 24% comprised listed equity securities (of which approximately 86% were issued by major banks). They were denominated in Hong Kong dollars 10%, United States dollars 86% and Sterling 4%.

Segment revenue



Management Discussion and Analysis

During the period under review, a total of HK\$123 million (2016: HK\$141 million) in interest and dividend income were generated from the investment portfolio. The decrease in interest and dividend income was mainly due to the one-off coupon income recognition from debt securities of a real estate company last year.

The investment portfolio also generated a net investment gain of HK\$119 million (2016: HK\$81 million), which comprised mainly unrealised fair value gain from mark to market valuation from equity securities issued by major banks.

FINANCIAL REVIEW

The Group's total assets per book amounted to HK\$7,690 million (31st March 2017: HK\$6,374 million). Based on independent valuation, the total revalued amount of our hotel properties in operation as at 30th September 2017 was HK\$11,679 million, increased by 9% when compared with that as at 31st March 2017. The increase was mainly due to a 7% increase from the hotel properties in Hong Kong. The revalued total assets of the Group with hotel properties in operation at market value would be HK\$16,939 million (31st March 2017: HK\$14,621 million).

The shareholders' funds per book amounted to HK\$3,964 million (31st March 2017: HK\$3,727 million), of which the increase was mainly due to profit for the period. Taking into account the market value of the hotel properties in operation, the revalued net asset value of the Group would be HK\$13,078 million (31st March 2017: HK\$11,872 million).

The consolidated net debt was HK\$3,314 million (31st March 2017: HK\$2,240 million). 96% of the gross bank borrowings or HK\$3,253 million was denominated in Hong Kong dollars, and the remaining 4% or to the equivalent of HK\$137 million were in foreign currencies incurred in operations and investment in financial assets overseas.

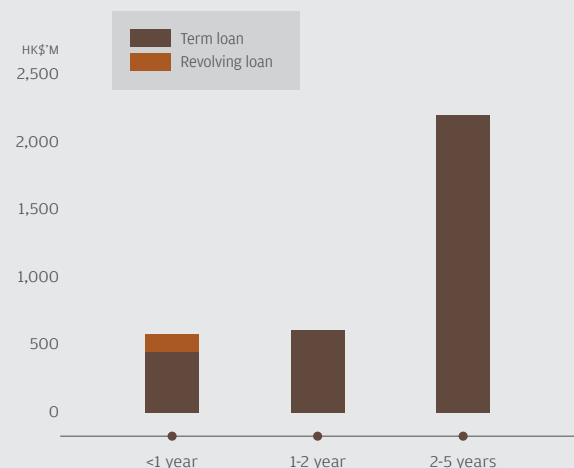
The maturity of our debts spread over a long period of up to 5 years. 4% of total borrowings were from revolving credit facilities secured by hotel properties and financial assets. Term loans secured by hotel properties and property under development for sale account for 69% with 13% repayable within 1 year and 56% repayable between one to five years. The remaining 27% is unsecured term loan and repayable between one to five years. At 30th September 2017, the Group had net current assets of HK\$3,279 million (31st March 2017: HK\$2,211 million).

The Group's gearing ratio, expressed as a percentage of net debt over the revalued net asset value, was 25% (31st March 2017: 19%).

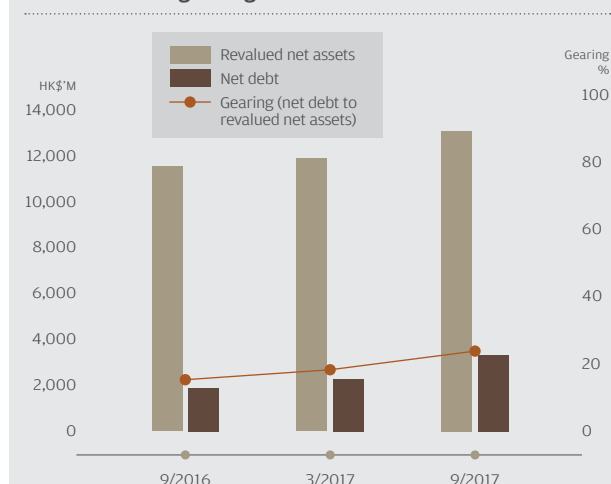
The carrying value of hotel properties, property under development for sale and financial assets pledged as collateral for banking facilities of the Group as at 30th September 2017 amounted to HK\$3,295 million (31st March 2017: hotel properties and property under development for sale amounted to HK\$3,179 million).

At 30th September 2017, the unutilised credit facilities available to the Group amounted to HK\$2,742 million.

Maturity of bank borrowings



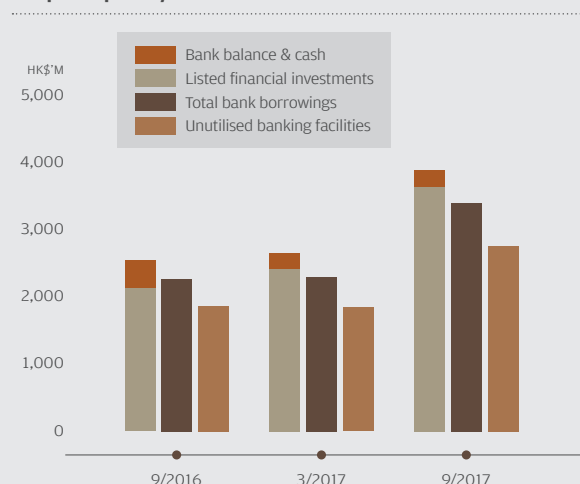
Revalued net assets⁽¹⁾, net debt⁽²⁾ and gearing ratio



⁽¹⁾ Taking into account the fair market value of hotel properties in operation

⁽²⁾ Including convertible notes maturing in Feb 2047

Ample liquidity & cash reserves



HUMAN RESOURCES

As at 30th September 2017, the total number of full-time employees of the Company and its subsidiaries was approximately 400 (31st March 2017: 390). 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

The improving trend of both visitors' arrivals and those who stayed overnight is expected to continue, and the long-term prospects of the Hong Kong hospitality industry are expected to remain attractive when more tourism and infrastructure projects are completed, which will continue to support Hong Kong as a major MICE (Meetings, Incentives, Conferences, and Events) and leisure destination in the world.

The general outlook for the property market in Vancouver, Canada is expected to remain attractive because the relatively firm economic growth of Canada is expected to continue.

In respect of our investment in debt securities issued by companies operating real estate business in China, we are aware of the impact brought by the various property market tightening measures over the past years, and we believe that the market will be more stable and will have a reasonable growth because the strength of global economy is evolving steadily, and housing inventories in first-tier and major second-tier cities in China are quite low after a period of very strong home sales.

The management 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 9 to 40, 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 2017 and the related 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 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 29 November 2017

Condensed Consolidated Profit and Loss Account – Unaudited

| | | Six months ended 30th September | |
|--|------|------------------------------------|------------------|
| | Note | 2017 HK\$'000 | 2016 HK\$'000 |
| Revenue | 5 | 411,803 | 404,595 |
| Cost of sales | | (143,920) | (136,995) |
| Gross profit | | 267,883 | 267,600 |
| Selling and administrative expenses | | (82,311) | (71,142) |
| Depreciation | | (76,365) | (42,075) |
| Net investment gain | 6 | 119,292 | 81,241 |
| Operating profit | | 228,499 | 235,624 |
| Net finance costs | 8 | (34,571) | (21,521) |
| Share of profits less losses of joint ventures | | 812 | (2,367) |
| Profit before income tax | | 194,740 | 211,736 |
| Income tax expense | 9 | (2,755) | (2,875) |
| Profit for the period attributable to shareholders | | 191,985 | 208,861 |
| Earnings per share (comparative restated) (HK cents) | | | |
| Basic | 11 | 9.5 | 10.4 |
| Diluted | 11 | 4.2 | 10.3 |

Condensed Consolidated Statement of Comprehensive Income – Unaudited

| | Six months ended 30th September | |
|--|------------------------------------|------------------|
| | 2017 HK\$'000 | 2016 HK\$'000 |
| Profit for the period | 191,985 | 208,861 |
| Other comprehensive income/(charge) | | |
| Items that have been reclassified or may be reclassified subsequently to profit or loss: | | |
| Fair value gain on available-for-sale investments | 40,396 | 26,045 |
| Currency translation differences | 17,791 | (4,418) |
| Share of currency translation differences of joint ventures | 16,994 | - |
| | 75,181 | 21,627 |
| Total comprehensive income for the period attributable to shareholders | 267,166 | 230,488 |

Condensed Consolidated Balance Sheet – Unaudited

| | | 30th September 2017 HK\$'000 | 31st March 2017 HK\$'000 |
|---|------|------------------------------------|--------------------------------|
| | Note | | |
| Non-current assets | | | |
| Property, plant and equipment | 12 | 3,145,197 | 3,172,910 |
| Joint ventures | | 257,705 | 227,529 |
| Available-for-sale investments | | 241,365 | 192,933 |
| Deferred income tax assets | | 3,487 | 3,883 |
| | | 3,647,754 | 3,597,255 |
| Current assets | | | |
| Properties under development for sale | | 268,849 | 211,076 |
| Inventories | | 15,071 | 15,351 |
| Trade and other receivables | 13 | 115,860 | 100,785 |
| Income tax recoverable | | 3,257 | 3,956 |
| Financial assets at fair value through profit or loss | 14 | 3,381,417 | 2,216,885 |
| Bank balances and cash | | 257,744 | 228,508 |
| | | 4,042,198 | 2,776,561 |
| Current liabilities | | | |
| Trade and other payables | 15 | 92,809 | 113,135 |
| Borrowings | 16 | 662,519 | 442,092 |
| Income tax payable | | 8,110 | 10,793 |
| | | 763,438 | 566,020 |
| Net current assets | | 3,278,760 | 2,210,541 |
| Non-current liabilities | | | |
| Long term borrowings | 16 | 2,727,165 | 1,850,483 |
| Convertible notes | 17 | 181,738 | 176,331 |
| Deferred income tax liabilities | | 53,738 | 54,244 |
| | | 2,962,641 | 2,081,058 |
| Net assets | | 3,963,873 | 3,726,738 |
| Equity | | | |
| Share capital | 18 | 40,361 | 40,361 |
| Reserves | 19 | 3,923,512 | 3,686,377 |
| | | 3,963,873 | 3,726,738 |

Condensed Consolidated Statement of Cash Flows – Unaudited

| | Six months ended 30th September | |
|--|------------------------------------|------------------|
| | 2017 HK\$'000 | 2016 HK\$'000 |
| Cash flows from operating activities | | |
| Net cash (used in)/generated from operation | (940,074) | 95,266 |
| Income tax paid | (4,849) | (5,860) |
| Interest paid | (30,168) | (21,030) |
| Interest received from bank deposit and loan receivables | 84 | 1,333 |
| Net cash (used in)/generated from operating activities | (975,007) | 69,709 |
| Cash flows from investing activities | | |
| Net addition to property, plant and equipment | (36,081) | (61,282) |
| Increase in investments in joint ventures | (2,289) | (1,775) |
| Advances to joint ventures | (10,081) | (6,656) |
| Addition of available-for-sale investments | (8,036) | - |
| Net cash used in investing activities | (56,487) | (69,713) |
| Cash flows from financing activities | | |
| Drawdown of long term borrowings | 1,071,603 | 248,484 |
| Repayment of long term borrowings | (62,392) | (150,301) |
| Net increase of short term borrowings | 78,594 | - |
| Dividend paid to shareholders | (12,915) | - |
| Coupon paid to convertible noteholders | (17,116) | - |
| Net cash generated from financing activities | 1,057,774 | 98,183 |
| Net increase in cash and cash equivalents | 26,280 | 98,179 |
| Cash and cash equivalents at the beginning of the period | 228,508 | 316,981 |
| Changes in exchange rates | 2,956 | (521) |
| Cash and cash equivalents at the end of the period | 257,744 | 414,639 |
| Analysis of balances of cash and cash equivalents | | |
| Bank balances and cash | 257,744 | 414,639 |

Condensed Consolidated Statement of Changes in Equity – Unaudited

| | Share capital HK\$'000 | Other reserves HK\$'000 | Revenue reserve HK\$'000 | Total HK\$'000 |
|---|------------------------------|-------------------------------|--------------------------------|-------------------|
| At 31st March 2016 | 31,408 | 2,337,847 | 1,085,286 | 3,454,541 |
| Fair value gains on available-for-sale investments | - | 26,045 | - | 26,045 |
| Currency translation differences | - | (4,418) | - | (4,418) |
| Profit for the period | - | - | 208,861 | 208,861 |
| Total comprehensive income for the period | - | 21,627 | 208,861 | 230,488 |
| 2016 final dividend | - | - | (19,630) | (19,630) |
| Total transactions with owners | - | - | (19,630) | (19,630) |
| At 30th September 2016 | 31,408 | 2,359,474 | 1,274,517 | 3,665,399 |
| At 31st March 2017 | 40,361 | 2,290,694 | 1,395,683 | 3,726,738 |
| Fair value gain on available-for-sale investments | - | 40,396 | - | 40,396 |
| Currency translation differences | - | 17,791 | - | 17,791 |
| Share of currency translation differences of joint ventures | - | 16,994 | - | 16,994 |
| Profit for the period | - | - | 191,985 | 191,985 |
| Total comprehensive income for the period | - | 75,181 | 191,985 | 267,166 |
| Share options lapsed | - | (20,160) | 20,160 | - |
| 2017 final dividend | - | - | (12,915) | (12,915) |
| Coupon to convertible noteholders | - | - | (17,116) | (17,116) |
| Total transactions with owners | - | (20,160) | (9,871) | (30,031) |
| At 30th September 2017 | 40,361 | 2,345,715 | 1,577,797 | 3,963,873 |

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 (the “HKEX”). The address of its registered office is 30th Floor, MassMutual 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 2017 (“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 2017, which have been prepared in accordance with Hong Kong Financial Reporting Standards.

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 2017.

There are no amended standards or interpretations effective for financial period beginning on 1st April 2017 that would have a material impact to the Group.

3 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 2017.

The Interim Financial Information does not include 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 2017.

(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

3 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 |
|---|---------------------|---------------------|
| At 30th September 2017 | | |
| Assets | | |
| Financial assets at fair value through profit or loss | 615,514 | 2,765,903 |
| Available-for-sale investments | 233,318 | - |
| | 848,832 | 2,765,903 |
| At 31st March 2017 | | |
| Assets | | |
| Financial assets at fair value through profit or loss | 410,672 | 1,806,213 |
| Available-for-sale investments | 192,933 | - |
| | 603,605 | 1,806,213 |

During the six months ended 30th September 2017, there was no transfer between level 1 and level 2 fair value measurements and there was no change in valuation technique.

- Financial instruments in level 1
The fair value of financial instruments traded in active markets (such as trading and available-for-sale 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.

Notes to the Interim Financial Information

3 FINANCIAL RISK MANAGEMENT (Continued)

(II) FAIR VALUE ESTIMATION (Continued)

- 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.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are related to impairment of trade and other receivables, income taxes, convertible notes and capitalisation of costs for hotel properties under development and properties under development for sale.

Notes to the Interim Financial Information

5 SEGMENT INFORMATION

The Group is principally engaged in hotel operation, property development, travel operation 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 four main operating segments, comprising hotel operation, property development, travel operation and financial investments.

| | | |
|-----------------------|---|--|
| Hotel operation | - | hotel operation in Hong Kong and Canada |
| Property development | - | property development in Hong Kong and Canada (including hotel development and properties under development for sale) |
| Travel operation | - | sale of air ticket, arrangement of tour and package and hotel reservation service in Hong Kong |
| Financial investments | - | investments in financial instruments |

Segment assets consist primarily of property, plant and equipment, inventories, trade and other receivables, properties under development for sale, joint ventures, available-for-sale investments and financial assets at fair value through profit or loss. Segment liabilities comprise mainly borrowings.

Notes to the Interim Financial Information

5 SEGMENT INFORMATION (Continued)

| | Hotel operation HK\$'000 | Property development HK\$'000 | Travel operation HK\$'000 | Financial investments HK\$'000 | Others HK\$'000 | Total HK\$'000 |
|--|--------------------------------|-------------------------------------|---------------------------------|--------------------------------------|--------------------|-------------------|
| Six months ended 30th September 2017 | | | | | | |
| Gross income | 230,179 | - | 111,805 | 1,449,836 | 575 | 1,792,395 |
| Segment revenue | 230,179 | - | 57,905 | 123,144 | 575 | 411,803 |
| Contribution to segment results | 95,068 | (1,636) | (43) | 122,994 | (227) | 216,156 |
| Depreciation | (75,453) | - | (110) | - | (802) | (76,365) |
| Net investment gain | - | - | - | 119,292 | - | 119,292 |
| Share of profits less losses of joint ventures | - | 1,029 | - | - | (217) | 812 |
| Segment results | 19,615 | (607) | (153) | 242,286 | (1,246) | 259,895 |
| Unallocated corporate expenses | | | | | | (30,584) |
| Net finance costs | | | | | | (34,571) |
| Profit before income tax | | | | | | 194,740 |
| Six months ended 30th September 2016 (restated) | | | | | | |
| Gross income | 201,556 | - | 135,780 | 381,536 | 1,783 | 720,655 |
| Segment revenue | 201,556 | - | 60,341 | 140,915 | 1,783 | 404,595 |
| Contribution to segment results | 79,230 | - | 504 | 140,660 | 969 | 221,363 |
| Depreciation | (41,519) | - | (196) | - | (360) | (42,075) |
| Net investment gain | - | - | - | 81,241 | - | 81,241 |
| Share of losses of joint ventures | - | (2,367) | - | - | - | (2,367) |
| Segment results | 37,711 | (2,367) | 308 | 221,901 | 609 | 258,162 |
| Unallocated corporate expenses | | | | | | (24,905) |
| Net finance costs | | | | | | (21,521) |
| Profit before income tax | | | | | | 211,736 |

Comparative information of property development segment has been re-presented to be consistent with current period presentation. This related to share of losses of joint ventures in “others” segment being reallocated to the “Property development” segment.

5 SEGMENT INFORMATION (Continued)

Notes:

- (a) Hotel operation revenue

| | Six months ended 30th September 2017 HK\$'000 | 2016 HK\$'000 |
|--------------------|--|------------------|
| Room rentals | 193,167 | 166,179 |
| Food and beverages | 29,897 | 25,383 |
| Ancillary services | 1,711 | 2,080 |
| Space rental | 5,404 | 7,914 |
| | 230,179 | 201,556 |

- (b) Management regards gross income of travel operation as gross sales proceeds from the sales of air-ticket, hotel reservation arrangement and incentive travel tours.
- (c) Management regards gross income of financial investments as comprising these revenue as defined under generally accepted accounting principles together with gross consideration from disposal of financial assets at fair value through profit or loss.

Notes to the Interim Financial Information

5 SEGMENT INFORMATION (Continued)

| | Business segments | | | | | | Total HK\$'000 |
|---|--------------------------------|-------------------------------------|---------------------------------|--------------------------------------|--------------------|-------------------------|-------------------|
| | Hotel operation HK\$'000 | Property development HK\$'000 | Travel operation HK\$'000 | Financial investments HK\$'000 | Others HK\$'000 | Unallocated HK\$'000 | |
| As at 30th September 2017 | | | | | | | |
| Assets | 2,532,986 | 1,181,989 | 9,426 | 3,688,440 | 5,337 | 271,774 | 7,689,952 |
| Assets include: | | | | | | | |
| Joint ventures | - | 256,423 | - | - | 1,282 | - | 257,705 |
| Addition to non-current assets for the six months ended 30th September 2017* | 16,943 | 27,123 | 12 | - | - | 1,225 | 45,303 |
| Liabilities | | | | | | | |
| Borrowings | 1,141,943 | 873,675 | - | 1,105,810 | - | 268,256 | 3,389,684 |
| Other unallocated liabilities | | | | | | | 336,395 |
| | | | | | | | 3,726,079 |
| As at 31st March 2017 | | | | | | | |
| Assets | 2,581,526 | 1,066,243 | 26,504 | 2,449,544 | 4,025 | 245,974 | 6,373,816 |
| Assets include: | | | | | | | |
| Joint ventures | - | 227,529 | - | - | - | - | 227,529 |
| Addition to non-current assets for the six months ended 30th September 2016* | 29,420 | 48,022 | 910 | - | - | 283 | 78,635 |
| Liabilities | | | | | | | |
| Borrowings | 1,202,087 | 820,355 | - | 127,440 | - | 142,693 | 2,292,575 |
| Other unallocated liabilities | | | | | | | 354,503 |
| | | | | | | | 2,647,078 |

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

5 SEGMENT INFORMATION (Continued)

| | Six months ended 30th September 2017 HK\$'000 | 2016 HK\$'000 |
|----------------|--|------------------|
| Revenue | | |
| Hong Kong | 229,439 | 208,364 |
| Overseas | 182,364 | 196,231 |
| | 411,803 | 404,595 |

| | 30th September 2017 HK\$'000 | 31st March 2017 HK\$'000 |
|----------------------------|------------------------------------|--------------------------------|
| Non-current assets* | | |
| Hong Kong | 3,079,850 | 3,077,916 |
| Overseas | 323,052 | 322,523 |
| | 3,402,902 | 3,400,439 |

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

Notes to the Interim Financial Information

6 NET INVESTMENT GAIN

| | Six months ended 30th September | |
|--|------------------------------------|-----------|
| | 2017 | 2016 |
| | HK\$'000 | HK\$'000 |
| Financial assets at fair value through profit or loss | | |
| - net unrealised gain from market price movements | 74,974 | 78,110 |
| - net unrealised exchange gain/(loss) | 15,942 | (13,757) |
| - net realised gain (note) | 28,376 | 16,888 |
| | 119,292 | 81,241 |
| Note: | | |
| Net realised gain on financial assets at fair value through profit or loss | | |
| Gross consideration | 1,326,692 | 240,621 |
| Cost of investments | (1,133,941) | (201,288) |
| Total gain | 192,751 | 39,333 |
| Less: net unrealised gain recognised in prior years | (164,375) | (22,445) |
| Net realised gain recognised in current period | 28,376 | 16,888 |

Notes to the Interim Financial Information

6 NET INVESTMENT GAIN (Continued)

Supplementary information of net investment gain on financial assets at fair value through profit or loss:

During the period, the Group derecognised of 31 debt securities. Listed below were the securities disposed/redeemed/exchanged that contributed to the majority of realised gain:

| | Nominal value | Coupon rate | Realised gain HK\$'000 |
|--|-----------------|----------------|---------------------------|
| Kaisa Group Holdings Ltd ("Kaisa") series A to E | US\$104,858,000 | 5.61% - 10.46% | 7,841 |
| China Evergrande Group ("Evergrande") | US\$15,000,000 | 12% | 4,879 |
| The Hellenic Republic Bonds 2023-2042 (total 20 securities) | Euro14,490,000 | 2% - 4.3% | 19,097 |
| Others | | | (3,441) |
| | | | 28,376 |

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 the HKEX (stock code: 1638). The notes derecognised were not rated and were listed on Singapore Stock Exchange ("SGX-ST"). The above Kaisa notes were derecognised and exchanged into new notes in June 2017.

Evergrande is principally engaged in the property development, property investment, property management, property construction, hotel operations, finance business, internet business and health industry business in the PRC. Its shares are listed on the HKEX (stock code: 3333). The notes derecognised were rated "B3" by Moody's Investors Service ("Moody's") and were listed on SGX-ST. The above Evergrande notes plus accrued interest were derecognised and exchanged into new notes in June 2017.

The Hellenic Republic Bonds are issued by the Hellenic Republic at various maturity dates from 2023 to 2042. The bonds disposed of were rated B- by Standard and Poor's Rating Services ("S&P"), and were listed in Athens Stock Exchange.

The unrealised gain/(loss) for the period was generated from the fair value changes of the financial assets at fair value through profit or loss that comprised 14 listed securities as at 30th September 2017. Please refer to note 14 for the details.

Notes to the Interim Financial Information

6 NET INVESTMENT GAIN (Continued)

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

| | 2017 HK\$'000 | 2016 HK\$'000 |
|-------------------|------------------|------------------|
| Equity securities | 86,475 | (12,954) |
| Debt securities | 4,441 | 77,307 |
| | 90,916 | 64,353 |

7 INCOME AND EXPENSES BY NATURE

| | Six months ended 30th September | |
|--|------------------------------------|------------------|
| | 2017 HK\$'000 | 2016 HK\$'000 |
| Income | | |
| Operating lease rental income for hotel buildings | 5,404 | 7,913 |
| Interest income | | |
| - Listed investments | 113,617 | 132,615 |
| - Loan receivables | - | 905 |
| - Bank deposits | 84 | 394 |
| Dividend income | | |
| - Listed investments | 6,591 | 5,290 |
| Expenses | | |
| Cost of goods sold | 11,833 | 10,783 |
| Employee benefit expense, including Directors' emoluments (note) | 76,495 | 70,951 |
| Loss on disposal of property, plant and equipment | 3 | 61 |
| Operating lease rental expense for land and buildings | 3,233 | 2,273 |
| Note: | | |
| Employee benefit expense | | |
| Wages and salaries | 72,333 | 68,616 |
| Retirement benefits costs | 4,162 | 2,335 |
| | 76,495 | 70,951 |

Notes to the Interim Financial Information

8 NET FINANCE COSTS

| | Six months ended 30th September | |
|--|------------------------------------|----------|
| | 2017 | 2016 |
| | HK\$'000 | HK\$'000 |
| Interest expenses | | |
| Long term bank loans | (23,909) | (20,685) |
| Short term bank loans and overdrafts | (5,742) | (513) |
| Convertible notes | (6,139) | - |
| Interest capitalised | 6,933 | 7,766 |
| | (28,857) | (13,432) |
| Other incidental borrowing costs | (5,938) | (3,060) |
| Net foreign exchange gain/(loss) on borrowings | 224 | (5,029) |
| | (34,571) | (21,521) |

9 INCOME TAX EXPENSE

| | Six months ended 30th September | |
|-------------------------------|------------------------------------|----------|
| | 2017 | 2016 |
| | HK\$'000 | HK\$'000 |
| Current income tax | | |
| Hong Kong profits tax | (3,461) | (3,341) |
| Overseas profits tax | (1,322) | (1,198) |
| Over provision in prior years | 1,918 | 1,298 |
| | (2,865) | (3,241) |
| Deferred income tax credit | 110 | 366 |
| | (2,755) | (2,875) |

Hong Kong profits tax is provided at the rate of 16.5% (2016: 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

10 DIVIDEND

The Board of Directors does not recommend the payment of an interim dividend for the six months ended 30th September 2017 (2016: Nil).

11 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:

| | 2017 HK\$'000 | 2016 HK\$'000 |
|--|------------------|------------------|
| Profit attributable to shareholders of the Company for calculation of basic earnings per share | 191,985 | 208,861 |
| Effect of dilutive potential shares: Interest expense saved on convertible notes | 6,139 | - |
| Profit for calculation of diluted earnings per share | 198,124 | 208,861 |

| | Number of shares | |
|--|------------------|---------------|
| Weighted average number of shares for calculation of basic earnings per share | 2,018,040,477 | 2,017,956,221 |
| Effect of dilutive potential shares: Share options of the Company assumed to be exercised | 9,254,418 | 2,267,056 |
| Convertible notes assumed to be converted at the beginning of the period or if later, date of issuance | 2,693,120,010 | - |
| Weighted average number of shares for calculation of diluted earnings per share | 4,720,414,905 | 2,020,223,277 |

The basic and diluted earnings for the period ended 30th September 2017 were HK9.5 cents per share and HK4.2 cents per share respectively (2016: HK10.4 cents per share and HK10.3 cents per share respectively). The weighted average number of shares used in the calculation of earnings per share have been adjusted for the bonus shares issued in February 2017 and the prior period comparative has been restated to reflect such effect.

Notes to the Interim Financial Information

11 EARNINGS PER SHARE (Continued)

Supplementary Information

The convertible notes of the Company were issued in February 2017. Had the convertible notes been issued at beginning of the financial period ended 30th September 2016, diluted earnings per share would have been calculated as follows:

| | 2017 Number of shares | 2016 |
|---|--------------------------|---------------|
| Weighted average number of shares for calculation of basic earnings per share | 2,018,040,477 | 2,017,956,221 |
| Effect of dilutive potential shares: | | |
| Share options of the Company assumed to be exercised | 9,254,418 | 2,267,056 |
| Convertible notes assumed to be converted at the beginning of the period | 2,693,120,010 | 2,693,204,266 |
| Weighted average number of shares for calculation of diluted earnings per share | 4,720,414,905 | 4,713,427,543 |

| | 2017 HK cents | 2016 HK cents |
|---|------------------|------------------|
| Diluted earnings per share with impact of convertible notes retrospectively adjusted from the beginning of the period | 4.2 | 4.4 |

There had been no change for the profit for calculation of diluted earnings per share.

This supplementary information on diluted earnings per share with impact of convertible notes retrospectively adjusted from the beginning of the period is for readers' information only. It does not constitute a disclosure requirement under HKAS 33.

Notes to the Interim Financial Information

12 PROPERTY, PLANT AND EQUIPMENT

| | Land and buildings HK\$'000 | Plant and equipment HK\$'000 | Total HK\$'000 |
|----------------------------------|-----------------------------------|------------------------------------|-------------------|
| Cost | | | |
| At 31st March 2017 | 4,026,978 | 590,051 | 4,617,029 |
| Currency translation differences | 25,078 | 6,046 | 31,124 |
| Additions | 22,617 | 20,397 | 43,014 |
| Disposals | - | (11) | (11) |
| At 30th September 2017 | 4,074,673 | 616,483 | 4,691,156 |
| Accumulated depreciation | | | |
| At 31st March 2017 | 1,001,846 | 442,273 | 1,444,119 |
| Currency translation differences | 19,632 | 5,851 | 25,483 |
| Charge for the period | 57,447 | 18,918 | 76,365 |
| Disposals | - | (8) | (8) |
| At 30th September 2017 | 1,078,925 | 467,034 | 1,545,959 |
| Net book value | | | |
| At 30th September 2017 | 2,995,748 | 149,449 | 3,145,197 |
| At 31st March 2017 | 3,025,132 | 147,778 | 3,172,910 |

Notes to the Interim Financial Information

12 PROPERTY, PLANT AND EQUIPMENT (Continued)

Notes:

- (a) At 30th September 2017, hotel properties with carrying amount of HK\$2,986,472,000 (31st March 2017: HK\$3,011,198,000) 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 hotel properties in operation in Hong Kong and Canada were HK\$2,430,161,000 (31st March 2017: HK\$2,478,940,000).

The aggregate open market value, on a highest and best use basis, of the hotel properties in Hong Kong and Canada based on valuations conducted by Vigers Appraisal & Consulting Limited ("Vigers") and Altus Group Limited ("Altus") respectively, independent professional valuers, amounted to HK\$11,679,451,000 (31st March 2017: HK\$10,725,852,000), is regarded as level 3 hierarchy for disclosure purpose under HKFRS 13.

The hotel properties portfolio in operation in Hong Kong comprised four hotels. Vigers used the discounted cash flow ("DCF") 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 direct comparison method was also used as a check on the valuation arrived at from the DCF method. For the hotel property in operation in Canada, Altus used the direct comparison method for assessing the market value of the property taking into account of its redevelopment potential. This approach directly uses market comparable transactions to determine the market value. Appropriate adjustments are applied to the comparable transactions to adjust for the discrepancies between the property and the comparables. The market value as at 30th September 2017 was Canadian dollar 205 million (31st March 2017: Canadian dollar 173.5 million). The hotel has ceased operation on 1st October 2017 for redevelopment into a mixed-use, primarily for residential, development for sale.

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.

Notes to the Interim Financial Information

13 TRADE AND OTHER RECEIVABLES

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

Trade receivables of the Group amounted to HK\$18,756,000 (31st March 2017: HK\$19,721,000). 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 provision for impairment is as follows:

| | 30th September 2017 HK\$'000 | 31st March 2017 HK\$'000 |
|-----------------------|------------------------------------|--------------------------------|
| 0 month to 6 months | 18,728 | 18,882 |
| 7 months to 12 months | 28 | - |
| More than 12 months | - | 839 |
| | 18,756 | 19,721 |

14 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | 30th September 2017 HK\$'000 | 31st March 2017 HK\$'000 |
|-----------------------|------------------------------------|--------------------------------|
| Equity securities | | |
| - Listed in USA | 341,167 | 279,078 |
| - Listed in Europe | 155,295 | 131,594 |
| - Listed in Hong Kong | 119,052 | - |
| | 615,514 | 410,672 |
| Debt securities | | |
| - Listed in Singapore | 2,676,743 | 1,539,455 |
| - Listed in Hong Kong | 86,702 | 180,741 |
| - Listed in Europe | 2,458 | 86,017 |
| | 2,765,903 | 1,806,213 |
| | 3,381,417 | 2,216,885 |

Financial assets at fair value through profit or loss are denominated in the following currencies:

| | 30th September 2017 HK\$'000 | 31st March 2017 HK\$'000 |
|----------------------|------------------------------------|--------------------------------|
| United States dollar | 3,104,612 | 1,999,274 |
| Sterling | 155,295 | 131,594 |
| Hong Kong dollar | 119,052 | - |
| Euro | 2,458 | 86,017 |
| | 3,381,417 | 2,216,885 |

Notes to the Interim Financial Information

14 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

Supplementary information of financial assets at fair value through profit or loss:

EQUITY SECURITIES

As at 30th September 2017, the Group held 4 (31st March 2017: 2) listed equity securities. The summary of equity securities portfolio of financial assets at fair value through profit or loss as at 30th September 2017 and 31st March 2017 and their corresponding unrealised gain/(loss) and dividend income for the six months ended 30th September 2017 and 2016 are as follows:

| | Market value | | Unrealised gain/(loss) for the six months ended 30th September | | Dividend income for the six months ended 30th September | |
|---|------------------------|--------------------|--|----------|---|----------|
| | 30th September 2017 | 31st March 2017 | 2017 | 2016 | 2017 | 2016 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Citigroup Inc. ("Citigroup") | 341,166 | 279,078 | 62,088 | 25,514 | 1,575 | 685 |
| Royal Bank of Scotland Group ("RBS") | 155,295 | 131,594 | 23,701 | (38,468) | - | - |
| Orient Overseas (International) Limited ("OOIL") | 114,903 | - | 480 | - | 262 | - |
| Others | 4,150 | - | 206 | - | - | - |
| | 615,514 | 410,672 | 86,475 | (12,954) | | |

Citigroup is a global bank that provides financial services, and its shares are listed on the New York Stock Exchange (stock code: C) with a "BBB+" rated by S&P. As at 30th September 2017, a total of 600,325 shares representing 0.02% shareholding of Citigroup was held by the Group.

RBS is a global bank that provides financial services, and its shares are listed on London Stock Exchange (stock code: RBS) with a "BBB-" rated by S&P. As at 30th September 2017, a total of 5,578,903 shares representing 0.05% shareholding of RBS was held by the Group.

OOIL is principal engaged in container transport and logistics, and its shares are listed on the HKEX (stock code: 316). As at 30th September 2017, a total of 1,566,500 shares representing 0.25% shareholding of OOIL was held by the Group.

Notes to the Interim Financial Information

14 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

DEBT SECURITIES

As at 30th September 2017, the Group held 10 (31st March 2017: 38) debt securities that are all listed securities, 7 of them are listed in Singapore, 1 in Hong Kong and 2 in Europe. Over 99% (31st March 2017: 92%) of the mark to market valuation comprising 8 (31st March 2017: 15) debt securities were issued by PRC-based real estate companies, the shares of which are all listed in Hong Kong.

The summary of debt securities of financial assets at fair value through profit or loss as at 30th September 2017 and 31st March 2017 and their corresponding unrealised gain and interest income for the six months ended 30th September 2017 and 2016 are as follows:

| | As at 30th September 2017 | | | As at 31st March 2017 | | |
|---------------------------|--|---------------------------|---|--|---|---|
| | Issued by PRC-based real estate companies HK\$'000 | Others HK\$'000 | Total HK\$'000 | Issued by PRC-based real estate companies HK\$'000 | Others HK\$'000 | Total HK\$'000 |
| Principal amount of notes | 2,744,348 | 13,758 | 2,758,106 | 1,622,943 | 186,777 | 1,809,720 |
| Investment cost | 2,723,388 | 7,580 | 2,730,968 | 1,513,750 | 97,592 | 1,611,342 |
| Market value | 2,763,445 | 2,458 | 2,765,903 | 1,668,245 | 137,968 | 1,806,213 |
| Coupon | 8.75% to 13.75% | 6% | 6% to 13.75% | 5.61% to 13.75% | 3% to 6% | 3% to 13.75% |
| Maturity | Mar 2018 - Jun 2025 | Oct 2042 & 1 perpetual | Mar 2018 - Oct 2042 & 1 perpetual | Sep 2017 - Dec 2021 | Oct 2021 - Oct 2042 & 1 perpetual | Sep 2017 - Oct 2042 & 1 perpetual |
| Rating | NR to B | NR to B- | NR to B | NR to B+ | NR to B- | NR to B+ |

Notes to the Interim Financial Information

14 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

DEBT SECURITIES (Continued)

| | For the six months ended 30th September | | | | | |
|-----------------|--|--------------------|-------------------|--|--------------------|-------------------|
| | 2017 | | | 2016 | | |
| | Issued by PRC-based real estate companies HK\$'000 | Others HK\$'000 | Total HK\$'000 | Issued by PRC-based real estate companies HK\$'000 | Others HK\$'000 | Total HK\$'000 |
| Interest income | 111,521 | 2,096 | 113,617 | 130,722 | 1,893 | 132,615 |
| Unrealised gain | 3,368 | 1,073 | 4,441 | 75,442 | 1,865 | 77,307 |

As at 30th September 2017, the 10 (2016: 41) listed debt securities of financial assets at fair value through profit or loss gave rise to a net unrealised fair value gain of HK\$4.4 million (2016: HK\$77.3 million) for the six months period ended 30th September 2017. A total of 7 (2016: 38) debt securities have recorded unrealised fair value gain, with the remaining 3 (2016: 3) debt securities that recorded unrealised fair value losses.

As at 30th September 2017, the mark to market valuation of the largest single debt security within the Group's financial assets at fair value through profit or loss represents approximately 9.3% (31st March 2017: 1.8%) of the Group's revalued total assets, and the mark to market valuation of the five largest debt securities held represents approximately 15.1% (31st March 2017: 7.3%). The remaining 5 debt securities represent 1.2% of the Group's revalued total assets, with each of them less than 0.5%.

The five largest debt securities held at 30th September 2017 are as follows:

| | Market value | | | | Unrealised gain/(loss) | | Interest income | |
|------------------------|---------------------------------------|---|-----------------------------------|---|--|------------------|--|------------------|
| | 30th September 2017 HK\$'000 | % of the debt securities portfolio | 31st March 2017 HK\$'000 | % of the debt securities portfolio | for the six months ended 30th September | | for the six months ended 30th September | |
| | | | | | 2017 HK\$'000 | 2016 HK\$'000 | 2017 HK\$'000 | 2016 HK\$'000 |
| Kaisa 9.375% notes | 1,577,110 | 57% | - | - | 8,659 | - | 36,941 | - |
| Evergrande 8.75% notes | 472,706 | 17% | - | - | 5,554 | - | 9,878 | - |
| Mingfa 11% notes | 221,318 | 8% | - | - | 3,512 | - | 8,789 | - |
| Wuzhou 13.75% notes | 206,004 | 7% | 219,326 | 12% | (13,322) | 17,983 | 14,194 | 14,137 |
| Glorious 13.25% notes | 86,703 | 3% | 86,242 | 5% | 461 | 4,905 | 5,983 | 5,903 |

Notes to the Interim Financial Information

14 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

DEBT SECURITIES (Continued)

“Kaisa 9.375% notes”, issued by 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 the SGX-ST and non-rated.

“Evergrande 8.75% notes”, issued by Evergrande and carries fixed coupon rate of 8.75% per annum. It is denominated in US\$ and matures on 28th June 2025. The notes are rated “B-” by S&P and listed on the SGX-ST.

“Mingfa 11% notes”, issued by Mingfa Group (International) Company Limited (“Mingfa”) and carries fixed coupon rate of 11% per annum. It is denominated in US\$ and matures on 18th May 2020. The notes are listed on the SGX-ST. Mingfa is principally engaged in property development, property investment and hotel operation in the PRC. Its shares are listed on the HKEX (stock code: 846).

“Wuzhou 13.75% notes”, issued by Wuzhou International Holdings Limited (“Wuzhou”) and carries fixed coupon rate of 13.75% per annum. It is denominated in US\$ and matures on 26th September 2018. The notes are rated “Caa2” by Moody’s and listed on the SGX-ST. Wuzhou is principally involved in property development, property investment and provision of property management services in the PRC. Its shares are listed on the HKEX (stock code: 1369).

“Glorious 13.25% notes”, issued by Glorious Property Holdings Limited (“Glorious”) and carries fixed coupon rate of 13.25% per annum. It is denominated in US\$ and matures on 4th March 2018. The notes are rated “Caa3” by Moody’s and listed on the SGX-ST. Glorious is principally engaged in property development in the PRC. Its shares are listed on the HKEX (stock code: 845).

Notes to the Interim Financial Information

15 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 and various accruals.

Trade payables of the Group amounted to HK\$13,904,000 (31st March 2017: HK\$12,565,000).

Aging analysis of trade payables is as follows:

| | 30th September 2017 HK\$'000 | 31st March 2017 HK\$'000 |
|-----------------------|------------------------------------|--------------------------------|
| 0 month to 6 months | 13,007 | 12,136 |
| 7 months to 12 months | 465 | 63 |
| More than 12 months | 432 | 366 |
| | 13,904 | 12,565 |

16 BORROWINGS

| | 30th September 2017 HK\$'000 | 31st March 2017 HK\$'000 |
|---|------------------------------------|--------------------------------|
| Current liabilities | | |
| Short term bank loans, secured | 135,810 | 57,440 |
| Current portion of long term bank loans, secured | 446,192 | 305,366 |
| Portion of long term bank loans with a repayment on demand clause, secured | 80,517 | 79,286 |
| | 662,519 | 442,092 |
| Non-current liabilities | | |
| Long term bank loans, secured | 2,727,165 | 1,850,483 |
| | 3,389,684 | 2,292,575 |

16 BORROWINGS (Continued)

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

| | 30th September 2017 HK\$'000 | 31st March 2017 HK\$'000 |
|---|------------------------------------|--------------------------------|
| Repayable within one year | 446,192 | 305,366 |
| Repayable between one and two years | 614,196 | 580,998 |
| Repayable between two and five years | 2,193,486 | 1,348,771 |
| | 3,253,874 | 2,235,135 |
| Current portion included in current liabilities | (446,192) | (305,366) |
| | 2,807,682 | 1,929,769 |

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

17 CONVERTIBLE NOTES

| | HK\$'000 |
|---|----------|
| At the beginning of the period | 176,331 |
| Interest expense | 6,139 |
| | 182,470 |
| Coupon payable included in trade and other payables | (732) |
| At the end of the period | 181,738 |

The interest expense on the convertible notes is calculated using the effective interest method by applying the effective interest rate per annum.

Notes to the Interim Financial Information

18 SHARE CAPITAL

| Shares of HK\$0.02 each | Number of shares | Amount HK\$'000 |
|--|---------------------|--------------------|
| Authorised: | | |
| At 31st March 2017 and 30th September 2017 | 35,000,000,000 | 700,000 |
| Issued and fully paid: | | |
| At 31st March 2017 and 30th September 2017 | 2,018,040,477 | 40,361 |

19 RESERVES

| | Share premium HK\$'000 | Contributed surplus HK\$'000 | Convertible note redemption reserve HK\$'000 | Available- for-sale investments reserve HK\$'000 | Currency translation reserve HK\$'000 | Share option reserve HK\$'000 | Revenue reserve HK\$'000 | Total HK\$'000 |
|--|------------------------------|------------------------------------|--|--|--|--|--------------------------------|-------------------|
| As 31st March 2017 | 1,126,360 | 37 | 1,067,444 | 48,109 | 25,161 | 23,583 | 1,395,683 | 3,686,377 |
| Fair value gain on available-for-sale investments | - | - | - | 40,396 | - | - | - | 40,396 |
| Currency translation differences | - | - | - | - | 17,791 | - | - | 17,791 |
| Share of currency translation differences of joint ventures | - | - | - | - | 16,994 | - | - | 16,994 |
| Profit for the period | - | - | - | - | - | - | 191,985 | 191,985 |
| Share option lapsed | - | - | - | - | - | (20,160) | 20,160 | - |
| 2017 final dividend to shareholders | - | - | - | - | - | - | (12,915) | (12,915) |
| Coupon to convertible noteholders | - | - | - | - | - | - | (17,116) | (17,116) |
| At 30th September 2017 | 1,126,360 | 37 | 1,067,444 | 88,505 | 59,946 | 3,423 | 1,577,797 | 3,923,512 |

20 CAPITAL COMMITMENTS

Capital commitments at the balance sheet date are as follows:

| | 30th September 2017 HK\$'000 | 31st March 2017 HK\$'000 |
|---------------------------------|------------------------------------|--------------------------------|
| Contracted but not provided for | | |
| Property, plant and equipment | 60,008 | 67,255 |
| Joint ventures | 2,372 | - |
| | 62,380 | 67,255 |

21 FINANCIAL GUARANTEES

| | 30th September 2017 HK\$'000 | 31st March 2017 HK\$'000 |
|--|------------------------------------|--------------------------------|
| Guarantees for the bank loan of joint ventures | 212,815 | 198,347 |

Notes to the Interim Financial Information

22 RELATED PARTY TRANSACTIONS

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

| | Six months ended 30th September | |
|---|------------------------------------|----------|
| | 2017 | 2016 |
| | HK\$'000 | HK\$'000 |
| Income from/(expense to) subsidiaries of Asia Orient Holdings Limited | | |
| Hotel and travel service | 537 | 535 |
| Operating lease rental and management services | (2,814) | (2,130) |
| Project management service | (2,250) | (2,250) |
| Travel agency service income from related companies | 207 | - |

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) (2016: Nil).

Other Information

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

As at 30th September 2017, 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 the Securities and Futures Ordinance (the "SFO")) which (a) are 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 are 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 | | | Total | 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:

- (1) By virtue of Mr. Poon Jing's controlling interest (50.44%) in Asia Orient, he is deemed to be interested in the shares of the Company held by Asia Orient.
- (2) 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.

Other Information

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

As at 30th September 2017, details of the share options granted to the Directors under the share option scheme of the Company adopted on 28th August 2006 (the "2006 Share Option Scheme") are as follows:

| Director | Date of grant | Exercise price (adjusted) (HK\$) | Exercise period | Number of share options held | | |
|----------------------|--------------------|----------------------------------|--|----------------------------------|--------------------------|---------------------------------------|
| | | | | Outstanding as at 1st April 2017 | Lapsed during the period | Outstanding as at 30th September 2017 |
| Lim Yin Cheng | 2nd April 2007 | 0.433 | 2nd April 2007 to 1st April 2017 | 24,000,000 | (24,000,000) | - |
| Woo Wei Chun, Joseph | 2nd April 2007 | 0.433 | 2nd April 2007 to 1st April 2017 | 24,000,000 | (24,000,000) | - |
| Poon Hai | 11th December 2015 | 0.343 | 11th December 2015 to 10th December 2025 | 14,400,000 | - | 14,400,000 |
| Poon Yeung, Roderick | 11th December 2015 | 0.343 | 11th December 2015 to 10th December 2025 | 14,400,000 | - | 14,400,000 |

Note:

Save as disclosed above, 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 2017 and 30th September 2017 |
| Poon Hai (Note 1) | 3,500,000 |
| Poon Yeung, Roderick (Note 1) | 3,500,000 |

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

(II) LONG POSITIONS IN UNDERLYING SHARES (Continued)

(b) Associated corporation – Asia Orient (Continued)

Notes:

- (1) 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.
- (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.

(c) Associated corporation – ASI

| Director | Number of share options held |
|-------------------------------|--|
| | Outstanding as at 1st April 2017 and 30th September 2017 |
| 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.

Other Information

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 2017, 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 the SFO) which (a) are 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 are 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.

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 2017, 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.

LONG POSITIONS IN SHARES OF THE COMPANY

| Shareholder | Number of shares held | Percentage (%) |
|--|--------------------------|----------------|
| The Sai Group Limited ("Sai Group") | 1,298,709,227 | 64.35 |
| ASI (Note 1) | 1,298,709,227 | 64.35 |
| Persian Limited ("Persian") | 47,448,822 | 2.35 |
| Asia Orient Holdings (BVI) Limited (Notes 2 & 3) | 1,346,158,049 | 66.71 |
| Asia Orient (Note 4) | 1,346,158,049 | 66.71 |
| Wong Kwok Fong | 183,148,366 | 9.08 |

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) Asia Orient Holdings (BVI) Limited and its subsidiaries together hold more than one-half 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 Asia Orient Holdings (BVI) Limited, Asia Orient Holdings (BVI) Limited is deemed to be interested in and duplicate the interest held by Persian.
- (4) Asia Orient Holdings (BVI) Limited is a wholly owned subsidiary of Asia Orient. Asia Orient is deemed to be interested in and duplicate the interest held by Asia Orient Holdings (BVI) Limited and its subsidiaries.

Save as disclosed above, as at 30th September 2017, the Directors are not aware of any other persons who had interests or short positions in the shares or underlying shares of the Company which are required to be recorded in the register required to be kept under Section 336 of the SFO.

Other Information

SHARE OPTION SCHEME

The 2006 Share Option Scheme was expired on the tenth anniversary of such adoption date. Following the expiry of the 2006 Share Option Scheme, no further share option can be granted thereunder but all outstanding share options granted under the 2006 Share Option Scheme and yet to be exercised shall remain valid and exercisable. As at 30th September 2017, there were 28,800,000 share options granted under the 2006 Share Option Scheme outstanding. Movements of share options granted under the 2006 Share Option Scheme during the period are as follows:

| Grantee | Date of grant | Exercise price (adjusted) (HK\$) | Exercise period | Number of share options held | | |
|-----------------------------------|--------------------|--|---|---|--------------------------------|--|
| | | | | Outstanding as at 1st April 2017 | Lapsed during the period | Outstanding as at 30th September 2017 |
| Directors | 2nd April 2007 | 0.433 | 2nd April 2007 to 1st April 2017 | 48,000,000 | (48,000,000) | - |
| | 11th December 2015 | 0.343 | 11th December 2015 to 10th December 2025 | 28,800,000 | - | 28,800,000 |
| Directors of holding companies | 2nd April 2007 | 0.433 | 2nd April 2007 to 1st April 2017 | 48,000,000 | (48,000,000) | - |
| Employees of holding companies | 2nd April 2007 | 0.433 | 2nd April 2007 to 1st April 2017 | 69,000,000 | (69,000,000) | - |
| Employee of subsidiaries | 2nd April 2007 | 0.433 | 2nd April 2007 to 1st April 2017 | 23,999,997 | (23,999,997) | - |
| | | | | 217,799,997 | (188,999,997) | 28,800,000 |

Notes:

1. Save as disclosed above, during the period, no option was granted, exercised, cancelled or lapsed.
2. The Company adopted a new share option scheme on 8th September 2016 (the "2016 Share Option Scheme"). No share option has been granted under the 2016 Share Option Scheme since its adoption.

INTERIM DIVIDEND

The Board of Directors (the “Board”) does not recommend the payment of an interim dividend for the six months ended 30th September 2017 (2016: 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 and 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 2017.

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 at any time, and from time to 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 2017 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 2017.

On behalf of the Board

Asia Standard Hotel Group Limited

Poon, Jing

Chairman

Hong Kong, 29th November 2017

