



Asia Standard Hotel
Group Limited



Interim Report 2021

HKSE Stock Code: 292

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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. Wong Chi Keung

Audit Committee

Mr. Wong Chi Keung (*Chairman*)
Mr. Leung Wai Keung, *JP*
Mr. Ip Chi Wai

Remuneration Committee

Mr. Wong Chi Keung (*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,
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31 Victoria Street,
Hamilton HM 10,
Bermuda

Principal Office in Hong Kong

30th Floor, YF Life Tower,
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Principal Bankers

Hang Seng Bank
HSBC
Bank of China (Hong Kong)
Industrial and Commercial Bank of
China (Asia)
Industrial and Commercial Bank of
China (Canada)
Chiyu Banking Corporation
Fubon Bank (Hong Kong)
United Overseas Bank
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
Suites 4201-03 & 12,
42/F, One Island East,
Taikoo Place,
18 Westlands Road,
Quarry Bay, Hong Kong

Independent Auditor

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest
Entity Auditor
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

	Six months ended		
	30th September	2020	Change
	2021		
(in HK\$ million, except otherwise indicated)			
Consolidated profit and loss account			
Revenue	509	494	+3%
Operating (loss)/profit	(88)	378	N/A
(Loss)/profit attributable to shareholders of the Company	(147)	302	N/A
(Loss)/earnings per share – basic (HK cents)	(7.3)	15.0	N/A
	30th September	31st March	
	2021	2021	Change
Consolidated balance sheet			
Total assets	9,629	12,110	-20%
Net assets	2,836	5,078	-44%
Equity attributable to shareholders of the Company	2,835	5,077	-44%
Net debt	5,898	5,054	+17%
Supplementary information with hotel properties stated at valuation (note):			
Revalued total assets	18,353	20,776	-12%
Revalued net assets	11,559	13,744	-16%
Gearing – net debt to revalued net assets	51%	37%	+14%
<p>Note: According to the Group's accounting policies, the hotel properties 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.</p> <p>The hotel properties were revalued by Vigers Appraisal & Consulting Limited, independent professional valuers, on an open market value basis as at 30th September 2021 and 31st March 2021.</p>			

Management Discussion and Analysis



Landmark on Robson in Vancouver, Canada

RESULTS

The Group's revenue for the six months ended 30th September 2021 was HK\$509 million, an increase of 3% compared to the previous year. A loss attributable to shareholders of HK\$147 million was recorded as opposed to a profit of HK\$302 million from the previous year. Such change is primarily attributable to a net investment loss (2020: gain) comprising expected credit loss and net unrealised loss on listed debt securities for the period following the severe liquidity and credit stress of PRC developers.

Hotel Business

While tourist arrivals to Hong Kong declined by 24% during the review period, visitors from Mainland China increased by 16%, although overall visitor numbers remained minimal in comparison to pre-pandemic levels due to government travel restrictions, quarantines, and border closures. The total hotel room supply in Hong Kong as of September 2021 was approximately 87,077, increased by 2% from last year's same time.

The Group's hotel business performed better than the previous year, with occupancy rates and average room rates increasing by 13% and 40%, respectively, and revenue increased by about 116%. This growth was attributed in part by our multi-pronged strategy, which included the launch of long-stay promotions targeted at local customers beginning in July at our Empire Hotel Hong Kong and Empire Hotel Kowloon, as well as our participation in the Hong Kong Government's Designated Quarantine Hotel Scheme commencing on 1st September at our 2 Empire Hotels in Causeway Bay. Hotel management is acutely aware of the challenges that continue as the uncertainty associated with a global resurgence in COVID-19 infections persists, and is continuously planning and implementing initiatives to enhance occupancy and ensure a consistent revenue stream during the Pandemic. Furthermore, management will adhere to strict cost-cutting measures and defer non-essential capital expenditures.

Management Discussion and Analysis



Development project "Landmark on Robson" in Vancouver, Canada

Development Projects

The twin tower Landmark on Robson, located in Vancouver's central business district, is currently at the 22nd floor (East Tower) and the 17th floor (West Tower) of its concrete frame structure construction, which is scheduled to top out in Q1 2022. As of 30th September 2021, a total of approximately CAD\$140 million in contracted sales of residential units in this development has been achieved since the project's pre-sale commenced in early 2018. A new round of pre-sales had begun in October as a result of the continuous improvement in real estate market sentiment, coupled with the subsiding of the COVID panic during the review period.

Another developable site adjacent to the Landmark on Robson remains in the development planning stage. However, we have utilised the site as a community garden for the local vicinity to improve the social and green aspect for the neighborhood until we are able to finalize the planning for the site.

Concerning the Group's joint venture residential construction on Alberni Street, the City has accepted our response to the Prior to Letter, and the development team is currently determining the most efficient method for achieving coordinated construction designs that minimize project construction costs, as well as investigating potential locations for the sales presentation center and developing a marketing campaign, prior to the City officially enacting the rezoning and issuing a development permit.

For another joint venture development that is also located at Alberni Street in downtown Vancouver, we are in the advanced stages of obtaining rezoning approval by confirming the Community Amenity Contributions (CAC) offer with the City in May 2021, and setting a public hearing schedule in December 2021.

Management Discussion and Analysis



Empire Hotel and Empire Prestige • Causeway Bay

Financial Investments

The Group's financial investment portfolio, which consisted almost entirely of listed securities as of 30th September 2021, amounted to HK\$4,225 million (31st March 2021: HK\$6,660 million), a decrease of HK\$2,435 million from the previous

year. 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 banking stock, and 1% in unlisted funds. They were denominated in United States dollars 59%, Renminbi 38% and Hong Kong dollars 3%.

During the period under review, a total of HK\$480 million (2020: HK\$474 million) in interest and dividend income were generated from the investment portfolio. A net investment loss of HK\$458 million (2020: a net gain of HK\$18 million) comprising provision of expected credit loss and net unrealised loss on financial investments for the period, was charged to profit and loss account while the mark-to-market valuation loss on listed debt securities of HK\$2,060 million (2020: a net gain of HK\$688 million) were recognised in the investment reserve account.

The decrease in portfolio value and the net investment loss incurred during the period were primarily the result of expected credit losses and mark-to-market fair value losses on our listed debt securities issued by Chinese real estate companies as a result of the government's effort to limit developers' leverage. Developers are facing refinancing difficulties and debt repayment pressures.

Notwithstanding these challenges, regulators have urged developers to complete unfinished projects, meet debt obligations, including payments on offshore bonds and avoid to defaulting on their debts. Examples of proposed interim remedies to alleviate developers' liquidity stress include allowing developers to recommence asset-backed securities issuance, loosening foreign exchange arrangements for off-shore debt repayment, as well as encouraging banks to expedite the supply of housing loan mortgages.

Management Discussion and Analysis

FINANCIAL REVIEW

The Group's financial and treasury activities are centrally managed and controlled at the headquarter level. At 30th September 2021, the Group had about HK\$3.1 billion cash and undrawn banking facilities.

The Group's total assets and net assets per book amounted to HK\$9,629 million (31st March 2021: HK\$12,110 million) and HK\$2,836 million (31st March 2021: HK\$5,078 million), respectively, with the decreases primarily due to mark-to-market unrealised fair value changes from certain financial investments (mostly listed debt securities) recognised in other comprehensive income under shareholders' equity. According to independent valuation, the total revalued amount of our hotel properties in Hong Kong as of 30th September 2021 was HK\$11,414 million, which is roughly the same as of 31st March 2021. Taking into account the market value of the hotel properties in operation, the Group's revalued total assets and net assets with hotel properties in Hong Kong at market value would be HK\$18,353 million (31st March 2021: HK\$20,776 million) and HK\$11,559 million (31st March 2021: HK\$13,744 million), respectively.



The total debt comprised HK\$6,087 million of bank borrowings and HK\$233 million convertible notes. 96% of the gross bank borrowings or HK\$5,815 million was denominated in Hong Kong dollars, with about 44% hedged against interest rate fluctuations in response to mounting inflationary concerns through various interest rate swap contracts totaling HK\$2,700 million. The remaining 4% or to the equivalent of HK\$272 million was in foreign currencies incurred in operations and investment in financial assets overseas. Total interest cost decreased as a result of decreased market interest rates and bank borrowings.

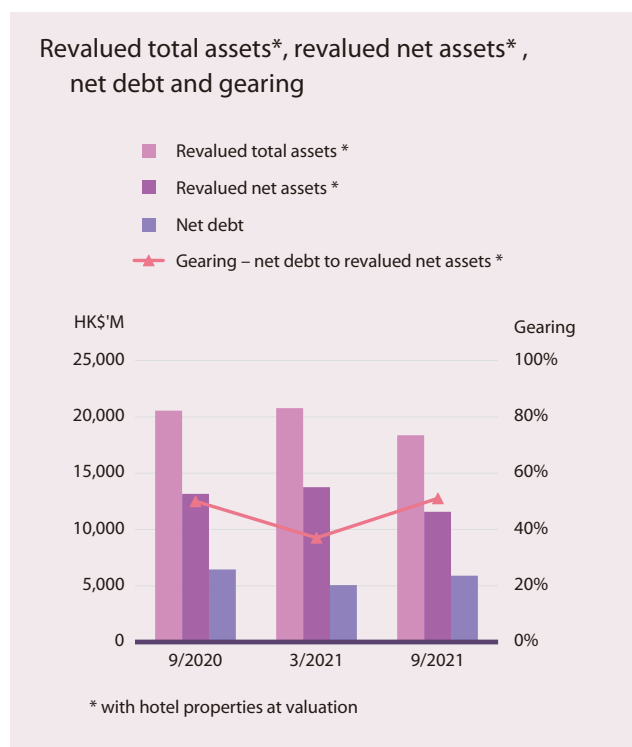
Of the total bank borrowings, 10% were revolving loans (all of which is secured), 73% were secured term loans, and the remaining 17% were unsecured term loans. The maturity of our bank borrowings spread over a period of up to five years with 33% repayable within one year, 28% repayable between one to two years, and 39% repayable within two to five years. The unsecured convertible notes comprising 4% of total debt are held almost entirely by the parent groups, and are repayable in February 2047.

The consolidated net debt (total debt less cash balance) was HK\$5,898 million (31st March 2021: HK\$5,054 million). The Group's gearing ratio, expressed as a percentage of net debt over the revalued net asset value, was 51% (31st March 2021: 37%).

At 30th September 2021, the Group had net current assets of HK\$1,939 million (31st March 2021: HK\$4,240 million), and bank balances together with listed marketable securities of HK\$4,599 million represent 2.3 times of the bank borrowings of HK\$1,991 million due within 12 months.

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 2021 amounted to HK\$4,739 million (31st March 2021: HK\$4,774 million).

Management Discussion and Analysis



from the mainland and in the near future are well progressed, given the region's continuous mass vaccination program and stable local epidemiological situation.

Aside from pandemic concerns, financial markets will continue to confront inflationary pressures from a clogged supply chain, increased consumer demand, and rising wages. The U.S. Federal reserve maintains that the increase in inflation is primarily temporary and expects it to endure far into next year. While the Fed has indicated that it will begin tapering its bond purchases shortly, it has also stated that it may modify its course if required.

For the PRC's real estate sector, the government has consistently sent out encouraging signals since the end of September, including easing lending requirements for developers and encouraging banks to expedite personal mortgage loans. These signals are considered as moderately fine-tuning guidance to existing stricter regulations, with any improvement in the credit climate resulting in an increase in market expectations, which is necessary for the market to continue developing steadily and healthily. Future regulations are anticipated to prioritize healthy real estate market growth and protecting the interests of housing customers, while also assuring a dynamic and vibrant property sector capable of meeting housing demand in the country's major cities driven by urbanisation over the next decade or so.

In British Columbia, Canada, as in the majority of Western Canada's housing market, prices have increased over the review period as a result of strong demand fueled by low mortgage rates, a scarcity of rental units, and low vacancy rates. Demand and sales increased across all property types in the region, especially in large urban centers such as Vancouver, where housing inventory is low, and this trend is projected to continue in the medium term.

While the management closely monitors macroeconomic events and potential risks to the outlook, it remains cautiously optimistic about the Group's performance in a constantly changing environment.

HUMAN RESOURCES

As of 30th September 2021, the total number of full-time employees of the Company and its subsidiaries was approximately 184 (31st March 2021: 180). 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 third quarter of 2021 saw a further consolidation of Hong Kong's economic recovery, with real GDP increasing by 5.4% over the same period the previous year, accompanied by a continued improvement in global economic activity. On the other hand, inbound travel has remained almost stagnant due to ongoing pandemic restrictions and border controls in response to the new mutant strains and a global resurgence of COVID-19 cases. Notwithstanding these impediments, Hong Kong's ongoing discussions with mainland China about resuming quarantine-free travel to and

Condensed Consolidated Profit and Loss Account – Unaudited

	Note	Six months ended 30th September	
		2021 HK\$'000	2020 HK\$'000
Interest revenue		478,559	475,794
Sales of goods and services and other revenue		30,020	18,316
Total revenue	6	508,579	494,110
Cost of sales		(16,993)	(12,435)
Gross profit		491,586	481,675
Selling and administrative expenses		(58,099)	(57,867)
Depreciation		(63,546)	(63,581)
Net investment (loss)/gain	7		
Net realised and unrealised (loss)/gain		(46,373)	18,971
Changes in expected credit losses		(411,205)	(798)
Operating (loss)/profit		(87,637)	378,400
Net finance costs	9	(71,125)	(85,791)
Share of profits less losses of joint ventures		115	647
(Loss)/profit before income tax		(158,647)	293,256
Income tax credit	10	11,584	9,399
(Loss)/profit for the period		(147,063)	302,655
Attributable to:			
Shareholders of the Company		(147,262)	302,425
Non-controlling interests		199	230
		(147,063)	302,655
(Loss)/earnings per share (HK cents)			
Basic	12	(7.3)	15.0
Diluted	12	(3.0)	6.6

Condensed Consolidated Statement of Comprehensive Income – Unaudited

	Six months ended 30th September	
	2021 HK\$'000	2020 HK\$'000
(Loss)/profit for the period	(147,063)	302,655
Other comprehensive (charge)/income		
Items that have been reclassified or may be reclassified subsequently to profit or loss:		
Net fair value (loss)/gain on debt securities at fair value through other comprehensive income	(2,045,781)	731,486
Cash flow hedges		
– net fair value loss	(1,933)	(50,568)
– deferred tax on derivative financial instruments	319	9,093
Currency translation differences	(2,892)	24,400
Share of currency translation differences of joint ventures	(2,756)	27,456
Item that will not be reclassified to profit or loss:		
Net fair value loss on equity securities at fair value through other comprehensive income	(13,868)	(43,738)
	(2,066,911)	698,129
Total comprehensive (charge)/income for the period	(2,213,974)	1,000,784
Attributable to:		
Shareholders of the Company	(2,213,936)	998,565
Non-controlling interests	(38)	2,219
	(2,213,974)	1,000,784

Condensed Consolidated Balance Sheet – Unaudited

	Note	30th September 2021 HK\$'000	31st March 2021 HK\$'000
Non-current assets			
Property, plant and equipment	13	2,936,068	2,863,946
Investment in joint ventures		173,184	169,788
Amount due from joint ventures		393,112	385,171
Financial investments	15	1,704,881	1,948,073
Derivative financial instruments		6,674	9,840
Deferred income tax assets		42,024	29,475
		5,255,943	5,406,293
Current assets			
Properties under development for sale		1,106,735	836,478
Inventories		18,507	18,546
Trade and other receivables	14	307,134	273,842
Income tax recoverable		59	59
Financial investments	15	2,519,814	4,712,334
Bank balances and cash		421,282	862,139
		4,373,531	6,703,398
Current liabilities			
Trade and other payables	16	96,998	738,436
Contract liabilities		224,254	224,843
Amount due to non-controlling interests		47,906	46,640
Borrowings	17	1,991,409	1,391,205
Income tax payable		74,282	61,980
		2,434,849	2,463,104
Net current assets		1,938,682	4,240,294

Condensed Consolidated Balance Sheet – Unaudited

	Note	30th September 2021 HK\$'000	31st March 2021 HK\$'000
Non-current liabilities			
Long term borrowings	17	4,095,344	4,299,119
Lease liabilities		360	2,490
Convertible notes	18	232,712	225,455
Derivative financial instruments		28,958	27,547
Deferred income tax liabilities		1,074	13,646
		4,358,448	4,568,257
<hr/>			
Net assets		2,836,177	5,078,330
Equity			
Share capital	19	40,361	40,361
Reserves	20	2,794,370	5,036,485
Equity attributable to shareholders of the Company			
Non-controlling interests		1,446	1,484
		2,836,177	5,078,330

Condensed Consolidated Statement of Cash Flows – Unaudited

	Six months ended	
	30th September	
	2021	2020
	HK\$'000	HK\$'000
Cash flows from operating activities		
Net cash (used in)/generated from operations	(762,247)	70,515
Net income tax (paid)/refund	(481)	537
Interest paid	(50,883)	(68,453)
Interest received from bank deposit and loan receivables	1,148	1,528
Net cash (used in)/generated from operating activities	(812,463)	4,127
Cash flows from investing activities		
Purchase of financial investments	(2,916)	(1,841)
Addition to property, plant and equipment	(134,887)	(8,007)
Increase in investments in joint ventures	(4,128)	(1,187)
Advances to joint ventures	(9,851)	(4,649)
Net cash used in investing activities	(151,782)	(15,684)
Cash flows from financing activities		
Drawdown of long term borrowings	1,011,729	–
Repayment of long term borrowings	(303,333)	(144,000)
Net (decrease)/increase in short term borrowings	(318,000)	187,506
Contribution from non-controlling interests	1,266	855
Principal elements of lease payment	(3,976)	(3,858)
Dividend paid to shareholders	(13,117)	–
Coupon paid to convertible noteholders	(15,062)	–
Net cash generated from financing activities	359,507	40,503
Net (decrease)/increase in cash and cash equivalents	(604,738)	28,946
Cash and cash equivalents at the beginning of the period	814,314	243,530
Changes in exchange rates	(7,744)	5,926
Cash and cash equivalents at the end of the period	201,832	278,402
Analysis of balances of cash and cash equivalents		
Bank balances and cash (excluding restricted bank balances)	201,832	278,402

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 2020	40,361	3,482,594	3,522,955	(3,665)	3,519,290
Net fair value gain on financial assets at fair value through other comprehensive income	–	687,748	687,748	–	687,748
Currency translation differences	–	24,400	24,400	–	24,400
Cash flow hedges					
– fair value loss	–	(50,568)	(50,568)	–	(50,568)
– deferred tax on derivative financial instruments	–	9,093	9,093	–	9,093
Share of currency translation differences of joint ventures	–	25,467	25,467	1,989	27,456
Profit for the period	–	302,425	302,425	230	302,655
Total comprehensive income for the period	–	998,565	998,565	2,219	1,000,784
At 30th September 2020	40,361	4,481,159	4,521,520	(1,446)	4,520,074
At 31st March 2021	40,361	5,036,485	5,076,846	1,484	5,078,330
Net fair value loss on financial assets at fair value through other comprehensive income	–	(2,059,649)	(2,059,649)	–	(2,059,649)
Currency translation differences	–	(2,892)	(2,892)	–	(2,892)
Cash flow hedges					
– fair value loss	–	(1,933)	(1,933)	–	(1,933)
– deferred tax on derivative financial instruments	–	319	319	–	319
Share of currency translation differences of joint ventures	–	(2,519)	(2,519)	(237)	(2,756)
(Loss)/profit for the period	–	(147,262)	(147,262)	199	(147,063)
Total comprehensive charge for the period	–	(2,213,936)	(2,213,936)	(38)	(2,213,974)
2021 final dividend	–	(13,117)	(13,117)	–	(13,117)
Coupon to convertible noteholders	–	(15,062)	(15,062)	–	(15,062)
Total transaction with owners	–	(28,179)	(28,179)	–	(28,179)
At 30th September 2021	40,361	2,794,370	2,834,731	1,446	2,836,177

Notes to the Interim Financial Information

1 GENERAL INFORMATION

Asia Standard Hotel Group Limited (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 principal 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 2021 (“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 2021, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”).

3 THE ADOPTION OF NEW HKFRS

The accounting policies 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 2021, except the adoption of the following new standard and amendments that are effective for the financial year ending 31st March 2022 which is relevant to the Group’s operations and is mandatory for accounting periods beginning on or after 1st January 2021:

Amendments to HKAS 39, HKFRS 4, HKFRS 7, Interest Rate Benchmark Reform - Phase 2
HKFRS 9 and HKFRS 16

The adoption of the new standard and amendments to the standards stated above did not have significant impact to the Group in the current and prior periods.

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. The Group’s overall risk management seeks to minimise potential adverse effects on the Group’s financial performance.

The credit risk of the Group mainly arises from financial investments, as well as credit exposures to loans receivables and other receivables.

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 2021.

Notes to the Interim Financial Information

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(I) Financial Risk Factors (Continued)

Measurement of expected credit losses

The Group adopts a “three-stage” model for impairment based on changes in credit quality since initial recognition, to estimate the expected credit losses.

The key definitions of the three stages are summarised below:

Stage 1: For financial instruments with no significant increase in credit risk after initial recognition or that have low credit risk at the reporting date, the expected credit losses are recognised at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months;

Stage 2: For financial instruments with significant increase in credit risk since initial recognition, but there is no objective evidence of impairment, lifetime expected credit losses are recognised and interest revenue is calculated on the gross carrying amount of the asset;

Stage 3: For financial instruments in default at the end of the reporting period, lifetime expected credit losses are recognised and interest revenue is calculated on the net carrying amount of the asset.

Significant increase in credit risk

The Group assesses whether the credit risk of a financial instrument has increased significantly since initial recognition on an ongoing basis. The Group sufficiently considers reasonable and supportable information, including forward-looking information, which reflects the significant increase in credit risk. The major factors considered include regulatory and business environment, external credit rating, repayment ability, operation capacity, repayment behaviours, etc. The Group compares the risk of a default occurring as at the end of the reporting period with that as at the date of initial recognition of one financial instrument or a portfolio of financial instruments that shares the similar credit risk characteristics. The Group also considers the following factors to determine whether there is significant increase in credit risk:

- Significant change in the financial instrument's credit rating;
- Breach of contract term, such as a default or delinquency in interest or principal payments;
- The Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the Group would not otherwise consider;
- Significant changes in the technological, market, economic or legal environment that have an adverse effect on the issuer;
- A significant decline in the market price of debt instrument.

Notes to the Interim Financial Information

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(I) Financial Risk Factors (Continued)

Definition of default

The Group considers that loan receivables, trade and other receivables are in default when the counterparty fails to make contractual payments within 90 days of when they fall due. The Group also considers that debt securities are in default when an event of default occurs and is not rectified within the prescribed grace period for remedial action as stipulated in that financial instrument. The Group also consider the financial asset to be in default when it is highly probable that the borrower will enter bankruptcy.

(II) Fair Value Estimation

Financial instruments carried at fair value are categorised into 3 levels defined as follows:

- **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 (for example, over-the-counter investments) 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/ask 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 instruments 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 the significant inputs is 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

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 at 30th September 2021 and 31st March 2021.

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000
At 30th September 2021			
Assets			
Financial investments			
Financial assets at fair value through other comprehensive income ("FVOCI")	124,812	2,490,392	–
Financial assets at fair value through profit or loss ("FVPL")	–	1,562,535	46,956
Derivative financial instruments	–	6,674	–
	124,812	4,059,601	46,956
Liabilities			
Derivative financial instruments	–	28,958	–
At 31st March 2021			
Assets			
Financial investments			
Financial assets at FVOCI	138,681	4,888,678	–
Financial assets at FVPL	–	1,590,906	42,142
Derivative financial instruments	–	9,840	–
	138,681	6,489,424	42,142
Liabilities			
Derivative financial instruments	–	27,547	–

During the six months ended 30th September 2021, there was no transfer between level 1, level 2 and level 3 fair value measurements and there was no change in valuation technique.

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 2021.

Notes to the Interim Financial Information

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. 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.

	Hotel operation	Property development	Financial investments	Others	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Six months ended 30th September 2021					
Segment revenue	26,823	411	479,634	1,711	508,579
Contribution to segment results	(17,952)	(2,247)	478,711	65	458,577
Depreciation	(55,766)	(3,219)	–	(4,561)	(63,546)
Net investment loss	–	–	(457,578)	–	(457,578)
Share of profits less losses of joint ventures	–	232	–	(117)	115
Segment results	(73,718)	(5,234)	21,133	(4,613)	(62,432)
Unallocated corporate expenses					(25,090)
Net finance costs					(71,125)
Loss before income tax					(158,647)
Six months ended 30th September 2020					
Segment revenue	12,438	497	474,349	6,826	494,110
Contribution to segment results	(22,103)	(1,508)	473,255	(956)	448,688
Depreciation	(56,129)	(2,692)	–	(4,760)	(63,581)
Net investment gain	–	–	18,173	–	18,173
Share of profits less losses of joint ventures	–	855	–	(208)	647
Segment results	(78,232)	(3,345)	491,428	(5,924)	403,927
Unallocated corporate expenses					(24,880)
Net finance costs					(85,791)
Profit before income tax					293,256

Notes to the Interim Financial Information

6 SEGMENT INFORMATION (CONTINUED)

	Business segments					Total HK\$'000
	Hotel operation	Property development	Financial investments	Others	Unallocated	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
As at 30th September 2021						
Assets	3,011,419	1,799,883	4,689,332	24,449	104,391	9,629,474
Assets include:						
Joint ventures	–	565,806	–	490	–	566,296
Addition to non-current assets for the six months ended 30th September 2021*	135,419	1,784	–	–	44	137,247
Liabilities						
Borrowings	3,566,773	271,575	578,230	–	1,670,175	6,086,753
Other unallocated liabilities						706,544
						6,793,297
As at 31st March 2021						
Assets	3,158,288	1,501,511	7,353,574	33,129	63,189	12,109,691
Assets include:						
Joint ventures	–	554,414	–	545	–	554,959
Addition to non-current assets for the six months ended 30th September 2020*	7,564	2,103	–	191	9,750	19,608
Liabilities						
Borrowings	3,609,603	84,193	578,309	–	1,418,219	5,690,324
Other unallocated liabilities						1,341,037
						7,031,361

* 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	
	2021 HK\$'000	2020 HK\$'000
Revenue		
Hong Kong	41,599	36,623
Overseas	466,980	457,487
	508,579	494,110
	30th September 2021 HK\$'000	31st March 2021 HK\$'000
Non-current assets*		
Hong Kong	2,930,559	2,855,178
Overseas	571,805	563,727
	3,502,364	3,418,905

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

Sales of goods and services and other revenue can be further analysed into:

	Six months ended 30th September	
	2021 HK\$'000	2020 HK\$'000
Revenue from contracts with customers		
– At a point in time	1,012	2,179
– Over time	22,045	13,852
	23,057	16,031
Other sources	6,963	2,285
	30,020	18,316

Notes to the Interim Financial Information

7 NET INVESTMENT (LOSS)/GAIN

	Six months ended 30th September	
	2021	2020
	HK\$'000	HK\$'000
Financial assets at FVPL		
– net unrealised loss from market price movements	(92,939)	(2,102)
– net unrealised exchange gain	35,555	292
Financial assets at FVOCI		
– net unrealised exchange gain/(loss)	5,285	(1,985)
– net realised gain (note (a))	8,047	22,766
– changes in expected credit losses	(411,205)	(798)
Derivative financial instruments		
– net unrealised loss	(2,321)	–
	(457,578)	18,173

Notes:

	Six months ended 30th September	
	2021	2020
	HK\$'000	HK\$'000
(a) Net realised gain on financial assets at FVOCI		
Gross consideration	321,123	1,419,464
Cost of investments	(310,754)	(1,392,459)
Total gain	10,369	27,005
Transfer from investment revaluation reserve	(2,322)	(4,239)
Net realised gain recognised in current period	8,047	22,766

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

During the period, the Group derecognised/disposed of 4 debt securities. Listed below were the securities disposed/redeemed/exchanged that contributed to the majority of realised gain/(loss):

	Realised gain/(loss)
	HK\$'000
Golden Wheel Tiandi Holdings Company Limited ("Golden Wheel") 14.25% notes	3,483
Golden Wheel 12.95% notes	2,865
Kaisa Group Holdings Limited ("Kaisa") 9.375% notes	1,718
Jiayuan International Group Limited ("Jiayuan") 13.75% notes	(19)
	8,047

Notes to the Interim Financial Information

7 NET INVESTMENT (LOSS)/GAIN (CONTINUED)

Golden Wheel is principally engaged in the property development, property leasing and hotel operation in the PRC. Its shares are listed on HKEX (stock code: 1232). The notes derecognised were rated “B3” by Moody’s Investor Service (“Moody’s”) and listed on Singapore Stock Exchange (“SGX-ST”).

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). The notes derecognised were rated “B2” by Moody’s and listed on SGX-ST.

Jiayuan is principally engaged in the property development and property investment in the PRC. Its shares are listed on HKEX (stock code: 2768). The notes derecognised were rated “B3” by Moody’s and listed on HKEX.

The unrealised gain/(loss) for the period was generated from the fair value changes of the financial investments that comprised 36 listed securities and 3 unlisted funds as at 30th September 2021. Please refer to note 15 for the details.

Summary of net unrealised loss recognised in profit and loss account for the six months ended 30th September:

	Six months ended 30th September	
	2021	2020
	HK\$'000	HK\$'000
Listed debt securities	(53,996)	(1,938)
Unlisted funds	1,897	(1,857)
	(52,099)	(3,795)

Notes to the Interim Financial Information

8 INCOME AND EXPENSES BY NATURE

	Six months ended 30th September	
	2021 HK\$'000	2020 HK\$'000
Income		
Operating lease rental income for hotel buildings	4,688	2,285
Interest income from financial assets at FVOCI		
– Listed investments	378,706	472,159
Interest and dividend income from financial assets at FVPL		
– Listed investments	65,444	–
– Unlisted investments	767	–
Dividend income from financial assets at FVOCI		
– Listed investments	1,662	–
Expenses		
Cost of goods sold	533	417
Employee benefit expense, including Directors' emoluments (note)	30,458	29,867
Note:		
Employee benefit expense		
Wages and salaries	32,305	31,156
Retirement benefits costs	968	970
	33,273	32,126
Capitalised under property under development for sale	(2,815)	(2,259)
	30,458	29,867

Notes to the Interim Financial Information

9 NET FINANCE COSTS

	Six months ended 30th September	
	2021	2020
	HK\$'000	HK\$'000
Interest expenses		
Long term bank loans	(47,390)	(57,300)
Short term bank loans and overdrafts	(2,260)	(6,481)
Lease liabilities	(94)	(109)
Convertible notes	(7,869)	(7,395)
Hedging derivative financial instruments	(12,566)	(4,061)
Interest capitalised	7,955	6,576
	(62,224)	(68,770)
Other incidental borrowing costs	(8,426)	(8,803)
Net foreign exchange (loss)/gain on borrowings	(151)	321
Fair value loss on derivative financial instruments – cash flow hedge	(324)	(8,539)
	(71,125)	(85,791)

10 INCOME TAX CREDIT

	Six months ended 30th September	
	2021	2020
	HK\$'000	HK\$'000
Current income tax expenses		
Hong Kong profits tax	(19,641)	(7,906)
Overseas profits tax	(581)	–
Over/(under) provision in prior years	7,438	(834)
	(12,784)	(8,740)
Deferred income tax credit	24,368	18,139
	11,584	9,399

Hong Kong profits tax is provided at the rate of 16.5% (2020: 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.

11 DIVIDEND

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

Notes to the Interim Financial Information

12 (LOSS)/EARNINGS PER SHARE

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

	Six months ended 30th September	
	2021 HK\$'000	2020 HK\$'000
(Loss)/profit attributable to shareholders of the Company for calculation of basic (loss)/earnings per share	(147,262)	302,425
Effect of dilutive potential shares:		
Interest expense saved on convertible notes	7,869	7,395
(Loss)/profit attributable to shareholders of the Company for calculation of diluted (loss)/earnings per share	(139,393)	309,820
	Number of shares	
Weighted average number of shares for calculation of basic (loss)/earnings per share	2,018,040,477	2,018,040,477
Effect of dilutive potential shares:		
Convertible notes assumed to be converted at the beginning of the period	2,693,120,010	2,693,120,010
Weighted average number of shares for calculation of diluted (loss)/earnings per share	4,711,160,487	4,711,160,487
Basic (loss)/earnings per share (HK cents)	(7.3)	15.0
Diluted (loss)/earnings per share (HK cents)	(3.0)	6.6

Notes to the Interim Financial Information

13 PROPERTY, PLANT AND EQUIPMENT

	Buildings HK\$'000	Plant and equipment HK\$'000	Right-of-use assets HK\$'000	Total HK\$'000
Cost				
At 1st April 2021	1,155,938	668,109	2,605,734	4,429,781
Currency translation differences	–	(225)	(5)	(230)
Addition	–	3,587	132,062	135,649
Disposals	–	(166)	(404)	(570)
At 30th September 2021	1,155,938	671,305	2,737,387	4,564,630
Accumulated depreciation				
At 1st April 2021	360,447	536,138	669,250	1,565,835
Currency translation differences	–	(242)	(7)	(249)
Charge for the period	15,893	19,078	28,575	63,546
Disposals	–	(166)	(404)	(570)
At 30th September 2021	376,340	554,808	697,414	1,628,562
Net book value				
At 30th September 2021	779,598	116,497	2,039,973	2,936,068
At 31st March 2021	795,491	131,971	1,936,484	2,863,946

Notes:

(a) At 30th September 2021, hotel properties with carrying amount of HK\$2,691,075,000 (31st March 2021: HK\$2,738,769,000) were pledged to banks to secure bank borrowings.

(b) Supplementary information with hotel properties at valuation:

According to the Group's accounting policies, the carrying amount of the five hotel properties were HK\$2,691,075,000 (31st March 2021: HK\$2,738,769,000).

The aggregate open market value, on a highest and best use basis, of the hotel properties in Hong Kong based on valuations conducted by Vigers Appraisal & Consulting Limited ("Vigers"), independent professional valuers, amounted to HK\$11,414,200,000 (31st March 2021: HK\$11,404,900,000), 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 at valuation is for readers' information only. It does not constitute a disclosure requirement under HKAS 16 and HKFRS 16.

Notes to the Interim Financial Information

14 TRADE AND OTHER RECEIVABLES

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

Trade receivables of the Group amounted to HK\$6,951,000 (31st March 2021: HK\$3,015,000). 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 2021 HK\$'000	31st March 2021 HK\$'000
0 month to 6 months	6,818	2,875
7 months to 12 months	1	8
More than 12 months	132	132
	6,951	3,015

Notes to the Interim Financial Information

15 FINANCIAL INVESTMENTS

	30th September 2021 HK\$'000	31st March 2021 HK\$'000
Non-current assets		
Debt securities		
– Listed in the PRC	1,305,330	1,613,305
– Listed in Singapore	227,783	153,945
	1,533,113	1,767,250
Equity securities		
– Listed in Hong Kong	124,812	138,681
Unlisted funds	46,956	42,142
	1,704,881	1,948,073
Current assets		
Debt securities		
– Listed in Singapore	1,630,806	4,223,780
– Listed in Europe	414,004	276,541
– Listed in the PRC	283,233	–
– Listed in Hong Kong	191,771	212,013
	2,519,814	4,712,334
	4,224,695	6,660,407

Notes to the Interim Financial Information

15 FINANCIAL INVESTMENTS (CONTINUED)

Financial investments are classified in the following categories:

	30th September 2021 HK\$'000	31st March 2021 HK\$'000
Non-current assets		
Financial assets at FVOCI	358,704	315,525
Financial assets at FVPL	1,346,177	1,632,548
	1,704,881	1,948,073
Current assets		
Financial assets at FVOCI	2,256,500	4,711,834
Financial assets at FVPL	263,314	500
	2,519,814	4,712,334
	4,224,695	6,660,407

Financial investments are denominated in the following currencies:

	30th September 2021 HK\$'000	31st March 2021 HK\$'000
United States dollar	2,495,280	4,892,288
Renmibi	1,588,563	1,613,305
Hong Kong dollar	124,812	138,680
Japanese yen	15,611	15,634
Euro	429	500
	4,224,695	6,660,407

Supplementary information of financial investments:

Debt Securities

As at 30th September 2021, the Group held 33 (31st March 2021: 29) debt securities, 21 of them are listed in Singapore, 8 in the PRC, 2 in Hong Kong and 2 in Europe. More than 97% (31st March 2022: more than 98%) of the mark to market valuation comprising 32 (31st March 2021: 28) debt securities were issued by PRC-based real estate companies, the shares of which are all listed in Hong Kong with the exception of 1 that is listed in the United States, 1 is listed in the PRC and 2 are unlisted.

Notes to the Interim Financial Information

15 FINANCIAL INVESTMENTS (CONTINUED)

Debt Securities (Continued)

The summary of debt securities of financial investments as at 30th September 2021 and 31st March 2021 are as follows:

	30th September 2021 HK\$'000	31st March 2021 HK\$'000
Principal amount of notes	7,338,628	7,292,084
Investment cost	6,777,901	6,752,355
Fair value	4,052,927	6,479,584
Coupon	5.9% to 16%	6.58% to 15%
Maturity	Oct 2021 – Feb 2026	Oct 2021 – Feb 2026

As at 30th September 2021, the 33 (30th September 2020: 28) listed debt securities gave rise to a net unrealised fair value loss of HK\$2,457 million (2020: gain of HK\$682 million) for the six months period ended 30th September 2021. A total of 7 (2020: 20) debt securities have recorded unrealised fair value gain, with the remaining 26 (2020: 8) debt securities that recorded unrealised fair value losses.

As at 30th September 2021, the mark to market valuation of the largest single debt securities within the Group's financial investments represents approximately 3.3% (31st March 2021: 6%) of the Group's revalued total assets, and the mark to market valuation of the five largest debt securities held represents approximately 9.8% (31st March 2021: 14.9%). The remaining 28 debt securities represent 12.3% of the Group's revalued total assets, with each of them less than 0.9%.

The five largest debt securities held at 30th September 2021 are as follows:

	Fair value		Unrealised gain/(loss)		Interest income		
	30th September 2021 HK\$'000	% of the debt securities portfolio	31st March 2021 HK\$'000	% of the debt securities portfolio	for the six months ended 30th September 2021 HK\$'000	for the six months ended 30th September 2020 HK\$'000	for the six months ended 30th September 2020 HK\$'000
Pearl River 7.5% notes 1	604,103	15%	558,730	9%	14,463	-	25,780
Pearl River 7.5% notes 2	484,027	12%	473,878	7%	10,150	-	18,091
Jiayuan 11.375% notes	276,879	7%	276,541	4%	338	(1,043)	15,891
Scenery Journey 12% notes	245,542	6%	1,258,618	19%	(1,013,075)	14,068	97,422
Guangzhou R&F 6.8% notes	184,985	5%	214,247	3%	(29,262)	-	8,197

Notes to the Interim Financial Information

15 FINANCIAL INVESTMENTS (CONTINUED)

Debt Securities (Continued)

“Pearl River 7.5% notes 1” is issued by Guangdong Pearl River Investment Co., Ltd (“Pearl River”) and carries fixed coupon rate of 7.5% per annum. It is denominated in RMB, matures on 19th February 2026 and has an option for the holders to put for redemption on 19th February 2023. The notes are listed on the Shanghai Stock Exchange (“SSE”). As at 30th September 2021, they were rated “AA+” by China Lianhe Credit Rating Co., Limited (“Lianhe”). The Group acquired them through total return swap arrangements (“TRS”) arranged by Morgan Stanley & Co. International plc (“Morgan Stanley”), a public limited company incorporated in England and Wales. Pearl River is principally engaged in the development and sale of properties, property investment, hotel operations and other property development related services in the PRC.

“Pearl River 7.5% notes 2” is issued by Pearl River and carries fixed coupon rate of 7.5% per annum. It is denominated in RMB, matures on 11th January 2026 and has an option for the holders to put for redemption on 11th January 2023. The notes are listed on SSE. As at 30th September 2021, they were rated “AA+” by Lianhe. The Group acquired them through TRS arranged by Morgan Stanley.

“Jiayuan 11.375% notes” is issued by Jiayuan International Group Limited (“Jiayuan”) and carries fixed coupon rate of 11.375% per annum. It is denominated in US\$ and matures on 2nd May 2022. The notes are listed on the Frankfurt Stock Exchange. As at 30th September 2021, they were rated “B3” by Moody’s. Jiayuan is principally engaged in the property development and property investment in the PRC. Its shares are listed on HKEX (stock code: 2768).

“Scenery Journey 12% notes” is issued by Scenery Journey Limited which is a subsidiary of China Evergrande Group (“Evergrande”) and carries fixed coupon rate of 12% per annum. It is denominated in US\$ and matures on 24th October 2023. The notes are listed on SGX-ST. As at 30th September 2021, they were rated “C” by Moody’s. 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 HKEX (stock code: 3333).

“Guangzhou R&F 6.8% notes” is issued by Guangzhou R&F Properties Company Limited (“Guangzhou R&F”) and carries fixed coupon rate of 6.8% per annum. It is denominated in RMB and matures on 16th May 2022. The notes are listed on SSE and are unrated. The Group acquired them through TRS arranged by Morgan Stanley. Guangzhou R&F is principally engaged in the development and sale of properties, property investment, hotel operations and other property development related services in the PRC. Its shares are listed on HKEX (stock code: 2777).

Notes to the Interim Financial Information

15 FINANCIAL INVESTMENTS (CONTINUED)

Equity Securities and Unlisted Funds

As at 30th September 2021, the Group held 1 (31st March 2021: 1) listed equity securities and 3 (31st March 2021: 3) unlisted fund securities. The summary of equity and fund securities portfolio of financial investments as at 30th September 2021 and 31st March 2021 and their corresponding unrealised (loss)/gain and dividend income for the six months ended 30th September 2021 and 2020 are as follows:

	Fair value		Unrealised (loss)/gain		Dividend income	
	30th September 2021 HK\$'000	31st March 2021 HK\$'000	for the six months ended 30th September		for the six months ended 30th September	
			2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
HSBC Holdings PLC ("HSBC")	124,812	138,681	(13,868)	(43,738)	1,662	-
Others	46,956	42,142	1,897	(1,857)	767	-
	171,768	180,823	(11,971)	(45,595)	2,429	-

HSBC is a global banking and financial services company. It operates across various geographical regions, and its shares are listed on HKEX (stock code: 5) and London Stock Exchange (stock code: HSBA) with an "A-" rated by S&P. As at 30th September 2021, a total of 0.02% 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\$42,921,000 (31st March 2021: HK\$687,162,000).

Aging analysis of trade payables is as follows:

	30th September 2021 HK\$'000	31st March 2021 HK\$'000
0 month to 6 months	42,443	686,622
7 months to 12 months	25	8
More than 12 months	453	532
	42,921	687,162

Notes to the Interim Financial Information

17 BORROWINGS

	30th September 2021 HK\$'000	31st March 2021 HK\$'000
Current liabilities		
Short term bank loans		
Secured	–	303,325
Current portion of long term bank loans		
Secured	944,234	952,286
Unsecured	1,047,175	135,594
	1,991,409	1,391,205
Non-current liabilities		
Long term bank loans		
Secured	4,095,344	3,319,819
Unsecured	–	979,300
	4,095,344	4,299,119
	6,086,753	5,690,324

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 2021 HK\$'000	31st March 2021 HK\$'000
Repayable within one year	1,991,409	1,087,880
Repayable between one and two years	1,681,507	1,077,899
Repayable between two and five years	2,413,837	3,221,220
	6,086,753	5,386,999
Current portion included in current liabilities	(1,991,409)	(1,087,880)
	4,095,344	4,299,119

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	225,455
Interest expense (note)	7,869
Coupon payable included in trade and other payables	233,324 (612)
At the end of the period	232,712

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\$7,869,000 (2020: HK\$7,392,000) 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 2021 and 30th September 2021	35,000,000,000	700,000
Issued and fully paid:		
At 31st March 2021 and 30th September 2021	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	Investments revaluation reserve HK\$'000	Hedging Reserve HK\$'000	Currency translation reserve HK\$'000	Share option reserve HK\$'000	Revenue reserve HK\$'000	Total HK\$'000
At 31st March 2021	1,126,360	37	1,067,444	(127,688)	(18,959)	64,596	3,423	2,921,272	5,036,485
Net fair value loss on financial assets at FVOCI	-	-	-	(2,059,649)	-	-	-	-	(2,059,649)
Cash flow hedges									
- fair value loss	-	-	-	-	(1,933)	-	-	-	(1,933)
- deferred tax on derivative financial instruments	-	-	-	-	319	-	-	-	319
Currency translation differences	-	-	-	-	-	(2,892)	-	-	(2,892)
Share of currency translation differences of joint ventures	-	-	-	-	-	(2,519)	-	-	(2,519)
Loss for the period	-	-	-	-	-	-	-	(147,262)	(147,262)
2021 final dividend to shareholders	-	-	-	-	-	-	-	(13,117)	(13,117)
2021 Coupon to convertible noteholders	-	-	-	-	-	-	-	(15,062)	(15,062)
At 30th September 2021	1,126,360	37	1,067,444	(2,187,337)	(20,573)	59,185	3,423	2,745,831	2,794,370

21 CAPITAL COMMITMENTS

Capital commitments at the balance sheet date are as follows:

	30th September 2021 HK\$'000	31st March 2021 HK\$'000
Contracted but not provided for Property, plant and equipment	2,104	2,104

22 FINANCIAL GUARANTEES

	30th September 2021 HK\$'000	31st March 2021 HK\$'000
Guarantees for the bank loans of joint ventures	390,969	392,683

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	
	2021 HK\$'000	2020 HK\$'000
Income from/(expense to) subsidiaries of Asia Orient Holdings Limited		
Hotel and travel service	19	30
Operating lease rental and management services	(3,057)	(3,057)
Project management service	(2,262)	(2,364)
Travel agency service income from related companies	–	2
Interest of convertible notes to intermediate holding companies	(7,867)	(7,392)

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) (2020: Nil).

Other Information

Pursuant to Rule 13.51B of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), annual Director’s fee for Mr. Ip Chi Wai is increased to HK\$300,000, annual Director’s fee for each of Messrs. Leung Wai Keung and Wong Chi Keung is increased to HK\$250,000, all with effect from 1st July 2021.

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

As at 30th September 2021, 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 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 Listing Rules 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)	359,139,472	5,318,799	145,213,900	509,672,171	60.61
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 (60.61%) 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.

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

Director	Number of share options held Outstanding as at 1st April 2021 and 30th September 2021
Poon Hai (Note 1)	14,400,000
Poon Yeung, Roderick (Note 1)	14,400,000

Notes:

- (1) 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.
- (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.

(b) Associated corporation – Asia Orient

Director	Number of share options held Outstanding as at 1st April 2021 and 30th September 2021
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 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.

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 2021 and 30th September 2021
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.

(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 day prior to 23rd February 2047 at the conversion price/redeemable at the redemption value of HK\$0.453 per convertible note.

Save as disclosed above, as at 30th September 2021, none of the Directors or the Chief Executive 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 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.

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 2021, 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 of shares in issue (%)
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

Other Information

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 the wholly-owned subsidiary of ASI. ASI is deemed to be interested in and duplicate the interest in the shares and underlying shares of the Company 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 in the shares and underlying shares of the Company 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 in the shares and underlying shares of the Company 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 in the shares and underlying shares of the Company 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 day prior to 23rd February 2047 at the conversion price/redeemable at the redemption value of HK\$0.453 per convertible note.

Save as disclosed above, as at 30th September 2021, the Directors 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 2021, 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:

Grantee	Number of share options held
	Outstanding as at 1st April 2021 and 30th September 2021
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 2021 (2020: Nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the period, the Company has not redeemed any of its shares. Neither the Company nor any of its subsidiaries has 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 2021.

Other Information

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 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 27th August 2021 due to his other engagements at the relevant time.

AUDIT COMMITTEE

The Audit Committee has reviewed the unaudited interim results of the Group for the six months ended 30th September 2021.

On behalf of the Board

Asia Standard Hotel Group Limited

Poon, Jing

Chairman

Hong Kong, 30th November 2021

